U.D. Electronic Corp. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the consolidated financial statements of U.D. Electronic Corp. as of and for the year ended December 31, 2019 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 the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Thus, U.D. Electronic Corp. and subsidiaries did not prepare a separate set of consolidated financial statements.

Very truly yours,

U.D. ELECTRONIC CORP.

By:

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GARY CHEN
Chairman

March 5, 2020

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of U.D. Electronic Corp. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2019 is stated as follows:

The Group is a manufacturer of a variety mass-produced electronic connectors. The Group's consolidated revenue for the year ended December 31, 2019 was $4,657,720 thousand. With its products' high applicability, the Group transacts with a large number and a wide range of diverse customers. Customer with a contribution that significantly increased the Group's revenues accounted for 30.01% of the Group's total sales for the current year, representing a sales increase by 37.08% compared with 2018. Therefore, revenue recognition with the above mentioned customer is considered a key audit matter. Refer to Note 4 (m) to the consolidated financial statements for detailed information on revenue recognition. For our overall opinion to the consolidated financial statements, refer to the opinion section.

The audit procedures are the followings:

1. We understood and tested the design and operating effectiveness of the key control over revenue recognition.

2. We sampled appropriately from the sales details the above mentioned customer, reviewed invoice, custom declarations and other relevant proof of delivery with signature, and examined the remittance senders and collection process or other alternative audit procedures, to verify the occurrence of sales transactions. We also determined that significant sales returns with the above mentioned customers occurred after the reporting date.

Other Matter

We have also audited the parent company only financial statements of U.D. Electronic Corp. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 5, 2020

Notice to Readers

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

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 593,371	11	$ 976,471	18
Financial assets at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	553	-	401	-
Notes receivable (Notes 4, 9 and 23)	5,626	-	3,159	-
Trade receivables (Notes 4, 5, 9 and 23)	1,347,012	25	1,356,278	25
Other receivables (Note 4 and 9)	44,136	1	52,030	1
Current tax assets (Notes 4 and 25)	3,752	-	3,675	-
Inventories (Notes 4, 5 and 10)	1,064,782	19	1,088,945	20
Other current assets (Notes 4, 16, 17 and 32)	213,942	4	166,514	3
Total current assets	3,273,174	60	3,647,473	67
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4 and 8)	101,850	2	89,345	2
Property, plant and equipment (Notes 4, 12 and 32)	1,552,675	28	1,162,758	21
Right-of-use assets (Notes 4 and 13)	163,877	3	-	-
Other intangible assets (Notes 4 and 15)	33,583	1	8,515	-
Goodwill (Notes 4, 14 and 27)	12,150	-	12,322	-
Deferred tax assets (Notes 4 and 25)	93,127	2	63,814	1
Long-term prepayments for lease (Note 16)	-	-	57,455	1
Other non-current assets (Notes 4, 17 and 32)	199,032	4	407,654	8
Total non-current assets	2,156,294	40	1,801,863	33
TOTAL	$ 5,429,468	100	$ 5,449,336	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 904,780	17	$ 1,047,834	19
Financial liabilities at fair value through profit or loss (FVTPL) - current (Notes 4 and 7)	3,765	-	1,290	-
Contract liabilities - current (Notes 4 and 23)	13,800	-	14,429	-
Trade payables	442,276	8	465,388	9
Lease liabilities - current (Notes 4 and 13)	20,352	1	-	-
Other payables (Note 20)	602,199	11	597,035	11
Current tax liabilities (Notes 4 and 25)	18,306	-	23,350	-
Current portion of long-term borrowings and bonds payable (Notes 4, 18, 19 and 32)	397,309	7	29,450	1
Other current liabilities	6,506	-	8,118	-
Total current liabilities	2,409,293	44	2,186,894	40
NON-CURRENT LIABILITIES				
Lease liabilities - non-current (Notes 4 and 13)	90,682	2	-	-
Bond payables (Notes 4, 19 and 32)	-	-	287,265	5
Long-term borrowings (Notes 18 and 32)	364,000	7	265,050	5
Deferred tax liabilities (Notes 4 and 25)	6,852	-	4,386	-
Guarantee deposits received	813	-	740	-
Total non-current liabilities	462,347	9	557,441	10
Total liabilities	2,871,640	53	2,744,335	50
EQUITY ATTRIBUTABLE TO OWNERS OF THE GROUP (Notes 4 and 22)				
Share capital				
Ordinary shares	696,758	13	696,758	13
Capital surplus	737,456	14	737,456	13
Retained earnings				
Legal reserve	314,074	6	302,055	6
Special reserve	154,427	3	147,131	3
Unappropriated earnings	847,902	15	897,460	16
Total retained earnings	1,316,403	24	1,346,646	25
Other equity	(220,594)	(4)	(154,427)	(3)
Total equity attributable to owners of the Company	2,530,023	47	2,626,433	48
NON-CONTROLLING INTERESTS (Note 4, 22 and 27)	27,805	-	78,568	2
Total equity	2,557,828	47	2,705,001	50
TOTAL	$ 5,429,468	100	$ 5,449,336	100

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE				
Sales (Notes 4, 23 and 37)	$ 4,657,720	100	$ 4,477,826	100
OPERATING COSTS				
Cost of goods sold (Notes 10, 24 and 33)	(3,818,338)	(82)	(3,639,029)	(81)
GROSS PROFIT	839,382	18	838,797	19
OPERATING EXPENSES (Notes 24)				
Selling and marketing expenses	(201,265)	(4)	(190,658)	(5)
General and administrative expenses	(369,097)	(8)	(356,464)	(8)
Research and development expenses	(270,321)	(6)	(227,081)	(5)
Expected credit loss (Notes 4 and 9)	(1,321)	-	(33)	-
Total operating expenses	(842,004)	(18)	(774,236)	(18)
(LOSS) PROFIT FROM OPERATIONS	(2,622)	-	64,561	1
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 24)	51,243	1	44,279	1
Other gains (Notes 4 and 24)	20,056	1	18,622	1
Finance costs (Notes 4, 19 and 24)	(41,645)	(1)	(26,882)	(1)
Total non-operating income and expenses	29,654	1	36,019	1
PROFIT BEFORE INCOME TAX	27,032	1	100,580	2
INCOME TAX EXPENSE (Notes 4 and 25)	(26,982)	(1)	(22,987)	-
NET PROFIT FOR THE YEAR	50	-	77,593	2
OTHER COMPREHENSIVE LOSS (Notes 4, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	14,597	-	11,047	-
Income tax related to items that would not be reclassified subsequently to profit or loss	(3,348)	-	(2,697)	-
	11,249	-	8,350	-

(Continued)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	$ (96,905)	(2)	$ (23,361)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	19,332	1	9,754	-
	(77,573)	(1)	(13,607)	-
Other comprehensive loss for the year, net of income tax	(66,324)	(1)	(5,257)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ (66,274)	(1)	$ 72,336	2
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 53,368	1	$ 120,188	3
Non-controlling interests	(53,318)	(1)	(42,595)	(1)
	$ 50	-	$ 77,593	2
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ (12,799)	-	$ 115,099	3
Non-controlling interests	(53,475)	(1)	(42,763)	(1)
	$ (66,274)	(1)	$ 72,336	2
EARNINGS PER SHARE (NTD; Note 26)				
From continuing operations				
Basic	$ 0.77		$ 1.72	
Diluted	$ 0.76		$ 1.67	

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								
			Retained Earnings			Other Equity			
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statement of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 696,758	$ 728,457	$ 277,707	$ 87,468	$ 1,021,537	$ (147,131)	$ (2,207)	$ 83,068	$ 2,745,657
Appropriation of 2017 earnings (Note 22)									
Legal reserve	-	-	24,348	-	(24,348)	-	-	-	-
Special reserve	-	-	-	59,663	(59,663)	-	-	-	-
Cash dividends	-	-	-	-	(160,254)	-	-	-	(160,254)
Other changes in capital surplus									
Equity component of convertible bonds issued by the Company (Notes 19 and 22)	-	8,999	-	-	-	-	-	-	8,999
Net profit for the year ended December 31, 2018	-	-	-	-	120,188	-	-	(42,595)	77,593
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax (Note 22)	-	-	-	-	-	(13,439)	8,350	(168)	(5,257)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	120,188	(13,439)	8,350	(42,763)	72,336
Non-controlling interests (Notes 22 and 27)	-	-	-	-	-	-	-	38,263	38,263
BALANCE AT DECEMBER 31, 2018	696,758	737,456	302,055	147,131	897,460	(160,570)	6,143	78,568	2,705,001
Appropriation of 2018 earnings (Note 22)									
Legal reserve	-	-	12,019	-	(12,019)	-	-	-	-
Special reserve	-	-	-	7,296	(7,296)	-	-	-	-
Cash dividends	-	-	-	-	(83,611)	-	-	-	(83,611)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	53,368	-	-	(53,318)	50
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax (Note 22)	-	-	-	-	-	(77,416)	11,249	(157)	(66,324)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	53,368	(77,416)	11,249	(53,475)	(66,274)
Non-controlling interests (Notes 22 and 27)	-	-	-	-	-	-	-	2,712	2,712
BALANCE AT DECEMBER 31, 2019	$ 696,758	$ 737,456	$ 314,074	$ 154,427	$ 847,902	$ (237,986)	$ 17,392	$ 27,805	$ 2,557,828

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

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 27,032	$ 100,580
Adjustments for:		
Depreciation expenses	347,452	288,297
Amortization expenses	7,803	7,178
Amortization of prepayments for leases	-	2,460
Expected credit loss recognized on trade receivables	1,321	33
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	2,371	(739)
Finance costs	41,645	26,882
Interest income	(12,378)	(12,666)
Dividend income	(1,866)	(2,387)
Write-downs of inventories	12,072	2,486
Loss on disposal of property, plant and equipment	63	1,237
Net loss (gain) on foreign currency exchange	34,199	(5,312)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	2,157
Notes receivable	(2,684)	5,937
Trade receivables	(21,569)	(157,425)
Other receivables	6,488	(32,452)
Inventories	(22,693)	(123,199)
Other current assets	1,784	(39,187)
Contract liabilities	(682)	6,948
Trade payables	(8,052)	(154)
Other payables	(38,625)	100,204
Other current liabilities	(959)	(10,387)
Cash generated from operations	372,722	160,491
Interest received	12,598	12,431
Dividend received	1,866	2,387
Interest paid	(35,844)	(21,093)
Income tax paid	(42,731)	(31,800)
Net cash generated from operating activities	308,611	122,416
CASH FLOWS FROM INVESTING ACTIVITIES		
Return of funds to financial assets at fair value through other comprehensive income	2,092	12,570
Net cash inflow on acquisition of subsidiaries (Note 27)	1,640	17,366
Payments for property, plant and equipment	(304,924)	(242,403)
Proceeds from disposal of property, plant and equipment	4,049	7,175
Decrease in other receivables	-	181,311
Payments for intangible assets	(13,428)	(6,827)
Increase in other financial assets	-	(57,270)
Decrease in other financial assets	3,776	-

(Continued)

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
Increase in refundable deposits	$ (9,544)	$ -
Decrease in refundable deposits	-	3,221
Decrease in other non-current assets	8,235	262
Increase in prepayments for equipment	(278,363)	(218,440)
Net cash used in investing activities	(586,467)	(303,035)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	127,042
Repayments of short-term borrowings	(135,654)	-
Proceeds from issuance of convertible bonds	-	287,890
Proceeds from long-term borrowings	225,500	63,500
Repayments of long-term borrowings	(52,000)	-
Repayment of the principal portion of lease liabilities	(18,654)	-
Proceeds from guarantee deposits received	108	-
Refund of guarantee deposits received	-	(150)
Dividends paid to owners of the Company	(83,611)	(160,254)
Dividends paid to non-controlling interests	-	24,500
Net cash (used in) generated from financing activities	(64,311)	342,528
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(40,933)	(3,443)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(383,100)	158,466
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	976,471	818,005
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 593,371	$ 976,471

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

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 of $10,000 thousand, and the accumulated share capital was $696,758 thousand as of December 31, 2019. The Company is a trading enterprise and mainly engages in selling electronic connectors for telecommunications, data communications and computers.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 5, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

   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 did not have any material impact on the Group's accounting policies.

   IFRS 16 "Leases"

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies

   Definition of a lease

   The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies impairment test following IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.7895%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 124,062
Less: Recognition exemption for short-term leases	(2,572)
Undiscounted amounts on January 1, 2019	$ 121,490
Discounted amounts using the incremental borrowing rate on January 1, 2019 (lease liabilities recognized on January 1, 2019)	$ 113,421

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - non-current	$ 57,455	$ (57,455)	$ -
Other current assets	1,393	(1,393)	-
Right-of-use assets	-	172,269	172,269
Total effect on assets	$ 58,848	$ 113,421	$ 172,269
Lease liabilities - current	$ -	$ 16,499	$ 16,499
Lease liabilities - non-current	-	96,922	96,922
Total effect on liabilities	$ -	$ 113,421	$ 113,421

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed the application of the above standards and interpretations did not have an impact on the Group’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

current are classified as non-current.

d. Basis of consolidation

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, Tables 7 and 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

g. Inventories

Inventories consist of raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjust to the weighted-average cost on the balance sheet date.

h. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 30.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Despite the immaterial of the recognition of interest of short term trade receivables, other exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such the financial assets; and

ii. Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to such amortized cost of such financial assets.

A financial asset is credit impaired when one or more of the following events have occurred:

i. Significant financial difficulty of the issuer or the borrower;

ii. Breach of contract, such as a default;

iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv. The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii. 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.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default:

a) Internal or external information show that the debtor is unlikely to pay its creditors.

b) When a financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at FVTPL

  Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

  Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 30.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option which is classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - other.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue comes from the sales of electronic connectors. Sales of electronic materials are recognized as revenue when the goods are delivered to the customer's specific location or the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered or shipped to the customer.

n. Leases

Aside from the accounting policy of lease and the following statement. Please refer to the summary of significant accounting policies of the consolidated financial report 2018.

<u>2019</u>

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

<u>The Group as lessee</u>

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as expenses over the lease term.

o. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets 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.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Critical Accounting Judgements

Lease terms - 2019

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occur.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 2,359	$ 2,787
Demand deposits	390,183	298,290
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	200,829	675,394
	$ 593,371	$ 976,471

The market rate intervals of cash in the bank at the end of the reporting period is as follows:

	December 31	
	2019	**2018**
Bank balance	0.001%-2.520%	0.001%-2.025%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2019	December 31 2018
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 553	$ 401
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Options of convertible bonds (Note 19)	$ 1,920	$ 1,290
Foreign exchange forward contracts	1,845	-
	$ 3,765	$ 1,290

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

	Currency	Maturity Period	Notional Amount (In Thousands)
December 31, 2019			
Sell	USD/RMB	2020.02.20-2020.03.23	USD3,000/RMB21,054
Sell	USD/RMB	2020.01.13-2020.03.23	USD11,000/RMB77,109
December 31, 2018			
Sell	USD/RMB	2019.01.22	USD6,000/RMB41,322

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31 2019	December 31 2018
Non-current		
Domestic investment		
Unlisted shares		
Fortune Rich Investment Corporation	$ 10,652	$ 17,045
Emerging Fortune Capital Inc.	16,391	14,234
Emerging Creation Capital Inc.	70,849	53,933
Dy-Precision Industrial Co., Ltd.	3,958	4,133
	$ 101,850	$ 89,345

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

9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2019	**2018**
Notes receivable		
At amortized cost		
Gross carrying amount	$ 5,626	$ 3,159
Less: Allowance for impairment loss	-	-
	$ 5,626	$ 3,159
Trade receivables		
At amortized cost		
Gross carrying amount	$ 1,166,623	$ 1,038,603
Less: Allowance for impairment loss	(973)	(72)
	1,165,650	1,038,531
At FVTOCI (a.2)	181,362	317,747
	$ 1,347,012	$ 1,356,278
Other receivables		
Tax refund receivable	$ 29,497	$ 42,081
Factored trade receivables	11,649	5,047
Others	2,990	4,902
	$ 44,136	$ 52,030

a. Notes receivable and trade receivables

1) At amortized cost

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

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtors and an analysis of the debtors' current financial positions and general economic conditions of the industry, along with considering the forecasted GDP and the industry prospect.

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

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

December 31, 2019

	Not Past Due
Expected credit loss rate	0.00%
Gross carrying amount	$ 5,626
Loss allowance (Lifetime ECLs)	-
Amortized cost	$ 5,626

December 31, 2018

	Not Past Due
Expected credit loss rate	0.00%
Gross carrying amount	$ 3,159
Loss allowance (Lifetime ECLs)	-
Amortized cost	$ 3,159

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

December 31, 2019

	Not Past Due	Less than and Including 60 Days	61 to 120 Days	More than and Including 121 Days	Total
Expected credit loss rate	0.00228%	0.0111%	0.4264%	23.78%	
Gross carrying amount	$ 1,052,107	$ 98,825	$ 11,961	$ 3,730	$ 1,166,623
Loss allowance (Lifetime ECLs)	(24)	(11)	(51)	(887)	(973)
Amortized cost	$ 1,052,083	$ 98,814	$ 11,910	$ 2,843	$ 1,165,650

December 31, 2018

	Not Past Due	Less than and Including 60 Days	61 to 120 Days	More than and Including 121 Days	Total
Expected credit loss rate	0.0033%	0.1205%	2.7400%	50.0000%	
Gross carrying amount	$ 1,019,279	$ 19,087	$ 219	$ 18	$ 1,038,603
Loss allowance (Lifetime ECLs)	(34)	(23)	(6)	(9)	(72)
Amortized cost	$ 1,019,245	$ 19,064	$ 213	$ 9	$ 1,038,531

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 72	$ 40
Add: Net remeasurement of loss allowance	1,321	33
Less: Amounts written off	(387)	-
Foreign exchange gains and losses	(33)	(1)
Balance at December 31	$ 973	$ 72

2) At FVTOCI

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

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

December 31, 2019

	Not Past Due	Less than and Including 60 Days	61 to 120 Days	More than and Including 121 Days	Total
Expected credit loss rate	-	-	-	-	
Gross carrying amount	$ 181,362	$ -	$ -	$ -	$ 181,362
Loss allowance (Lifetime ECLs)	-	-	-	-	-
Amortized cost	$ 181,362	$ -	$ -	$ -	$ 181,362

December 31, 2018

	Not Past Due	Less than and Including 60 Days	61 to 120 Days	More than and Including 121 Days	Total
Expected credit loss rate	-	-	-	-	
Gross carrying amount	$ 317,511	$ 236	$ -	$ -	$ 317,747
Loss allowance (Lifetime ECLs)	-	-	-	-	-
Amortized cost	$ 317,511	$ 236	$ -	$ -	$ 317,747

b. Other receivables

Other receivables mainly contain tax refunds receivable and factored trade receivables. The policy that the Group adopted is to carry out a transaction only with company with good credit. The Group continuously tracks the overdue record of the past and analyzes its financial situation to evaluate if there is a significant increase in the credit risk and measure the expected credit loss. As of December 31, 2019 and 2018, the expected credit risk is considered 0% by the assessment of the Group.

10. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 391,208	$ 335,423
Work in progress	509,889	591,488
Raw materials and supplies	163,685	162,034
	$ 1,064,782	$ 1,088,945

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $3,818,338 thousand and $3,639,029 thousand, respectively. The cost of goods sold included inventory write-downs of $12,072 thousand and $2,486 thousand, respectively.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

			Proportion of Ownership (%) December 31		
Investor	Investee	Investee's Company Type/Main Business	2019	2018	Remark
U.D. Electronic Corp.	Global Connection (Samoa) Holding Inc.	Holding company	100	100	Foreign exchange risk is the major operational risk
U.D. Electronic Corp.	CDE Corp.	Manufacturing and selling of electronic materials	50	50	Market risk is the major operational risk
U.D. Electronic Corp.	DYP Corp.	Selling of electronic components	51	51	Market risk is the major operational risk

(Continued)

Investor	Investee	Investee's Company Type/Main Business	Proportion of Ownership (%) December 31 2019	Proportion of Ownership (%) December 31 2018	Remark
Global Connection (Samoa) Holding Inc.	Sunderland Inc.	Holding company	100	100	Foreign exchange risk is the major operational risk
Global Connection (Samoa) Holding Inc.	San Francisco Inc.	Holding company	100	100	Foreign exchange risk is the major operational risk
Global Connection (Samoa) Holding Inc.	All First International Co., Ltd.	International trading	100	100	Foreign exchange and market risks are major operational risks
DYP Corp.	Ta Yang UDE Limited	Holding company	100	100 (Note 1)	Foreign exchange risk is the major operational risk
Sunderland Inc.	Dongguan Jian Guan P.E. Co., Ltd.	Manufacturing and selling of electronic components	100	100	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
San Francisco Inc.	Zhong Jiang U.D.E. Electronics Corp.	Manufacturing and selling of electronic components	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	Political, and market risks are major operational risks
Ta Yang UDE Limited	Dongguan TY U.D.E. Precision Co., Ltd.	Manufacturing and selling of electronic components	100	100	Political, foreign exchange, and market risks are major operational risks
Ta Yang UDE Limited	Morning Paragon Limited	International trading	100	100	Foreign exchange and market risks are major operational risks
Ta Yang UDE Limited	Million Like Limited	International trading	- (Note 2)	100 (Note 2)	Foreign exchange and market risks are major operational risks
Dongguan Jian Guan P.E. Co., Ltd.	Dongguan Ai Te Chieh Intellectual Technology Co., Ltd.	Machinery and automatic equipment development	60	60 (Note 3)	Political, and market risks are major operational risks
Dongguan Jian Guan P.E. Co., Ltd.	Dongguan Han Lian Technology Co., Ltd.	Manufacturing and selling of electronic connectors and electronic products	70 (Note 4)	-	Political, and market risks are major operational risks

(Concluded)

Note 1: In January 2018, Ta Yang UDE Limited issued ordinary share, and the Group acquired an additional interest at its original ownership percentage.

Note 2: In January 2018, the Group acquired a 100% interest of Million Like Limited. Since no plan for further operations, the company was liquidated and its registration was canceled in April 2019.

Note 3: The Group acquired a 60% interest in Dongguan Ai Te Chieh Intellectual Technology Co., Ltd. via Dongguan Jian Guan P.E. Co., Ltd. in November 2018.

Note 4: The Group acquired a 70% interest in Dongguan Han Lian Technology Co., Ltd. via Dongguan Jian Guan P.E. Co., Ltd. in March 2019.

12. PROPERTY, PLANT AND EQUIPMENT - USED BY THE GROUP

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Mold Equipment	Leasehold Improvements	Other Equipment	Property under Construction	Total
Cost										
Balance at January 1, 2019	$ 159,538	$ 311,041	$ 1,175,132	$ 21,251	$ 24,858	$ 278,704	$ 65,810	$ 259,778	$ 22,477	$ 2,318,589
Additions	-	10,554	255,793	1,568	753	60,357	16,700	42,746	-	388,471
Disposals	-	-	(23,011)	(1,306)	(487)	(10,136)	(103)	(6,091)	-	(41,134)
Transfer from (to) prepayments	-	5,183	341,761	-	-	18,282	2,411	10,139	(15,687)	362,089
Effect of foreign currency exchange differences	-	(8,161)	(44,125)	(854)	(593)	(13,898)	(3,391)	(12,229)	(270)	(83,521)
Balance at December 31, 2019	$ 159,538	$ 318,617	$ 1,705,550	$ 20,659	$ 24,531	$ 333,309	$ 81,427	$ 294,343	$ 6,520	$ 2,944,494
Accumulated depreciation										
Balance at January 1, 2019	$ -	$ 55,842	$ 654,347	$ 19,545	$ 16,630	$ 192,458	$ 53,642	$ 163,367	$ -	$ 1,155,831
Disposals	-	-	(19,594)	(1,306)	(487)	(10,018)	(103)	(5,514)	-	(37,022)
Depreciation	-	30,231	158,635	862	5,265	53,826	13,480	62,675	-	324,974
Effect of foreign currency exchange differences	-	(2,721)	(27,028)	(758)	(492)	(9,453)	(2,681)	(8,831)	-	(51,964)
Balance at December 31, 2019	$ -	$ 83,352	$ 766,360	$ 18,343	$ 20,916	$ 226,813	$ 64,338	$ 211,697	$ -	$ 1,391,819
Carrying amounts at December 31, 2019	$ 159,538	$ 235,265	$ 939,190	$ 2,316	$ 3,615	$ 106,496	$ 17,089	$ 82,646	$ 6,520	$ 1,552,675
Cost										
Balance at January 1, 2018	$ 159,538	$ 306,808	$ 1,078,177	$ 20,625	$ 22,490	$ 245,162	$ 55,016	$ 188,669	$ 15,887	$ 2,092,372
Additions	-	7,653	85,850	1,003	976	49,916	6,919	50,281	-	202,598
Acquisitions through business combinations	-	-	185	-	1,709	-	4,961	1,359	-	8,214
Disposals	-	-	(41,072)	-	(712)	(22,785)	-	(5,010)	-	(69,579)
Transfer from prepayments	-	-	68,777	-	630	11,388	-	29,134	6,995	116,924
Effect of foreign currency exchange differences	-	(3,420)	(16,785)	(377)	(235)	(4,977)	(1,086)	(4,655)	(405)	(31,940)
Balance at December 31, 2018	$ 159,538	$ 311,041	$ 1,175,132	$ 21,251	$ 24,858	$ 278,704	$ 65,810	$ 259,778	$ 22,477	$ 2,318,589
Accumulated depreciation										
Balance at January 1, 2018	$ -	$ 30,460	$ 546,499	$ 18,454	$ 12,746	$ 167,503	$ 48,420	$ 123,525	$ -	$ 947,607
Disposals	-	(410)	(29,016)	-	(693)	(20,783)	-	(10,265)	-	(61,167)
Depreciation	-	26,610	147,098	1,439	4,751	49,175	6,177	53,047	-	288,297
Effect of foreign currency exchange differences	-	(818)	(10,234)	(348)	(174)	(3,437)	(955)	(2,940)	-	(18,906)
Balance at December 31, 2018	$ -	$ 55,842	$ 654,347	$ 19,545	$ 16,630	$ 192,458	$ 53,642	$ 163,367	$ -	$ 1,155,831
Carrying amounts at December 31, 2018	$ 159,538	$ 255,199	$ 520,785	$ 1,706	$ 8,228	$ 86,246	$ 12,168	$ 96,411	$ 22,477	$ 1,162,758

There was no impairment loss after performing impairment assessment for the years ended December 31, 2019 and 2018.

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

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

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 32.

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 55,171
Buildings	108,706
	$ 163,877

	December 31, 2019
Additions to right-of-use assets	$ 21,194
Depreciation charge for right-of-use assets	
Land	$ 1,395
Buildings	21,083
	$ 22,478

There was no impairment loss after performing impairment assessment for the years ended December 31, 2019 and 2018.

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 20,352
Non-current	$ 90,682

Discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.38%-1.7895%

c. Material lease-in activities and terms

The Group leases certain land and buildings for the use as plants and offices with lease terms of 5 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor’s consent.

d. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 1,891
Expenses relating to low-value asset leases	$ 536
Total cash outflow for leases	$ (23,158)

The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for the short-term and low-value asset leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31, 2018
Not later than 1 year	$ 20,020
Later than 1 year and not later than 5 years	72,808
Later than 5 years	31,234
	$ 124,062

The lease payments and sublease payments recognized in profit or loss were as follows:

	For the Year Ended December 31, 2018
Minimum lease payments	$ 14,519

14. GOODWILL

	For the Year Ended December 31	
	2019	2018
Cost		
Balance at January 1	$ 12,322	$ 6,103
Additional amounts recognized from business combinations that occurred during the year (Note 27)	79	6,219
Effect of foreign currency exchange differences	(251)	-
Balance at December 31	$ 12,150	$ 12,322

In February 2013, November 2018 and March 2019, the Company acquired a 50% interest in CDE Corp., a 60% interest in Dongguan Ai Te Chieh Intellectual Technology Co., Ltd., and a 70% interest in Dongguan Han Lian Technology Co., Ltd., respectively. The value of goodwill was recognized when the cost of acquisition is higher than the net fair value of the identifiable assets and liabilities recognized at the date of acquisition. As of December 31, 2019 and 2018, based on estimated fair value through the calculation of discounted cash flows of CDE Corp., Dongguan Ai Te Chieh Intellectual Technology Co., Ltd. and Dongguan Han Lian Technology Co., Ltd., no impairment loss was recognized.

15. OTHER INTANGIBLE ASSETS

	Computer Software	Patents	Total
Cost			
Balance at January 1, 2019	$ 41,192	$ -	$ 41,192
Additions	3,666	9,762	13,428
Transfer from other non-current assets - others	-	19,524	19,524
Disposals	(5,341)	-	(5,341)
Effect of foreign currency exchange differences	(1,221)	-	(1,221)
Balance at December 31, 2019	$ 38,296	$ 29,286	$ 67,582
Accumulated amortization			
Balance at January 1, 2019	$ (32,677)	$ -	$ (32,677)
Amortization expenses	(5,469)	(2,334)	(7,803)
Disposals	5,341	-	5,341
Effect of foreign currency exchange differences	1,140	-	1,140
Balance at December 31, 2019	$ (31,665)	$ (2,334)	$ (33,999)
Carrying amounts at December 31, 2019	$ 6,631	$ 26,952	$ 33,583
Cost			
Balance at January 1, 2018	$ 35,550	$ -	$ 35,550
Additions	6,827	-	6,827
Disposals	(668)	-	(668)
Effect of foreign currency exchange differences	(517)	-	(517)
Balance at December 31, 2018	$ 41,192	$ -	$ 41,192
Accumulated amortization			
Balance at January 1, 2018	$ (26,627)	$ -	$ (26,627)
Amortization expenses	(7,178)	-	(7,178)
Disposals	668	-	668
Effect of foreign currency exchange differences	460	-	460
Balance at December 31, 2018	$ (32,677)	$ -	$ (32,677)
Carrying amounts at December 31, 2018	$ 8,515	$ -	$ 8,515

There was no impairment loss after performing impairment assessment for the years ended December 31, 2019 and 2018.

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

Computer software	2-5 years
Patents	12 years

	For the Year Ended December 31	
	2019	**2018**
An analysis of amortization by function		
Selling and marketing expenses	$ 3,377	$ 1,240
General and administrative expenses	3,675	4,806
Research and development expenses	751	1,132
	$ 7,803	$ 7,178

16. PREPAYMENTS FOR LEASE

	December 31	
	2019	**2018**
Current assets (included in prepayments)	$ -	$ 1,393
Non-current assets	-	57,455
	$ -	$ 58,848

Prepayment for leases are use rights of land located in mainland China. The Group had obtained land use rights certificates which were issued by the P.R.C. government.

17. OTHER ASSETS

	December 31	
	2019	**2018**
Current		
Prepaid sales tax	$ 79,936	$ 86,370
Prepayments	48,929	53,865
Overpaid sales tax	17,853	18,038
Other financial assets - current (Note 32)	61,962	5,738
Others	5,262	2,503
	$ 213,942	$ 166,514
Non-current		
Prepayments for equipment	$ 149,886	$ 278,591
Prepayments - non-current	28,236	37,595
Refundable deposits	13,910	4,944
Other financial assets - non-current (Note 32)	-	60,000
Others	7,000	26,524
	$ 199,032	$ 407,654

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Unsecured borrowings		
Line of credit borrowings	$ 904,780	$ 1,047,834

The range of interest rates for bank loans was 1.00%-2.80% and 0.77%-3.70% per annum at December 31, 2019 and 2018, respectively.

b. Long-term borrowings

	December 31	
	2019	2018
Secured borrowings		
Bank loans	$ 468,000	$ 294,500
Less: Current portions	(104,000)	(29,450)
Long-term borrowings	$ 364,000	$ 265,050

The Group acquired bank borrowing facilities in the amount of $1,400,000 thousand secured by the Group's freehold land (see Note 31) and will be repayable in September 30, 2021. As of December 31, 2019 and December 31, 2018, the interest rate was the same of 1.7895% per annum. Interest is paid monthly. The Group started repaying the principal on September 30, 2019 with five semi-annual instalments, consist of first four instalments with an amount of 10% of the borrowing and the fifth one on September 30, 2021 with an amount of the remaining portion of the principal and interests.

19. BONDS PAYABLE

	December 31	
	2019	2018
Second secured domestic convertible bonds	$ 293,309	$ 287,265
Less: Current portion	(293,309)	-
	$ -	$ 287,265

Second Secured Domestic Convertible Bonds

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

The following items are the primary clauses in the prospectus:

a. Term

From February 5, 2018 to February 5, 2021

b. Redemption

The Group may redeem the whole bonds, after 3 months of the issuance and prior to the maturity date, at the principal amount of the bonds if the closing price of the ordinary shares of the Group, for a period of 30 consecutive trading days, is at least 30% of the conversion price.

The Group may redeem the whole bonds, after 3 months of the issuance and prior to the maturity date, at the early redemption amount if at least 90% of the bonds' principal amount has already been converted, redeemed or repurchased and cancelled.

c. Conversion

Conversion period

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

Conversion price and adjustments

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

d. Security provided for the bonds (see Note 32).

e. Bondholders' put right

On February 5, 2020 (2 years after the issue date), each bondholder will have the right, at such holder's option, to require the Group to redeem in whole or in part the principal amount of such holder's bonds in cash by filling an application with the original brokerage before 40 days prior to the base date. For the relevant changes please refer to Note 30.

f. Bond components

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

Proceeds from issuance (less transaction costs of $12,110 thousand)	$ 287,890
Equity component	(8,999)
Financial assets at FVTPL	522
Deferred tax assets	2,422
Liability component at the date of issuance	281,835
Interest charged at an effective interest rate of 2.0838%	5,430
Liability component at December 31, 2018	287,265
Interest charged at an effective interest rate of 2.0838%	6,044
Liability component at December 31, 2019	$ 293,309

20. OTHER LIABILITIES

	December 31 2019	December 31 2018
Current		
Other payables		
Processing fees	$ 167,656	$ 206,988
Salaries and bonuses	123,055	131,182
Payable for purchases of equipment (Note 28)	122,657	73,550
Consumable supplies expenses	42,978	44,706
Professional service fees	36,839	31,311
Payable for labor and healthy insurance, social security and pension	36,258	35,431
Commissions	8,787	11,725
Human dispatch payable	5,989	-
Import/export (customs) expense	3,405	3,796
Interest payable	741	984
Others	53,834	57,362
	$ 602,199	$ 597,035

21. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Company, CDE Corp. and DYP Corp. have a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under the LPA, the Company, CDE Corp. and DYP 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

	December 31 2019	December 31 2018
Number of shares authorized (in thousands)	100,000	100,000
Share capital authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	69,676	69,676
Share capital issued	$ 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.

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

On January 25, 2018, the Company's board of directors resolved to issue 4,000 thousand ordinary shares, with a consideration of NT$45 per share. The subscription base date was determined as February 17, 2018. Reeled in raising capital due to the recent volatility of capital market, considering shareholders' benefit and the Company' interest as a whole, on March 29, 2018, the Company's board of directors resolved to cancel the issuance of ordinary shares, which was approved by the FSC on April 3, 2018 with reference number 1070309843.

b. Capital surplus

	December 31	
	2019	**2018**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Arising from issuance of ordinary shares	$ 568,037	$ 568,037
Arising from conversion of bonds	152,962	152,962
May be used to offset a deficit only		
Redemption or repayment of convertible bonds (2)	5,552	5,552
Changes in percentage of ownership interests in subsidiaries (3)	1,906	1,906
May not be used for any purpose		
Share warrants (Note 19)	8,999	8,999
	$ 737,456	$ 737,456

1) Such capital surplus may be used to offset a deficit; in addition, when the Group 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) Redemption or repayment of convertible bonds may only be utilized to offset deficits.

3) Such capital surplus arises from the effects of changes in ownership interests in a subsidiary resulting from equity transactions other than an actual disposal or acquisition or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 18, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that the board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividends 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 by issuing new shares. In addition, the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Under the dividends policy as set forth in the Articles before the amendments, 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. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, please refer to Note 24(f).

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

Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meetings on June 18, 2019 and June 18, 2018, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2018	2017
Legal reserve	$ 12,019	$ 24,348
Special reserve	$ 7,296	$ 59,663
Cash dividends	$ 83,611	$ 160,254
Cash Dividends per share (NT$)	$1.2	$2.3

The appropriation of earnings for 2019 was resolved by the Company's board of directors on March 5, 2020. The appropriation and dividends per share were as follows:

	For the Year Ended December 31, 2019
Legal reserve	$ 5,337
Special reserve	$ 66,167
Cash dividends	$ 34,838
Cash Dividends per share (NT$)	$0.5

d. Other equity items

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

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ (160,570)	$ (147,131)
Effect of change in tax rate	-	5,035
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(96,771)	(23,107)
Related income tax	19,355	4,633
Other comprehensive income recognized for the year	(77,416)	(13,439)
Balance at December 31	$ (237,986)	$ (160,570)

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

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 6,143	$ (2,207)
Effect of change in tax rate	-	(49)
Recognized for the year		
Unrealized gain - equity instruments	14,597	11,047
Related income tax	(3,348)	(2,648)
Other comprehensive income recognized for the year	11,249	8,350
Balance at December 31	$ 17,392	$ 6,143

e. Non-controlling interests

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 78,568	$ 83,068
Share in loss for the year	(53,318)	(42,595)
Other comprehensive loss during the year		
Effect of change in tax rate	-	35
Exchange difference on translating the financial statements of foreign entities	(134)	(254)
Related income tax	(23)	51
	(157)	(168)
Subsidiaries issued ordinary shares for cash		
DYP Crop.	-	24,500
Non-controlling interests arising from acquisition of Dongguan Ai Te Chieh Intellectual Technology Co., Ltd. (Note 27)	-	13,763
Non-controlling interests arising from acquisition of Dongguan Han Lian Technology Co., Ltd. (Note 27)	2,712	-
	2,712	38,263
Balance at December 31	$ 27,805	$ 78,568

23. REVENUE

a. Description of customer contract

Revenue from sales of goods

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

b. Contract balance

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and trade receivables (Note 9)	$ 1,352,638	$ 1,359,437	$ 1,202,462
Contract liabilities			
Sale of goods	$ 13,800	$ 14,429	$ 7,481

Revenue recognized in the current year that was included in the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods is as follows:

	For the Year Ended December 31	
	2019	2018
From contract liabilities at the start of the year		
Sale of goods	$ 11,688	$ 545

c. Sales detail of customer contract

The detail of revenue classification refer to Note 36.

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income		
Bank deposits	$ 12,378	$ 12,666
Dividend income	1,866	2,387
Government grants	13,300	13,864
Others	23,699	15,362
	$ 51,243	$ 44,279

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	$ (63)	$ (1,237)
Fair value changes of financial assets/liabilities		
Financial assets mandatorily classified as at FVTPL	570	2,551
Financial liabilities held for trading	(2,941)	(1,812)
Net foreign exchange gains	23,273	19,851
Others	(783)	(731)
	$ 20,056	$ 18,622

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	$ 33,524	$ 21,452
Interest on convertible bonds (Note 19)	6,044	5,430
Interest on lease liabilities	2,077	-
	$ 41,645	$ 26,882

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of deprecation by function		
Operating costs	$ 255,484	$ 217,602
Operating expenses	91,968	70,695
	$ 347,452	$ 288,297
An analysis of amortization by function		
Operating expenses	$ 7,803	$ 7,178

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Post-employment benefits (Note 21)		
Defined contribution plans	$ 97,368	$ 58,869
Other employee benefits	1,070,214	970,428
Total employee benefits expense	$ 1,167,582	$ 1,029,297
An analysis of employee benefits expense by function		
Operating costs	$ 740,405	$ 648,558
Operating expenses	427,177	380,739
	$ 1,167,582	$ 1,029,297

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates of 3%-15% and not higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 5, 2020 and March 5, 2019, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	7.25%	7.81%
Remuneration of directors and supervisors	2.09%	2.34%

Amount

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	$ 4,500	$ 9,570
Remuneration of directors and supervisors	$ 1,300	$ 2,870

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2019	**2018**
Foreign exchange gains	$ 155,089	$ 168,979
Foreign exchange losses	(131,816)	(149,128)
	$ 23,273	$ 19,851

25. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 36,602	$ 34,294
Income tax on unappropriated earnings	863	-
Adjustment for prior year	380	5,570
	37,845	39,864
Deferred tax		
In respect of the current year	(10,863)	(15,410)
Adjustments to deferred tax attributable to charges in tax rates and laws	-	(1,467)
	(10,863)	(16,877)
Income tax expense recognized in profit or loss	$ 26,982	$ 22,987

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 27,032	$ 100,580
Income tax expense calculated at the statutory rate	$ 5,406	$ 20,116
Nondeductible expenses in determining taxable income	2,472	3,012
Effect of different tax rates of group entities operating in other jurisdictions	(15,587)	(8,606)
Tax-exempt income	(373)	(477)
Income tax on unappropriated earnings	863	-
Unrecognized loss carryforwards and deductible temporary differences	33,821	4,839
Effect of tax rate changes	-	(1,467)
Adjustments for prior years' tax	380	5,570
Income tax expense recognized in profit or loss	$ 26,982	$ 22,987

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by the subsidiaries in China is 25% except for Zhong Jiang U.D.E. Electronics Corp., which applied 15%, and for Zhong Jiang U.D.E. Networking Electronics Corp. and Dongguan U.D.E. Electronics Corp., which applied income tax deduction and exemption policies for small low-profit enterprises (for amounts of less than one million, a taxable income of 25% was deducted and the tax rate was 20%, for amounts of more than $1 million but less than $3 million, a taxable income of 50% was deducted and the tax rate was 20%). Tax rate from other jurisdiction was applied according to that jurisdiction.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
Effect of change in tax rate		
Translation of foreign operations	$ -	$ (5,070)
Fair value changes of financial assets at FVTOCI	-	49
	-	(5,021)
In respect of the current year:		
Translation of foreign operations	(19,332)	(4,684)
Fair value changes of financial assets at FVTOCI	3,348	2,648
	(15,984)	(2,036)
Total income tax recognized in other comprehensive income	$ (15,984)	$ (7,057)

c. Current tax assets and liabilities

	December 31	
	2019	**2018**
Current tax assets		
Tax refund receivable	$ 3,752	$ 3,675
Current tax liabilities		
Income tax payable	$ 18,306	$ 23,350

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2019

Deferred Tax Assets	**Opening Balance**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Closing Balance**
Temporary differences				
Loss for market price decline and obsolete and slow-moving inventories	$ 845	$ (123)	$ -	$ 722
Unrealized foreign exchange gain or loss	20	3	-	23
Convertible bonds issuance costs	1,682	(807)	-	875
Unrealized professional service fees	3,533	2,049	-	5,582
Accumulated deficits of subsidiaries	18,014	8,736	-	26,750
FVTPL financial liabilities	363	126	-	489
Exchange differences on translating the financial statements of foreign operations	38,483	-	19,332	57,815
	62,940	9,984	19,332	92,256
Net operating loss carryforwards	874	(3)	-	871
	$ 63,814	$ 9,981	$ 19,332	$ 93,127

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized foreign exchange gain or loss	$ 1,410	$ (882)	$ -	$ 528
FVTOCI financial assets	2,976	-	3,348	6,324
	$ 4,386	$ (882)	$ 3,348	$ 6,852

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others (note)	Closing Balance
Temporary differences					
Loss for market price decline and obsolete and slow-moving inventories	$ 422	$ 423	$ -	$ -	$ 845
Unrealized foreign exchange gain or loss	2,053	(2,033)	-	-	20
Convertible bonds issuance costs	-	(740)	-	2,422	1,682
Unrealized professional service fees	-	3,533	-	-	3,533
Accumulated deficits of subsidiaries	7,986	10,028	-	-	18,014
FVTPL financial liabilities	-	363	-	-	363
Exchange differences on translating the financial statements of foreign operations	28,729	-	9,754	-	38,483
	39,190	11,574	9,754	2,422	62,940
Net operating loss carryforwards	217	657	-	-	874
	$ 39,407	$ 12,231	$ 9,754	$ 2,422	$ 63,814

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others (note)	Closing Balance
Temporary differences					
Unrealized foreign exchange gain or loss	$ 2,367	$ (957)	$ -	$ -	$ 1,410
Deferred revenue	3,689	(3,689)	-	-	-
FVTOCI financial assets	-	-	2,697	279	2,976
	$ 6,056	$ (4,646)	$ 2,697	$ 279	$ 4,386

Note: The deferred tax assets of $2,422 thousand is accounted for deductible of convertible bonds; the deferred tax liabilities of $279 thousand is related to the income tax of adjustment on initial application of IFRS 9.

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
Loss carryforwards		
Expiry in 2021	$ 4,597	$ 4,597
Expiry in 2022	8,985	8,985
Expiry in 2023	11,100	11,100
Expiry in 2024	12,510	12,510
Expiry in 2025	16,075	16,075

(Continued)

	December 31	
	2019	2018
Expiry in 2026	$ 19,315	$ 19,315
Expiry in 2027	23,828	23,828
Expiry in 2028	35,151	35,151
Expiry in 2029	37,092	-
	$ 168,653	$ 131,561
Deductible temporary differences	$ 2,998	$ 7,483

(Concluded)

f. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2019 and 2018, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were $1,255,546 thousand and $1,191,367 thousand, respectively.

g. Income tax assessments

The income tax returns through 2017 of UDE Corp. and its subsidiaries- CDE Corp. and DYP Corp., have been assessed by the tax authorities, and there is no litigation in dispute of the subsidiaries.

26. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	$ 0.77	$ 1.72
Diluted earnings per share	$ 0.76	$ 1.67

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

Net Profit for the Year

	For the Year Ended December 31	
	2019	2018
Profit for the year attributable to owners of the Company	$ 53,368	$ 120,188
Earnings used in the computation of basic earnings per share	$ 53,368	$ 120,188
Effect of potentially dilutive ordinary shares:		
Interest and valuation loss on convertible bonds after tax (Note)	-	3,787
Earnings used in the computation of diluted earnings per share	$ 53,368	$ 123,975

The weighted average number of ordinary shares outstanding (in thousand shares) is as follows:

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	69,676	69,676
Effect of potentially dilutive ordinary shares:		
Convertible bonds (Note)	-	4,000
Employee compensation	228	441
Weighted average number of ordinary shares used in the computation of diluted earnings per share	69,904	74,117

Note: There will be an anti-dilution effect if the outstanding convertible bonds of 2019 have been converted. Thus, the amount is excluded from the calculation of diluted earnings per share.

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

27. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Dongguan Han Lian Technology Co., Ltd.	Manufacturing and selling of electronic connectors and electronic products	March 8, 2019	70	$ 6,408
Dongguan Ai Te Chieh Intellectual Technology Co., Ltd	Machinery and automatic equipment development	November 5, 2018	60	$ 26,852

On March 8, 2019, Dongguan Han Lian Technology Co., Ltd was acquired in order to enhance the Group’s manufacturing capacity in electronic connectors and electronic components, and to reduce the manufacturing costs.

In 2018, Dongguan Ai Te Chieh Intellectual Technology Co., Ltd. was acquired with a view to enhancing the development within automatic equipment of the Group.

b. Consideration transferred

	Dongguan Han Lian Technology Co., Ltd.	Dongguan Ai Te Chieh Intellectual Technology Co., Ltd.
Cash	$ 6,408	$ 26,852

c. Assets acquired and liabilities assumed at the date of acquisition

	Dongguan Han Lian Technology Co., Ltd.	Dongguan Ai Te Chieh Intellectual Technology Co., Ltd.
Current assets		
Cash and cash equivalents	$ 8,048	$ 44,218
Trade and other receivables	1,567	8,567
Inventories	348	1,440
Other current assets	-	1,833
Non-current assets		
Property, plant and equipment	-	8,214
Other non-current assets	-	6,528
Current liabilities		
Trade and other payables	(922)	(15,297)
Bank loans-short term	-	(7,688)
Other current liabilities	-	(13,426)
	$ 9,041	$ 34,389

d. Non-controlling interests

Non-controlling interests amounted to$2,712 thousand and $13,763 thousand of Dongguan Han Lian Technology Co., Ltd. and Dongguan Ai Te Chieh Intellectual Technology Co., Ltd. that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

e. Goodwill recognized on acquisitions

	Dongguan Han Lian Technology Co., Ltd.	Dongguan Ai Te Chieh Intellectual Technology Co., Ltd.
Consideration transferred	$ 6,408	$ 26,852
Plus: Non-controlling interests	2,712	13,763
Less: Fair value of identifiable net assets acquired	(9,041)	(34,389)
Exchange rate differences	-	(7)
Goodwill recognized on acquisitions	$ 79	$ 6,219

The goodwill which is recognized in the acquisitions of Dongguan Han Lian Technology Co., Ltd. and Dongguan Ai Te Chieh Intellectual Technology Co., Ltd. mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The total amount of acquired goodwill is not tax-deductible.

f. Net cash outflow on the acquisition of subsidiaries

	Dongguan Han Lian Technology Co., Ltd.	**Dongguan Ai Te Chieh Intellectual Technology Co., Ltd.**
Consideration paid in cash	$ 6,408	$ 26,852
Less: Cash and cash equivalent balances acquired	(8,048)	(44,218)
	$ (1,640)	$ (17,366)

g. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income are as follows:

	Dongguan Han Lian Technology Co., Ltd.	**Dongguan Ai Te Chieh Intellectual Technology Co., Ltd.**
Revenue	$ 26,184	$ 6,075
Loss	$ (10,733)	$ (1,075)

Had these business combinations been in effect at the beginning of the annual reporting period, the Group’s revenue from continuing operations would have been $4,657,720 thousand and $4,508,683 thousand, and the (loss) profit from continuing operations would have been $(163) thousand and $67,033 thousand for the years ended December 31, 2019 and 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on the acquisition year, nor is it intended to be a projection of future results.

28. NON-CASH TRANSACTIONS

a. Non-cash transaction

For the years ended December 31, 2019 and 2018, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statement of cash flows:

1) As of December 31, 2019 and 2018, the amounts unpaid for acquiring property, plant and equipment were $122,657 thousand and $39,110 thousand, respectively, which were included in other payables.

2) As of December 31, 2019 and 2018, the amounts unpaid for prepayment for acquiring property, plant and equipment were $0 thousand and $34,440 thousand, respectively, which were included in other payables.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

			Non-cash Changes			
	Operating Balance	Cash Flows	Acquisition	Interest Expenses	Exchange Differences on Translating the Financial Statements	Closing Balance
Short-term borrowings	$ 1,047,834	$ (135,654)	$ -	$ -	$ (7,400)	$ 904,780
Lease liabilities	113,421	(18,654)	21,194	-	(4,927)	111,034
Bonds payable (including current portion of bonds payable)	287,265	-	-	6,044	-	293,309
Long-term borrowings (including current portion of Long-term borrowings)	294,500	173,500	-	-	-	468,000
Deposits received	740	108	-	-	(35)	813
	$ 1,743,760	$ 19,300	$ 21,194	$ 6,044	$ (12,362)	$ 1,777,936

For the year ended December 31, 2018

			Non-cash Changes				
	Operating Balance	Cash Flows	Equity Component	Assets Component	Interest Expenses	Exchange Differences on Translating the Financial Statements	Closing Balance
Short-term borrowings	$ 907,000	$ 127,042	$ -	$ -	$ -	$ 13,792	$ 1,047,834
Bonds payable	-	287,890	(8,999)	2,944	5,430	-	287,265
Long-term borrowings (including current portion of Long-term borrowings)	231,000	63,500	-	-	-	-	294,500
Deposits received	902	(150)	-	-	-	(12)	740
	$ 1,138,902	$ 478,282	$ (8,999)	$ 2,944	$ 5,430	$ 13,780	$ 1,630,339

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a periodic basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

30. FINANCIAL INSTRUMENTS

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

December 31, 2019

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial liabilities					
Financial liabilities measured at amortized cost					
Convertible bonds	$ 293,309	$ 300,840	$	$	$ 300,840

December 31, 2018

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial liabilities					
Financial liabilities measured at amortized cost					
Convertible bonds	$ 287,265	$ 308,550	$ -	$ -	$ 308,550

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Foreign exchange forward contracts	$ -	$ 553	$ -	$ 553
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	$ -	$ -	$ 101,850	$ 101,850
Investments in debt instruments at FVTOCI				
Factored trade receivables to banks without recourse	$ -	$ -	$ 181,362	$ 181,362
Financial liabilities at FVTPL				
Derivatives				
Convertible bond options	$ -	$ -	$ 1.920	$ 1,920
Foreign exchange forward contracts	$ -	$ 1,845	$ -	$ 1,845

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Foreign exchange forward contracts	$ -	$ 401	$ -	$ 401
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic unlisted shares	$ -	$ -	$ 89,345	$ 89,345
Investments in debt instruments at FVTOCI				
Factored trade receivables to banks without recourse	$ -	$ -	$ 317,747	$ 317,747
Financial liabilities at FVTPL				
Derivatives				
Convertible bond options	$ -	$ -	$ 1,290	$ 1,290

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

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

For the year ended December 31, 2019

	Financial Assets at FVTOCI		
Financial Assets	**Equity Instrument**	**Debt Instrument**	**Total**
Balance at January 1, 2019	$ 89,345	$ 317,747	$ 407,092
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	14,597	-	14,597
Return of funds	(2,092)	-	(2,092)
Settlements	-	(136,385)	(136,385)
Balance at December 31, 2019	$ 101,850	$ 181,362	$ 283,212

	Derivatives
Financial liabilities at fair value through profit or loss	
Balance at January 1, 2019	$ (1,290)
Recognized in profit or loss (included in other gains and losses)	(630)
Balance at December 31, 2019	$ (1,920)

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instrument	Financial Assets at FVTOCI Debt Instrument	Total
Balance at January 1, 2018	$ 90,868	$ 90,234	$ 181,102
Purchase debt instruments	-	227,513	227,513
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	11,047	-	11,047
Return of funds	(12,570)	-	(12,570)
Balance at December 31, 2018	$ 89,345	$ 317,747	$ 407,092

	Derivatives
Financial liabilities at fair value through profit or loss	
Balance at January 1, 2018	$ -
Issuing bonds	522
Recognized in profit or loss (included in other gains and losses)	(1,812)
Balance at December 31, 2018	$ (1,290)

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

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

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

Financial Instruments	Valuation Techniques and Inputs
Convertible bond options	The binomial tree evaluation model of convertible bonds: Consideration of the duration, the share price and volatility of the convertible bond object, conversion price, risk-free interest rate, discount rate, liquidity risk of the convertible bonds and other factors.
Unlisted debt securities - ROC	Discounted cash flow. Future cash flows are discounted at a rate that reflects current borrowing interest rates of the bond issuers at the end of the reporting period.
Factored trade receivables to banks without recourse	As the effect of discounting is not significant, the fair value is measured based on the original invoice amount.

c. Categories of financial instruments

	December 31	
	2019	**2018**
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	$ 533	$ 401
Financial asset at amortized cost (1)	1,855,158	2,098,792
Financial assets at FVTOCI		
Equity instruments	101,850	89,345
Factored trade receivables to banks without recourse	181,362	317,747
<u>Financial liabilities</u>		
FVTPL		
Held for trading	3,765	1,290
Amortized cost (2)	2,552,064	2,526,149

1) The balances included cash and cash equivalents, notes receivable, trade receivables (excluding debt instruments), other receivables (excluding tax refund receivable), other financial assets and refundable deposits that are measured at amortized cost.

2) The balances included short-term loans, trade payables, other payables (excluding salaries, bonuses, labor and health insurance, social security and pension), bonds payable (including current portion of bonds payable), long-term loans (including current portion of long-term loans payable) and guarantee deposits received.

d. Financial risk management objectives and policies

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 35.

<u>Sensitivity analysis</u>

The Group is mainly exposed to the currency USD, RMB and JPY.

The following table details the Group's sensitivity to a 1% increase and decrease in 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 year for a 1% change in foreign currency rates. Sensitivity analysis includes trade receivables and payables to entities outside of the Group, and trade receivables and payables to its foreign operations. A positive number below indicates an increase in pretax profit and other equity associated with a 1% weakening of the each functional currency against the relevant currency. For a 1% strengthening of the each functional currency against the relevant currency, there would be an equal and opposite impact on pretax profit and other equity, and the balances below would be negative.

	U.S. Dollar Impact For the Year Ended December 31		**RMB Impact For the Year Ended December 31**		**JPY Impact For the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Profit or loss*	$ 1,031	$ (405)	$ 1,143	$ 1,019	$ (817)	$ (163)

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

The Group's sensitivity to the USD increased during the current year mainly due to net assets valuated by U.S. dollars had increased.

The Group's sensitivity to the RMB increased during the current year mainly due to trade receivables valuated by RMB had increased.

The Group's sensitivity to the JPY increased during the current year mainly due to account payables valuated by JPY had increased.

b) Interest rate risk

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

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

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 262,791	$ 741,132
Financial liabilities	1,309,123	1,335,099
Cash flow interest rate risk		
Financial assets	390,183	298,290
Financial liabilities	468,000	294,500

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables held constant, the Group's pretax profits for the years ended December 31, 2019 and 2018 would have decreased and increased by $778 thousand and $38 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings and bank deposits.

The Group's sensitivity to interest rates increased during the current year due to the increase in variable rate liabilities.

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

3) Liquidity risk

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

For the Group, bank loans are an important resource of liquidity to the Group. Refer to section (c) below for more information about unused amounts of financing facilities at December 31, 2019 and 2018.

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

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

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Short-term borrowings	$ 570,894	$ 335,460	$ -	$ -	$ -
Long-term borrowings	698	54,094	109,351	316,885	-
Lease liabilities	1,835	5,504	14,796	74,166	21,258
Trade payables	183,504	258,772	-	-	-
Other payables	208,603	234,283	-	-	-
Bonds payables	-	-	-	300,000	-
Guarantee deposits received	-	-	-	813	-
	$ 965,534	$ 888,113	$ 124,147	$ 691,864	$ 21,258

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 22,135	$ 74,166	$ 21,258	$ -	$ -	$ -

December 31, 2018

	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	$ 1,033,310	$ 15,688	$ -	$ -
Long-term borrowings	439	878	33,270	271,769
Trade payables	206,118	259,270	-	-
Other payables	205,442	224,980	-	-
Bonds payables	-	-	-	300,000
Guarantee deposits received	-	-	-	740
	$ 1,445,309	$ 500,816	$ 33,270	$ 572,509

b) Liquidity risk table for derivative financial liabilities

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

December 31, 2019

	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	$ -	$ 329,780	$ -	$ -
Outflows	-	(331,625)	-	-
	$ -	$ (1,845)	$ -	$ -

c) Financing facilities

	December 31	
	2019	2018
Unsecured bank loan facilities (reviewed annually):		
Amount used	$ 904,780	$ 1,047,834
Amount unused	614,890	699,684
	$ 1,519,670	$ 1,747,518
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	$ 468,000	$ 294,500
Amount unused	225,000	1,105,500
	$ 693,000	$ 1,400,000

On February 5, 2018, the Group issued convertible bonds, in an aggregate principal amount of $300,000 thousand, which are secured by the bank.

e. Transfers of financial assets

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

December 31, 2019

Counterparty	Receivables Factoring Proceeds	Amount Reclassified to Other Receivables	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Taipei Fubon Commercial Bank	$ 424,575	$ 11,649	$ 123,346	$ 104,845	2.8541-3.1607
Yuanta Commercial Bank	-	-	179,880	-	-
	$ 424,575	$ 11,649	$ 303,226	$ 104,845	

December 31, 2018

Counterparty	Receivables Factoring Proceeds	Amount Reclassified to Other Receivables	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
Taipei Fubon Commercial Bank	$ 456,255	$ 5,047	$ 287,384	$ 45,434	2.6169-2.9281
Yuanta Commercial Bank	9,995	-	184,290	-	-
	$ 466,250	$ 5,047	$ 471,674	$ 45,434	

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 December 31, 2019 and 2018, the Group had issued promissory notes consisting of checks of US$14,000 thousand and US$17,000 thousand as collateral to the banks.

31. TRANSACTIONS WITH RELATED PARTIES

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

Compensation of Key Management Personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 41,099	$ 43,854
Post-employment benefits	435	436
	$ 41,534	$ 44,290

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2019	2018
Freehold land	$ 159,538	$ 159,538
Building	103,229	107,144
Machinery and equipment	485,585	-
Other financial assets		
Restricted time deposits	61,962	65,738
	$ 810,314	$ 332,420

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

Unrecognized commitments were as follows:

	December 31	
	2019	**2018**
Acquisition of property, plant and equipment		
RMB	$ 6,622	$ 4,151
NTD	$ 798	$ 14,270

b. Contingents liabilities

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

As of the date of the consolidated financial statements, the plaintiff can neither prove that the Group's disputed products infringed the scope of its claimed patents nor can provide specific evidence to prove that the Group infringed its patent indirectly. Thus, there was no conclusion on whether there was patent infringement on the disputed products. In addition, patents are territorial rights. As of the date of the financial statements, the plaintiff failed to submit infringement evidence indicating that the Group directly sold the disputed products to the United States in the court proceedings. Therefore, the Group's advisory lawyer considered that the Group is free from infringement litigation; as a result, there was no significant impact on the Group's financial performance and the business.

34. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus pneumonia in January 2020 caused the temporarily suspended operation of subsidiaries located in Zhongjiang County, Sichuan Province, and Dongguan City, Guangdong Province in mainland China. As of the date the consolidated financial report was authorized for issue, the factories resumed operation on February 10, 2020 and February 17, 2020, respectively. Due to the inability to assess the disease control situation, the Group could not reasonably estimate the extent of the impact on the operation.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 46,565	29.9800 (USD:NTD)	$ 1,396,028
USD	16,997	6.9762 (USD:RMB)	509,583
RMB	15,771	4.2975 (RMB:NTD)	67,776
RMB	10,830	0.1433 (RMB:USD)	46,541
Non-monetary items			
Derivative instruments			
USD	3,000	Note	533
Financial liabilities			
Monetary items			
USD	42,395	29.9800 (USD:NTD)	1,271,010
USD	3,729	6.9762 (USD:RMB)	111,793
JPY	296,073	0.2760 (JPY:NTD)	81,716
Non-monetary items			
Derivative instruments			
USD	11,000	Note	1,845

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 42,930	30.7150 (USD:NTD)	$ 1,318,593
USD	6,647	6.86320 (USD:RMB)	204,161
RMB	11,891	4.47530 (RMB:NTD)	53,218
RMB	10,873	0.14570 (RMB:USD)	48,659
Non-monetary items			
Derivative instruments			
USD	6,000	Note	401
Financial liabilities			
Monetary items			
USD	42,716	30.7150 (USD:NTD)	1,312,008
USD	2,180	6.86320 (USD:RMB)	66,949
JPY	58,706	0.27820 (JPY:NTD)	16,332

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

For the years ended December 31, 2019 and 2018, net foreign exchange gains, including realized and unrealized, were $23,273 thousand and $19,851 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and (b.) investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (none)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (none)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (none)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

9) Trading in derivative instruments (Note 7)

10) Intercompany relationships and significant intercompany transactions (Table 6)

11) Information on investees (Table 7)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

d. When subsidiaries hold shares of the parent, the names of the subsidiaries and the shareholdings, amounts, and reasons shall be separately presented: None

e. Disclosure of the affiliates

1) Disclosures on the notes appended to the consolidated financial statements of the affiliates are as follows:

No.	Items	Reference
1	The names of subordinate companies, a description of their relationship with the controlling company, the nature of their business, and the controlling company's shareholding or capital contribution ratio in each.	Note 11, Tables 7 and 8
2	Increases, decreases, or changes in the subordinate companies included in the current consolidated financial statements of the affiliates.	Note 11
3	The names and shareholding or capital contribution ratios of subordinate companies not listed in the current consolidated financial statements for affiliates and the reasons why they are not included in the consolidated statements.	None
4	The adjustment method and treatment adopted if the opening and closing dates of the subordinate company's accounting year are different from those of the controlling company.	None
5	An explanation of any differences in accounting policies between the subordinate companies and the controlling company. The method and substance of adjustments adopted in the event of any non-conformity with the Generally Accepted Accounting Principles of the Republic of China.	None
6	Special operational risks of overseas subordinate companies, such as exchange rate fluctuations.	Note 11
7	Statutory or contractual restrictions on distribution of earnings by the various affiliates.	Note
8	Amortization methods and period for consolidated borrowings (loans).	None
9	Other matters of significance or explanations that would contribute to the fair presentation of the consolidated financial statements of the affiliates.	None

Note: As set forth in the amended Articles, the Company shall allocate reserve funds, expansion funds and welfare funds for employees of Dongguan Jian Guan P.E. Co, Ltd., Dongguan U.D.E. Electronics Corp., Dongguan TY U.D.E. Precision Co., Ltd., Zhong Jiang U.D.E. Electronics Corp., Zhong Jiang U.D.E. Networking Electronics Corp., Dongguan Ai Te Chieh Intellectual Technology Co., Ltd. and Dongguan Han Lian Technology Co., Ltd. after payment of taxes. The Company accrued the reserve funds at rates of no less than 10% of net profit before income tax. When the accumulated withdrawal amount reaches 50% of the registered capital, it can no longer be extracted. The proportion of allocation shall be decided by the board of directors.

2) Disclosures on the notes for subordinate company affiliates are as follows:

No.	Items	Reference
1	Transactions that have been eliminated between the controlling company and subordinate companies or between subordinate companies.	Table 6
2	Information regarding financing, endorsements, and guarantees.	Table 1 and 2
3	Information regarding trading in derivative products.	Note 7
4	Significant contingent matters.	None
5	Significant subsequent events.	Note 34
6	Names of bills and securities held, and their quantities, cost, market value (or net par value if a bill or security does not have a market value), shareholding or capital contribution ratio, description of any pledges, and the highest amount of shareholding or capital contribution during the period.	Table 3, 7 and 8
7	Other matters of significance or explanations that would contribute to a fair presentation of the consolidated financial statements of the affiliates.	None

37. SEGMENT INFORMATION

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

1) The nature of the products and production processes are similar;

2) The pricing strategy of the products are similar;

3) The methods used to distribute the products to the customers are the same.

b. Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products.

	For the Year Ended December 31	
	2019	2018
Information products	$ 1,078,619	$ 967,949
Internet communication products	2,339,598	2,205,767
Consumer electronics	1,096,954	1,251,439
Other products	142,549	52,671
	$ 4,657,720	$ 4,477,826

c. Geographical information

The Group majorly operates in Taiwan and China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2019	2018	2019	2018
Taiwan	$ 4,431,491	$ 4,219,770	$ 878,373	$ 642,293
China	226,229	258,056	1,069,034	941,467
	$ 4,657,720	$ 4,477,826	$ 1,947,407	$ 1,583,760

Non-current assets exclude financial instruments and deferred tax assets.

d. Information about major customers

No single customers contributed 10% or more to the Group's revenue for both 2019 and 2018.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance (Note 2)	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)
													Item	Value		
1	U.D. Electronic Corp.	CDE Corp.	Other receivables from related party	Yes	$ 20,000	$ 20,000	$ 6,053	3.00	Demand of short-term financing	$ -	Operating capital	-	-	-	$ 253,003	$ 506,005
2	Ta Yang U.D.E Limited	Dongguan TY U.D.E. Precision Co., Ltd.	Other receivables from related party	Yes	12,970	12,380	12,380	2-3	Demand of short-term financing	-	Operating capital	-	-	-	1,537 (Note3)	3,073 (Note3)
3	Dongguan Jian Guan P.E. Co, Ltd.	Dongguan TY U.D.E. Precision Co., Ltd.	Other receivables from related party	Yes	69,035	-	-	3.00	Demand of short-term financing	-	Operating capital	-	-	-	46,288	92,576
		Dongguan Han Lian Technology Co., Ltd	Other receivables from related party	Yes	17,479	17,354	17,354	3.00	Demand of short-term financing	-	Operating capital	-	-	-	46,288	92,576
4	Zhong Jiang U.D.E. Electronics Corp.	Dongguan TY U.D.E. Precision Co., Ltd.	Other receivables from related party	Yes	108,467	107,437	84,115	3.00	Demand of short-term financing	-	Operating capital	-	-	-	156,525	313,050
5	Morning Paragon Limited	Dongguan TY U.D.E. Precision Co., Ltd.	Other receivables from related party	Yes	25,540	24,385	24,385	3.00	Demand of business transaction	6,261	-	-	-	-	6,261 (Note3)	6,261 (Note3)

Note 1: a. The total amount available for lending to a company with business transactions, shall not exceed the amount of the lending company's most recent year's purchases or sells with such company.

b. The total or individually amount available for lending are as follow:

1) The total amount available for lending to the subsidiaries whose voting shares are 100% owned directly or indirectly by the lending company, shall not exceed 40% of higher the net worth of the lending company or its mother company based on their most recent audited financial statements. For lending to any individual company, the total amount available for lending shall not exceed 40% of the net worth of the lending company based on its most recent audited financial statements.

2) The total amount available for lending to the subsidiaries, whose voting shares are not 100% owned directly or indirectly by the lending company, shall not exceed 20% of higher the net worth of the lending company or its mother company based on their most recent audited financial statements. For lending to any individual company, the total amount available for lending shall not exceed 10% of the net worth of the lending company based on its most recent audited financial statements.

c. The lending between foreign company whose voting shares are 100% owned directly or indirectly by the company or the between the company and the foreign company whose voting shares are 100% owned directly or indirectly by the company still restricted to (b.) only the calculation of net worth is still based on the net worth of lending company.

Note 2: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation, and translated into NTD with the exchange rate on the reporting date.

Note 3: Ta Yang U.D.E Limited and Morning Paragon Limited has proposed an improvement plan in accordance with Article 16 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and report to the board of directors. The plan will be executed accordingly in the future.

Note 4: The interest expenses due to financing for the year ended December 31, 2019 are specified as follows:

Dongguan TY U.D.E. Precision Co., Ltd.: The sum of interest expenses is $2,607 thousand.
Dongguan Han Lian Technology Co., Ltd.: The sum of interest expenses is $171 thousand.
CDE Corp.: The sum of interest expenses is $53 thousand.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note3)	Actual Borrowing Amount (Note2)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	U.D. Electronic Corp.	All First International Co., Ltd.	Note 4	Net value 100% $ 2,530,023	$ 300,000 and US$ 28,500	US$ 20,000	$ 269,820	$ -	23.70	Net value 100% $ 2,530,023	Yes	-	-
		Morning Paragon Limited and DYP Corp.	Note 4	Net value 20% 506,005	100,000	50,000	-	-	1.98	Net value 40% 1,012,009	Yes	-	-
		CDE Corp.	Note 4	Net value 20% 506,005	30,000	30,000	30,000	-	1.19	Net value 40% 1,012,009	Yes	-	-

Note 1: a. The total amount of the guarantee to a company with business transactions shall not exceed 40% of U.D.E.'s net worth based on its most recent audited financial statements and 20% of that to an individual company.

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

1) The total amount of the guarantee provided by U.D.E. to its subsidiaries whose voting shares are 100% owned directly or indirectly by U.D.E. shall not exceed 100% of U.D.E.'s net worth based on its most recent audited financial statements. The total amount of the guarantee provided by U.D.E. to its individual subsidiary shall not exceed 100% of U.D.E.'s net worth.

2) The total amount of the guarantee provided by U.D.E. to its subsidiaries whose voting shares are 50% above but not 100% owned directly or indirectly by U.D.E. shall not exceed 40% of U.D.E.'s net worth based on its most recent audited financial statements. The total amount of the guarantee provided by U.D.E. to its individual subsidiary shall not exceed 20% of U.D.E.'s net worth.

3) Between the subsidiaries whose voting shares are owned directly or indirectly by U.D.E.

a) The total amount of the guarantee provided by subsidiaries to subsidiaries whose voting shares are 100% owned directly or indirectly by each other shall not exceed 100% of U.D.E.'s net worth based on its most recent audited financial statements. The total amount of the guarantee provided by U.D.E. to its individual subsidiary shall not exceed 100% of U.D.E.'s net worth.

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

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

Note 2: For the year ended December 31, 2019, the interest expenses due to related parties financing from banks with the endorsement/guarantee of the Company. are as follows:

All First International Co., Ltd.: The sum of interest expenses is $10,890 thousand.
CDE Corp.: The sum of interest expenses is $496 thousand.

Note 3: Sharing credit line.

Note 4: The Company held over 50% of voting shares directly and indirectly.

Note 5: Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
U.D. Electronic Corp.	Fortune Rich Investment Corporation	The Company's director as the investee's legal director representative	Financial assets at FVTOCI - non-current	1,534	$ 10,652	10.35	$ 10,652	Notes 1 and 2
	Emerging Fortune Capital Inc.	The Company's supervisor as the investee's legal director representative	〃	2,000	16,391	10.64	16,391	Note 1
	Emerging Creation Capital Inc.	The Company's supervisor as the investee's legal director representative	〃	4,000	70,849	10.13	70,849	〃
	Dy-Precision Industrial Co., Ltd.	The Company's supervisor as the investee's legal director representative	〃	725	3,958	16.22	3,958	〃

Note 1: Marketable securities mentioned above are not pledged as collateral or for security.

Note 2: As of July 17, 2019, Fortune Rich Investment Corporation reduced its capital and refunded the Group $2,092 thousand.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
U.D. Electronic Corp.	All First International Co., Ltd.	Sub-subsidiary of the U.D. Electronic Corp.	Purchase	$ 4,059,198	99	O/A 75 days	Note 2	Note 2	$ (1,168,605)	(98)	Note 1
All First International Co., Ltd.	U.D. Electronic Corp.	Parent company	Sale	(4,059,198)	(93)	O/A 75 days	〃	〃	1,168,605	90	〃
	Zhong Jiang U.D.E. Electronics Corp.	Affiliated company	Purchase	3,474,588	79	O/A 120 days	〃	〃	(422,757)	(75)	〃
	Zhong Jiang U.D.E. Electronics Corp.	Affiliated company	Sale	(183,180)	(4)	O/A 120 days	〃	〃	109,698	8	〃
	Dongguan Jian Guan P.E. Co, Ltd.	Affiliated company	Purchase	675,505	15	O/A 120 days	〃	〃	(101,606)	(18)	〃
	Zhong Jiang U.D.E. Networking Electronics	Affiliated company	Sale	(117,850)	(3)	O/A 180 days	〃	〃	11,392	2	〃
Dongguan Jian Guan P.E. Co, Ltd.	All First International Co., Ltd.	Affiliated company	Sale	(675,505)	(87)	O/A 120 days	〃	〃	101,606	68	〃
	Zhong Jiang U.D.E. Electronics Corp.	Affiliated company	Purchase	139,181	65	O/A 120 days	〃	〃	(70,663)	(63)	〃
Zhong Jiang U.D.E. Electronics Corp.	All First International Co., Ltd.	Affiliated company	Sale	(3,474,588)	(96)	O/A 120 days	〃	〃	422,757	85	〃
	All First International Co., Ltd.	Affiliated company	Purchase	183,180	20	O/A 120 days	〃	〃	(109,698)	(24)	〃
	Dongguan Jian Guan P.E. Co, Ltd.	Affiliated company	Sale	(139,181)	(4)	O/A 120 days	〃	〃	70,663	14	〃
Zhong Jiang U.D.E. Networking Electronics	All First International Co., Ltd.	Affiliated company	Purchase	117,850	98	O/A 180 days	〃	〃	(11,392)	(3)	〃

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

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

TABLE 5

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
All First International Co., Ltd.	U.D. Electronic Corp.	Parent company	Trade receivables $ 1,168,605	3.81	$ -	-	$ 601,479	$ -
	Zhong Jiang U.D.E. Electronics Corp.	Affiliated company	109,698	2.27	-	-	30,068	-
Zhong Jiang U.D.E. Electronics Corp.	All First International Co., Ltd.	Affiliated company	422,757	11.11	-	-	390,924	-
Dongguan Jian Guan P.E. Co, Ltd.	All First International Co., Ltd.	Affiliated company	101,606	9.24	-	-	89,940	-

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

Note 2: The amount recovered from January 1, 2020 to March 5, 2020.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars)

No. (Note1)	Investee Company	Counterparty	Relationship (Note2)	Transaction Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% of Total Sales or Assets (Note 4)
0	U.D. Electronic Corp.	All First International Co., Ltd.	a.	Endorsements/guarantees provided	US$ 20,000	-	11
		Morning Paragon Limited and DYP Corp.	a.	Endorsements/guarantees provided	NT$ 50,000	-	1
		CDE Corp.	a.	Endorsements/guarantees provided	NT$ 30,000	-	1
1	All First International Co., Ltd.	U.D. Electronic Corp.	b.	Revenue	4,059,198	Negotiated case by case. O/A 75 days	87
				Trade receivables	1,168,605		22
		Zhong Jiang U.D.E. Electronics Corp.	c.	Revenue	183,180	Negotiated case by case. O/A 120 days	4
				Trade receivables	109,698		2
		Zhong Jiang U.D.E. Networking Electronics Corp.	c.	Revenue	117,850	Negotiated case by case. O/A 180 days	3
				Trade receivables	11,392		-
2	Dongguan Jian Guan P.E. Co, Ltd.	All First International Co., Ltd.	c.	Revenue	675,505	Negotiated case by case. O/A 120 days	15
				Trade receivables	101,606		2
		Dongguan Han Lian Technology Co., Ltd.	c.	Other receivables	17,354	Financing (including interest receivables)	-
3	Zhong Jiang U.D.E. Electronics Corp.	All First International Co., Ltd.	c.	Revenue	3,474,588	Negotiated case by case. O/A 120 days	75
				Trade receivables	422,757		8
		Dongguan Jian Guan P.E. Co, Ltd.	c.	Revenue	139,181	Negotiated case by case. O/A 120 days	3
				Trade receivables	70,663		1
		Dongguan TY U.D.E. Precision Co., Ltd.	c.	Other receivables	84,115	Financing (including interest receivables)	2
4	Dongguan U.D.E. Electronics Corp.	Dongguan Jian Guan P.E. Co, Ltd.	c.	Revenue	59,846	Negotiated case by case. O/A 120 days	1
		Zhong Jiang U.D.E. Electronics Corp.	c.	Revenue	92,440	Negotiated case by case. O/A 120 days	2
5	Ta Yang U.D.E Limited	Dongguan TY U.D.E. Precision Co., Ltd.	c.	Investment accounted for using the equity method (capital increase)	11,810 (US$ 400)	-	-
		Dongguan TY U.D.E. Precision Co., Ltd.	c.	Other receivables	12,380	Financing (including interest receivables)	-
6	Morning Paragon Limited	Dongguan TY U.D.E. Precision Co., Ltd.	c.	Other receivables	24,385	Financing (including interest receivables)	-
7	CDE Corp.	All First International Co., Ltd.	c.	Revenue	65,207	Negotiated case by case. O/A 30 days	1
		U.D. Electronic Corp.	b.	Revenue	27,516	Negotiated case by case. O/A 75 days	1
				Trade receivables	28,746	-	1
				Additions to right-of-use assets	45,864	-	1
		U.D. Electronic Corp.	b.	Lease liabilities (current and non-current)	43,977	-	1
8	Dongguan Ai Te Chieh Intellectual Technology Co., Ltd.	Zhong Jiang U.D.E. Electronics Corp.	c.	Revenue	42,059	Negotiated case by case. O/A 120 days	1

(Continued)

Intercompany relationships:

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

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

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

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

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

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

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

(Concluded)

TABLE 7

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note3)		As of December 31, 2019			Net Income (Loss) of the Investee (Note2)	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
U.D. Electronic Corp.	Global Connection (Samoa) Holding Inc.	Samoa	Holding company	$ 1,531,648 (US$ 51,089)	$ 1,648,238 (US$ 51,089)	51,089	100	$ 2,535,443	$ 64,179	$ 64,179	Notes 1 and 2
	CDE Corp.	Taiwan	Manufacturing and selling of electronic materials	75,000	75,000	7,500	50	396	(25,622)	(12,813)	Notes 1 and 2
	DYP Corp.	Taiwan	Selling of electronic components	86,700	86,700	8,670	51	29,728	(60,527)	(30,869)	Notes 1 and 2
Global Connection (Samoa) Holding Inc.	Sunderland Inc.	Republic of Mauritius	Holding company	421,639 (US$ 14,064)	431,976 (US$ 14,064)	14,064	100	477,732	(113,405)	(113,405)	Notes 1 and 2
	San Francisco Inc.	Republic of Mauritius	Holding company	825,529 (US$ 27,536)	845,768 (US$ 27,536)	27,536	100	1,552,474	138,264	138,264	Notes 1 and 2
	All First International Co., Ltd.	Samoa	International trading	299,800 (US$ 10,000)	307,150 (US$ 10,000)	10,000	100	505,222	39,346	39,328	Notes 1 and 2
DYP Corp.	Ta Yang UDE Limited	Samoa	Holding company	111,256 (US$ 3,711)	113,983 (US$ 3,711)	4,438	100	15,367	(53,515)	(53,515)	Notes 1 and 2
Ta Yang UDE Limited	Morning Paragon Limited	Samoa	International trading	44,970 (US$ 1,500)	46,073 (US$ 1,500)	1,500	100	40,367	648	648	Notes 1 and 2
	Million Like Limited	Hong Kong	International trading	- (HK$ -) (Note 4)	392 (HK$ 100)	- (Note 4)	- (Note 4)	-	-	-	Notes 1 and 2

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

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

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

Note 4: In April 2019, the liquidation process for Ta Yang UDE Limited has been completed and its registration has been canceled. Please refer to Note 11.

Note 5: The highest amount of capital contribution of U.D.E. and reinvestments of its subsidiaries indicated above table is equal to the amount of that as of December 31, 2019. In addition, such reinvestments are not pledged as collateral or for security.

U.D. ELECTRONIC CORP. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Net Income (Loss) of the Investee	Investment Gain (Loss) (Note 1 b.(2),Note 6 and Note 7)	Carrying Amount as of December 31, 2019 (Note 5 and Note 7)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Dongguan Jian Guan P.E. Co, Ltd.	Manufacturing and selling of electronic components	$ 463,399 (HK$ 116,432)	b. (1)	$ 405,981 (HK$ 12,647) and (US$ 12,000)	$ -	$ -	$ 405,981 (HK$ 12,647) and (US$ 12,000)	100	$ (116,528)	$ (116,344)	$ 462,770	$ -
Zhong Jiang U.D.E. Electronics Corp.	Manufacturing and selling of electronic components	935,975 (US$ 29,000)	b. (2)	833,835 (US$ 27,603)	-	-	833,835 (US$ 27,603)	100	142,345	138,264	1,552,436	-
Zhong Jiang U.D.E. Networking Electronics Corp.	Selling of electronic components	2,476 (RMB 500)	b. (3)	- (Note 3)	-	-	-	100	8,197	8,197	31,335	-
Dongguan TY U.D.E. Precision Co., Ltd.	Manufacturing and selling of electronic components	76,252 (US$ 2,500)	b. (4)	58,924 (US$ 1,942)	11,810 (US$ 400)	-	70,734 (US$ 2,342)	51	(54,008)	(27,544)	(19,400)	-
Dongguan U.D.E. Electronics Corp.	Researching and selling of electronic	16,125 (US$ 500)	b. (1)	15,871 (US$ 502)	-	-	15,871 (US$ 502)	100	2,939	2,939	14,941	-
Dongguan Ai Te Chieh Intellectual Technology Co., Ltd.	Machinery and automatic equipment development	44,753 (RMB 10,000)	b. (5)	- (Note 4)	-	-	-	60	(19,074)	(11,445)	14,204	-
Dongguan Han Lian Technology Co., Ltd.	Manufacturing and selling of electronic connectors and electronic products	9,154 (RMB 2,000)	b. (5)	- (Note 4)	-	-	-	70	(10,733)	(7,513)	(1,187)	-

Note 1: In the column of investment gain (loss)

a. If the investment is still in preparation and there is no investment gain (loss), it will be specified.

b. The basis for recognizing investment gain (loss) is as follows:

1) The financial statement audited by the attesting CPA of international accounting firm in cooperation with an accounting firm in the ROC.
2) The financial statement audited by the attesting CPA of parent company in Taiwan.
3) Other.

(Continued)

Note 2: Three methods of investing in mainland China are as follows:

a. Directly invests in mainland China.

b. Investments in mainland China through an existing company established in a third region

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

c. Other methods.

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

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

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

Note 6: Unrealized gross profit of up-stream and side-stream transactions were considered. Note 7: Balances and transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation.

Note 8: The highest amount of shareholding or capital contribution ratio indicated in the above table is equal to the amount of shareholding or capital contribution as of December 31, 2019. In addition, such investments are not pledged as collateral or for security.

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	**Investment Amount Authorized by Investment Commission, MOEA**	**Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note)**
$1,326,421	$1,418,521	$1,534,697

Note: Calculated based on 60% of equity net worth in accordance with Order No. 09704604680

(Continued)

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

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

In Thousands of New Taiwan Dollars

Related Party	Relationship	Purchase/ Sale	Amount	% of Total	Transaction Detail			Notes/Accounts Receivable (Payable)		Unrealized Gain/(Loss)
					Price	Payment Terms (Note)	Compare to Normal Transactions	Ending Balance	% of Total	
Dongguan Jian Guan P.E. Co, Ltd.	Subsidiaries of U.D. Electronic Corp.	Purchase	$ (675,505)	(16)	Negotiated case by case	O/A 120 days	-	$ (101,606)	(19)	$ 111
Zhong Jiang U.D.E. Electronics Corp.	Subsidiaries of U.D. Electronic Corp.	Purchase	(3,474,588)	(84)	Negotiated case by case	O/A 120 days	-	(422,757)	(81)	13,208

Note: The payment terms of Zhong Jiang U.D.E. Electronics Corp. and Dongguan Jian Guan P.E. Co, Ltd. to All First International Co., Ltd. are O/A 120 days Nevertheless, U.D. Electronic Corp.'s payment terms is O/A 75 days to All First International Co., Ltd.

2. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.

3. The amount of property transactions and the amount of the resultant gains or losses: None.

4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2

5. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.

6. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

(Concluded)