



Ablerex Electronics Co., Ltd.

2015 Annual Report

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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<http://www.ablerex.com.tw>

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I. Letter to Shareholders

Dear Shareholders:

Thank you for attending 2016 Shareholders' Meeting of Ablerex.

The operating performance in 2015 and the business plan for 2016 are reported as follows:

1. Financial Performance in 2015

The consolidated sales revenue of Ablerex is NTD 2,737,210 thousand in 2015, which decreased 3.21 % compared to the sales revenue NTD 2,827,996 thousand in 2014. The consolidated net income is NTD 176,735 thousand in 2015, which decreased 16.58% compared to the net income NTD 211,866 thousand in 2014. (As the following table)

Unit: NT\$ thousands

Item	2016	2015	Growth Rate (%)
Sales Revenue	2,737,210	2,827,996	-3.21%
Gross profit	639,113	657,509	-2.80%
Operating income	186,002	225,488	-17.51%
Net income	176,735	211,866	-16.58%
Profit attributable to parenting company	176,310	212,026	-16.85%
EPS(NTD) – After tax	3.92	4.71	-16.77%

2. Implementation of business plan in 2015

Due to the function, design, and price of part of Ablerex's UPS production deviating from main customers' need in 2015, the sales of UPS products was not be efficiently stimulated which caused the growth stagnation, even Ablerex face the opportunity of expanding supply from the merges of customers. APF is helpful to achieve the aim of "Environment & clean energy" in "China's 12th Five-Year Plan" and the demand, especially in China, was benefit from the ending evaluation in 2015 of this economic plan. Sales revenue from project management kept stable, benefit from the increase of demand in domestic IDC service industry. Foreign market of PV inverter was significant affected by the change of Japanese renewable energy markets and the production plan adjustment of Japanese customer, whose order was more than 2/3 of sales of PV inverters, and the mass export of PV inverter was stopped after 2015 July. Domestic of PV inverter was hoping the sales growth with the installation target, set by Bureau of Energy, Ministry of Economic Affairs, upgrading to 500MW at April 2015. However, the realized annual installation is less than a half of the new target, as well as failed to achieve the old target of 300MW in 2015. Although the domestic sales of PV inverter were increased, it still could not fulfill the gap of the termination of the foreign orders, which made the sales of PV inverter the biggest recession. The main operation indicators in 2015 are as the following table.

Unit: NT\$ thousands

Item	2015	2014	Growth Rate(%)
Return on Assets	6.13%	7.83%	-21.71%
Return on Shareholders' Equity	10.20%	12.63%	-19.24%
Operating Income to Capital (%)	41.33%	50.10%	-17.50%
Profit before Tax to Capital (%)	49.27%	59.09%	-16.62%
Net Profit Margin	6.45%	7.49%	-13.89%
EPS (NTD)-after tax	3.92	4.71	-16.77%

The gross profit margin of Ablerex in 2015 maintained the same level with 2014, however, the sale revenue was sluggish and the operating expense increased, which caused the decrease of both net income and net profit margin. Moreover, due to the construction of Pingtung Factory II, which expanded the assets of Ablerex, the relevant performance indicators in 2015 of assets and capital were not as good as the indicators in 2014, even the operating performance in 2014 kept making profits.

3. Business Plan for 2016

A. Business Objectives

- Focus on core business, customers' care is our top priority.
- Research and innovation, Independent technique.
- Share with shareholders, take care employees.
- Enhance corporate governance, pursuing sustainable development.

B. Sales Forecasts

Ablerex did not compile financial forecasts, and shall not release the related information according to the regulations. The business plan in 2016 of Ablerex Group has been set, based on market situation and development target, and approved by the Board of Directors. The managerial team will be devoted to achieve the annual operating goals under the supervision of the Board of Directors.

C. Major production and sales policies

- Completing the production lines of middle- or low-end single phase UPS to fulfill the market. Providing products with reasonable cost-performance value and win back the trust of our clients to boost sales revenue.
- Keep advancing and expanding electronic application in production procedures to improve production efficiency and quality.
- Accelerating the pace of development and production in 3-phase products to grab the niche market.
- Enhancing the promotion and application of private brand products in Taiwan market.
- Urging each sales location to enhance sales and cooperate with the sales and product develop strategies to consolidate the market status.
- Controlling group operating expenses and budget implementation to improve the efficiency in resources usage.
- Completion of Pingtung Factory II and ready for production.

D. Research and Development Status

Based on the concept of “Independent technique innovation”, AblereX continues devoting to the research and development on products of 3-phase, high level, and high-capacity electronic devices. Not only did AblereX dedicate to develop new products on the basis of the existing core technology and patents, but also cooperate with colleges in the field of advancing research in applying theory into products. The R&D department kept modifying product design for market demand. In responded to future energy issues, AblereX has prepared wind power inverters, hybrid inverters, remote control systems by renewable energy, power storage systems (ESS), and etc. These products are ready for commercial use as long as the market demand emerging.

4. The impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

A. External Competitive Environment

UPS is a mature and highly-competitive industry. Markets of middle- and high-end products are handled by few major brand names with long history and reputations, which enhanced their oligopoly shares by merging and acquisition, while the market of low-end products is a highly price-competitive market. As to PV inverter, the develop and design of PV inverter involves in complicated Electrical and Electronic Engineering, which cause high barrier to get into the market. Market of PV inverter used to be controlled and developed by European, American, and Japanese suppliers. However, with the enormous price decline of the whole solar energy products, the price of PV inverter also declined gradually. Lower cost provided a chance for suppliers from Taiwan and China which have cost advantages to get into the market of PV inverter. This product is highly related to the efficiency of the maintenance and operation of solar energy generation systems, and maintenance and operation of the systems relies on the cooperation with local service, which sets barriers for those who are not internationally well-known brands with full of resources to operate the cross-border trade.

B. Regulatory Environment

All foreign and domestic operating activities of AblereX are following the local regulations. No financial or operating activities were affected by the policies and regulations changes, from domestic or foreign, until now. The managerial team will keep watching the changes in major policies and regulations either from domestic or foreign, and react instantly.

C. Macroeconomic Conditions

Along with the development of global communication tools, internet, cable TV broadcasting, wireless access point, intelligent grid, and cloud systems, terminal application products, such as personal computers, mega data centers for business use, and large-scaled equipment for public infrastructures, have the need to be protected from unstable electric current. This makes UPS an indispensable equipment. Therefore, the global UPS industry

should have steady growth pace.

Global PV inverter industry is highly correlated with solar energy generation systems. However, the market demand mainly relies on government subsidies. European photovoltaic industry rebounded slowly due to the under-performed economic outlooks. Declaration of Investment Tax Credit (ITC) in US made solar energy market more promising in the long term. Market changed in Japan due to the decrease of feed-in tariff and power industry deregulation. Although China has set magnificent installation target, the sluggish economic development and delay of subsidies distribution may impact real installation. Cost of photovoltaic kept going down, which is favor for long-term development, under policy guidance, and the average price of PV inverter continued to decrease will be usual in the future, in despite of efficiency improvement of PV inverter. Market demand in PV inverter increased, but unit price per watt declined which made market scale of PV inverters grow slowly. In the long-term perspectives, because the targets that renewable energy substitutes for traditional fossil fuel in every country remain unchanged, PV inverter market will have sustainable growth, with fluctuations of inventory adjustment and supply-demand unbalance.

5. Development Strategy

Ablerex is not only improving mature products and providing customers the products with high cost-performance value to maintain the market shares in UPS field, but also aggressively extend existing application experiences in power electronic fields, following the trends of energy use, to develop precursor products related to renewable energy power generation and monitoring systems, intelligent electric net, and etc, which will soon be commercialized after the related application regulations are disclosed. Ablerex deeply believed that in the trends of devoting to diversifying energy sources and improving usage efficiency, our products are fit the trends and will be part of the energy management field. Ablerex will also expand the sales volume of core products and application of core technology to help our customers improve the efficiency in using power, reach corporate social responsibilities goals of “save energy and protect environment”, fulfill the expectations of all interested parties, and pursue sustainable development of Ablerex.

Wish you all the best,

Chairman and CEO
Steven Hsu

II. Company Profile

2.1 Date of Incorporation: Apr. 27, 1998.

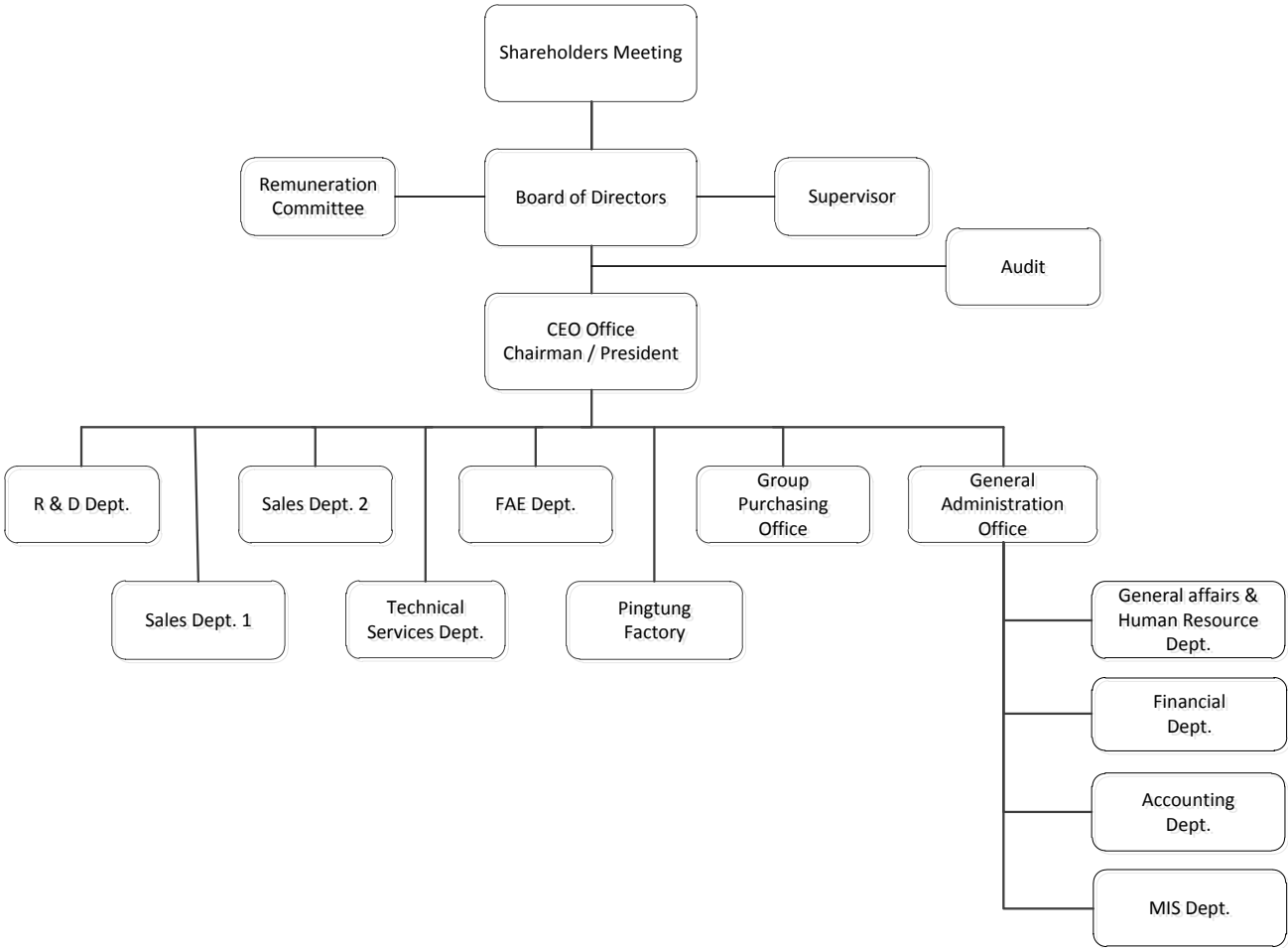
2.2 Company History

2016	Invest New Office for Xinchu office
2013	Set up New Building for U.S. Office
2012	New Factory at Pingtung Taiwan for 3 phase product.
2010	Public Listed on OTC market Increased Capital to USD 15M (NTD450M)
2009	Set up Beijing office and Italy office Listed on Emerging Stock Market
2008	Set up RD center in Kaohsiung Invest Singapore Company Set up 2nd-owned Factory in Suzhou, China Public offering in Taiwan Stock Market
2006	Set up USA office.
2005	Set up 1st-owned Factory in Suzhou, China.
2004	Increased Capital to USD 10 M (NTD 310 M)
2002	Merged with UIS Abler Electronics Co., Ltd. and rename Ablere Electronics Co., Ltd.
2001	Start to set up Production facility in Suzhou, China
1994	Set up PEC TECHNOLOGY CO., LTD

III. Corporate Governance Report

3.1 Organization

A. Organization Chart



B. Major Corporate Function

Department	Main Function
CEO office	<ol style="list-style-type: none"> 1. Setup Chairman, General Manager, Special assistant to Chairman and Stock affairs 2. Follow the Corp. policy, business development and operation of mid/long term plan. 3. Relative process for Stock affairs
Audit Office	<ol style="list-style-type: none"> 1. All audit of finance, Sales and Accounting 2. Trace the internal procedure and review operation for internal control system 3. Amend the system document and promote the audit management
R & D Dept.	<ol style="list-style-type: none"> 1. New technology and new product 2. Setup specification of new product 3. Internal technical transference and training 4. Filing and management of technical document and application for all intelligent right
Sales Dept. 1	<ol style="list-style-type: none"> 1. Sales and promotion of own branded product in Big China market 2. Sales management and business development 3. Offer the service to promote sales
Sales Dept. 2	<ol style="list-style-type: none"> 1. Sales and promotion of own branded product in world-wide market 2. Sales management and business development 3. Offer the service to promote sales 4. To update the catalog and web site
Technical Services Dept.	<ol style="list-style-type: none"> 1. To offer services of Installation, inspection and warranty 2. Create business for maintenance, parts and components
F.A.E Dept.	<ol style="list-style-type: none"> 1. Support to customers for all own branded product 2. Backup of sales promotion 3. Support for all claim
Pingtung Factory	<ol style="list-style-type: none"> 1. Plan and management for all Production, schedule, inventory, raw material, packing. 2. Support and plan for all OEM 3. Delivery, lead time control and after sales services.
Group Purchasing Office	<ol style="list-style-type: none"> 1. Setup of supply chain 2. Out sourcing for R&D, raw material and parts 3. Control of purchasing cost
General Administration Office	<p><u>General affairs & Human Resource Dept.</u></p> <ol style="list-style-type: none"> 1. General affairs for operation 2. Maintenance and management of Fix assets 3. Attendance management <p><u>Financial Dept.</u></p> <ol style="list-style-type: none"> 1. A/P, finance plan and management analysis 2. Management and plan of funds <p><u>Accounting Dept.</u></p> <ol style="list-style-type: none"> 1. Accounting, tax process and preparation of finance report 2. Analysis and control of summary of annual budget <p><u>MIS Dept.</u></p> <ol style="list-style-type: none"> 1. Installation, maintenance and management of IT system 2. Internal net working installation and maintenance 3. Plan, integration of ERP on-line system 4. Development for process automation and function

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

A. Directors and Supervisors

2016/4/30, Unit: Shares; %

Title	Nationality/ Country of Origin	Name	Date elected	Term (Years)	Date of first elected	Shareholding when elected		Current shareholding		Spouse and Minors Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
			(MM-DD-YY)	(Years)		Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Taiwan	Steven Hsu	06-23-14	3	05-08-02	9,462,177	21.03%	9,477,177	21.06%	333,973	0.74%	0	0	National Kaohsiung university of applied science/Master of electronic engineering (MEE) Chairman & President of PEC Technology Co., Ltd.	Note 1	N/A	N/A	N/A
Director	Taiwan	Y.A. Chen	06-23-14	3	05-08-02	2,485,763	5.52%	2,485,763	5.52%	0	0	0	0	National Chiao Tung University/Master of Institute of Traffic & Transportation President of United Integrated Services Co., Ltd. Chairman of UIS Abler Electronics Co., Ltd. Chairman of Ablerex Electronics Co., Ltd.	Note 2	N/A	N/A	N/A
Director	Taiwan	UIS Co., Ltd.	06-23-14	3	05-08-02	14,727,502	32.73%	14,727,502	32.73%	0	0	0	0	N/A	N/A	N/A	N/A	N/A
		Y.C. Wang	09-15-15			-	0.00%	-	0.00%	0	0	0	0	National Chiao Tung University/Bachelor of Institute of Communications	Note 3	N/A	N/A	N/A
Director	Taiwan	UIS Co., Ltd.	06-23-14	3	05-08-02	14,727,502	32.73%	14,727,502	32.73%	0	0	0	0	N/A	N/A	N/A	N/A	N/A
		C.S. Chen				-	0.00%	-	0.00%	0	0	0	0	National Chiao Tung University/Bachelor of Institute of Communications	Note 3	N/A	N/A	N/A
Director	Taiwan	UIS Co., Ltd.	06-23-14	3	09-23-15	14,727,502	32.73%	14,727,502	32.73%	0	0	0	0	N/A	N/A	N/A	N/A	N/A
		Benny Chen				-	0.00%	-	0.00%	0	0	0	0	National Chiao Tung University/Bachelor of Institute of Communications	Note 4	N/A	N/A	N/A
Director	Taiwan	Hank Xiao	06-23-14	3	06-09-06	111,085	0.25%	111,085	0.25%	79	0.00%	0	0	Tamkang University/Bachelor of Electronic Engineering Manager of Fu Pin Industry Co., Ltd. Deputy Manager of UIS Abler Electronics Co.,	Note 5	N/A	N/A	N/A
Ind. Director	Taiwan	Michael Y.J. Ding	06-23-14	3	11-17-09	0	0.00%	0	0.00%	0	0	0	0	Indiana University/Doctor of Philosophy. President of Fubon Securities Investment Trust Co., Ltd. Chairman of Waterland Securities Co., Ltd.	Note 6	N/A	N/A	N/A
Ind. Director	Taiwan	S.G. Wang	06-23-14	3	06-23-14	0	0.00%	0	0.00%	0	0	0	0	Chung Yuan Christian University/Bachelor of Civil Engineering Chief of team leader of Engineering	CTWWA	N/A	N/A	N/A
Supervisor	Taiwan	James Ho	06-23-14	3	11-17-09	0	0.00%	0	0.00%	0	0	0	0	University of Pittsburgh/Doctor of Economics	Note 7	N/A	N/A	N/A
Supervisor	Taiwan	T.M. Yen	06-23-14	3	06-23-14	0	0.00%	0	0.00%	0	0	0	0	Soochow University/Master of Economics The director of Hsin-chu Science-Based Industrial Park	Note 8	N/A	N/A	N/A
Supervisor	Taiwan	S.H. Chen	06-23-14	3	05-22-08	700,482.00	1.56%	700,482.00	1.56%	0	0	0	0	Kun Shan University/Bachelor of International Trade	N/A	N/A	N/A	N/A

Note 1.	Steven Hsu	Chairman and CEO, Ablere Electronics Co.,Ltd., CEO, Ablere Electronics (Suzhou) Co., Ltd., Director, Joint rewards trading corp. Director, Ablere corporation, Ablere International Corp. Ltd., Ablere Electronics (S) PTE Ltd. Director, Ablere Electronics U.K. Ltd. Director, Ablere Electronics Italy s.r.l. Director, Ablere Electronics (Beijing) Co., ltd.
Note 2.	Y.A. Chen	Chairman, Ablere Electronics Co.,Ltd., Chairman ,Ablere Electronics (Suzhou) Co., Ltd., Director, Ablere Electronics (Samoa) Co., Ltd. Director, Ablere Overseas Corp Ltd. Director Ablere Electronics (Beijing) Corp Ltd.
Note 3.	C.S. Chen	Chairman, UIS Co., Ltd. Chairman, Chairman of United Integrated Services Co., Ltd., Chairman of United Information Systems (BVI) Co., Director of United Integrated Services Co., Ltd.(Jiangxi), Director of United Integrated Services Co., Ltd. (Shanghai), Director of United Integrated Services Co., Ltd. (Suzhou), Director of Hitpoint Inc., Supervisor of Han-Tai Investment Co., Ltd.
Note 4.	Benny Chen	President of United Integrated Services Co., Ltd., Director of Han-Tai Investment Co., Ltd., Director of Wholetech System Hitech Limited (Legal Representative), Chairman of United Integrated Services Co., Ltd.(Jiangxi), Chairman of United Integrated Services Co., Ltd. (Shanghai), Chairman of United Integrated Services Co., Ltd. (Suzhou), Chairman of United Integrated Services Co., Ltd. (Beijing), Chairman of United Integrated Services Pte. Ltd., Director of Jiangxi Construction Engineering (Group) Co., Ltd.
Note 5.	Hank Xiao	Ablere Electronics Co., Ltd. V.P., Ablere Electronics (Beijing) Co., ltd. Supervisor
Note 6.	Michael Y.J. Ding	Chairman & CEO, Waterland Securities Co., Ltd., Chairman, Waterland Futures Co., Ltd., Chairman, Paradigm Asset Management Co., Ltd., President & CEO, Fubon Asset Management Co., Ltd., Chairman & CEO, Fubon Securities Investment, Services Co., Ltd., Chief Economist, Fubon Financial Holding Co., Ltd.
Note 7.	S.G. Wang	Water Resources Agency, Ministry of Economic Affairs
Note 7.	James Ho	Chairman of Hwa Sun Asset Management Co., Ltd., Chairman of Chen-ying International Develop Co., Ltd., Chairman of SNSplus, Inc.,Chairman of Guo-Yong Investment Co., Ltd., Chairman of Hua-Chen International Investment Ltd., Remuneration Committee of CHINA AIRLINES LTD., Chairman, PharmaEngine, Inc., Chairman and Taiwan Branch Manager of ADVANCED CAR ELECTRONIC CO., LTD., TAIWAN BRANCH (B.V.I.), Chairman of WISE SEA TECHNOLOGY CO., LTD. 、legal person director of TaiAn Technologies Corp., Legal person director of China Development Industrial Bank, Director, SNSplus HK CO., LTD 、 Director, Hotran Resource Development Ltd. 、 Director, Golden Victor Ltd., legal person director of Grand Cathay Venture Capital III Co.,Ltd., legal person supervisor of ANDES TECHNOLOGY CORPORATION.
Note 8.	T.M. Yen	Vice Chairman of Wholetech System Hitech Limited, Director of MEGA BILLS FINANCE CO., LTD., Director of China Meteorological And Enviroment Research & Development Center, Director of Fon-Liang Co.,

B. Major shareholders of Institutional Shareholders

Apr. 30, 2016

Name of Institutional Shareholders	Major shareholders of Institutional Shareholders
UIS Co., Ltd.	A listed company, Chairman Mr. C.S. Chen. Vaucluse Capital Management Limited (8.75%) 、 Mr. Y.C. Wang (6.08%) 、 Lian-Yi Investment Co.(4.01%) 、 Ms. Belle Lee (2.94%), HSBC bank in custody for UBS agency (2.25%) 、 Standard Chartered Bank Hosting the Fidelity Puritan Trust-Fidelity Low-Priced Stocks Fund (2.16%) 、 Citibank Taiwan Ltd in custody for Norges Bank (1.99%) 、 Standard Charter Bank in custody for GMO Emerging Markets Fund (1.58%) 、 C.S. Chen(1.52%) 、 Benny Chen (1.26%)

Data source: United Integrated Services Corp. [Stock code: 2404]

C. Major shareholders of the company's major institutional shareholders

Apr. 30, 2016

Name of Institutional Shareholders	Major shareholders
Vaucluse Capital Management Limited	Hsueh J. Sung (100%)
Lian-Yi Investment Co.	Wu Li-Shang(11.32%) 、 Lee Huei-Wen(10.88%) 、 Chen Ching-Yu(7.88%)
HSBC bank in custody for UBS agency	UBS (100%)
Standard Chartered Bank Hosting the Fidelity Puritan Trust-Fidelity Low-Priced Stocks Fund	Standard Chartered Bank Hosting the Fidelity Puritan Trust-Fidelity Low-Priced Stocks Fund (100%)
Citibank Taiwan Ltd in custody for Norges Bank	Citibank (100%)
Standard Charter Bank in custody for GMO Emerging Markets Fund	Standard Chartered Bank (100%) 、

Data source: United Integrated Services Corp. [Stock code: 2404]

D. Professional qualifications and independence analysis of directors and supervisors

Criteria	With over 5 years of job experience and the following business qualification			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Name														
Steven Hsu			V				V	V	V	V	V	V	V	0
Y.A. Chen			V				V	V	V	V	V	V	V	0
UIS legal person director :C.S. Chen			V			V	V			V	V	V		0
UIS legal person director :Benny Chen			V			V	V			V	V	V		0
Hank Xiao			V			V	V	V	V	V	V	V	V	0
Michael Y.J. Ding			V	V	V	V	V	V	V	V	V	V	V	0
S.G. Wang			V	V	V	V	V	V	V	V	V	V	V	0
James Ho			V	V	V	V	V	V	V	V	V	V	V	0
T.M. Yen			V	V	V	V	V	V	V	V	V	V	V	0
S.H. Chen			V	V	V	V	V	V	V	V	V	V	V	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

Apr. 30, 2014/ Unit: Share, %

Title	Nationality/ Country of Origin	Name	Date Effective (MM-DD-YY)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman/ CEO	Taiwan	Steven Hsu	06-09-11	9,477,177	21.06%	333,973	0.74%	0	0	National Kaohsiung university of applied science/Master of electronic engineering (MEE) Chairman & President of PEC Technology Co., Ltd.	Note 1	N/A	N/A	N/A
CSO	Taiwan	Y.A. Chen	06-09-11	2,485,763	5.52%	0	0	0	0	National Chiao Tung University/Master of Institute of Traffic & Transportation President of United Integrated Services Co., Ltd. Chairman of UIS Abler Electronics Co., Ltd. Chairman of Ablerex Electronics Co., Ltd.	Note 2	N/A	N/A	N/A
V.P.(Group Purchasing)	Taiwan	Hank Xiao	07-01-11	111,085	0.25%	79	0.00%	0	0	Tamkang University/Bachelor of Electronic Engineering Manager of Fu Pin Industry Co., Ltd. Deputy Manager of UIS Abler Electronics Co., Ltd. Factory Manager of Ablerex Electronics Co., Ltd.	Note 3	N/A	N/A	N/A
V.P.(FAE)	Taiwan	Tim Sung	01-01-15	221,921	0.47%	0	0	0	0	National Kaohsiung university of applied science/Master of electronic engineering (MEE) Sales Manager of PEC Technology Co., Ltd. Manager of FAE Department of PEC Technology Co., Ltd.	N/A	N/A	N/A	N/A
Special Assistant to Chairman	Taiwan	Damon Chao	08-30-13	1,000	0.01%	2,000	0.01%	0	0	Tamkang University/Bachelor of Chemistry RD Manager of Hold Key Electric Wire & Cable Co., Ltd. Vice President of Wonderful Hi-Tec Co., Ltd.	N/A	N/A	N/A	N/A
Manager of Sales Dept. 1	Taiwan	Owen Lin	01-01-12	3,000	0.01%	9,000	0.02%	0	0	National Kaohsiung university of applied science/Master of electronic engineering (MEE) Engineer of KG Telecommunication Co., Ltd. Engineer of Far EasTone Communications Co., Ltd.	N/A	N/A	N/A	N/A
Manager of Sales Dept. 2	Taiwan	TM Lin	01-01-12	1,000	0.01%	0	0	0	0	National Taiwan University/Bachelor of Chemical Engineering Programmer of ARES International Corp.	N/A	N/A	N/A	N/A
Manager of Technical Services Dept.	Taiwan	Jerry Fu	01-01-16 (Note 4)	5,000	0.01%	0	0	0	0	Master of KAUS	N/A	N/A	N/A	N/A
Manager of Technical Services Dept.	Taiwan	Wesley Wu	01-01-16	0	0%	0	0	0	0	Hwa Hsia University of Technology Deputy Manager of Ablerex Technical Service Dept.	N/A	N/A	N/A	N/A
Financial Manager	Taiwan	Jeff Lin	03-03-08	14,000	0.03%	0	0	0	0	National Taiwan University/Bachelor of Economics Deputy Manager of Taipei Fubon Commercial Bank Co., Ltd.	N/A	N/A	N/A	N/A
Accounting Manager	Taiwan	Emma Liao	07-01-06	665,800	1.48%	31,000	0.07%	0	0	National Taipei University of Business/Bachelor of Accounting Deputy Manager of Accounting Department of PEC Technology Co., Ltd.	N/A	N/A	N/A	N/A

Note 1.	Steven Hsu	Chairman and CEO of Ablere Electronics Co., Ltd., CEO of Ablere electronics (suzhou) co., ltd., Director of Joint rewards trading corp., Ablere corporation Director, Director of Ablere Electronics (Beijing) Co., ltd., Director of Ablere Electronics (s) pte Ltd., Director of Ablere Electronics U.K. Ltd. Director, Ablere Electronics Italy s.r.l.
Note 2.	Y.A. Chen	CSO of Ablere Electronics Co., Ltd. , Chairman of Ablere Electronics (Suzhou) Co., Ltd., Director of Ablere Electronics (Samoa) Co., Ltd., Director of Ablere Overseas Corp Ltd., Director of Ablere Electronics (Beijing) Corp Ltd.
Note 3.	Hank Xiao	Supervisor of Ablere Electronics (Beijing) Co., ltd.
Note 4.	Jerry Fu	Job transferred to Sales Dept 1 from 2016/1/1.

3.3 Remuneration of Directors, Supervisors, President, and Vice Presidents

3.3.1 Remuneration of Directors (Ind. Directors) and Supervisor

A. Remuneration of Directors

Unit: NTD thousand

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Relevant Remuneration Received by Directors Who are Also Employees												Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) Base Compensation (A)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)			Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)		New Restricted Employee Shares						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements			
Chairman	Steven Hsu	0	0	0	0	3,185	3,185	271	271	1.96%	1.96%	7,884	7,884	184	184	1,070	0	1,070	0	0	0	0	7.14%	7.14%	0
Director	Y.A. Chen																								
Director	Hank Xiao																								
Director	Y.C. Wang (Note 2)																								
Director	C.S. Chen																								
Director	Benny Chen																								
Ind. Director	Michael Y.J. Ding																								
Ind. Director	S.G. Wang																								

Notel : D Column of the above chart is the allowance of transportation and officer's car for Directors to implement daily business, including one officer's car for Director ChenYu-An which recognized 141,672 depreciation expenses in 2015.

Note 2 : UIS Co. Legal person director Mr. Y.C. Wang had been discharged from 2015/9/23 and was taken placed by Mr. Benny Chen.

Remuneration Bracket

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Less than 2,000,000	Steven Hsu, Y.A. Chen、UIS Co (Legal person director Y.C. Wang, C.S. Chen, Benny Chen)*, Hank Xiao, Michael Y.J. Ding, S.G. Wang. (Note)	Steven Hsu, Y.A. Chen、UIS Co (Legal person director Y.C. Wang, C.S. Chen, Benny Chen)*, Hank Xiao, Michael Y.J. Ding, S.G. Wang. (Note)	UIS Co (Legal person director Y.C. Wang, C.S. Chen and Benny Chen), Hank Xiao, Michael Y.J. Ding, S.G. Wang.(Note)	UIS Co (Legal person director Y.C. Wang, C.S. Chen and Benny Chen), Hank Xiao, Michael Y.J. Ding, S.G. Wang. (Note)
2,000,000 ~ 5,000,000	None	None	Steven Hsu, Y.A. Chen	Steven Hsu, Y.A. Chen
5,000,000 ~ 10,000,000	None	None	None	None
10,000,000 ~ 15,000,000	None	None	None	None
15,000,000 ~ 30,000,000	None	None	None	None
30,000,000 ~ 50,000,000	None	None	None	None
50,000,000 ~ 100,000,000	None	None	None	None
More than 100,000,000	None	None	None	None
Total	8	8	8	8

Note : UIS Legal person director Mr. Y.C. Wang was taken placed by Mr. Benny Chen from 09-23-15.

The remuneration disclosed on the above chart is not the same as the income in Income Tax Act. The purpose of the chart is for information disclosure instead of tax basis.

B. Remuneration of Supervisors

Unit: NTD thousand, %

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)				
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
Supervisor	S.H. Chen	0	0	1,365	1,365	65	65	0.81%	0.81%	0
Supervisor	James Ho									
Supervisor	T.M. Yen									

Remuneration Bracket

Remuneration to supervisors	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the financial statements
Less than 2,000,000	S.H. Chen, James Ho and Yeng Zhon-Ming	hen Shu-Hwa, James Ho and Yeng Zhon-Ming
2,000,000 ~ 5,000,000	None	None
5,000,000 ~ 10,000,000	None	None
10,000,000 ~ 15,000,000	None	None
15,000,000 ~ 30,000,000	None	None
30,000,000 ~ 50,000,000	None	None
50,000,000 ~ 100,000,000	None	None
More than 100,000,000	None	None
Total	3	3

* The remuneration disclosed on the above chart is not the same as the income in Income Tax Act. The purpose of the chart is for information disclosure instead of tax basis.

C. Remuneration of President and Vice Presidents

Unit: NTD thousand, %

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		New Restricted Employee Shares		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the financial Statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock							
President	Steven Hsu	7,511	7,511	258	258	1,965	1,965	1,261	0	1,261	0	6.24%	6.24%	0	0	0	0	0
CSO	Y.A. Chen																	
V.P	Hank Xiao																	
V.P	Tim Sung*																	

* Mr. Tim Sung was promoted to be V.P. from 01-01-15

Remuneration Bracket

Remuneration of President and V.P	Name of President and V.P	
	The company	Companies in the consolidated financial statements
Less than 2,000,000	Hank Xiao, Tim Sung	Hank Xiao, Tim Sung
2,000,000 ~ 5,000,000	Steven Hsu, Y.A. Chen	Steven Hsu, Y.A. Chen
5,000,000 ~ 10,000,000	None	None
10,000,000 ~ 15,000,000	None	None
15,000,000 ~ 30,000,000	None	None
30,000,000 ~ 50,000,000	None	None
50,000,000 ~ 100,000,000	None	None
More than 100,000,000	None	None
Total	4	4

* The remuneration disclosed on the above chart is not the same as the income in Income Tax Act. The purpose of the chart is for information disclosure instead of tax basis.

D. Remuneration of Executive Officers

Unit: NTD Thousand

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CEO	Steven Hsu	0	2,016	2,016	1.14%
	Chief Strategy Officer	Y.A. Chen				
	V.P of Group Purchasing Office	Hank Xiao				
	V.P of FAE Dept.	Tim Sung				
	Special Assistant to Chairman	Damon Chao				
	Manager of Sales Dept. 1	Owen Lin				
	Manager of Sales Dept. 2	TM Lin				
	Manager of Technical Services Dept.	Jerry Fu				
	Assistant Manager of Accounting Dept.	Emma Liao				
	Manager of Financial Dept.	Jeff Lin				

3.3.2 Compare and state the ratio of total remuneration paid to the Company's Directors, Supervisors, President, and Vice Presidents by the Company and the companies in the consolidated financial statements to net income in the last 2 years; also, describe the policy, standard, and combination of remuneration paid; moreover, the procedure of defining remuneration and its relation to business performance:

A. Analyze the ratio of the total remuneration paid to the company's Directors, Supervisors, President, and Vice Presidents in the last 2 years to net income:

Unit: NTD Thousand, %					
Title	Year	2014		2015	
		The company	Companies in the financial statements	The company	Companies in the financial statements
Remuneration to Directors		3,003	3,003	3,456	3,456
Ratio of total remuneration paid to Directors to net income (%)		1.42%	1.42%	1.96%	1.96%
Remuneration to Supervisors		1,232	1,232	1,430	1,430
Ratio of total remuneration paid to Supervisors to net income (%)		0.58%	0.58%	0.81%	0.81%
Remuneration to President and V.P		8,327	8,327	10,994	10,994
Ratio of total remuneration paid to President and V.P to net income (%)		3.93%	3.93%	6.24%	6.24%

B. The policy of remuneration, criteria and packages, rules and procedures related to the remuneration, and its relation to business performance and future risks.

Title Description	Remuneration to Directors	Remuneration to President and V.P
Policy of Remuneration	All Directors and Supervisors have no regular salary. The remuneration will be proposed according to the Articles of Incorporation only when the net income is positive at the end of each financial year. The remuneration is determined based on each individual's participation and contribution, as well as the level of remuneration paid by peers.	The remuneration of Managers is paid based on Staff Remuneration Management Principles. Bonus is paid according to Bonus and Profit Sharing Principles of AblereX in the years of surplus.
Criteria and Packages	Based on the responsibility of undertakings and guarantees of individual Directors or Supervisors	Salary, duty allowances, meal allowances, bonus from evaluation, and subsidies.
Rules and procedures related to the remuneration	<ol style="list-style-type: none"> 1. The remuneration to Directors from AblereX's earning is stipulated by the Articles of Incorporation. The amount is proposed by the Remuneration Committee, resolved by the Board of Directors and Shareholders' Meeting before allocation. 2. The allocation of remuneration to Directors and Supervisors is advised by the Remuneration Committee, and allocated after the consent of Board of Directors. 	<ol style="list-style-type: none"> 1. The rule of remuneration is stipulated in Staff Remuneration Management Principles, reviewed by the Remuneration Committee, and approved by the Board of Directors. 2. The bonus from annual performance and profit sharing is proposed according to the annual performance evaluation and related internal regulations, reviewed by the Remuneration Committee, and approved by the Board of Directors.
Relation to business performance and future risks	The remuneration is determined based on each individual's participation and contribution, as well as the level of remuneration paid by peers. And the criteria of remuneration are regularly reviewed by the Remuneration Committee.	The remuneration is determined based on the contracted salary and the performance and profit of each business unit. The remuneration is regularly reviewed by the Remuneration Committee.

Note : In response to the amendments of Company Act, "profit after-tax distributable as employees' bonus" will be modified to "profit distributable as employees' compensation" in the newly amended Articles of Incorporation after this shareholders' meeting.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

6 Board Meetings in 2015 and 9 (A) Board Meetings up to the date of annual report printed. The attendance of Directors for the 9 Board Meetings:

Title	Name	Attendance in Person (B)	Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Steven Hsu	9	0	100%	
Director	Y.A. Chen	9	0	100%	
Director	UIS Co. Rep. Y.C. Wang*	0	0	0%	Discharged from 09-15-15
Director	UIS Co. Rep. C.S. Chen	9	0	100%	
Director	UIS Co. Rep. Benny Chen	3	0	60%	On board from 09-23-15 (Totally 5 meetings after the on board date)
Director	Hank Xiao	9	0	100%	
Independent Director	Michael Y.J. Ding	8	0	88.89%	
Independent Director	S.G. Wang	9	0	100%	

Other mentionable items:

1. If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified : As per note
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:
 - (1) 2015.8.10 when the board reviewed the distribution of employees' bonus, Chairman Steven Hsu, Director Y.A. Chen, and Director Hank Xiao avoided the vote due to conflict of interests. After the voting hosted by the chairman deputy, Independent Director Michael Y.J. Ding, all other attendant directors approved the distribution of employee's bonus as it proposed.
 - (2) 2016.1.25 when the board reviewed the year-end bonus for managers, Chairman Steven Hsu, Director Y.A. Chen, and Director Hank Xiao avoided the vote due to conflict of interests. After the voting hosted by the chairman deputy, Independent Director Michael Y.J. Ding, all other attendant directors approved the year-end bonus for managers as it proposed.
3. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in

carrying out its various duties.

- (1) Goal of strengthening the functionality of the board: Ablerex established “Rules of Procedure for Board of Directors Meetings and Management Procedures for the Operation of Board Directors Meetings”, which regulates the managerial systems of the board of Ablerex and strengthens the board’s function of supervision and management, to let the procedures of board’s meeting to follow.
- (2) Implementation evaluation: The convention and process of board of directors’ meeting of Ablerex is fully followed the regulation of “Rules of Procedure for Board of Directors Meetings and Management Procedures for the Operation of Board Directors Meetings”. Remuneration Committee exercises its duty of review the remuneration of directors, supervisors, and managers, and provides evaluations and suggestions about the relevant policies and internal regulations for the reference of board of directors.
- (3) Referring to “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and related regulations, the amendment of “Corporate Governance Best Practice Principles” has been approved by board of directors and by shareholders’ meeting. The amendment states that it adopts the candidate nomination system for election of directors (including independent directors) and supervisors. The composition of the board of directors shall be determined by taking diversity into consideration and should include, but not limited to, gender, age, culture and professional

Note :

Date	Term	motion	Independent Director’s opinion	Follow up
2015/1/26	the 1 st Board meeting in 2015	extempore motion	Advised by Independent Director S.G. Wang: Government will fully implement corporate social responsibility policy. Ablerex should take responding into action as soon as possible.	Implemented as regulations and also consult the consultation company for applying the new policy.
2015/11/9	the 5 th Board meeting in 2015	extempore motion	Advised by Independent Director Michael Y.J. Ding: Ablerex has larger market share in Taiwan, while the overseas markets will be the	Ablerex has cultivated each overseas subsidiary for decade and pursued localization with hiring local employees. Staff in each subsidiary

Date	Term	motion	Independent Director's opinion	Follow up
			important sources of growth momentum. How will AblereX react in the overseas sales and technical support?	reports operating performance in Taiwan every year and communicates with R&D team to upgrade the sales skills and product knowledge. AblereX will offer the best marketing supports to all subsidiaries.
2015/11/9	the 5 th Board meeting in 2015	announcements	Advised by Independent Director S.G. Wang: Health examinations for employees could be considered to provide better conditions for elder employees, such as for employees over 50 year-old, offering health examinations every 2 years, instead of every 3 years, and are subsidized by AblereX.	The company has already provided better welfares for employees than regulations promised and will modify after evaluation as the situation required.

3.4.2 Attendance of supervisors at the board meeting:

6 Board Meetings in 2015 and 9 (A) Board Meetings up to the date of annual report printed. The attendance of Supervisors for the 9 Board Meetings:

Title	Name	Attendance (Times) (B)	Frequency of attendance (%) (B/A)	Remark
Supervisor	James Ho	9	100%	
Supervisor	T.M. Yen	9	100%	
Supervisor	S.H. Chen	9	100%	

Other matters for records:

1. Composition and responsibility of Supervisors: AblereX currently set up 3 Supervisors who attend the Board Meeting periodically.

- (1) Communication between the company's supervisors and employees and shareholders:

The company employees or shareholders, stakeholders and the major shareholder may contact supervisor by letter or phone. The supervisors will be in attendance the shareholders' meeting, and shareholders may communicate with supervisor in the shareholders' meeting. The Company has set up a dedicated window as spokesman of

external communication, employees and shareholders to monitor for to communicate with people, you can convey to supervisors through a spokesman.

- (2) Communication between the company's supervisors and internal chief director and CPA:
- A. The audit will present internal audit report to supervisors and independent directors next month of the completion of the audit projects, and report in the Board meetings. Besides attendance of Board meetings, supervisors may monitor the company's financial, business execution status, if there are questions related to the company's operations, supervisors can communicate with the relevant unit heads and review improvements.
 - B. CPAs will communicate with supervisors about aspects of the audit plan before execution of audit. If any questions about the Company's financial condition, business, etc., the supervisors may have direct communication with the CPAs about the audit result.

2. For the opinions of the supervisors stated in the board meeting, the date, term, the content of the case, the resolution reached, and the company's response to the supervisor's opinion must be stated in details:

Date	Term	motion	Supervisor's opinion	Follow up
2015/11/9	the 5 th Board Meeting in 2015	extempore motion	Advised by Supervisor T.M. Yen: What is the counter-measures of AblereX in respond to economic headwinds?	AblereX mainly conducts green energy business. Along with the development of global communication tools, internet, cable TV broadcasting, wireless access point, intelligent grid, and cloud systems, terminal application products, such as personal computers, mega data centers for business use, and large-scaled equipment for public infrastructures, have the need to be protected from unstable electric current. This makes UPS an indispensable equipment. Therefore, the global UPS industry should have steady growth pace. AblereX is optimistic to the future performance.
2015/11/9	the 5 th Board Meeting in 2015	extempore motion	Advised by Supervisor T.M. Yen: How to manage R&D teams?	R&D teams are grouped by products and lead by PMs. They examine R&D progress and communicate technical problems on the monthly basis. They have improved each products this year and expect to receive orders in 2016.
2015/11/9	the 5 th Board Meeting in 2015	extempore motion	Advised by Supervisor T.M. Yen: How to supervise overseas subsidiaries?	In sales aspect: Convene meetings with each subsidiary regularly to examine the sales performance. In financial aspect: The financial reports of each subsidiary are connected with headquarter via ERP systems for headquarter to monitor its financial system. In auditing aspect: Headquarter audits all the internal control of subsidiaries.

Date	Term	motion	Supervisor's opinion	Follow up
2015/12/28	the 6 th Board Meeting in 2015	Announcement	<p>Advised by Supervisor T.M. Yen:</p> <ol style="list-style-type: none"> 1. Ablerex may consider joining corporate social responsibilities competition to increase the scores of corporate governance evaluation. 2. The description of reports could add the cause of discussion and implementation status till the date of meeting. 	Ablerex will consider the possibility to follow the Supervisor's idea when more effort has been finished and will follow the format of report discussed.

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” ?	V		Ablerex has established the “Corporate Governance Best-Practice Principles” and have been approved by the Board of Directors on 2013/3/22 to build an effective corporate governance structure, to protect the rights of shareholders, to enhance the power of the Board of Directors, to empower the Supervisors, to respect the welfare of the stakeholders, and to improve transparency of information disclosure.	In accordance with “Corporate Governance Best Practice Principles” Article 1. The content has been slightly modified based on Ablerex’s daily operation, but the spirit of the Principle remained.
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) Ablerex has appointed spokesperson and deputy spokesperson to deal with shareholders’ suggestions, doubts, and disputes.	In accordance with “Corporate Governance Best Practice Principles” Article 13.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) Ablerex and the shareholder services agent collect the information of major shareholders and the list of ultimate owners of those shares on the regular basis and report the shares owned by Directors, Supervisors, Managers, and the major shareholders who possess over 10% of Ablerex’s shares.	In accordance with “Corporate Governance Best Practice Principles” Article 19.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) The management authorization and obligations are clearly divided between Ablerex and the affiliates. The financial and business relationships within the conglomerate structure follow the regulations and “Business Management Procedures with Specified Stakeholders and Affiliates”. Ablerex also established “Supervision and Management of Subsidiaries” as the management and firewall system.	In accordance with “Corporate Governance Best Practice Principles” Article 14 to Article 17.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4) Ablrex has established “Operational Procedures for Handling Material Inside Information and Preventing Insider Trading” as the basis of internal information processing and disclosure which regulates that the trading of Ablrex’s stock or other securities containing the rights of shares is not allowed when acknowledging the information, which is not released or within 18 hours after released, having huge impact on stock price.	In accordance with “Corporate Governance Best Practice Principles” Article 10 Paragraph 3.
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) The “Corporate Governance Best Practice Principles” of Ablrex has stated the diversified background of the members of the Board. There are 7 Directors, including 2 Independent Directors, who possess the knowledge and skill to operate the daily business.	In accordance with “Corporate Governance Best Practice Principles” Article 20.
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		(2) Ablrex has established the Remuneration Committee and exercised the due care of a good administrator to propose the suggestions to the Board of Directors for discussion. The other committees will be developed if necessary.	In accordance with “Corporate Governance Best Practice Principles” Article 28-1.
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	V		(3) This measure the performance of the Board will be taken as the reference for further improvements.	Not in accordance with “Corporate Governance Best Practice Principles” Article 37 Paragraph 4, yet this is an optional item.
(4) Does the company regularly evaluate the independence of CPAs?	V		(4) Ablrex evaluates the independence of CPAs on the regular basis in the meetings of the Board, ensuring that CPAs are not the direct or indirect stakeholders, neither the related parties, of Ablrex, the Board of Directors, and Supervisors.	In accordance with “Corporate Governance Best Practice Principles” Article 29.
4. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the	V		Ablrex has set spokesperson and deputy spokesperson as the communication channel for banks, creditors, employees, customers, suppliers, and shareholders, and maintain their legal rights. The communication can also go through website, telephone, mail, and	In accordance with “Corporate Governance Best Practice Principles” Article 51 and Article 52.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
issues they care for in terms of corporate social responsibilities?			fax if needed. Setting a web page for stakeholders is under consideration.	
5. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Fubon Securities Corporation Limited to deal with shareholder affairs.	In accordance with “Corporate Governance Best Practice Principles” Article 7 Paragraph 1.
6. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(1) Ablrex’s financials, business information could be reached on the official website: http://www.ablerex.com.tw/ch/about_8.php and Market Observation Post System.	In accordance with “Corporate Governance Best Practice Principles” Article 57.
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences) ?	V		(2) Ablrex has assigned an appropriate person to handle information disclosure and implemented a spokesman system. Ablrex’s financials, business information could be reached on the official website and Market Observation Post System.	In accordance with “Corporate Governance Best Practice Principles” Article 55 to Article 58.
7. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing	V		(1) Status of employee rights: Ablrex has been always honest and trust to employees, and their legal rights are all protected under the Labor Standards Act. (2) Employee wellness: Ablrex has established the Employees’ Welfare Committee, implemented pension fund and group insurance for employees, and held regular health examination. Ablrex also encourages employees to attain all kinds of training and conferences. (3) Investor Relationships: Ablrex disclosed information according to the regulations to protect the rights of investors as the responsibilities to shareholders. (4) Supplier Relationships: Ablrex has always communicated well with the suppliers.	In accordance with “Corporate Governance Best Practice Principles” Article 28-2 and Article 51 to Article 54.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reason
	Yes	No	Abstract Illustration	
insurance for directors and supervisors)?			<p>(5) Rights of stakeholders: AblereX set communication channels for stakeholders to make suggestions as protecting the legal right of the stakeholders.</p> <p>(6) Directors’ and Supervisors’ training records: The Directors and Supervisors all possess of professional background knowledge and also attending training sessions. Note 3 is the Directors’ and supervisors’ training records recently.</p> <p>(7) Managers’ and Auditors’ training records: Note 4</p> <p>(8) The implementation of risk management policies and risk evaluation measures: AblereX has established internal regulations according to the laws to manage and evaluate all kinds of risks.</p> <p>(9) The implementation of customer relations policies: AblereX maintains good and stable relationships with the customers to create the profits.</p> <p>(10) Purchasing insurance for directors and supervisors: The proposal of purchasing insurance for directors and supervisors has been discussed and been unanimously approved on the Board meeting of 2016/3/23. The insurance for directors and supervisors was purchased as note 5 listed.</p>	
8. Has the company implemented a self-evaluation report on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.	V		AblereX has implemented a self-evaluation report on corporate governance and the result demonstrates the effectiveness of the internal corporate governance. AblereX also joined the 2 nd term of Corporate Governance Evaluation Results in Taiwan in 2015 as be listed of Top 5%. (Please refer P.29~36 of Chinese Annual Report for Self-Evaluation Report on Corporate Governance)	No major discrepancy

Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

2. A self-evaluation report is defined as the company assessing its corporate governance evaluation items with appropriate explanations on current corporate operations and implementation.

Note 3: Directors' and supervisors' training records:

Title	Name	Year of Training	Organization	Training	Hours	Qualified "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/ TPEX Listed Companies"
Independent Director	S.G. Wang	2015	Securities & Futures Institute	CSR report – seminar for sustainable development value	3.00	Y
Director	Hank Xiao	2015	Securities & Futures Institute	CSR report – seminar for sustainable development value	3.00	Y
Chairman	Steven Hsu	2015	Securities & Futures Institute	CSR report – seminar for sustainable development value	3.00	Y
Chairman	Steven Hsu	2015	Securities & Futures Institute	Directors and supervisors holding and solution for dividend tax deductible	3.00	Y
Supervisor	James Ho	2015	Taiwan Corporate Governance Association	Function and Performance of BOD	3.00	Y
Director	Hank Xiao	2015	Securities & Futures Institute	Consolidated income tax analysis	3.00	Y
Supervisor	T.M. Yen	2015	Taiwan Corporate Governance Association	Director's and Supervisor's Liability for Financial Statement Fraud and Companies disclose material information	3.00	Y
Supervisor	T.M. Yen	2015	Taiwan Corporate Governance Association	External Audit and Internal control (From Directors' and Supervisors' point of view)	3.00	Y
Independent Director	Michael Y.J. Ding	2015	Securities & Futures Institute	Directors and supervisors holding and solution for dividend tax deductible	3.00	Y
Independent Director	Michael Y.J. Ding	2015	Taiwan Accademy of banking Finance	Corp Government – Global view point and Taiwan Experience	3.50	Y
Independent Director	S.G. Wang	2015	Taiwan Accademy of banking Finance	Corp Government – Global view point and Taiwan Experience	3.50	Y
Supervisor	S.H. Chen	2015	Securities & Futures Institute	How to survey financial report and internal control for non-Accounting Background Directors and Supervisors	3.00	Y
Supervisor	James Ho	2015	Taiwan Corporate Governance Association	Seminar of Business secret protection	3.00	Y
Director	Y.A. Chen	2015	Securities & Futures Institute	How to promote function of Functional Committees	3.00	Y
Supervisor	S.H. Chen	2015	Taiwan Corporate Governance Association	Operation and Performance of BOD	3.00	Y
Director	Y.A. Chen	2015	Securities & Futures Institute	Companies disclose material information and responsibility of Directors and Supervisors	3.00	Y

Note 4: Managers' and Auditors' training records:

Title	Name	Year of Training	Organization	Training	Hours
Chairman	Steven Hsu	2015	Securities and Futures Institute	Corporate Social Responsibility Report - showing the value of sustainable management seminar	3
Chairman	Steven Hsu	2015	Securities and Futures Institute	Measures to halve the shareholders and directors, supervisors and dividend tax deductible and coping	3
CSO	Y.A. Chen	2015	Securities and Futures Institute	How to play the function of the board to your function Hennessy committee	3
CSO	Y.A. Chen	2015	Securities and Futures Institute	Companies disclose material information and responsibilities of directors and supervisors	3
V.P.	Hank Xiao	2015	Securities and Futures Institute	Corporate Social Responsibility Report - showing the value of sustainable management seminar	3
V.P.	Hank Xiao	2015	Securities and Futures Institute	Summing up the duties of directors and supervisors and tax analysis	3
Special Assistant	Damon Chao	2015	Securities and Futures Institute	Handle Investor Conference Practice Seminar	4
Special Assistant	Damon Chao	2015	Securities and Futures Institute	Second Corporate Governance Evaluation System Introduction cum implementation of corporate governance advocacy will	4
Special Assistant	Damon Chao	2015	the Institute of Internal Auditors -Chinese Taiwan	The latest amendment to affect internal control financial reporting standards and relevant laws, the internal auditing	6
Special Assistant	Damon Chao	2015	Labor Affairs Department, New Taipei City Government	Labour Conference on behalf of employer Elementary Learning classes	12
Accounting	Emma Liao	2015	Accounting Research and Development Foundation	New Securities Finance Tax Act parsing	1
Accounting	Emma Liao	2015	Accounting Research and Development Foundation	Preparation of the consolidated financial statements of Practice Workshop	3
Accounting	Emma Liao	2015	Accounting Research and Development Foundation	New Securities Finance Tax Act parsing	1
Accounting	Emma Liao	2015	Accounting Research and Development Foundation	Preparation of the consolidated financial statements of Practice Workshop	3
Accounting	Emma Liao	2015	Accounting Research and Development Foundation	The latest annual International Financial Reporting Standards FAQ (IFRS Q & A) analytic	1
Auditor	Johnny Lu	2015	Accounting Research and Development Foundation	Beginning corporate internal auditors pre-employment training	18
Auditor	Johnny Lu	2015	Accounting Research and Development Foundation	Supervision policy and practice audits of subsidiaries under huge enterprise	6
Auditor	Johnny Lu	2015	Accounting Research and Development Foundation	On the operation of the internal control management system from ISO	6
Auditor	Johnny Lu	2015	the Institute of Internal Auditors -Chinese Taiwan	Investment and R & D cycle audit practice	6
Auditor	Johnny Lu	2015	the Institute of Internal Auditors -Chinese Taiwan	Sales of receivables and purchase payment cycle audit practice	6

Note 5: Purchasing insurance for directors and supervisors:

Insurees	Insurance Company	Insured Amount (US\$)	Insurance Period
All Directors and Supervisors	Taiwan Fire & Marine Insurance Co., Ltd. Fubon Financial	5,000,000	04-12-2016~04-12-2017

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Condition	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Michael Y.J. Ding			V	V	V	V	V	V	V	V	V	0	V
Independent Director	S.G. Wang			V	V	V	V	V	V	V	V	V	0	V
Others	C.S. Lin			V	V		V	V		V	V	V	0	

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or

more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

Operations of the Remuneration Committee

1. The number of the Remuneration Committee : 3
2. Period of the term : 06-23-14 to 06-22-17. There are 3 meetings in 2015. The attendance of Committee for the 3 Meetings:

Title	Name	Attendance (B)	By Proxy	Attendance Rate (%) (B / A)	Note
Convener	Michael Y.J. Ding	3	0	100%	N/A
Committee	S.G. Wang	3	0	100%	N/A
Committee	C.S. Lin	3	0	100%	N/A

Other Notice :

1. In the event the Board of Directors does not adopt or revise the recommendation proposed by Remuneration Committee, the agenda shall indicate the date of Board Meeting, term, agenda content, outcome of board resolution, and the company actions to opinions brought by Remuneration Committee (For compensation approved by the Board of Directors surpassing the recommendation brought by the Remuneration Committee, provide explanation of the discrepancy and reason): No such incidence found.
2. In the event the member oppose and reserve opinions against the matters resolved by the Remuneration Committee with records or written declaration, describe the date of Board Meeting, term, agenda content, outcome of board resolution, and the company actions to opinions brought by Remuneration Committee: No such incidence found.

3.4.5 Corporate Social Responsibility

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
1. Exercising Corporate Governance				
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	V		1. Ablerex has established “Corporate Social Responsibility Best Practice Principles” and “Supplier Social Responsibility Best Practice Principles” as the base of implementing social responsibility, and includes it into check list of annual internal audit plan since 2016 to review the effects of implementation.	In accordance with Article 1, 5, 6, and 9 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(2) Does the company organize regular training on social responsibility?	V		2. Ablerex has established “Corporate Social Responsibility Best Practice Principles” and “Supplier Social Responsibility Best Practice Principles” in 2015 and announced to all staff. The related information has been included in the training for new employees to ensure the implementation of this policy.	In accordance with Article 8 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(3) Does the company establish exclusively (or concurrently) dedicated units, which are authorized by and report to the Board of Directors, to be in charge of proposing and enforcing the corporate social responsibility policies?	V		3. Under the authorization of the Board of Directors, General Administration Office is concurrently in charge of proposing and supervising the relevant issue about corporate social responsibility and reporting the implementation to the Board of Directors.	In accordance with Article 7 and 9 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(4) Does the company educate and promote business ethics to Directors, Supervisors, and employees, and integrate with the employee performance appraisal system, as well as establishes an effective reward and disciplinary system?	V		4. Ablerex has established “Work Rules”, “Directors, Supervisors, and Managers Ethical Behaviors Principles”, “Employee Ethical Behaviors Principles”, and “Ethical Corporate Management Best Practice Principles” to clearly regulate the morale behaviors which Directors, Supervisors, and employees should abide by. The reward/punishment standards have been precisely set. The related advertising and educational training, as well as the performance evaluation system, are continuously progressing.	In accordance with Article 6 and 9 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
2. Fostering a Sustainable Environment				
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	V		1. Ablerex is devoted to produce energy efficiency products and use the environmental-friendly materials in product design. The internal official document process has been adopted e-documents system to reduce the usage of paper. The policy of recycling has been propagated to employees in order to reduce negative impact on environment.	In accordance with Article 12 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(2) Does the company establish proper environmental management systems based on the characteristics of their industries.	V		2. Ablerex had established environmental management systems and passed ISO14000 Environmental Management System Certification to implement environment-friendly management.	In accordance with Article 13 and 14 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(3) Does the company monitor the impact of climate change on its operations and establish company strategies for energy conservation and carbon and greenhouse gas reduction.	V		3. To comply with the policy of energy saving and carbon reduction, Ablerex has implemented some measures, such as central control of air condition, turnoff the lights, saving water, using energy efficient light bulb. Ablerex also sets improvement target based on the relevant regulations.	No major discrepancy.
3. Preserving Public Welfare				
(1) Does the company comply with relevant labor laws and regulations, protect the legal rights and interests of employees, and have in place appropriate management methods and procedures?	V		1. Ablerex has established “Work Rules”, “Corporate Social Responsibility Best Practice Principles”, and “Supplier Social Responsibility Best Practice Principles” based on Labor standards Act and the related labor force regulations as the guidelines for managerial level and employees to protect the legal rights of employees.	In accordance with Article 18 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(2) Does the company have set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		2. AblereX holds labor meeting on the regular basis and setup appealing procedures on corporate website. AblereX will react promptly and properly once receiving complaints filed by employees.	In accordance with Article 18 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(3) Does the company provide safe and healthy work environments for its employees, and organize training on safety and health for its employees on a regular basis?	V		3. AblereX has setup labor safety and health plan and implementation methods, including regular employee health examinations, propagation of labor security, fire-fighting exercises. The security guidelines, protective equipments, and first-aid kits are located in conspicuous place for the safety of all staff.	In accordance with Article 20 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(4) Does the company set up a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		4. AblereX holds labor meeting on the regular basis under the regulations to communicate and inform employees in a reasonable method in the event of changes in operations which might make major impact.	In accordance with Article 22 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(5) Does the company have provided its employees with career development and training sessions?	V		5. AblereX provides job training conforming to the requirement of each position and requires employees to attaining external lessons as the regulations demanded to acquire relevant certifications or professional skills in strengthening abilities for career development.	In accordance with Article 21 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating, and services?	V		6. AblereX has setup transparent and effective consumer complaints procedures. Also, AblereX has set corporate social responsibility session on the website, containing the communication channel for interested parties.	In accordance with Article 23 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		7. AblereX advertises and labels its goods and services according to relevant regulations and international standards.	In accordance with Article 24 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(8) Does the company evaluate the suppliers’ records of impact on the environment and society before taking on business partnerships?	V		8. AblereX has established “Supplier Social Responsibility Best Practice Principles” based on “Corporate Social Responsibility Best Practice Principles” in 2015. New suppliers will be evaluated their past records of environmental and social impact as the critical reference of business conducts according to the regulations.	In accordance with Article 26 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		9. AblereX will emphasize the clause of contracts, including under the violation of corporate social responsibility policy which cause significant impact on environment and society the contract should be terminated or removed.	No major discrepancy.
4. Enhancing Information Disclosure Does the company disclose relevant and reliable information relating to their corporate social responsibility on its website of on Market Observation Post System?	V		AblereX has disclosed relevant information and announcements on Market Observation Post System, according to the requests of relevant regulations, as well as disclosed the implementation of corporate social responsibility on the CSR session of AblereX’s website.	In accordance with Article 28 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
5. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: AblereX has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and no discrepancy between the principles and their implementation.				

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices: (1) Ablerex payout dividends in consecutive 6 years in pursuing the maximum interest of shareholders. (2) Ablerex provides employee benefits package including holding and subsidizing domestic and foreign company trips every year, holiday bonus for three traditional Chinese festivals, and offering health examinations for employees every 3 years. (3) The efforts of Ablerex in corporate governance have been ranked as TOP 5% company in 2015 Corporate Governance Evaluation Results in Taiwan. (4) Ablerex has arranged external consultation and established a team in structuring the relevant system. The CSR report of Ablerex is estimated to disclose in 2016.				
7. If the corporate social responsibility reports have received assurance from external institutions, they should state as below: No.				

3.4.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p>	V		<p>1. The first version of the Ethical Corporate Management Principles of Ablerex has been approved by the Board of Directors in 2014/5/12 and the revised version has been modified based on the Articles modification of the official authorities and been approved by the Board in 2015/11/9. The principles is disclosed on the Corporate Governance session on the website of Ablerex and will be implemented in internal managements and external business activities in a fair, justice, and open method.</p>	In accordance with Article 4, 5, 8, 18, and 21 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
<p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p>	V		<p>2. Ablerex stipulated “Procedures for Ethical Management and Guidelines for Conduct”, “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managers”, and ” Guidelines for the Adoption of Codes of Ethical Conduct for Employees” based on “Ethical Corporate Management Principles” and the related regulations. The guidelines define the behavior of being unethical and regulate the items should be noticed, prohibited, and managed in daily operations. These guidelines are also included in the auditing plans and will be regularly audited and reported since 2016.</p>	In accordance with Article 2, 6, and 10-14 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
<p>(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for</p>	V		<p>3. Ablerex stipulated “Procedures for Ethical Management and Guidelines for Conduct” and pointed the General Administration Office as the authority unit to prevent any illegal issue via the regular auditing of the internal audition and communication channels of the external interested parties.</p>	In accordance with Article 7 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
TWSE/TPEX Listed Companies?				
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		1. Ablerex will review the ethical records of the new business partners before engaging in business relationships and will include ethics-related clauses in business contracts to avoid the trading with unethical counterparties. The part has not been included in the clauses of contracts is planning to be added.	In accordance with Article 9 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity and report the implementation to the Board on the regular basis?	V		2. Under the supervision of the Board of Directors, General Administration Office is in charge of stipulating the principles and announcing and arranging education training after the principles has been approved by the Board. The Principles are the base for all the employees and related parties to implement the ethical management policy and the results of implementation will be reported in the Board of Directors.	In accordance with Article 17 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		3. To avoid conflicts of interest, Ablerex has stipulating “Procedures for Ethical Management and Guidelines for Conduct”, “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managers”, “Guidelines for the Adoption of Codes of Ethical Conduct for Employees”, and “Rules of Procedure for Board of Directors Meetings and Management Procedures for the Operation of Board Directors Meetings”, which clearly stated the managerial procedures and communication channels. The Directors, Supervisors, and Managers are also highly self-discipline that they express opinions and answer questions while absent in discussion and voting when the discussion issues are related to their own interests.	In accordance with Article 19 and 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either	V		4. The implementation status of Ablerex in accounting and internal control is audited as planned under the internal auditor. The evaluation of internal control is implemented regularly and confirmed by the external accounted to ensure the effectiveness of the systems.	In accordance with Article 20 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
internal auditors or CPAs on a regular basis?				Companies”
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		5. Ablrex encouraged employees to attain external educational trainings and propagating conferences on operational integrity and also advocated honesty, integrity, equality, and responsibilities on irregular basis.	No discrepancy.
3. Operation of the impeachment channel (1) Does the company establish both a reward system and an impeachment hotline, as well as pointing an appropriate person to follow-up for the accused?	V		1. Ablrex has stated both a reward system, an impeachment hotline, and the responsible person in the Procedures for Ethical Management and Guidelines for Conduct. The reporting channels, such as the extension numbers and e-mails of the Supervisors, Spokesperson, and internal auditor, are disclosed on the official website. Impeachment is welcome if any violation of operational integrity.	In accordance with Article 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		2. Ablrex has established impeachment systems in the Procedures for Ethical Management and Guidelines for Conduct, and will be implemented under the standard procedure by the responsible person. The impeachment will be confidential. If the accusation is confirmed after investigation, the stakeholders will be punished according to the regulations.	In accordance with Article 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(3) Does the company provide proper whistleblower protection?	V		3. Ablrex promised to protect whistleblower’s privacy and legal rights, as well as from the inadequate treatments due to the impeachment. People who engaging in the investigation process should be confidential about the accusations, and will be punished if violations of confidential clauses.	In accordance with Article 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the	V		1. Ablrex discloses the status of Ethical Corporate Management and the related measures in the “Corporate Governance” session on the website and in their annual report.	In accordance with Article 25 of “the Ethical Corporate Management Best-Practice

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Description	
company’s website and Market Observation Post System?			2. The efforts of Ablerex in corporate governance have been ranked as TOP 5% company in 2015 Corporate Governance Evaluation Results in Taiwan.	Principles for TWSE/TPEX Listed Companies”
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. Ablerex stipulated “Procedures for Ethical Management and Guidelines for Conduct”, “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managers” based on “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”, the related regulations, and the mission statement of honesty, transparency, and responsibility as the regulations of daily operations for all employees. There is no discrepancy between regulations and implementations.</p>				
<p>6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies Ablerex stipulated “Operational Procedures for Handling Material Inside Information and Preventing Insider Trading” which stated the directors, managers, employees, and consultants to exercise the due care of a good administrator and signed the confidential agreements as the requests of the Ethical Corporate Management Best-Practice Principles. Directors, managers, employees, and consultants, who are aware of the inside information, shall not reveal the inside information. Directors, managers, employees, and consultants shall not ask or collect the undisclosed inside information which is not relevant to their duties.</p>				

3.4.7 Corporate Governance Guidelines and Regulations

Please refer to Ablrex's website: http://www.ablerex.com.tw/ch/about_8-4.php

3.4.8 Other Important Information Regarding Corporate Governance : N/A

3.4.9 Enforcement of internal control shall reveal the following items:

a. Declaration of Internal Control: Please refer to Page 121.

b. If the company is requested by the SEC to retain CPA's service for examining internal control system, the Independent Auditor's Report must be disclosed: None.

3.4.10 The punishment delivered to the company and the staff of the company, or, the punishment delivered by the company to the staff for a violation of internal control system, the major nonconformity, and the corrective action in the most recent years and up to the date of the annual report printed: None.

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings up to the date of the annual report printed.

A. Major Resolutions of Shareholders' Meeting

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
1	2015/6/25	Shareholders' Meeting	<p>(1) Adopted the 2014 Business Report and Financial Statements. Consolidated revenue for 2014 totaled NT\$2.83 billion and net income was NT\$211.86 million with earnings per share of NT\$4.71.</p> <p>(2) Adopted the Proposal for Distribution of 2014 Profits Approved the distribution of a NT\$4.0 cash dividend per common share.</p> <p>(3) Approved the Amendments to the "Rules of Procedure for Shareholders' Meetings"</p> <p>(4) Approved the Amendments to the "Rules for Election of Directors and Supervisors"</p>

B. Major Resolutions of Board Meetings

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
1	2015/1/26	Board Meeting	<p>【the 5th meeting of the 6th term】</p> <p>(1) Approved the company's budget and business plan of 2015.</p> <p>(2) Approved the 2014 manager performance bonus determination proposed by the Remuneration Committee.</p> <p>(3) Approved the motion on the application for the renewal of credit limits.</p> <p>(4) Approved the proposal for providing guarantee for Ablrex International Corp. Ltd.</p> <p>(5) Approved the appointment of CPAs from PriceWaterhouseCoopers to assume the auditing of the company's 2015 financial statements and tax filings in</p>

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
			<p>accordance with "Corporate Governance Guidelines" that ensure the independence of CPAs retained for auditing.</p> <p>(6) Approved the motion of making a loan to the subsidiary Ablerex-IT.</p>
2	2015/3/23	Board Meeting	<p>【the 6th meeting of the 6th term 】</p> <p>(1) Approved annual financial statements, consolidated financial statements and the business report of the Year 2014.</p> <p>(2) Approved the declaration of internal control system of Year 2014.</p> <p>(3) Approved the allocation of directors and supervisors' remuneration and employee bonus of the Year 2014, and the plan of 2015 managers' annual salary adjustment proposed by the Remuneration Committee.</p> <p>(4) Approved the earning distribution of the Year 2014.</p> <p>(5) Approved the date and agenda of the Year 2015 Annual Shareholders' Meeting.</p> <p>(6) Approved the proposal of taking out D&O liability insurance.</p>
3	2015/5/11	Board Meeting	<p>【the 7th meeting of the 6th term 】</p> <p>(1) Acknowledged the Q1 consolidated financial statements of Year 2015.</p> <p>(2) Approved the amendments to the "Rules of Procedure for Shareholders' Meetings" and "Rules for Election of Directors and Supervisors" of the Company.</p> <p>(3) Approved the proposed additions to the agenda of the Year 2015 Annual Shareholders' Meeting.</p> <p>(4) Approved the proposal for providing guarantee for Ablerex International Corp. Ltd.</p>
4	2015/8/10	Board Meeting	<p>【the 8th meeting of the 6th term 】</p> <p>(1) Acknowledged the Q2 consolidated financial statements of Year 2015.</p> <p>(2) Approved the record date for common shares dividend.</p> <p>(3) Approved the distribution of directors and supervisors' remuneration and managers' employee bonus of the Year 2014 proposed by the Remuneration Committee.</p> <p>(4) Approved the appointment of Internal Audit Officer</p> <p>(5) Approved the motion on the application for the renewal of credit limits.</p> <p>(6) Approved the proposal for providing guarantee for Ablerex International Corp. Ltd.</p>

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
5	2015/11/9	Board Meeting	<p>【the 9th meeting of the 6th term】</p> <p>(1) Acknowledged the Q3 consolidated financial statements of Year 2015.</p> <p>(2) Discuss and approve the amendments to “Ethical Corporate Management Best Practice Principles”, and to set up the “Procedures for Ethical Management and Guidelines for Conduct” and “Corporate Social Responsibility Policy” of the Company.</p> <p>(3) Discuss and approve the modification of “Internal audit System”.</p> <p>(4) Approved the motion on the application for the renewal of credit limits.</p>
6	2015/12/28	Board Meeting	<p>【the 10th meeting of the 6th term】</p> <p>(1) Approved the company’s budget and business plan of 2016.</p> <p>(2) Discussed and approved the Year 2016 Audit Plan.</p> <p>(3) Discussed and approved to set up the “Procedures for halt and resumption applications” of the Company.</p> <p>(4) Approved the motion on the application for the renewal of credit limits.</p> <p>(5) Approved the proposal for providing guarantee for Ablerex International Corp. Ltd.</p> <p>(6) Approved Ablerex International Corp. Ltd. to make a loan to Ablerex Electronics (Suzhou) Co., Ltd.</p>
7	2016/1/25	Board Meeting	<p>【the 11th meeting of the 6th term】</p> <p>(1) Approved the 2015 manager performance bonus determination proposed by the Remuneration Committee.</p> <p>(2) Approved the amendments to the “Articles of Incorporation”.</p> <p>(3) Approved the change of auditors of the Company and assessment result of independence of auditor.</p> <p>(4) Approved the motion on the application for the renewal of credit limits.</p> <p>(5) Approved the proposal for providing guarantee for Ablerex International Corp. Ltd.</p> <p>(6) Approved to make a loan to the subsidiary Ablerex-IT.</p>
8	2016/3/23	Board Meeting	<p>【the 12th meeting of the 6th term】</p> <p>(1) Approved annual financial statements consolidated financial statements and the business report of the Year 2015.</p> <p>(2) Approved the declaration of internal control system of Year 2015.</p> <p>(3) Approved the directors', supervisors' and employees' compensation of Year 2015.</p> <p>(4) Approved the date and agenda of the Year 2016 Annual Shareholders’ Meeting.</p>

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
			(5) Approved the proposal of taking out D&O liability insurance.
9	2016/5/9	Board Meeting	【the 13th meeting of the 6th term】 (1) Acknowledged the Q1 consolidated financial statements of Year 2016. (2) Ratified AblereX-IT's receivables exceeded usual credit terms as a loan fund. (3) Approved the earning distribution of the Year 2015. (4) Approved the amendments to the“Operational Procedures for Loaning Funds to Others” for the Company and the Subsidiary AblereX-HK. (5) Approved the proposed additions to the agenda of the Year 2016 Annual Shareholders’ Meeting,the proposed agenda of the 2016 Shareholders’ (6) Approved the motion on the application for the renewal of credit limits.

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervis or Dissenting to Important Resolutions Passed by the Board of Directors: As per Page 26-29

3.4.13 Resignation or Dismissal of the Company’s Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D Manager in the most recent years and up to the date of the annual report printed::

2016/04/30

Title	Name	Date on board	Date dismissed	Resignation or the cause of dismissal
Internal Audit	Jam Liao	2014/1/1	2015/8/10	Job Adjustment

3.5 Information Regarding the Company’s Audit Fee, Replacement and Independence

3.5.1 CPAs Fee

Unit : NTD in thousand

Accounting Firm	Name of CPA		Period Covered by CPA’s Audit	Remarks
PwC	Philine Lee	Jenny Yeh	fiscal year 2015	Financial statement attestation and Attested Tax Returns

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

The term of CPAs fee		Auditing fees	Non-auditing fees	Total
Amount bracket				
1	Below 2,000 thousand		V	
2	2,000 thousand (included) ~ 4,000 thousand			
3	4,000 thousand (included) ~ 6,000 thousand	V		V
4	6,000 thousand (included) ~ 8,000 thousand			
5	8,000 thousand (included) ~ 10,000 thousand			
6	Over 10,000 thousand (included)			

3.5.2 The non-auditing fees paid to CPAs, CPA firm, and the CPA firm's related part accounted for over a quarter of the total auditing fees, the auditing amount and non-auditing amount; also, the non-auditing service must be disclosed:

Unit: NTD thousand

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others (Note)	total		
PwC	Philine Lee Jenny Yeh	4,500	0	0	0	0	0	01-01-15 ~ 12-31-15	
	Philine Lee	0	0	0	0	250	250	01-01-15 ~ 12-31-15	Translation of Document
	Jason Hsu	0	0	0	0	417	417	01-01-15 ~ 12-31-15	Tax Reduction for R&D Investment
	Lily Hsu	0	0	0	0	550	550	01-01-15 ~ 12-31-15	TP Project
	Eliza Li	0	0	0	0	233	233	06-01-15 ~ 12-31-15	CSR Report

3.5.3 If the auditing fee paid in the year retaining service from another CPA Firm is less than the auditing fee paid in the year before, the amount of auditing fee before and after the change of CPA Firm and the reasons for the said change must be disclosed: None.

3.5.4 If the auditing fee paid in the year retaining service from another CPA Firm is over 15% less than the auditing fee paid in the year before, the amount of auditing fee before and after the change of CPA Firm and the reasons for the said change must be disclosed: None.

3.6 CPA's information

3.6.1 Due to the internal rotation of PwC Taiwan, the CPAs have been changed from 2016 Q1.

3.6.2 Latest CPAs of the company:

Year	CPA Firm	CPAs
2010 ~ 2013	PwC	Zoe Chou, Jenny Yeh
2014 ~ 2015	PwC	Philine Lee, Jenny Yeh
2016 ~	PwC	Zoe Chou, Philine Lee

3.7 The Chairman, CEO, and Financial or Accounting Managers of the Company who had worked for the independent Auditor or the related party in the most recent years: None

3.8 Information on Net Change in Shareholders and Net Change in Shares Pledged by Directors, Supervisors, Department Heads, and Shareholders of 10% shareholding or more

3.8.1 Information on Net Change in Shareholding of Directors, Supervisors, and Managers and those Shareholdings holding more than 10% of shares.

Name	2015		As of Apr. 30, 2016	
	Net Change in Shareholding	Net Change in Share Pledged	Net Change in Shareholding	Net Change in Share Pledged
Steven Hsu	15,000	0	0	0
UIS Co., Ltd	0	0	0	0
C.S. Chen	0	0	0	0
Benny Chen	0	0	0	0
Hank Xiao	0	0	0	0
Y.A. Chen	0	0	0	0
James Ho	0	0	0	0
T.M. Yen	0	0	0	0
Chen Shui-Hwa	0	0	0	0
Tim Sung	0	0	0	0
Damon Chao	0	0	0	0
Owen Lin	0	0	0	0
TM Lin	0	0	0	0
Jerry Fu (discharged on 2016/1/16)	0	0	N/A	N/A
Wesley Wu (on board dated on 2016/1/16)	N/A	N/A	0	0
Jeff Lin	0	0	0	0
Emma Liao	0	0	0	0

3.8.2 Shall the counterparty of share change or share pledged be the related party, the name of the counterparty, the relation with the Company, Directors, Supervisors, or the Shareholders of 10% shareholding or more, and the shares of changing or pledging shall be disclosed.

1. Shares Trading with Related Parties – None
2. Shares Pledge with Related Parties -- None

3.9 Relationship among the Top Ten Shareholders

As of 2016/4/30 / Unit : share : %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
UIS Co.,Ltd. Legal person : C.S. Chen	14,727,502	32.73%	0	0	0	0	C.S. Chen	Chairman	
C.S. Chen	0	0	0	0	0	0	UIS Co.,Ltd	Rep of major shareholder	
Steven Hsu	9,477,177	21.06%	333,973	0	0	0	None	None	
Y.A. Chen	2,485,763	5.52%	0	0	0	0	None	None	
S.H. Chen	700,482	1.56%	0	0	0	0	None	None	
Emma Liao	665,800	1.48%	31,000	0	0	0	None	None	
Fu-Jue Co.	345,000	0.77%	0	0	0	0	None	None	
Tze-Tong Investment Rep. : Chen Shu-Hung	282,000	0.63%	0	0	0	0	None	None	
Chen Shu-Hung	0	0	0	0	0	0	Tze-Tong Investment	Rep of major shareholder	
Chang Jin-Der	280,000	0.62%	0	0	0	0	None	None	
HSBC bank in custody for UBS agency	280,000	0.62%	0	0	0	0	None	None	
Tim Sung	221,921	0.49%	0	0%	0	0	None	None	

3.10 Ownership of Shares in Affiliated Enterprises

Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Joint Rewards Trading Corporation	3,000	100	-	-	3,000	100
Ablerex Electronics (Samoa) Co. Ltd	6,635,000	100	-	-	6,635,000	100
Ablerex Corporation	250,000	100	-	-	250,000	100
Ablerex International Corporation Limited	10,000	100	-	-	10,000	100
Ablerex Electronics (S) Pte. Ltd	2,140,763	100	-	-	2,140,763	100
Ablerex Electronics UK Limited	100,000	100	-	-	100,000	100
Ablerex Electronics Italy S.R.L	100,000	100	-	-	100,000	100
Ablerex Electronics (Suzhou) Co. Ltd	5,460,000	100	-	-	5,460,000	100
Ablerex Electronics (Beijing) Co. Ltd	1,175,000	80	-	-	1,175,000	80
Ablerex Overseas Corporation Limited	6,635,000	100	-	-	6,635,000	100

Note: All the above company is long-term investment at equity.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 History of capitalization

A. Capital formation

Month/ Year	Par value (NT\$)	Authorized shares		Issued shares		Remarks		
		Shares (1,000)	Amount (\$1,000)	Shares (1,000)	Amount (\$1,000)	Source of capital	Non- monetary Capital	other
05/1998	10	20,000,000	200,000,000	20,000,000	200,000,000	established and paid in capital	N/A	
08/2001	10	14,080,000	140,800,000	14,080,000	140,800,000	NTD 59,200,000 capital reduction to offset company losses	N/A	
05/2002	10	25,680,000	256,800,000	25,680,000	256,800,000	UIS Abler issued NTD116,000,000 common stock to merge PEC	N/A	
07/2004	10	45,000,000	450,000,000	31,000,000	310,000,000	NTD53,200,000 common stock issued by cash	N/A	
06/2007	13	80,000,000	800,000,000	38,000,000	380,000,000	NTD56,000,000 common stock issued by cash and NTD14,000,000 issued through capitalization of earnings	N/A	
06/2009	10	80,000,000	800,000,000	40,609,666	406,096,660	NTD14,000,000 new share issued through capitalization of earnings and NTD4,436,660 through employee bonus	N/A	
09/2010	185	80,000,000	800,000,000	45,000,000	450,000,000	NTD43,903,340 common stock issued by cash	N/A	

B. Type of shares

Apr. 30, 2016 / Unit: share

Type of shares	Authorized Shares			Remarks
	Available for trading on the TSE	Unissued shares	Total	
Order common stock	45,000,000	35,000,000	80,000,000	

Note: Listed on TSE at Sep 9, 2010.

C. Self-registration system: None

4.1.2 Status of shareholders

Status of shareholders

Apr. 30, 2016 / Unit: share

Status of shareholders Quantity	Government Agencies	Financial Institutions	Other Juridical persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	0	11	3,203	3	3,217
Shareholding	0	0	15,548,502	29,151,498	300,000	45,000,000
Shareholding ratio (%)	0	0	34.55%	64.78%	0.67%	100%

Note: No shareholdings by the fund from Mainland China.

4.1.3 Status of shareholding Distributed

Apr. 30, 2016 / Unit: persons, share, %

Classification			Number of Shareholders	Shareholding	Shareholding Ratio(%)
1	~	999	205	25,555	0.057
1,000	~	5,000	2,446	4,749,061	10.553
5,001	~	10,000	299	2,358,982	5.242
10,001	~	15,000	91	1,164,780	2.588
15,001	~	20,000	43	802,000	1.782
20,001	~	30,000	42	1,052,670	2.339
30,001	~	40,000	30	1,050,889	2.335
40,001	~	50,000	17	786,350	1.747
50,001	~	100,000	20	1,546,917	3.438
100,001	~	200,000	12	1,560,178	3.467
200,001	~	400,000	7	1,845,894	4.102
400,001	~	600,000	0	0	0.000
600,001	~	800,000	2	1,366,282	3.036
800,001	~	1,000,000	0	0	0.000
1,000,001	~	2,000,000	0	0	0.000
Over 2,000,001			3	26,690,442	59.312
Total			3,217	45,000,000	100.000

4.1.4 List of Major Shareholders: Shareholders who hold over 5% of Ablrex's stock or the Top 10 shareholders and their holding amount and percentage.

2016/4/30 / Unit: Share, %

Shareholders' Name	Shareholding under their name	
	Shares	Holding percentage (%)
UIS Co., Ltd.	14,727,502	32.73%
Steven Hsu	9,477,177	21.06%
Y.A. Chen	2,485,763	5.52%
S.H. Chen	700,482	1.56%
Emma Liao	665,800	1.48%
FuJui Financial Management Consultant Co., Ltd.	345,000	0.77%
Tse-Tong Co., Ltd.	282,000	0.63%
Chang Jin-Der	280,000	0.62%
HSBC in custody of UBS agent	280,000	0.62%
Tim Sung	221,921	0.49%

4.1.5 Market Price, Net Worth, Earnings & Dividend per Share

Unit : NTD Thousand, Thousand share

Item \ Year			2014	2015	03-31-16 (Note 2)
Market Price per Share	Highest		64.80	83.40	53.40
	Lowest		47.00	41.00	47.05
	Average		55.60	65.96	49.81
Net Worth per Share	Before Distribution		38.32	38.27	37.71
	After Distribution		Note 1	Note 1	–
Earning per Share	Weighted Average Shares		45,000	45,000	45,000
	Diluted Earning per share	Before Adjustment	4.71	3.92	(0.33)
		After Adjustment	4.71	Note 1	–
Stock Dividends	Cash Dividend		4.00	Note 1	–
	stock grants	Dividends from Retained Earnings	–	–	–
		Dividends from Capital Surplus	–	–	–
	Accumulated Undistributed		–	–	–
Return on Investment	PE ratio (Note 1)		11.81	16.83	–
	Price/Dividends Ratio (Note 2)		13.90	Note 1	–
	Cash Dividend Yield Rate(Note 3)		7.19	Note 1	–

Price / Earnings Ratio = Average Market Price / Earnings per Share

Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 1: Earnings distribution of 2015 has been approved by Board of Directors, and proposed to be approved by the shareholders' meeting.

Note 2: Reviewed by CPAs.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy stated in the Articles of Incorporation:

- (1) As regulated in Article 26 of Articles of Incorporation in operation, when the annual final accounting statement shows earnings, the Company shall contribute tax and compensate the accumulated loss of previous years, and then contribute 10% of earnings as legal reserve unless the accumulated legal reserve reached the amount of the capital of the Company. Secondly, the Company shall contribute to special reserve based on the laws or regulations of administrations, together with accumulated undistributed earnings as distributable earnings. If earnings remain, the Company shall retain part of earning before Board of Directors make a distribution proposal according to the operation conditions and submit the proposal to shareholders' meeting for resolution. 6%~10% of earning distribution shall be contributed as employees' bonus, which could be distributed in the form of shares, no more than 2% of earning distribution shall be contributed as remuneration to directors and supervisors, and the rest part of earnings be the dividends to shareholders.

The distribution proposal proposed by the Board of Directors shall, under the consideration of no other special occasion, be no less than 65% of the after-tax earnings of current year in principles. As regulated in Article 26 of Articles of Incorporation in operation, distribution of shareholders' dividend could be in the form of cash or shares, which the cash distribution proportion to shareholders shall no less than 20% of shareholders' dividend.

Because the industry the Company belongs to is in a growth stage, the form and proportion of such earning distribution is based on the future fund needs of the Company and the long-term operation plan, which could be proposed by Board of Directors under the consideration of the current operation status with the balance of taking care of shareholders' rights, dividend policies, and planning fund demand, and submit to shareholders' meeting for adjustments and resolutions. In addition to the employees of the Company, the distribution of employees' bonus in the form of shares could include the employees of subsidiaries who meet certain conditions.

In accordance with the Company Act amendments, Articles of Incorporation will be proposed amendments as follows:

As regulated in Article 26 of Articles of Incorporation in operation, the annual profit of the Company shall be contributed 6%~10% of earning as employees' bonus and no more than 2% as remuneration to directors and supervisors while the accumulated loss shall be

compensated first if any. The remuneration to directors and supervisors is limited in the form of cash. That employees' bonus be distributed in the form of cash or shares shall be decided and implemented on the condition of more than 2/3 directors presenting the Board of Directors and assented by more than half of directors present. This distribution shall be reported to shareholders' meeting. In addition to the employees of the Company, the distribution of employees' bonus could include the employees of subsidiaries who meet certain conditions.

As regulated in Article 26 of Articles of Incorporation in operation, when the annual final accounting statement shows earnings, the Company shall contribute tax and compensate the accumulated loss of previous years, and then contribute 10% of earnings as legal reserve unless the accumulated legal reserve reached the amount of the capital of the Company. Secondly, the Company shall contribute or reverse to special reserve based on the laws or regulations of administrations, together with accumulated undistributed earnings as distributable earnings. If earnings remain, the Company shall retain part of earning before Board of Directors make a distribution proposal according to the operation conditions and submit the proposal to shareholders' meeting for resolution.

The distribution proposal proposed by the Board of Directors shall, under the consideration of no other special occasion, be no less than 65% of the after-tax earnings of current year in principles. As regulated in Article 26 of Articles of Incorporation in operation, distribution of shareholders' dividend could be in the form of cash or shares, which the cash distribution proportion to shareholders shall no less than 20% of shareholders' dividend.

The form and proportion of such earning distribution is based on the future fund needs of the Company and the long-term operation plan, which could be proposed by Board of Directors under the consideration of the current operation status with the balance of taking care of shareholders' rights, dividend policies, and planning fund demand, and submit to shareholders' meeting for adjustments and resolutions.

(2) Proposed Distribution of Dividend

Items	Amount	Description
2015 Net income	176,309,704	
Less: provision of legal reserve (10%)	17,630,970	
Add: 2015 adjustment of retained earnings	1,912,108	
Add: 2014 undistributed earnings	77,426,200	
2015 Distributable earnings	238,017,042	
Less: cash dividend to shareholders	146,250,000	NTD 3.25 cash dividend per share
Undistributed earnings	91,767,042	

Note: This earning distribution has been approved by Board of Directors on May .9, 2016, and is proposed for the admission by the shareholders' meeting.

(3) Expectation of significant change on dividend policies: None.

4.1.7 Impact of the proposed stock dividend in shareholders meeting on business performances and EPS: Board of Directors decided to distribute NT\$ 3.25 cash dividend per share from profit in 2015 and no stock dividend. The Company did not have financial forecast, so this clause is not applicable.

4.1.8 Bonus to employees and remuneration to directors and supervisors

(1) Information of dividend to employee and remuneration to directors and supervisors was stated in the Articles of Incorporation:

As stated in Article 25-1 of the Articles of Incorporation, the Company shall contribute 6%~10% of its annual earning as employees' bonus and no more the 2% as remuneration to directors and supervisors. But the Company shall compensate its accumulated losses first.

In addition to the employees of the Company, the distribution of employees' bonus could include the employees of subsidiaries who meet certain conditions.

(2) Accounting process applied to the estimation base of dividend to employees and remuneration to Directors, Supervisors, and employees, outstanding shares computing base for stock dividend distribution, and the spread between amounts distributed and estimated:

Remuneration to employees estimated to be NTD 13,666 thousands and to Directors and Supervisors to be NTD 4,555 thousands is estimated 6% and 2% of annual earning, accordingly. The differences between actual distribution amount resolved by Board of Directors and the estimated amount will be adjusted as changes in accounting estimates.

(3) Dividend distribution of employees resolved by the board of directors

A. Distribution amount of cash dividend and stock dividend to employees and remuneration to directors and supervisors:

Board of Directors has approved to distribute NTD 13,666 thousands as employees' remuneration in 2015 and NTD 4,550 thousands as remuneration to directors and supervisors. The distribution amount aforementioned is NTD 4,000 less than the estimated amount reported in 2015. The main consideration is the need of adjustments in actual distribution operation. The differences between actual distribution and estimated amount reported will be regarded as changes in accounting estimates and be calculated in profit or loss in 2016.

B. Proposed stock dividend to employees and its ratio to total net income of

individual financial report and to total employees' remuneration:

Board of Directors has approved to distribute employees' bonus by cash, and no stock dividend is distributed to employees, so the ratio of stock dividend distributed to employees to total net income of individual financial report and to total employees' remuneration is zero.

(4) Actual distribution of employees' bonus and remuneration of Directors and Supervisors:

Employees' bonus and remuneration of Directors and Supervisors in 2015 is distributed from earnings based on Company Act before the amendment in 20th May, 2015. Earning distribution proposal of 2014 approved by the shareholders' meeting in 2015 is as the following table. The distribution amount is the same as the amount approved by Board of Directors in 24th Mar, 2015.

The actual earning distribution of 2014 is as stated aforementioned. The differences of NTD 244 thousands with the recognized employees' bonus NTD 11,557 thousands and remuneration of Directors and Supervisors NTD 3,852 thousands in financial report of 2014 is mainly due to the distribution changes with profit, which has been adjusted in the profit or loss of 2015.

2014 Earnings Distribution

Item	Shareholders' Meeting approved on Jun. 25, 2015	Board of Directors approved on Mar. 24, 2015	Difference	Cause of Difference
Remuneration of Directors and Supervisors	\$3,913	\$3,913		
Employees' cash bonus	\$11,740	\$11,740		
Employees' stock dividend	-	-		
shareholders' cash bonus	\$180,000	\$180,000		
shareholders' stock dividend	-	-		

4.1.8 Buyback of Treasury Stock : None

4.2 Bonds : None

4.3 Preferred Shares : None

4.4 Global Depository Receipts : None

4.5 Employee Stock Options : None

4.6 Restricted Employee Shares

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions : None

4.8 Financing Plans and Implementation : None

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

(1) Main areas of business operations

- (1) Manufacturing and distribution of uninterruptible power system (UPS).
- (2) Manufacturing and distribution of active power filter.
- (3) Manufacturing and distribution of photovoltaic power inverter system.
- (4) Agent of large capacity UPS through project distribution and services.
- (5) Offering maintenance and technical services.

(2) Revenue distribution

Unit : NT\$ thousands; %

Major Divisions	Total Sales in Year 2014	(%) of Total Sales	Total Sales in Year 2015	(%) of Total Sales
UPS	1,162,830	41.12%	1,162,012	42.46%
APF	138,326	4.89%	204,598	7.47%
PV	455,730	16.11%	291,220	10.64%
Project	755,901	26.73%	749,838	27.39%
Others	315,209	11.15%	329,542	12.04%
Total	2,827,996	100.00%	2,737,210	100.00%

(3) Main Products and Services

- (1) Independent R&D, manufacturing, and distribution of single-phase uninterruptible power system (commonly known as single-phase UPS or small UPS) at 20KVA (and below).
- (2) Independent R&D, manufacturing, and distribution of three-phase uninterruptible power system (commonly known as three-phase UPS or mid/large UPS) at 10KVA (and above).
- (3) Agent distribution of Europe's SOCOMEC three-phase uninterruptible power system (commonly known as three-phase UPS or mid/large UPS) at 15KVA (and above).
- (4) Independent R&D, manufacturing, and distribution of power quality improvement equipment – active power filter (abbreviated as APF, also known as active power harmonics conditioner).
- (5) Independent R&D, manufacturing, and distribution of green energy system photovoltaic inverter (PV Inverter), also known as solar inverter.
- (6) Design and manufacturing services for OEM/ODM/OIM (Original Innovative Management) models.
- (7) Maintenance and technical services for the aforementioned products.

(4) New Products Planned for Development

- (1) Development of new multi-function UPS technologies that incorporate features of miniaturization, intelligent, networking, and distribution.
- (2) Mid-sized and large three-phase high frequency parallel UPS
- (3) Power quality management technology
- (4) Hybrid system PV Inverter
- (5) Power management software technology

- (6) SmartGrids application related PDU
- (7) Wireless BMS
- (8) Energy storage system

5.1.2 Industry Overview

(1) Macroeconomic Environment

① Uninterruptible Power Supply (UPS)

With the rapid development of high-tech electronic products in recent years, the operation of procedure-control workstations computer and precision instruments at high-tech production facilities relies heavily on quality and reliable power supply in order to maintain normal operation. Poor power quality could result in erroneous action for precision equipment or even disruption of the manufacturing process, leading to severe losses. Common problems relating to power quality include voltage distortion, overvoltage, under voltage, power disruption, and so forth. And as such, ensuring high quality and reliable supply of power has become a vital issue for the power company and all users. In order to prevent issues of power disruption or unstable voltage, most users would incorporate uninterruptible power supply (UPS) systems to ensure power quality and in turn enhance the reliability of precision equipment operation.

Within their given electricity storage capacity, UPS is designed with power converter interface to supply the required power in the event of anomalies with the AC mains supply. And as such, UPS systems have been extensively used as the backup power solution for information, communication, and precision instruments to prevent sudden power failure from halting equipment operation, thereby improving the reliability of equipment operation. And as such, the demand for UPS has been continually growing.

UPS systems can generally be separated into three major categories: Off-line, On-line and Line interactive. These three types of UPS systems each has their own strengths, weaknesses, and suitable applications. Common Off-line UPS are typically single-phase low capacity products with relatively few functions, therefore are available at cheaper price points. Such products are generally used for PCs and other peripheral equipment. Designed with hot standby functionality, when AC mains supply is normal, the switch between the UPS and load would be activated in order to prevent the circulation of electrical current between the AC mains supply and the UPS system. However, should the main supply fail, the load would be exposed to a few milliseconds of power failure due to the transition of the switch. This would in turn lower the operating efficacy of the load. On-line UPS system operates by converting the AC power from the AC mains supply into DC power through a DC/AC inverter. A percentage of the DC power is stored into the battery charger while a part of the DC power is sent through a DC/AC inverter to be converted to steady, reliable AC power to be fed to the load. When in operation, an On-line UPS system features a two-stage power inverter between the load and AC mains supply. And as such, the quality of power from the load would not be susceptible to the influence of AC mains supply, making the On-line UPS the best power protection solution for the load equipment. This explains why On-line UPS systems are frequently deployed for instruments and equipment that require power of better quality. However, since the power carried by the load on such UPS systems requires conversion through a two-stage inverter, the circuitry design would be more sophisticated and have lower efficacy. As for Line

interactive UPS systems, such systems feature paralleled operation of the power inverter and AC mains supply as their technological basis, with the power inverter responsible for charging and discharging the battery at the same time. In other words, when the AC mains supply is working normally, its power will be directly sent to the load and charge the battery through the power inverter. When the AC mains supply fails, the stored power on the battery would be sent to the load through the power inverter. Such UPS systems feature relatively simpler system architecture and are relatively cheaper in cost. And since the load is directly powered from the AC mains supply when it is working normally, there will be no recurrent energy loss. However, the issue of conversion time still remains.

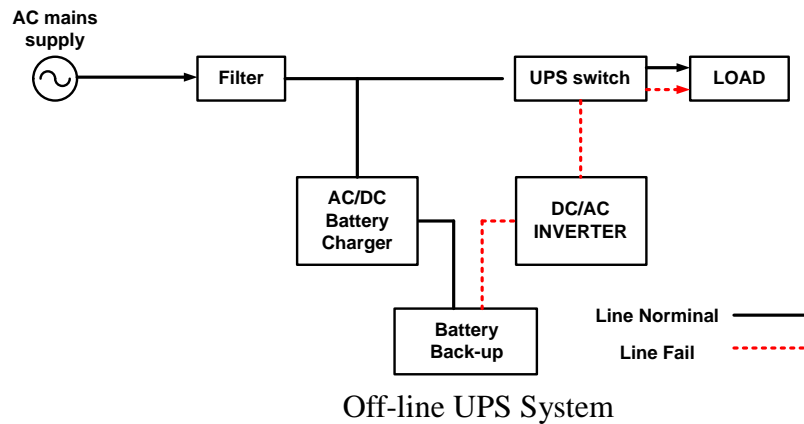
In recent years, in an effort to improve the efficiency of On-line UPS systems, in addition to adopting three-stage power inverters to handle the task of conversion, the system also features a new economic operation mode. In this mode, the DC/AC inverter of the UPS system would be set to hot standby, with the AC mains supply providing power directly to the load.

Table 1 Strengths and Weaknesses of the three UPS System Architectures

Type	Strengths	Weaknesses
Off-Line	<ol style="list-style-type: none"> 1. Simple circuitry 2. Higher power efficiency 3. Low cost, compact form factor 	<ol style="list-style-type: none"> 1. Brief power disruption (~1ms) 2. Lacks voltage stabilization function; power quality is susceptible to the effects of AC mains supply
On-Line	<ol style="list-style-type: none"> 1. No brief power disruption 2. Improves upon literally all existing issues of power quality with AC mains supply 	<ol style="list-style-type: none"> 1. Higher cost 2. Sophisticated control circuitry 3. Inferior efficiency
Line Interactive	<ol style="list-style-type: none"> 1. Simple circuitry 2. Low cost 	<ol style="list-style-type: none"> 1. Brief power disruption 2. Sophisticated control mechanism

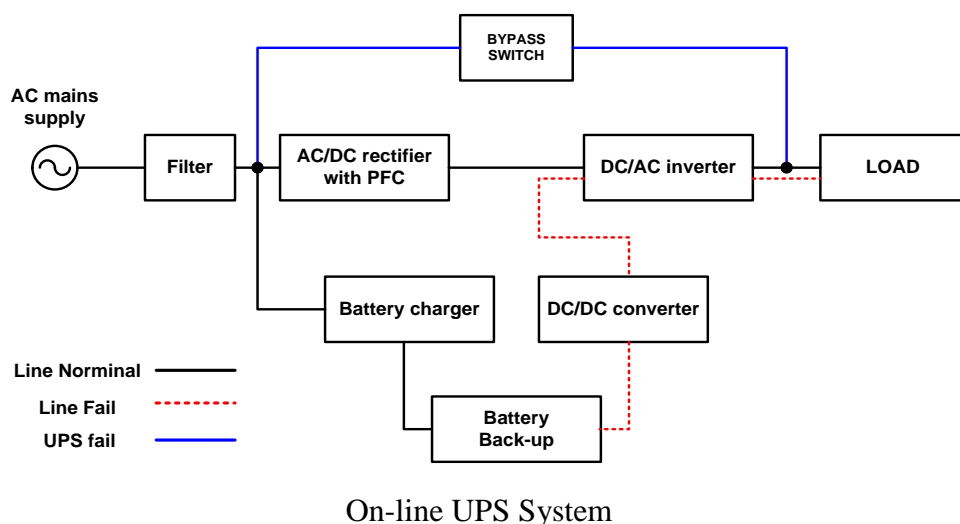
A. Off-line

The architecture of an off-line UPS system primarily features an AC/DC charger, a battery, and a DC/AC inverter. When the line is normal, the required power comes directly from AC mains supply while a portion of the power goes through the AC/DC battery charger to charge the battery. Since the inverter is running without load, the quality of the power of load is determined directly by the AC mains supply. When the line fails, the inverter will convert the power from the battery to AC current and keep connected equipment running. Typical off-line UPS systems only provide backup power but do not improve power quality. In addition, when the line fails, the system will have a momentary lapse of switch transition. And as such, off-line UPS systems are not truly “uninterruptible” in the truest sense of the term due to its “instantaneous disruption”. When the voltage falls below the permitted value, the system will automatically switch over to providing power from the battery, enabling the user to continue with equipment operation without noticing the disruption. The reaction time of this “instantaneous disruption” before the battery kicks in is under 0.1 seconds. Additionally, off-line UPS systems provide square waves and are therefore suited only for PCs. And as such, the product is mostly used in smaller systems or for equipment that are less important.



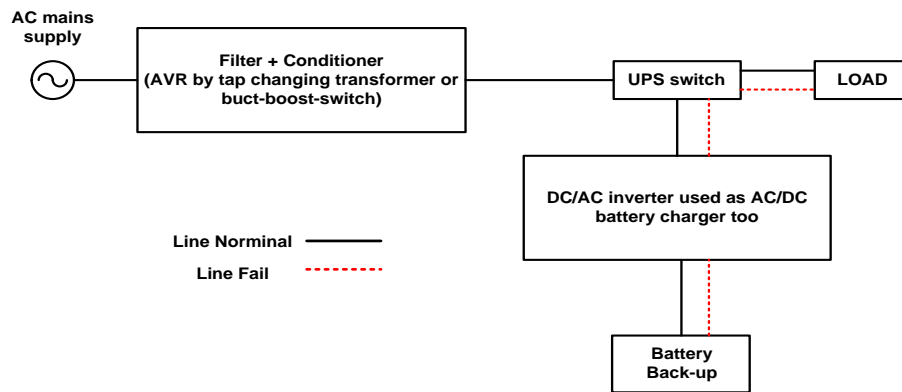
B. On-line

On top of having a more sophisticated architecture compared to off-line UPS, on-line UPS systems are most distinctively different due to their means of power control. When the line is normal, the power will go through the AC/DC rectifier, with a portion of the DC current going to the battery charger to charge the battery while the other portion is converted to AC current to power the connected equipment. When the AC mains supply fails, the inverter will continue to supply power, which will come from the battery. This means that there will be no disruption of power and since the connected equipment is isolated from the AC mains supply by the on-line UPS system, power quality is essentially controlled by the UPS. This makes it possible to resolve issues of over/under voltage, surge, electromagnetic interference, or frequency drift. Not only that, on-line UPS has sine wave output, making it suitable for all equipment. As such, on-line UPS systems are typically used for precision equipment that require power of higher quality.



C. Line-interactive

Line-interactive UPS systems operate on similar principles as off-line UPS systems, with the most distinctive feature of having a multi-tap variable-voltage autotransformer (i.e. operating as both an AC/DC inverter and a rectifier). In addition to charging the battery during normal operation, the autotransformer will automatically function as an inverter when AC mains supply fails to deliver power from the battery to the connected equipment. Since the product design did not include a bypass switch between the AC mains supply and the load, such system will still experience “instantaneous disruption” in the event of a power failure (with an extremely short response time between the disruption to battery power supply under 0.04 seconds). As line-interactive UPS systems output sine waves, they can work with more equipment compared to off-line UPS systems. With functionalities falling between off-line and on-line UPS systems, line-interactive UPS systems are more suited for the needs of small enterprises or website servers.



Line-Interactive UPS System

Within their given electricity storage capacity, UPS is designed with power converter interface to supply the required power in the event of anomalies with the AC mains supply. And as such, UPS systems have been extensively used as the backup power solution for information, communication, and precision instruments to prevent sudden power failure from halting equipment operation, thereby improving the reliability of equipment operation. Therefore, such products have definitive values in the market. Furthermore, with more and more electronic equipment and applications emerging in consumers' lives (such as cable TV, broadband internet access, wireless communication base stations, surveillance systems, security systems, and telematics), the UPS market that once did not exist, is now seeing gradual growth in demand. One can anticipate significant potential for growth for the UPS market in the near future. Longtime has been specializing in the development and manufacturing of UPS ever since its foundation, with a focus centered on the development of high-end on-line UPS that requires extensive technical know-how and great effort on continual improvement on the functionalities of our line-interactive UPS. We strive to satisfy our customers' needs by achieving maximum performance with lower costs. This would prevent the company from engaging in a price war with other manufacturers in the low-end offline UPS product market.

② APF

Due to the rapid development of power semiconductor component manufacturing technology and power electronic applications, power electronic equipment have been extensively used in different domains. Nevertheless, power electronic equipment have the inherent flaws of high input current harmonics and low input power factor, with harmonic currents being responsible for the deterioration of power quality. In recent years, precision equipment has been extensively used in different industries and such equipment has relatively high requirement for power quality. Consequently, the power company had to establish harmonics regulation standards to limit the amount of harmonic current generated by users in order to maintain the quality of power from the electricity distribution system.

Traditionally, passive power filters are designed with passive components such as inductors and capacitors. Due to their low price points, such products have been extensively used to mitigate harmonic currents. However, passive power filters have the following shortcomings: (1) Change of impedance in a power system could severely affect the characteristics of the filter. (2) Parallel resonance could occur between the power reactor and passive power filter and consequently amplifying the load's harmonic current, resulting in even greater harmonic current distortion. (3) Serial resonance could occur between the power reactor and passive power filter, which may in turn cause harmonic currents from other non-linear load to enter the passive power filter, resulting in an overload of the passive power filter. (4) Filter parameters are difficult to design due to the changes in system status or deviations of filter capacitance or inductance. (5) Filter characteristics cannot be fixed due to changes in load. Given these aforementioned shortcomings, active power filter had been developed in recent years as an alternative. An active power filter features a power transducer built with power semiconductor switching components such as GTO, IGBT, or power transistors. Active power filter not only solves the problem of harmonics but also compensates virtual work to convert the input current of AC mains supply to pure sine waves of the same phase as the AC mains supply voltage. An active power filter comprises three components: a converter, an energy storage component and a control circuitry. In the past, passive power filters have been used as a means to mitigate harmonics but the product still has notable drawbacks that current technologies cannot overcome. In contrast, active power filter was developed in recent years due to the advancement in power electronic technologies as to suppress harmonics while regulating harmonics and improving power factor.

Presently, there are three types of filters that are designed to suppress harmonics: 1. Traditional passive power filter (PPF), 2. Active power filters (APF) and 3. Hybrid power filters (HPF). The following section will provide brief descriptions for each type of power filter.

A. Passive Power Filter

Traditionally, passive power filter (PPF) comprises passive components including capacitors, reactors, and resistors. However, due to the characteristics of specific passive components, PPFs do suffer from inherent drawbacks. For example, the result of harmonic absorption of a PPF may change along with any change in the system's impedance. In addition, when unknown external harmonic current enter the system or any change of the systems' load/additional harmonic load could cause the existing PPF to overload or resonate, thereby leading to accidents. In addition, power capacitors and inductors in PPFs have error margins. Increases in usage duration and

temperature changes could cause the values of the power capacitor or inductor to shift and thereby impede its filtering capabilities. Not only those, the passive components are heavy and bulky, making PPFs requiring more physical space.

B. Active Power Filter

Active power filter (APF) is an AC/DC conversion equipment that applies relevant power electronic technologies. Depending on the load demand, APF would create a harmonic current that is of the opposite phase of that from the load and send it to the power system. The harmonic currents would cancel each other and achieve the filtering of harmonics. APF is therefore used to resolve destructive issues caused by harmonic currents, such as transformer overheat, voltage distortion, and machine failure. However, power electronic components of high power are restricted by their switching frequencies, and this result in specific limit of power capacity for APF.

C. Hybrid Power Filter

As both passive and active power filters have their limitations that are hard to overcome, products that combine features of both active and passive power filters were developed as a result. Such products are known as hybrid power filters (HPF). HPF incorporates a power transducer to improve upon the characteristics of PPF while resolving the issue of resonance. Compared to APFs, PPFs make it possible to reduce the capacity of the power transducer, rendering its application on larger capacity filter systems.

The exclusive technology we have developed for our APF feature immediate response control, which enables real-time compensation at any point during each current cycle to create a harmonic current that is the opposite of that of the load and send it to the power system. This harmonic current would cancel the harmonic current at the load, thus resulting in a current wave that is close to sine at the power system and thereby achieving harmonic filtering. Such rapid response capabilities make our APF ideal for equipment with substantial load changes, such as pumps used to maintain water or barometric pressure, high-end passenger/cargo elevators, and other high-tech industries. Presently, the world's APF market is dominated by US and Japanese manufacturers including FUJI, TOSHIBA, MERLIN, ABB and so forth, with no other leading manufacturers in Taiwan. With our immediate response control technology, our APFs have outstanding transient response capabilities that enable immediate compensation at any point during each current cycle, unlike other products designed for Fast Fourier Transform (FFT) that only output response after the load has changed and delayed for two cycles. In addition to breaking through the existing limits of current product architecture and technological deployment, this technology is also compliant with pertinent international safety regulations, thereby allowing the company to distribute the products more extensively. We have essentially debunked the misconception that conventional high-spec products will inevitably fail in their safety regulation compliance and our APFs have proven to have a great competitive edge in the domestic market. Coupled with the latest 150A European/US standard series we have developed in 2012, our APFs are expected to bring positive boost to the company's operational growth in the near future.

③ PV Inverter

A. Current status of the global solar power market:

Compared to 2011, the demand for PV inverter in Europe has fallen significantly. But thanks to the explosive growth of the Chinese market, Longtime managed to achieve a total of 31 GW in sales in 2012, translating to a growth margin of 5%. Nevertheless, the drastic decline in market prices has resulted in a decrease in real revenue for manufacturers.

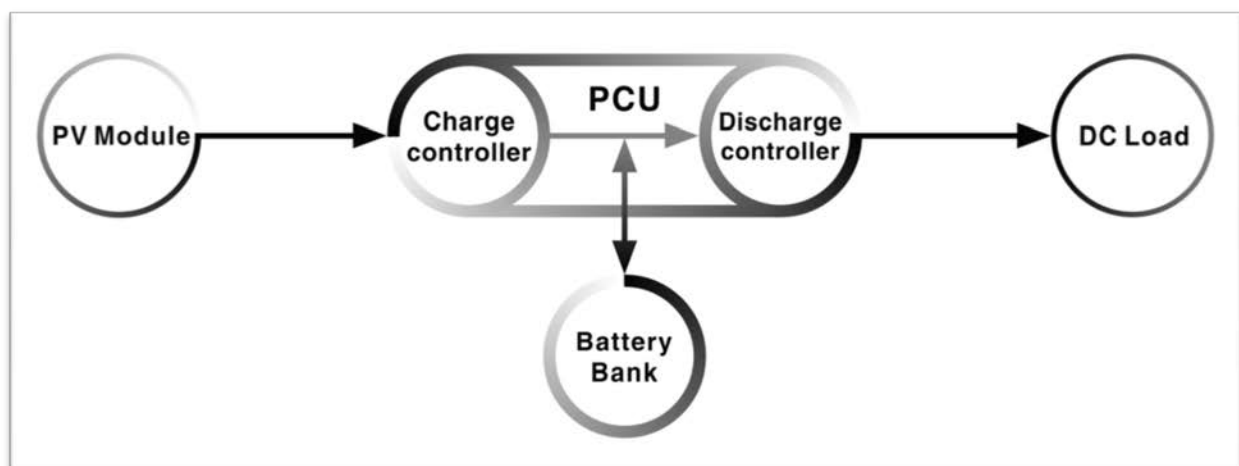
According to IMS Research's prediction, the market for PV inverter will continue to grow, with more noticeable growth in demand in 2017. The demands for small business building PV system (usually between 10~100kW) and PV stations (typical installation of 500kW or higher) are expected to grow more significantly while the demand for residential PV system will be less apparent.

It is estimated that approximately 60% of the PV system installation in the future will take place in Asia, mainly China, and the majority of them would be PV stations. As for residential PV systems, Japan will be the only market that may promise some potential.

B. Types of solar PV systems

1. Stand-Alone System

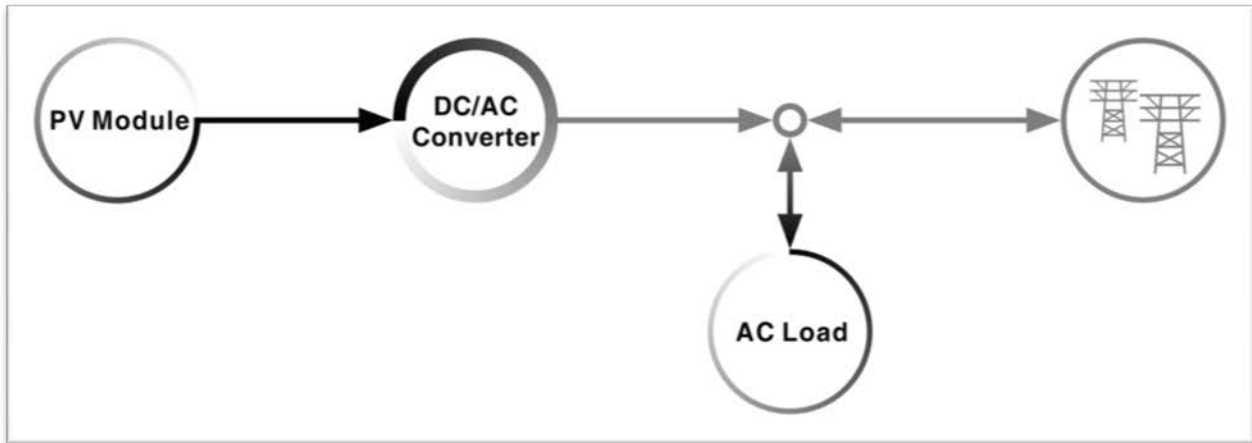
As its name implies, a stand-alone PV system is capable of generating the power that is required without having to be connected to the power distribution grid of the power company. Since the system will not be able to generate electricity in the absence of sunlight at night or in poor weather, stand-alone systems have incorporated battery banks that stores power when there is ample sunlight in order to ensure stable supply of power. Stand-alone systems are primarily installed in regions where the power grid is hard or unable to reach (i.e. remotely populated mountainous regions or offshore islands). Such systems are also commonly installed to function as small power systems for road displays, billboards, road lights, and other illumination equipment.



Architecture of Stand-Alone System

2. Grid-Connected System

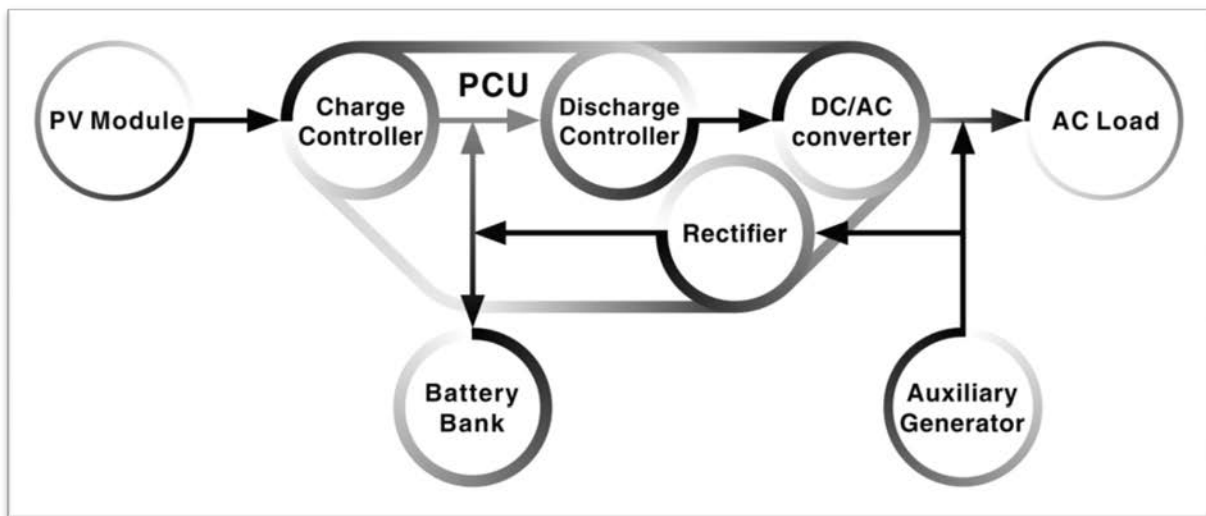
A Grid-connected system generates power in a parallel connection with the city power grid. The system would generate power for the load and the power company will cover the insufficient part of power. With such system, the city power grid can be perceived as an infinitely large and everlasting battery bank that is free.



Architecture of Grid-Connected System

3. Hybrid System

A PV hybrid system operates in conjunction with the city power grid and a battery bank. During normal operation, the system is connected to the city power grid, responsible for supply power to the load, and charging the battery bank and at night, power supplied by the grid will take over. In the event of disasters such as typhoons or torrential rains that resulted in a power outage, the battery bank would still have adequate power in reserve so that relevant rescue operations can take place before the city power grid is restored.



Architecture of Hybrid System

Current Status and Future Development of PV

The following section is a summary of Longtime's primary application and breakthrough in the area of PV inverter development:

(1) Anti-islanding technologies

Islanding refers to the condition in which a PV inverter continues to power a location when the electrical grid power has been disrupted. When this happens, it would result in an isolated power generation system that may cause partial power instability for users. Not only that, as the PV inverter continues to deliver power, the connected electrical grid (PV and city power grid connected in serial or parallel connection) may remain powered. This can be dangerous to the utility workers as they run the risk of electrocution. And as such, in the event of a power failure, PV inverters must be designed to immediately disconnected from the grid so that even if they remain operational and deliver power, the city power grid will stay unpowered to protect relevant electronic systems and the safety of operators. Presently, the islanding detection feature offered by typical products involves passive detection, which suffers from the shortcomings of poor sensitivity and interference. Due to these issues, such products offer very limited stability. Through the integration of hardware and software, Longtime have achieved breakthrough of existing technological bottleneck with solutions that integrate the strengths of both active and passive detection through DSP control algorithm.

(2) Maximum Power Point Tracking

Output power of solar panels are affected by a number of external factors, such as the intensity of sunlight, temperature, component aging, PV material, and so forth. In order to ensure optimal performance of the PV cell, PV inverter must be subjected to appropriate control so that it can ensure maximum power output from the PV cell regardless of the operating environments. Such control method is known as maximum power point tracking.

(3) Grid Connection Control Technology

As solar PV generation system takes the energy generated by the solar panels and sends it directly to an electrical grid through a parallel circuit, it is imperative that relevant protective measures be thoroughly developed. Specific technical and legal issues (such as power system stability) that may arise from the operation of sending power to an electrical grid must be addressed. Designing a multi-functional solar PV system involves power conversions of different functions. Naturally, the design process has to take the issue of corresponding controls into consideration. Therefore, we have taken advantage of the high computing power of digital signal processing (DSP) as the solution for PV-inverter control.

(2) Relationship with Up-, Middle- and Downstream Companies

① UPS manufacturing process (up, mid and downstream)

Upstream	Mid-stream	Downstream
Raw material	Manufacturing	End user
Wire material PCB Packing material IGBT Cabinet Battery Transformer Transistor Capacitor Software design	UPS Power Provider Manufacturer	Medical equipment Public infrastructure Aviation Equipment Military equipment Business entities Telecommunication equipment PC equipment Household appliances Other

Longtime specializes in the design and manufacturing of UPS products. Our upstream vendors are primarily suppliers of relevant components (transformer, cabinet, wire material, capacitor, PCB, etc), battery supplier and software developer. Distributed through our network channels, our products are sold to end users in different sectors, including medical care, aeronautics, military equipment, finance, security, nuclear power, petrochemical, telecommunication, PC equipment, and so forth.

With the boisterous growth of the Internet and ICT sectors, the requirements for power supply quality have been steadily increasing. This has attracted more enterprises to adopt UPS solutions to protect their PC equipment, thereby propelling the demand for UPS. Consequently, such trends promise substantial potential for our business growth in the future.

② APF

Upstream	Mid-stream	Downstream
Raw material	Manufacturing	End user
Wire material PCB Packing material IGBT Cabinet Battery Transformer Transistor Capacitor Software design	APF manufacturer	Steel plant/machinery factory Telecommunication equipment Large industrial equipment Taipower distribution gridApplications where harmonics improvement are required Applications where harmonics improvement are required Other

Longtime specializes in the design and manufacturing of APF. Our upstream vendors are primarily suppliers of relevant components (transformer, cabinet, wire material, capacitor, PCB and etc), battery supplier and software developer. Distributed through our network channels, our products are sold to end users in different sectors, including steel machinery factories, telecommunication, large industrial equipment, Taipower distribution grid and applications where harmonics improvement are required.

With various sectors demanding higher power quality, more and more businesses found themselves needing APF to improve power quality and reduce power loss. Due to the technical threshold required for the product, there are few local or foreign manufacturers for the product. And as such, our APF are rather competitive in the market and it is one of our key products that we promote aggressively.

③ Solar PV inverter manufacturing process (up, mid-, and downstream)

Upstream	Mid-stream	Downstream
Raw material	Manufacturing	End user
Silicon material Silicon wafer Solar cell cutting Solar cell Software design	PV Inverter System	Construction industry Telecommunication industry Public infrastructure High-tech fabrication plant PC equipment Household power supply Other

In the solar PV industry, Longtime assumes the role of a designer and manufacturer of PV inverter in the area of system and inverter. Distributed through our network channels, our products are sold to end users in different sectors for system integration, including construction industry, telecommunication industry, public infrastructure, high-tech fabrication plants, and so forth.

The solar PV industry promises vast business opportunities in the foreseeable future. Due to the high technological threshold, we have few domestic competitors. Our PV inverter have definitive competitive advantages in terms of quality and pricing, and Longtime has in fact become a global leading manufacturer in this area and a designated ODM partner for several major brands around the world. PV inverter has been the product that has generated substantial revenues for Longtime.

(3) Product Trends

① For UPS

A. Trend for modular design to prevent over allocation

Modular UPS comprises multiple modules in order to achieve easy scalability. One of the issue with traditional UPS is the over allocation of power system. For example, when a user's actual power load is at 12KVA, he would end up purchasing a traditional UPS at 20KVA to save himself from the hassle of expansion in the future. This would result in an over allocation of the system, which a modular UPS would be able to overcome.

B. Diversification of product design and electronic consumption

In the future, UPS systems will continue towards the path of becoming more compact, lightweight, high efficiency, and low noise. With these characteristics, UPS systems will gradually shift from large server rooms and find a place in normal office space. And as such, we should dedicate more attention to exterior design and usability in order to deliver a more pleasant user experience.

C. Heading towards intelligent and network development

With constant innovations in technology today, users have become accustomed to expecting more from UPS products in terms of their quality and functionality. Traditional analog power control UPS has been ousted by full digital control, which enables the user to schedule and control specific machine parameters through the CPU of the UPS, which can now be simultaneously connected to multiple PCs. Not only that, the user can also take advantage of its communication interface and PC, along with smart monitoring software and network protocol to manage and analyze his PC and UPS system locally or even remotely with greater convenience and efficiency.

D. High reliability and safety

The development UPS systems will be steered towards higher reliability and safety

- (a) Automatic detection: Upon start-up, the UPS will perform a check on all component (inverter, battery and so forth) load in order to detect potential issues.
- (b) Self-protection: Through designs of self-protection, the UPS system will automatically shut down in the event of UPS overload, short circuit or overheat to prevent other hardware damages that might otherwise have been caused by UPS failure.

② APF

Harmonics suppression has always been a vital issue when it comes to power

quality improvement. Following the rapid growth of non-linear load that has resulted in deteriorating power quality, the power company had no alternatives but to establish harmonics control standards in order to limit the amount of harmonics generated by users so as to maintain the quality of power for the whole system. Therefore, in addition to the development of high power APFs, the product will also have multiple functions such as virtual work compensation and voltage suppression. At present, APFs are more expensive than PPFs and the discrepancy is even greater when the load exceeds 500KW, at which point APF becomes no longer economical. And as such, hybrid filters have been created with an architecture that combines the advantages of both the active and passive types. In the future, hybrid power filters will become a trend in the domain of harmonics improvement technology.

③ PV Inverter

In addition towards high power development for PV inverters, it would be viable to pursue other alternative energy development such as wind power generation to expand the market further. In 2008, Longtime has obtained the Intertek GS certificate – the first ever issued in Taiwan. Not only that, the company has received certifications from nations including Germany, Spain, France, Italy, Belgium, England, USA and Japan. The company shall continue to stay abreast with the latest market trends and submit more applications to other countries, and this will be beneficial to the expansion of the PV inverter market in the future.

(4) Product Competition

Presently, our main product lines include UPS, APF, and PV inverter. Their characteristics and whether they are replaceable will be covered as follows:

① UPS

As its name implies, an uninterruptible power supply (UPS) functions by delivering power to connected equipment in the place of AC mains supply during a power outage, similar to way emergency lighting works. However, an UPS features more sophisticated design that dramatically reduce the switching duration from AC mains and battery/inverter to make up for the shortcoming of significantly longer power outage duration with typical fuel-powered generators or other emergency power source, without creating the issues of noise and air pollution that fuel-powered generators have. Unless conventional power generators achieve significant improvement in their speed of power supply while minimizing environmental pollution, they will not be able to fully replace UPS.

② APF

Power filters are equipment primarily used to improve power quality and suppress

harmonics. Presently, such products fall under three categories: active, passive, and hybrid. Each has its distinctive advantages and weaknesses. At present, the development of power filter is headed for higher power and multi-functionality designs. Barring the invention of new harmonic suppression equipment in the future, there are no existing products that could replace APFs.

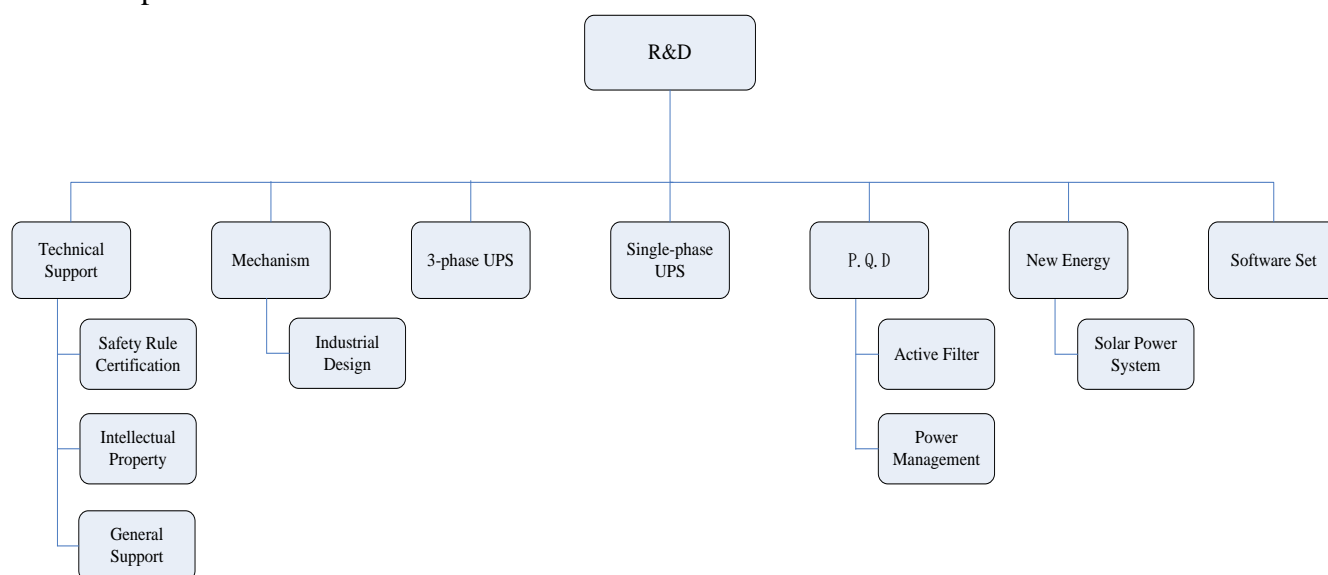
③ PV Inverter

PV inverter is primarily used to convert the AC current stored in solar panels to DC power for direct usage and connection to the city power grid. Barring the invention of new conversion equipment or new solar cells that could convert DC current to AC current by themselves, there are no existing products that could replace PV inverters.

5.1.3 Research and Development

(1) Technical level and R&D of our business

Right from the initiation of the company, Longtime has established its R&D unit, which focused on the research and development of small UPS. With the development of new products and technologies, the R&D unit has also expanded in scale. At present, the R&D Department can be separated into smaller units based on their respective product lines, including Single-phase UPS, Three-phase UPS, PQD and New Energy. In addition, sections such as the Mechanical structure, Technical support, Software and Technical research have also been established to provide relevant support for the three aforementioned sections. Through the planning, development, design and safety regulation control for new product development handled by each corresponding section, the R&D Department endeavors to provide products and services that are precisely aligned to existing market demands. The following will cover the organization of our R&D Department and their corresponding responsibilities:



Department	Section	Primary job description
R&D	Single-Phase UPS Section	Responsible for the development of single-phase UPS product and technology.
	Three-Phase UPS Section	Responsible for the development of three-phase UPS product and technology.
	P.Q.D Section	Responsible for the development of APF and power management system product and technology.
	New Energy Section	Responsible for the development of green energy and smart grid product and technology.
	Mechanical Design Section	Responsible for all products' exterior and mechanical designs.
	Technical Support Section	Responsible for the general support (i.e. construction of BOM, patent and safety regulation application, document management, acquisition of R&D samples and so forth).
	Software Section	Responsible for the development of software bundled with products.

The accumulation of know-how that we have grasped from pre-development, development, and post-development of various products enabled the R&D Department to accrue its IP assets. Strengthening innovative R&D and acquiring patents have become a vital strategy for businesses to remain competitive in the market. During the past few years, Longtime has experienced significant growth in the number of local and foreign patents received and these patents brought concrete benefit to the improvement of our technical capabilities. With relevant deployments in place, our IP assets enabled us to engage in technical exchanges with major international players and even take part in collaboration models of licensing patent rights through technical exchanges. This not only enhanced the company's reputation in terms of its technical capacity and brand value in the industry but also boosts customers' confidence in our technical capabilities. Consequently, our IP assets offer profound positive impacts on our business expansion.

Status of trademark application

Unit: no. of case

Region	Trademark			Total
	Pending	Approval announced	Certificate collected	
Taiwan	0	0	6	6
China	0-Ablerex 0-Suzhou	0- Ablerex 0-Suzhou	8- Ablerex 2-Suzhou	8- Ablerex 2-Suzhou
USA	0	0	4	4
EU	0	0	5	5
Total	0	0	25	25

Status of trademark application as of March 10, 2016

Status of patent application: including patents received and pending

At present, Longtime has acquired a total of 101 patents, and 97 of which are patents of invention. These patents have been utilized on our main products and aptly reflect Longtime's capacity for research and innovation.

Region	Application Status	UPS	APF	SOLAR	BMS	ESS	Total
Taiwan	Patent received	9	15	8	2	1	35
	Under review	2	0	4	1	1	6
Taiwan Total		11	15	12	3	2	43
China	Patent received	9	14	5	5	1	34
	Under review	2	1	6	1	1	11
China Total		11	15	11	6	2	45
USA	Patent received	10	14	4	2	2	32
	Under review	2	0	5	0	0	7
USA Total		12	14	9	2	2	39
Grand Total		34	44	32	11	6	127

No. of patent applications as of March 10, 2016

Paper

The publication of technical papers not only brings exposure to the company but also represents the company's level in terms of innovative technology. Through the participation in various conferences and paper publication, we aim to draw more opportunities for collaboration.

Looking towards the future with numerous competitors in the global market, given our

existing resources, we ought to dedicate more attention to innovation so as to propel business growth. Through commitment of resources to patent and paper strategies and deployment, we shall gradually accumulate Longtime's IP asset, which will no doubt prove invaluable to the company's overall competitiveness in the future.

Journal Paper:

Unit: Article

Document Type		No. published	Total
Periodical articles	Local	15	35
	Overseas	20	
Conference paper	Local	17	28
	Overseas	11	
Total		63	

Papers published as of March 10, 2016

(2) R&D staffs and their academic credentials

As of March 10, 2016, we have a total of 103 employees on our R&D staff, with their academic credential distribution as shown in the table below:

As of March 10, 2016 / Unit: Person

Academic credentials	PhD	Masters	Bachelor	College	Senior High School	Total
No. of employees	2	56	39	4	2	103
Percentage	1.94%	54.37%	37.87%	3.88%	1.94%	100.00%

(3) Research and Development Expenses in the Past Five Years

Item \ Year	2011	2012	2013	2014	2015	2016Q1
R&D Expense	109,919	113,374	117,988	119,779	125,720	32,785
Revenue	2,702,464	2,320,640	2,426,211	2,827,996	2,737,210	482,921
Rate of Revenue	4.07%	4.89%	4.86%	4.24%	4.59%	6.79%

All the financial data stated above have been reviewed by CPAs

(4)The following is an overview of the technologies and products that Longtime has successfully developed:

Year	Product Category	Successfully developed technology or product	Description of characteristics/purpose
2014/2015	UPS	Line-interactive UPS Glamor 550VA~2000VA	Featuring new full-bridge architecture, the new model offers the following advantages: 1. Improved efficiency 2. Smaller dimensions 3. Capable of withstanding PFC load 4. Lower cost
		On-line UPS ARES RT 1K~3K	1. Increased product capacity (power factor increased from 0.7 to 0.9) 2. Adopted new communication protocol to offer more functions and parameter settings to users 3. LCD operating panel incorporated to make the human-machine interface more user friendly 4. Versatile battery bank configurations (1K: 2-3 batteries; 1.5K: 3-4 batteries; 2K: 4-6 batteries; 3K: 6-8 batteries)
		On-line UPS MSIII 4.5K~10K	1. Adopted a new three-tiered architecture 2. Significantly improved efficiency 3. Versatile battery bank configurations (4.5K/6K: 12~20 batteries; 8K/10K: 16~20 batteries) 4. Input power factor increased to PF=1.0
		ATS/ITS Automatic transfer switch	1. Adopted hot swapping design for easy maintenance 2. Faster switching speed (<8ms)
		Three-phase UPS BRIC 30K	1. Modular design for easy capacity scalability 2. Adopted a touch operation panel to make operation easy for the user 3. Hot swap module installation for greater convenience
		Three-phase UPS TAURUS 10K~60K	1. Adopted a new three-tiered architecture to significantly improve the unit's overall operating performance 2. Input power factor increased to PF=1.0 3. New accelerated ECO operation mode with switching speed < 3ms
	Power Management Development	Battery management system BMSIII plus RF Receiver	In addition to the wireless transmission functionality that is also featured in the previous iteration, the product has also been designed with battery voltage equalizer technology to prevent battery overvoltage with greater precision.
		EMD2 plus Smart HMI	In addition to the features of its previous iterations, the panel has been enlarged from 4.3" to 7" along with enhanced platform software functionalities to achieve a more user-friendly interface.
		DC PDU Power System Management	In light of the market demand for AC current communication server rooms, we have developed DC PDU power management systems with applications similar to our previous AC PDU, but features an enlarged touch operating panel (from 4.3" to 7") for its HMI.

Year	Product Category	Successfully developed technology or product	Description of characteristics/purpose
	APF	APF ESD34 150/100A	Features immediate response control that delivers outstanding transient response for the APF by enabling immediate compensation at any point during each current cycle. We have also increased product compensation capacity and catered to the demands for IP00/IP20.
		APF 480V UL	In addition to the breakthrough of existing product architecture and technology utilization, the product is more compliant with existing international safety regulations, making its distribution more extensive.
		APF 80A Rack Module	Next-gen product that offers significant improvement in power density to reduce spatial requirement for installation. Next-gen hot swapping technology. New controller that adds all-level harmonics compensation and load balancing mechanism. Adopting a multi-level switching structure, the product reduces IGBT switching loss while increasing the number of harmonics compensation while correcting power factor.
		APF 80A Wall Mount	Next-gen wall mounted product that offers significant improvement in power density to reduce spatial requirement for installation.
	PV Inverter	Single-phase PV inverter ES5000H	Compared to its previous iteration, the next-gen single-phase PV offers better product stability and efficiency at lower operating costs. In addition, the HMI is also more user-friendly compared to its previous iteration with more information at the user's disposal.
		Three-phase PV inverter ES12000	The new three-phase PV product features increased single-unit capacity, thus reducing the costs of solar PV generation equipment costs.
		Three-phase PV inverter ES25600	This three-phase 25.6kW PV product can be paired in conjunction with solar PV modules in parallel connection to achieve OWE, thereby optimizing the costs of solar PV generation equipment. In addition, it features smart MPPT to effectively increase overall power output, rendering the product more competitive.
		Smart Cloud Module	The new smart cloud monitoring module operates with cloud server platform and data collector to gather relevant information (i.e power generation at specific sites, alarm log, environment status and so forth) in real time. This module would provide all relevant information needed for clients to maintain their operations and ensure steady revenue from their PV generation systems.

5.1.4 Long-Term and Short-Term Business Development Plans

(1) Short-term business development plan

① Product strategy

We will adjust product specifications and performance in accordance with market and customer demands while implementing stringent quality control so as to provide the best value for our products. This would ensure our competitiveness in the market and enable us to continue expanding our market share.

② Production strategy

We will continue to select materials with prudence, enhance manual assembly proficiency so as to maintain product quality. We will also strive to reduce the cost of existing products to improve our products' C/P value while continuing with our production improvement plan so that we can strengthen our e-productivity and efficiency.

③ Marketing strategy

We will attempt to achieve true localization of services and distribution by employing native European sales representatives so that we can strengthen our interaction with customers in our primary markets. We will also make the initiative to better understand the needs of our customers while collecting market information so as to achieve the goal of customer satisfaction. From the basis of our existing business and exiting product lines, we shall aggressively cultivate new customers and expand our market share.

④ Financial coordination

In light of the principles for sound business operation, the company operates primarily with its own capital and surplus from operating revenues, with a minor portion of the operating funds coming from bank financing.

(2) Long-term business development plan

(A) Product strategies and goals

In terms of product development, the company shall adhere to the following strategies:

- ① Making our existing product lines more comprehensive so as to offer more choices to our customers while attracting more potential customers to improve sales and raise our market share.
- ② To refine and deepen our ODM/OEM collaboration models with leading manufacturers around the world and jointly development mainstream products so that we could become the main supplier or partner of strategic alliance with leading manufacturers. This will allow us to expand our scale of production, improve product quality, lower our costs and in turn make the company more competitive as a whole.
- ③ Close integration between new product development, our core technologies, and patented technologies to boost our products' competitive edges and enhance our lead against other competitors in terms of technical capabilities.
- ④ Close coordination with the development of new energy technologies and foray into the research and development of relevant products for green and renewable energies such as solar PV and fuel cells so as to enhance their applications in

“smart power grid”.

With the aforementioned strategies, Longtime is confident that it will rise to become a major player in the global supply chain with significant presence as we shall not only have outstanding manufacturing capabilities and energy but also leading core technologies. We will strive to become a leading manufacturer in Taiwan and a major collaboration partner for leading companies around the world.

(B) Production strategies

- ① Improve upon existing manufacturing processes to achieve compliance with relevant eco-friendly standards and green product development by launching pollution-free processes.
- ② Transition to modular production for all pre-production processes in order to boost productivity while reducing occurrences of errors, thereby achieving the two-fold objectives of rapid production and high quality.
- ③ Utilize automated production equipment (NCT, AI, SMT, ICT and so forth) and automated testing equipment (ATE) to boost productivity, improve quality while lowering costs.
- ④ Implement total quality management to maintain optimal internal operation at all times.

(C) Marketing strategies

In order to attain continual improvement in the company’s sales, expand the market share of our products and increase the value of Longtime in the global supply chain, we shall adhere to the following marketing strategies:

- ① To deliver the best services in all our processes and all aspects of our operation.
- ② To demonstrate Longtime’s existing core technologies and capabilities and our determination and drive to carry onward in our improvement of technical capabilities.
- ③ To fortify our search and collaboration with other leading companies around the world and foster partnerships so that we could become one of the primary suppliers of mainstream products in the business.
- ④ To expand our original product and establish distribution channels for specific products in appropriate region/territory.
- ⑤ To collect information of local market, connect with our customers and deliver prompt services through our offshore locations.

(D) Financial strategies

- ① To strengthen exchange management and make appropriate use of financial risk aversion tools to ensure our costs and revenues, thereby reducing the risks and

losses from foreign exchanges.

- ② To make appropriate use of financial leveraging to lower operating costs.
- ③ To expand our fundraising channels into the capital market so that we can obtain funding at lower costs and facilitate relevant expansion plans.

(E) R&D strategies:

- ① To focus on development continuously for products about power quality improvement and power supply reliability.
- ② To inject more R&D resources for new energy, renewable energy, energy recycling, and energy conservation so that we could develop relevant products for the market in the future.
- ③ To insist on technological innovation and continue with aggressive patent deployment so that we can strengthen our technical competitiveness.

5.2 Market and Sales Overview

5.2.1 Market analysis

(1) Sales (Service) regions

Unit: NT\$ thousand, %

Item \ Year		2015	
		Amount	%
Domestic operating income		884,350	32.31%
Internal operating income	Asia	865,400	31.62%
	America	218,346	7.98%
	Europe	769,114	28.10%
Total		2,737,210	100.00%

(2) Market share (%) of Major Product Categories in the Last Two Years

Longtime is primarily involved in the production and distribution of UPS, APF, PV Inverters, and the subcontracting of power related projects. Presently, we have many competitors in the domestic market, including PCM, Delta Electronics, CyberPower and so forth. However, our products and products from these competitors are distinctively different and as most of these products are customized products, relevant information have been difficult to obtain. This renders a precise calculation of market share to be impossible.

(3) Supply & demand and potential growth of market in the future

① UPS

Despite the long history of the UPS industry, the sector still has much room for growth waiting for businesses to commit and cultivate. Even though the migration of

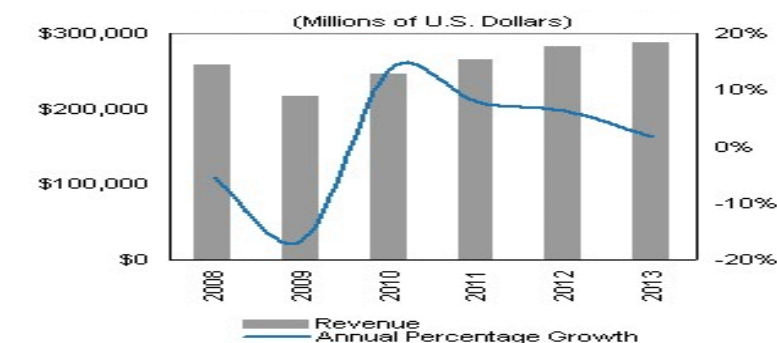
local businesses may significantly reduce the quantity of factory equipment in Taiwan, UPS manufacturers will still be able to locate new market and point of entry. With the prevalence of PC systems and the growing sophistication of machinery functions, end users will grow to better appreciate the necessity and importance of UPS systems. In addition to enterprises and server rooms where UPS have long played a vital role, UPS products have gradually found their way to general consumers. Between large and sophisticated home multimedia entertainment systems and personal PCs, the demand for UPS is starting to stem from even the average consumers.

② APF

With the rapid development of high-tech industries, literally all of their precision instruments require high quality power systems in order to maintain normal operation. However, as most of the high-tech instruments run non-linear load (such as the semiconductor industry), they generate substantial amount of harmonics current pollution that has adverse impact on power quality, leading to issues such as voltage distortion, overvoltage, and even equipment failure. Consequently, APFs have been installed to mitigate the harmonic currents generated by the load and have therefore been perceived as valuable investments.

In the mid-year update of “Semiconductor Applications Forecaster” published by the American market research organization IDC in 2011, the global semiconductor sales in 2012 will achieve an annual growth of 5% to reach US\$ 318 billion and by 2015, the global semiconductor sales will reach US\$ 378 billion, with compound annual growth rate at 6% spanning from 2010 to 2015. It is therefore natural to predict that the demands for APF will increase as the semiconductor industry recovers from its slump.

Fig. 1: Global Semiconductor Revenue Forecast



Source : iSuppli , 2009年09月

③ PV Inverter

According to IMS Research’s prediction, the market for PV inverter will continue to grow, with more noticeable growth in demand in 2017. The demands for small

business building PV system (usually between 10~100kW) and PV stations (typical installation of 500kW or higher) are expected to grow more significantly while the demand for residential PV system will be less apparent.

It is estimated that approximately 60% of the PV system installation in the future will take place in Asia, mainly China, and the majority of them would be PV stations. As for residential PV systems, Japan will be the only market that may promise some potential.

(4) Competitive niche

Factors such as the yield rate of UPS, productivity and specifications have become the key criteria that global leading brands and channel operators use as guidelines in their selection of UPS supplier. Presently, Ablerex has the following competitive edge in terms of its marketing, product development, and manufacturing process:

① Marketing

The company has been actively taking part in major local and international electronics fairs in recent years and has achieved significant exposure in the global sector chains. In addition, our products have received safety certifications in numerous countries and this helps to facilitate the expansion of our business. We also offer a comprehensive selection of small and micro UPS products that can satisfy customers' varying needs. With our positive image and solid R&D capabilities, the company has proven itself to be capable of developing new products in accordance with customers' needs and this has in turn made Ablerex a preferred partner of collaboration for international brand names compared to other local competitors. Consequently, this will be beneficial in our search for ODM/OEM collaboration opportunities.

② Product development

With UPS products becoming more compact and more intelligent with modular and network functionalities, Ablerex has shifted its core technologies towards the development of high speed and high precision. In terms of product development, the company not only has adequate capacity for relevant software and hardware design but also managed to reach top class level when it comes to product development speed and design quality. We are capable of working with customers' needs to make relevant changes and technological reforms to launch new products at the right timing so that we are able to compete in the market with products of better performance, superior quality at lower costs.

③ Manufacturing process

Manufacturing process improvement is an important factor in the control of production costs, while quality stability functions as a critical criterion of customer satisfaction and future business expansion. And as such, we have carefully planned and mapped out the entire manufacturing process for the development of new products and have been making continual improvement on our process and quality control so as to facilitate manufacturing processes while lowering relevant costs and enhancing quality. Ablerex has the professional manufacturing capacity to handle independent product development, software design, manufacturing, automated assembly, and testing. Not only that, we deliver products of outstanding quality, punctual shipping schedules and comprehensive after sales services to stay competitive in the market.

(5) Favorable and Unfavorable Factors in the Long Term

① UPS and APF

Favorable factors

A. Continual upgrading of high-tech industries to propel the continual increase in the demand for UPS and power quality improvement

As high-tech industries upgrade their production capabilities, they would inevitably use more expensive manufacturing processes of higher precision. As a result, their demand for power quality would grow in proportion, thereby driving up the demand for UPS and APF to improve their power quality.

B. Superior R&D capabilities to achieve stable product quality

After accumulating years of experience and expertise from independent research, Longtime has obtained 98 patents, and 88 of which are invention patents that have been featured on our key products. Not only that, we have also been accredited to ISO 9001 and ISO14001 standards that speak for our high product quality. At the same time, we have also improved our productivity and expanded our production capacity to satisfy the needs of our customers.

Unfavorable factors

A. Product diversification may impede the improvement of production efficiency

With different equipment requiring different capacities and power factors for UPS and APF products, our product lines have become more diverse and this is disadvantageous to the improvement of production efficiency.

Counter-strategy:

We shall improve our production-distribution coordination to achieve precise control of product delivery schedules and monitor changes in market demand at all times through information systems. The manufacturing department will also make

flexible adjustments to its production plan in order to better manage the delivery schedule and satisfy our customers' needs without compromising the benefits of concentrated batch production.

B. Low energy storage density that is unable to cater to the need for long operation duration

The greatest drawback of battery banks used for normal UPS systems is their low energy storage density. In order to construct a large scaled energy storage system, the batteries would take up substantial physical space.

Counter-strategy:

Due to cost considerations, normal UPS systems use lead-acid batteries. In the future, lithium batteries that offer higher storage density and longer lifecycle might become a viable alternative. Although lithium batteries are significantly more expensive, with the advancement in battery technology and development of electric car batteries, its development in the future is still worth looking forward to.

② PV Inverter

Favorable factors

A. Continual demand for energy keeps international oil prices up

With the rise of emerging nations such as China, India, Brazil and the ongoing growth of US and European economies, the global demand for energy has continued to grow. In addition, as the global petroleum reserve declines over the years, international oil prices have remained high and thus driving nations around the world to seek for alternative energies to mitigate the rising energy costs and energy shortage. Among the alternative energy sources, solar power has received the most abundant investments. With the certainty of growing energy demands in the future, the use of renewable energy will become more prevalent.

B. Growing awareness for environmental protection

The Kyoto Protocol prescribes specific targets of greenhouse gas reduction and is supplemented with multiple flexible operating regulations such as emission trading clean development mechanism and joint implementation. The protocol also touched on the issues of environmentally harmful subsidy reform. The Copenhagen UN Climate Change Conference also involved negotiations of greenhouse gas emission goals with specific carbon reduction objectives and discussions on assisting developing nations to combat global warming. These events have gone to show that the issue of environmental protection is of primary concern to nations around the world and due to the considerations for sustainability, governments will no doubt actively develop renewable energy industries.

C. Government subsidies to reduce installation costs

Due to the low conversion factor of solar power at present, the cost of solar PV generation is still higher compared to other traditional means of power generation. The relatively expensive costs of solar PV system installation will no doubt create additional economic strains on the general public that wishes to have solar PV systems. And as such, governments around the world have promulgated subsidy policies, causing the solar PV market to experience explosive growth and continual increase in market demand.

Unfavorable factors

A. Increase in the number of competitors, leading to intense price competition

With the demands gradually growing, there will inevitably be more competitors in the business, only to be followed by price wars and struggle for orders with lower pricings. This would in turn impact the profit margin for products.

Counter-strategy:

The company shall continue to research and innovate in the future so that we can develop products of higher efficiency and functions and other high-end products to differentiate from the low-cost market. In addition, we will also commit more resources to the development of other alternative energies to stay competitive.

B. The industry is susceptible to the impact of government policies

As the solar PV industry is susceptible to the impact of government policies, product demand may become limited during period of depression when the government is likely to cut down on subsidies to reduce spending.

Counter-strategy:

We will continue to develop new customers and cultivate new customer base in different countries to better understand the needs of our future clients. In addition, we will foray into the respective markets to lower the risks of being overly dependent on the distribution in specific regions.

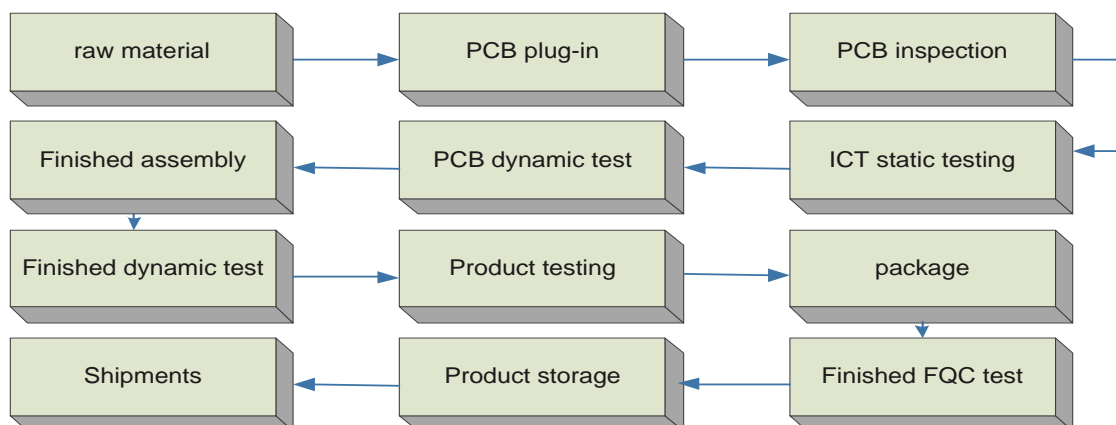
5.2.2 Production Procedures of Main Products

(1) Primary purpose of main products

Main product categories	Purpose & Functions
UPS	At the moment of power failure, the UPS will temporarily supply power from its battery bank to prevent damages on PC, communication device, consumer electronics, high tech products medical equipment and so forth due to power disruption or power surge.
APF	Generates a compensatory current that is of the opposite phase of the harmonics at the load to effectively improve power quality while preventing excessive harmonic currents from causing interferences or damages on power equipment or production processes.
PV Inverter	Utilizes DC current from solar PV cell and converts it to AC currents

Main product categories	Purpose & Functions
	similar to the power from city power grid for direct usage or parallel connection to the power grid. PV inverter is a key component in solar PV generation systems.

(2) Major Products and Their Production Processes



(3) Supply Status of Main Materials

The main raw materials used for our products include battery, transformer, semiconductor parts, plastic materials, metal cased PCB, wire materials, and so forth and these are sourced by a number of suppliers. However, the ratio of supply for these materials have been carefully managed to prevent over-concentration of order for specific suppliers. In addition, Longtime has maintained positive collaboration with most suppliers over the years and in an effort to ensure supply stability, we have made an effort to stay in touch with other suppliers. And as such, supply status has been positive for Longtime and no incident of short supply or supply disruption has occurred.

(4) Major Suppliers and Clients

A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ Thousand; %

Year	2014				2015				2016Q1			
Item	Company Name	Amount	%	Relation with issuer	Company Name	Amount	%	Relation with issuer	Company Name	Amount	%	Relation with issuer
1	Toplite (Guang Zhou) Technology Battery Co., Ltd.	160,722	8.68	None	Toplite (Guang Zhou) Technology Battery Co., Ltd.	178,604	11.55	None	Toplite (Guang Zhou) Technology Battery Co., Ltd.	23,148	7.60	None
2	Other	1,691,170	91.32	-	Other	1,367,750	88.45	-	Other	281,540	92.40	-
	Total	1,851,892	100.	-	Total	1,546,354	100.	-	Total	304,688	100	-

Cause of change: No significant change between the 2 years.

B. Major Clients in the Last Two Calendar Years

Unit: NT\$ Thousand; %

Year	2014				2015				2016Q1			
Item	Company Name	Amount	%	Relation with issuer	Company Name	Amount	%	Relation with issuer	Company Name	Amount	%	Relation with issuer
1	Co. J	419,496	14.83	None	Co. A	301,959	11.03	None	A公司	50,913	10.54	None
2	Co. A	323,313	11.43	None	Co. J	228,770	8.36	None				
3	Other	2,085,187	73.73		Other	2,206,481	80.61		Other	432,008	89.46	
	Total	2,827,996	100.00		Total	2,737,210	100.00		Total	482,921	100.00	

Cause of change: Due to Sales plan adjusted and Renewable energy market changed, turnover for 2015 was less than in the past for Co. J.

(5) Production in the Last Two Years

Unit: piece; NT\$ Thousand

Year Output Major Products	2014		2015	
	Capacity	Amount	Capacity	Amount
UPS	325,084	1,036,283	311,218	1,067,109
APF	2,825	90,247	2,913	88,790
PV inverter	28,082	628,142	20,222	441,671
Project	Note	565,474	Note	587,972
Other	Note	1,704,000	Note	1,576,773
Total	355,991	4,024,146	334,353	3,762,315

Note : The company factory mainly produces UPS, APF equipment, PV inverters and related components (PCB'A), components of each system for different equipment, so the data is non-comparative.

(6) Shipments and Sales in the Last Two Years

Shipments & Sales Major Products (or by departments)	Year	2014				2015			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
UPS		858	2,631	224,696	1,160,199	654	3,319	298,345	1,158,693
APF				1,217	138,326			2,254	204,598
PV		1,732	40,730	13,057	415,000	2,193	61,419	7,485	229,801
Project			744,721		11,180		745,331		4,507
Other			84,022		231,187		74,281		255,261
Total		-	872,104	-	1,955,892	-	884,350	-	1,852,860

5.3 Human Resources Analysis

Apr. 30, 2016, Unit: people, age, %

Year		2014	2015	2016/4/30
Number of Employees	Direct Labor	308	276	181
	Indirect Labor	87	87	112
	Administrative staff	360	361	366
	Total	755	724	659
Average age		34.02	34.26	34.23
Average years of service		4.93	5.22	5.77
Education (%)	Ph. D.	0.40%	0.41%	0.30%
	Masters	9.28%	9.68%	11.99%
	Bachelor's Degree	20.66%	22.24%	25.64%
	College	19.47%	19.75%	21.55%
	Senior High School	31.13%	28.04%	24.43%
	Junior High School and below	19.07%	19.89%	16.08%

Note : The numbers are for all group

5.4 Environmental protection Expenditure

5.4.1 Total Losses and Penalties

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None

5.4.2 Countermeasures

The Company has taken into consideration any potential risks or violation of environmental and regulations in formulating its environmental management system. The Company also closely monitors developments in the government's environmental policies and regulations to be able to design precautionary measures. For the pollution and wastes generated in the production process, the Company takes the following measures to protect the environment: None

5.5 Labor Relations

5.5.1 Employee's welfare package, education and training, retirement plan, and employee rights

(1) Employee's welfare package:

In addition to following the Labor Standards Act and the relevant regulations, Ablrex provides group insurances covering healthcare, accidents, and health examinations for employees. Ablrex also established the Employees' Welfare Committee which is in charge of employees' welfares including subsidies of weddings, funerals, in hospitals, and birthing,

and holds activities regularly, such as birthday parties and domestic/foreign trips, to take care the life of employees.

(2) Education and training:

Ablerex holds internal management and specialist training program and encourage employees to attain courses and training held by professional institutions in order to enhance the proficiency and core competitiveness of employees. The education and training records are as follows:

Item	Courses	Trainees	Hours	Costs
1. Training for New employees	18	57	138	0
2. Specialist training	118	251	2702	454,357
Total amount	136	308	2840	454,357

(3) Retirement plan and the implementation:

Ablerex has formulated the retirement and pension plans for employees according to the Labor Standards Act. A certain percentage of salary payment is allocated as retirement reserve funds and if it is not enough for the payment of pension, the additional part will be listed as expense in the financial reports.

Since the implementation of Labor Pension Act in 2005/7/1, for the employees, adopting the defined contribution plan of pension, the pension fund will be paid and deposited in the personal pension fund account for no less than 6% of monthly salary by Ablerex.

(4) Employee rights:

Ablerex has advocated to humane management and set up many channels for employees to communicate with employers. Ablerex thinks highly of all kinds of employees' welfare and feedbacks of communication, so that Ablerex has harmonious relationship between employer and the employees. There is no any dispute on labor relation to be negotiated since Ablerex established. Yet, Ablerex still devote to better employees' welfares to enhance the harmonious labor relation and to prevent any possible labor disputes.

(5) Code of employee's conduct and ethics:

Ablerex has stipulated "Ethical Corporate Management Principles" and relevant managerial regulations for Directors, Managers, and employees to prohibit unethical behaviors, the chances of pursuing personal interests, bribery, to protect and properly use the assets of the company, to abide by regulations, and to encourage to report any illegal or unethical behaviors.

(6) Working environment and worker's safety protection:

Ablerex deals with employees' safety and health under the regulations of "Occupational Safety and Health Act" and relevant laws to prevent occupational accidents and to protect the safety and health of all employees. Ablerex also follows "Act of Gender Equality in Employment" and "Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace" to maintain the equality opportunity of both genders and to provide a working environment without sexual harassment. Personnel entry and exit of office are controlled by security system to keep employees safe.

5.5.2 Any current or potential loss resulting from labor disputes and prevention actions for the past 2 years and as of the date of this annual report:

Ablerex values the welfare of all employees and has harmonious relationship between employer and the employees. Ablerex has no major dispute on labor relation in the past 2 years and up to the printing date of this Annual Report. Therefore, there should be no concerns on the loss resulting from labor disputes.

5.6 Important Contracts

Principal current contractual agreements shown below were effective or expired during the most recent reporting period:

Agreement	Counterparty	Period	Major Contents	Restrictions
Project contracts	Long Jin Co., Ltd.	2014/5/15~2016/6/30	Pintung Factory II construction	None
Project contracts	UIS Co., Ltd	2014/8/1~2016/6/30	Pintung Factory II air condition	None
Financing contracts	Chang Hwa Commercial Bank	2015/6/25~2016/6/30	Comprehensive credit line	None
Financing contracts	China Trust Commercial Bank	2015/9/16~2016/8/31	Comprehensive credit line	None
Financing contracts	E.Sun Commercial Bank	2015/10/27~2016/10/27	Comprehensive credit line	None
Financing contracts	Taipei Fubon Bank	2015/11/13~2016/11/13	Comprehensive credit line	None
Financing contracts	Mega International Commercial Bank	2016/4/10~2017/4/9	Comprehensive credit line	None

6. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet/Income Statement

A. Consolidated Condensed Balance Sheet – Based on IFRS

Unit : NTD in Thousand

Item \ Year	Summarized Balance Sheets of Latest 5 years (Note 1,2)					03-31-2016 (Note 4)
	2011	2012	2013	2014	2015	
Current assets		1,620,758	1,714,839	2,066,442	2,009,612	1,770,972
Real estate, plant and equipment		585,943	671,358	749,190	820,705	865,713
Intangible assets		42,592	42,939	43,920	45,696	47,796
Deferred income tax assets		21,442	23,350	26,821	28,915	33,552
Other non-current assets		83,750	87,640	22,059	27,900	16,008
Total assets		2,354,485	2,540,126	2,908,432	2,932,828	2,734,041
Current liabilities	Before	720,539	842,018	1,077,235	1,101,551	926,858
	After distribution	833,039	954,518	1,257,235	Note 3	-
Deferred income tax liabilities		54,813	63,268	74,462	78,612	77,544
Other non-current liabilities		30,411	15,771	23,373	21,077	22,981
Total liabilities	Before	805,763	921,057	1,175,070	1,201,240	1,027,383
	After distribution	918,263	1,033,557	1,355,070	Note 3	-
Shareholders' equity	Before	1,542,828	1,610,132	1,724,268	1,722,150	1,697,167
	After distribution	1,430,328	1,497,632	1,544,268	Note 3	-
Capital		450,000	450,000	450,000	450,000	450,000
Additional paid-in capital		819,878	819,878	819,878	819,878	819,878
Retained earnings	Before	288,576	331,353	423,975	422,197	407,218
	After distribution	176,076	218,853	243,975	Note 3	-
Other equities		(15,626)	8,901	30,415	30,075	20,071
Minority interests		5,894	8,937	9,094	9,438	9,491
Total shareholders'	Before	1,548,722	1,619,069	1,733,362	1,731,588	1,706,658
	After distribution	1,436,222	1,506,569	1,553,362	Note 3	-

Note 1: All the financial data stated above have been audited by CPAs.

Note 2: The company adopted IFRSs since 2013.

Note 3: Earnings distribution of 2015 has been approved by Board of Directors, and proposed to be approved by the shareholders' meeting.

Note 4: Reviewed by CPAs.

B. Consolidated Condensed Income Statement – Based on IFRS

Unit : NTD Thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1,2)					03-31-2016 (Note 3)
	2011	2012	2013	2014	2015	
Operating revenue	N/A	2,320,640	2,426,211	2,827,996	2,737,210	482,921
Gross profit		523,269	575,887	657,509	639,113	103,829
Income from operations		140,684	168,554	225,488	186,002	(14,907)
Non-operating income/expenses		3,866	9,906	40,432	35,729	60
Income before tax		144,550	178,460	265,920	221,731	(14,847)
Income from operations of continued segments - after tax		112,885	146,537	211,866	176,735	(14,774)
Income from discontinued operations		-	-	-	-	-
Net income (Loss)		112,885	146,537	211,866	176,735	(14,774)
Other comprehensive income (income after tax)		(12,072)	36,310	14,927	1,491	(10,156)
Total comprehensive income		100,813	182,847	226,793	178,226	(24,930)
Net income attributable to shareholders		112,867	143,879	212,026	176,310	(14,979)
Net income attributable to non-controlling interest		18	2,658	(160)	425	205
Comprehensive income attributable to Shareholders of		100,963	179,804	226,636	177,882	(24,983)
Comprehensive income attributable to non-controlling		(150)	3,043	157	344	53
Earnings per share (NTD)		2.51	3.20	4.71	3.92	(0.33)

Note 1: All the financial data stated above have been audited by CPAs.

Note 2: The company adopted IFRSs since 2013.

Note 3: Reviewed by CPAs.

6.1.2 Stand Alone Condensed Balance Sheet/ Income Statement – Based on IFRSs

A. Stand Alone Condensed Balance Sheet – Based on IFRSs

Unit : NTD Thousands

Item \ Year		Summarized Balance Sheets of Latest 5 years (Note 1, 2)					03-31-2016
		2011	2012	2013	2014	2015	(Note 4)
Current assets		N/A	1,176,848	1,297,892	1,524,690	1,495,974	N/A
Investment by equities			571,898	621,106	684,030	714,782	
Real estate, plant and equipment			261,136	337,505	368,415	463,920	
Intangible assets			26,147	26,472	27,514	29,352	
Deferred income tax assets			21,442	23,350	26,821	28,915	
Other non-current assets			64,871	49,832	19,774	25,648	
Total assets			2,122,342	2,356,157	2,651,244	2,758,591	
Current liabilities	Before		494,290	666,986	829,141	936,752	
	After		606,790	779,486	1,009,141	Note 3	
Deferred income tax liabilities			54,813	63,268	74,462	78,612	
Other non-current liabilities			30,411	15,771	23,373	21,077	
Total liabilities	Before distribution		579,514	746,025	926,976	1,036,441	
	After distribution		692,014	858,525	1,106,976	Note 3	
Capital			450,000	450,000	450,000	450,000	
Additional paid-in capital			819,878	819,878	819,878	819,878	
Retained earnings	Before distribution		288,576	331,353	423,975	422,197	
	After distribution		176,076	218,853	243,975	Note 3	
Other equities			(15,626)	8,901	30,415	30,075	
Total shareholders' equities	Before distribution		1,542,828	1,610,132	1,724,268	1,722,150	
	After distribution		1,430,328	1,497,632	1,544,268	Note 3	

Note 1: All the financial data stated above have been audited by CPAs.

Note 2: The company adopted IFRSs since 2013.

Note 3: Earnings distribution of 2015 has been approved by Board of Directors, and proposed to be the shareholders' meeting.

Note 4 : The company doesn't prepare Stand Alone Report.

B. Stand Alone Condensed Income Statement – Based on IFRSs

Unit: NTD Thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1, 2)					03-31-2016
	2011	2012	2013	2014	2015	(Note 3)
Operating revenue	N/A	2,183,082	2,247,346	2,695,165	2,609,108	N/A
Gross profit		387,239	402,301	458,631	441,630	
Income from operations		136,730	136,312	187,342	161,772	
Non-operating income/expenses		2,038	34,853	66,330	47,760	
Income before tax		138,768	171,165	253,672	209,532	
Income from operations of continued segments - after tax		112,867	143,879	212,026	176,310	
Income from discontinued operations		-	-	-	-	
Net income (Loss)		112,867	143,879	212,026	176,310	
Other comprehensive income		(11,904)	35,925	14,610	1,572	
Total comprehensive income		100,963	179,804	226,636	177,882	
Earnings per share		2.51	3.20	4.71	3.92	

Note 1: All the financial data stated above have been audited by CPAs.

Note 2: The company adopted IFRSs since 2013.

Note 3 : The company doesn't not prepare Stand Alone Report.

6.1.3 Consolidated Condensed Balance Sheet and Income Statement – Under ROC GAAP

A. Consolidated Condensed Balance Sheet – ROC GAAP

Unit : NTD Thousands

Item \ Year		Financial Summary for The Last Five Years (Note 1, 2)					03-31-2016
		2011	2012	2013	2014	2015	
Current assets		2,097,816	1,635,634	N/A			
Funds & Long-term investments		-	-				
Fixed assets		488,255	601,736				
Intangible assets		49,176	49,114				
Other assets		17,603	66,780				
Total assets		2,652,850	2,353,264				
Current liabilities	Before distribution	886,480	718,113				
	After distribution	1,111,480	830,613				
Long-term liabilities		-	-				
Other liabilities		66,861	61,942				
Total liabilities	Before distribution	953,341	780,055				
	After distribution	1,178,341	892,555				
Capital		450,000	450,000				
Additional paid-in capital		819,878	819,878				
Retained earnings	Before distribution	398,926	285,541				
	After distribution	173,926	173,041				
Unrealized gain from the financial assets for sales		-	-				
Cumulative translation adjustments		29,673	14,047				
Net loss not recognized as pension cost		(5,012)	(2,151)				
Stockholders' equity of	Before distribution	1,693,465	1,567,315				
	After distribution	1,468,465	1,454,815				
Other Equity - Minority Interest		6,044	5,894				
Total equity	Before distribution	1,699,509	1,573,209				
	After distribution	1,474,509	1,460,709				

Note 1: All the financial data stated above have been audited by CPAs.

Note 2: The company adopted IFRSs since 2013.

B. Consolidated Condensed Income Statement – ROC GAAP

Unit: NTD Thousands

Year Item		Financial Summary for The Last Five Years (Note 1,2)					03-31-2016 (Note 3)
		2011	2012	2013	2014	2015	
Operating revenue		2,702,464	2,320,640	N/A			
Gross profit		710,127	523,028				
Income from operations		317,322	139,175				
Non-operating income		29,942	17,162				
Non-operating expenses		17,925	13,296				
Income before tax		329,339	143,041				
Income from operations of continued segments - after tax		269,236	111,633				
Income from discontinued operations		-	-				
Extraordinary gain or loss		-	-				
Cumulative effect of accounting principle changes		-	-				
Net income		269,236	111,633				
Earnings per share (NTD)	Before retroactive	5.98	2.48				
	After retroactive	5.98	2.48				

Note 1: All the financial data stated above have been audited by CPAs.

Note 2: The company adopted IFRSs since 2013.

6.1.4 Stand Alone Condensed Balance Sheet and Income Statement – Under GAAP ROC

A. Stand Alone Condensed Balance Sheet – GAAP ROC

Unit : NTD Thousands

Year Item		Summarized Balance Sheets of Latest 5 years (Note 1)					03-31- 2016
		2011	2012	2013	2014	2015	
Current assets		1,580,871	1,191,724	N/A			
Funds & Long-term investments		589,901	580,027				
Fixed assets		119,748	261,136				
Intangible assets		31,660	31,492				
Other assets		16,375	64,871				
Total assets		2,338,555	2,129,250				
Current liabilities	Before distribution	576,108	491,864				
	After distribution	801,108	604,364				
Long-term liabilities		-	-				
Other liabilities		68,982	70,071				
Total liabilities	Before distribution	645,090	561,935				
	After distribution	870,090	674,435				
Capital		450,000	450,000				
Additional paid-in capital		819,878	819,878				
Retained earnings	Before distribution	398,926	285,541				
	After distribution	173,926	173,041				
Unrealized gain from the financial assets for sales		-					
Cumulative translation adjustments		29,673	14,047				
Net loss not recognized as pension cost		(5,012)	(2,151)				
Total equity	Before distribution	1,693,465	1,567,315				
	After distribution	1,468,465	1,454,815				

Note 1: All the financial data stated above have been audited by CPAs.

Note 2: The company adopted IFRSs since 2013.

B. Stand Alone Condensed Income Statement – GAAP ROC

Unit: NTD Thousands

Year Item		Financial Summary for The Last Five Years (Note 1,2,3)					03-31-2016
		2011	2012	2013	2014	2015	
Operating revenue		2,508,967	2,183,082	N/A			
Gross profit (Note 2)		527,935	380,990				
Income from operations		271,672	129,213				
Non-operating income		50,961	14,959				
Non-operating expenses		3,871	6,913				
Income from operations of continued segments - before tax		318,762	137,259				
Income from operations of continued segments - after tax		269,168	111,615				
Income from discontinued operations		-	-				
Extraordinary gain or loss		-	-				
Cumulative effect of accounting principle changes		-	-				
Net income		269,168	111,615				
Earnings per share (NTD)	Before retroactive	5.98	2.48				
	After retroactive	5.98	2.48				

Note 1: All the financial data stated above have been audited by CPAs.

Note 2 : Realized (unrealized) profits from affiliates is included

Note 3: The company adopted IFRSs since 2013.

6.1.5 Auditors' Opinions from 2010 to 2015

CPAs and their auditing opinions in the past 5 years

Year	Accounting Firms	CPAs	Audit Opinions
2011	PwC	Zoe Chou 、 Jenny Yeh	unqualified opinion
2012	PwC	Zoe Chou 、 Jenny Yeh	unqualified opinion
2013	PwC	Zoe Chou 、 Jenny Yeh	unqualified opinion
2014	PwC	Philine Lee 、 Jenny Yeh	unqualified opinion
2015	PwC	Zoe Chou 、 Philine Lee	unqualified opinion

6.2 Five-Year Financial Analysis

A. Consolidated Condensed Financial Analysis - Based on IFRS

Year			Financial Summary for The Last Five Years (Note 1,2)					03-31-2016
			2011	2012	2013	2014	2015	(Note 3)
Financial structure (%)	Ratio of liabilities to assets (%)		N/A	34.22	36.26	40.40	40.95	37.57
	Ratio of long-term capital to fixed assets (%)			278.85	252.93	244.42	223.13	208.75
Solvency (%)	Current ratio (%)			224.93	203.65	191.82	182.43	191.07
	Quick ratio (%)			140.44	118.33	103.84	95.55	87.98
	Times interest earned ratio			29.57	118.27	138.10	79.99	(26.61)
Operating ability	Account receivable turnover			4.66	5.30	5.21	4.39	3.30
	Days sales in accounts receivable			78.32	68.86	70.05	83.14	110.60
	Inventory turnover (times)			2.58	2.54	2.39	2.03	1.44
	Account payable turnover (times)			4.46	4.61	4.40	4.20	4.06
	Average days in sales			141.47	143.70	152.71	179.80	253.47
	Fixed assets turnover (times)			4.35	3.85	3.98	3.48	2.29
	Total assets turnover (times)			0.92	0.99	1.03	0.93	0.68
Profitability	Ratio of return on total assets (%)			4.67	6.03	7.83	6.13	(0.50)
	Ratio of return on shareholders' equity (%)			7.00	9.25	12.63	10.20	(0.85)
	Ratio to issued capital stock (%)	Operating income		31.26	37.45	50.10	41.33	(3.31)
		Income before tax		32.12	39.65	59.09	49.27	(3.29)
	Profit ratio (%)			4.86	6.03	7.49	6.45	(3.05)
	Earnings per share (NT\$)			2.50	3.19	4.71	3.92	(0.33)
Cash flow (%)	Cash flow ratio (%)			40.38	28.06	6.55	21.81	1.68
	Cash flow adequacy ratio (%)			N/A	N/A	N/A	N/A	53.85
	Cash reinvestment ratio (%)			3.83	6.77	0.00	2.92	0.76
Leverage	Degree of operating leverage			2.67	2.49	2.13	2.49	(4.17)
	Degree of financial leverage			1.03	1.00	1.00	1.01	0.96

Note 1: All the financial data stated above have been audited by CPAs.

Note 2: The company adopted IFRSs since 2013.

Note 3: Reviewed by CPAs.

Financial Analysis – Under IFRSs

The causes of the financial ratio change over 20% in the last two years:

1. Solvency: Times interest earned ratio decreased 42.08% in 2015 comparing to the ratio in 2014 because earning decreased while interest expenses increased.
2. Profitability: Ratio of return on total assets decreased 21.71% in 2015 comparing to the ratio in 2014 because earning decreased while expenses increased.
3. Cash flow: Cash flow ratio increased 277.34% in 2015 comparing to the ratio in 2014 mainly due to the increase of net cash inflow from operating activities.

Cash reinvestment ratio increased in 2015 comparing to the ratio in 2014 mainly due to the increase of net cash inflow from operating activities.

B. Stand Alone Condensed Financial Analysis – Based on IFRSs

<div style="display: flex; align-items: center; justify-content: center;"> <div style="border-bottom: 1px solid black; width: 100%; height: 100%;"></div> <div style="margin-left: 10px;">Year</div> </div>		Financial Summary for The Last Five Years (Note 1,2)					03-31-2016 (Note 3)
		2011	2012	2013	2014	2015	
Financial structure (%)	Ratio of liabilities to assets (%)		27.30	31.66	34.96	37.57	N/A
	Ratio of long-term capital to fixed assets (%)		623.45	500.48	494.57	392.70	
Solvency (%)	Current ratio (%)		238.08	194.59	183.88	159.69	
	Quick ratio (%)		167.90	128.54	117.92	92.93	
	Times interest earned ratio		1,876.80	1,509.24	1,933.80	474.24	
Operating ability	Account receivable turnover (times)		4.75	5.27	5.10	4.38	
	Days sales in accounts receivable		76	69	71	83	
	Inventory turnover (times)		4.76	4.28	4.16	3.42	
	Account payable turnover (times)		5.42	5.54	5.35	4.74	
	Average days in sales		76	85	87	106.00	
	Fixed assets turnover (times)		11.46	4.86	7.63	6.26	
	Total assets turnover (times)		0.97	0.95	1.07	0.96	
Profitability	Ratio of return on total assets (%)		5.06	6.42	8.47	6.53	
	Ratio of return on shareholders		7.03	9.12	12.71	10.23	
	Ratio to issued capital stock (%)	Operating income	30.38	30.29	41.63	35.94	
		Income before tax	30.83	38.03	56.37	46.56	
	Profit ratio (%)		5.17	6.40	7.86	6.75	
	Earnings per share (NT\$)		2.50	3.19	4.71	3.92	
Cash flow (%)	Cash flow ratio (%)		36.93	26.66	13.58	16.81	
	Cash flow adequacy ratio (%)		N/A	N/A	N/A	N/A	
	Cash reinvestment ratio (%)		0.00	3.86	0.00	0.00	
Leverage	Degree of operating leverage		2.18	2.32	1.97	2.16	
	Degree of financial leverage		1.00	1.00	1.00	1.00	

Note 1: All the financial data stated above have been audited by CPAs.

Note 2: The company adopted IFRSs since 2013.

Note 3: Audited by CPAs.

C. Consolidated Condense Financial Analysis – Based on ROC GAAP

Year			Financial Summary for The Last Five Years (Note 1,2)				
			2011	2012	2013	2014	2015
Financial structure (%)	Ratio of liabilities to assets (%)		35.94	33.15	N/A		
	Ratio of long-term capital to fixed assets (%)		348.08	261.45			
Solvency (%)	Current ratio (%)		236.65	227.77			
	Quick ratio (%)		153.20	142.99			
	Times interest earned ratio		32.79	29.28			
Operating ability	Account receivable turnover (times)		4.36	4.45			
	Days sales in accounts receivable		84	82			
	Inventory turnover (times)		2.65	2.58			
	Account payable turnover (times)		4.08	4.47			
	Average days in sales		137.71	141.42			
	Fixed assets turnover (times)		5.54	4.26			
	Total assets turnover (times)		0.95	0.93			
Profitability	Ratio of return on total assets (%)		9.76	4.63			
	Ratio of return on shareholders' equity (%)		14.83	6.82			
	Ratio to issued capital stock (%)	Operating income	70.52	30.93			
		Income before tax	73.19	31.79			
	Profit ratio (%)		9.96	4.81			
	Earnings per share (NT\$)		5.98	2.48			
Cash flow (%)	Cash flow ratio (%)		19.43	40.75			
	Cash flow adequacy ratio (%)		83.39	74.22			
	Cash reinvestment ratio (%)		-	3.90			
Leverage	Degree of operating leverage		1.53	2.17			
	Degree of financial leverage		1.03	1.04			

Note 1: All the financial data stated above have been audited by CPAs.

Note 2: The company adopted IFRSs since 2013.

D. Stand Alone Condense Financial Analysis – Based on ROC GAAP

			Financial Summary for The Last Five Years (Note 1,2)					
			Year		2011	2012	2013	2014
Financial structure (%)	Ratio of liabilities to assets (%)		27.58	26.39	N/A			
	Ratio of long-term capital to fixed		1,414.19	600.19				
Solvency (%)	Current ratio (%)		274.41	242.29				
	Quick ratio (%)		218.60	181.96				
	Times interest earned ratio		2,309.78	1,858.92				
Operating ability	Account receivable turnover (times)		4.27	4.64				
	Days sales in accounts receivable		85	79				
	Inventory turnover (times)		5.95	5.45				
	Account payable turnover (times)		7.75	5.42				
	Average days in sales		61.31	66.92				
	Fixed assets turnover (times)		20.61	11.46				
	Total assets turnover (times)		0.99	0.98				
Profitability	Ratio of return on total assets (%)		10.63	5.00				
	Ratio of return on shareholders' equity		14.87	6.85				
	Ratio to issued capital stock (%)	Operating income	60.37	28.71				
		Income before tax	70.84	30.50				
	Profit ratio (%)		10.73	5.11				
	Earnings per share (NT\$)		5.98	2.48				
Cash flow (%)	Cash flow ratio (%)		50.82	37.00				
	Cash flow adequacy ratio (%)		84.50	77.73				
	Cash reinvestment ratio (%)		-	-				
Leverage	Degree of operating leverage		1.61	2.31				
	Degree of financial leverage		1.00	1.00				

Note 1: All the financial data stated above have been audited by CPAs.

Note 2: The company adopted IFRSs since 2013.

- 6.3 Supervisors' /Audit Committee's Report for the Most Recent Year : Please refer to Page 117 to 119 of the Chinese annual report.
- 6.4 Financial Statements for the Most Recent Years: Please refer to Page 122 to 185 for the details
- 6.5 Independent Auditors' Report for the Most Recent Years: Please refer to Page 123 for the details.
- 6.6 Impact of financial difficulties of the Company and related party on the Company's financial position: None

7 Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Condensed Financial Position – Under IFRSs

NTD Thousands; %

Year	2014	2015	Difference	
			Amount	%
Current assets	2,066,442	2,009,612	(56,830)	(2.75)
Real estate, plant, and equipment	749,190	820,705	71,515	9.55
Intangible assets	43,920	45,696	1,776	4.04
Deferred tax assets	26,821	28,915	2,094	7.81
Other non-current assets	22,059	27,900	5,841	26.48
Total assets	2,908,432	2,932,828	24,396	0.84
Current liabilities	1,077,235	1,101,551	24,316	2.26
Deferred tax liabilities	74,462	78,612	4,150	5.57
Other non-current liabilities	23,373	21,077	(2,296)	(9.82)
Total liabilities	1,175,070	1,201,240	26,170	2.23
Shareholders' equity, attributable to owners of	1,724,268	1,722,150	(2,118)	(0.12)
Capital stock	450,000	450,000	0	0.00
Additional paid-in capital	819,878	819,878	0	0.00
Retained earnings	423,975	422,197	(1,778)	(0.42)
Other equities	30,415	30,075	(340)	(1.12)
Non-controlling equities	9,094	9,438	344	3.78
Total shareholders' equity	1,733,362	1,731,588	(1,774)	(0.10)

Effect of changes on the company's financial condition: The Company's financial condition has not changed significantly. Future response actions: Not applicable

7.2 Financial Performance

Condensed Consolidated Financial Performance Analysis – Under IFRSs

NTD Thousands; %

Year	2014	2015	Difference	
			Amount	%
Net Sales	2,827,996	2,737,210	(90,786)	(3.21)
Cost of Good Sold	2,170,487	2,098,097	(72,390)	(3.34)
Gross Profit	657,509	639,113	(18,396)	(2.80)
Operating Expense	432,021	453,111	21,090	4.88
Operating Income	225,488	186,002	(39,486)	(17.51)
Non-operating Income and Expense	40,432	35,729	(4,703)	(11.63)
Income Before Tax	265,920	221,731	(44,189)	(16.62)
Income Tax	54,054	44,996	(9,058)	(16.76)
Net Income	211,866	176,735	(35,131)	(16.58)

Analysis of changes in financial ratios, which changes more than 20% and the changed amount is over NT\$10 million: None

7.3 Analysis of Cash Flow

7.3.1 Liquidity analysis of the recent years

Item	Year	2014	2015	Financial ratio change
Current ratio		5.78	21.81	277.34%
Cash Flow adequacy ratio		N/A	N/A	N/A
Cash reinvestment ratio		0.00	2.92	N/A

Analysis of financial ratio change:

Current ratio : Cash flows from operating activities in 2015 was increased than 2014.

7.3.2 Remedy for cash deficit and liquidity insufficient: Operating profits of the company has been stable and no liquidity insufficient up to the date of the report printed.

7.3.3 Analysis of cash liquidity in 1 year

Unit: NT\$ thousand

Beginning cash balance (1)	Expected net cash flow from operating activity of the year (2)	Expected cash outflow of the year (3)	Expected cash surplus (deficit) (1)+(2)-(3)	Remedial measures for the expected insufficient cash	
				Investing plan	Financing plan
424,743	16,592	326,204	115,131	-	-

1. Analysis of cash flow change in one year:

- (1) Operating activity : The estimated earnings will remain stable growth in 2016, although due to changes in the customer structure, A/R are expected to be slightly extended period, but with the stock-control policies, is expected to net cash inflow from operating activities

continued to show.

- (2) Investing activity : It's expected to have capital expenditures to build a new plant in Pingtung and the acquisition of Hsinchu office and R&D equipment,
- (3) Financing activity : Expected net cash outflow from financing activities by Cash dividends paid.

2. Remedial measures for the expected insufficient cash and liquidity analysis: N/A

7.4 Impact of major capital expenditure on finance and business

7.4.1 Major capital expenditure and funding sources

Unit: NT\$ Thousand

Planned items	Actual or projected sources of capital	Actual or projected date of completion	Total capital needed	Actual or projected capital utilization		
				2014	2015	2016
Purchase of Office	Working capital	2015/2/29	23,235	-	8,190	15,045
Purchase of Equipment	Working capital	2015/12/31	7,490	-	7,490	-
Purchase of Land/ Plant	Working capital	2016/6/30	247,100	47,136	109,235	90,729
Note: Overseas subsidiary Office						

7.4.2 Expected Benefits

(1) Purchase of Office :

To promote Sales in Hsinchu Science Park, the company own office will provide a more comfortable and safe working environment for staffs, help to strengthen the centripetal force of employees of the company and a sense of belonging; at the same time planning out independent storage space, improve efficiency and inventory management positions out of HQs.

(2) Purchase of Equipment :

The purchase includes automatic production line, tooling and testing equipment. The production line automation mainly in the auxiliary manual operations to improve production efficiency; test equipment is focused on improving the quantity and speed of product testing to ensure that products manufactured quality and increase productivity.

(3) Purchase of Land/ Plant :

In order to spread the risks, to set up a new production line not only for the Group's production base of high-end products but also in reducing the concentration of the production line.

7.5 Investment policies, reasons for gain or loss and improvement plan in regard to investment plans in current year and the next year

7.5.1 Investment Policies:

In response to the need to strengthen the company's business development and upstream and

downstream integration, the company will be prepared to assess the implementation of the investment plan after the investment.

7.5.2 Reasons for gain or loss and improvement plan in regard to investment plans in current year

Dec. 31, 2013; Unit: thousand

Invested Company	Invested Amount	Investment Policy	Recognition of the investment gain or loss in the latest year	Main reason of gain or loss	Improvement plan
Joint Rewards Trading Corp.	US\$ 3	Trading Company between AblereX and AblereX-SZ.	(NT\$34)	Annual expenditure	
AblereX Electronics (SAMOA) Co. LTD.	US\$ 6,635	To set up AblereX-SZ and Holding company of AblereX-BJ.	NT\$20,837	mainly recognized profit from ABLEREX-SZ	
AblereX Corporation	US\$ 250	To promote and sales for America territory.	NT\$4,111	Expand sales territory	
AblereX International Corp. LTD.	HK\$ 10	Trading Company between AblereX and AblereX-SZ.	NT\$2,585	Support to expand sales	
AblereX Electronics(s) PTE. LTD	US\$ 1,480	To promote and sales for EMEA.	NT\$6,730	Expand sales territory	
AblereX Electronics UK LTD.	EUR 100	To set up Holding company of AblereX-IT.	(NT\$3,082)	recognized profit loss from ABLEREX-IT	Increase AblereX-IT sales

7.5.3 Investment Plan in the next year: None

7.6 Risk Management and Evaluation until the report printed

7.6.1 The impact of interest rate, exchange rate, and inflation on the company's income and expense and the responsive measures:

(1) The impact of interest rate change:

The Group's annual financial costs in 2015 and 2014 were 2,807 thousand and 1,940 thousand alternately, the costs accounted to be 0.10% and 0.07% of operating income. Since the net financial costs accounted for the proportion of the Group's operating income is still very low, and the Group's loan are fixed rate within one year due, it is expected that it will not be significant risk for fair value interest. The Group will be conservative on financial management to maintain close contact with bankers for all relevant information on changes in interest rates, and to reduce the impact of interest rate on the Group.

(2) The impact of exchange rate fluctuation:

The income/loss from foreign exchange transactions in 2015 was an amount equivalent to 1.0% of total operating income. The Company has a clear operating strategy and risk control procedure to respond to changes in the spot exchange rate, stays in close contact with financial institutions, and adjusts its foreign exchange strategy to minimize the risk of exchange rate accordingly.

(3) The responsive measures to the risk of exchange rate fluctuation:

1. Continue to strengthen personnel concepts for exchange hedging, through a greater interaction for real exchange rate system with financial institutions, so as to judge to the impact of exchange rate fluctuations arising.
2. Before quoting to customer, the company will estimate the trends and factors that influence the exchange rate in future. More comprehensive consideration is required to determine a reasonable pricing and to minimize the effect of changes in the exchange rate.
3. To achieve a certain degree of natural hedging effect through an offset for regular A/P and A/R.
4. Under the “Regulations Governing the Acquisition and Disposal of Assets”, the company will effectively reduce the purchase of various assess derivative financial instruments exchange rate risks by hedging part of responsibilities in charge of strict control to prevent inappropriate transactions to reduce exchange rate risks arising from the exchange losses.

(4) The impact of inflation

The company has not been inflationary circumstances have a significant impact on profit or loss so far. In addition to pay attention to fluctuations in the market price, and to maintain a good interaction with suppliers and customers, in order to adjust product prices and raw material stocks. It should be able to effectively reduce the impact of inflation on the Company.

7.6.2 Conducting high-risk and high-leveraged investment, granting loans to others, endorsement & guarantee and derivatives policy, main cause of profit and loss, and the responsive measures:

- a. The company has dedicated to the core business since established. No high-risk nor high-leveraged investment has been implemented.
- b. The company conducts loaning funds according to “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees”. The information of the company and the subsidiaries loaning funds to others up to the date of the report printed is disclosed as the following:

- (1) Information of the subsidiaries loaning funds to others up to the date of the report printed :

Date of Loaning	Date approved by BoD	Name of the company loaned	Amount of loan approval	Interest rate	Repayment	Collateral	Due date
2016/3/15	2016/1/25	Ablerex-IT	US\$ 300,000	1.75%	Due for repayment	Credit	2016/3/15
2016/4/30	2016/5/9	Ablerex-IT	US\$ 137,140.8	Note	Note	Credit	Note

Note : The due amount of the system will be treated as loans to others until 2016/4/30 accordingly when in case A/R from Ablere Electronics Italy S.r.L still due than credit period.

- (2) Subsidiary of the company, Ablere International Corporation Limited (Simplified as Ablere-HK), loan funds to the other subsidiary, Ablere Electronics Suzhou Corporation Limited (Simplified as Ablere-SZ), for the operation development of Ablere-SZ. The status of loaning is listed below

Date of loan funds	Date approved by BoD	Company Name	Amount	Rate	Repayment	Collateral	Due date
2016/1/22	2015/12/28	Ablere-SZ	US\$3,000,000	3.25%	Due for repayment	Credit	2017/1/21

- (3) The company conducts endorsement guarantees according to the internal policy “Procedures for Making of Endorsements / Guarantees”. Information of the company and the subsidiaries making endorsements / guarantees up to the date of the report printed is disclosed as the following:

Unit: US\$

Date of Endorsement/ Guarantee	Date approved by BoD	Guaranteed Company	Relationship with Ablere	Collateral	Guarantee Items	Undertaking Bank	Endorsement/ Guarantee Amount
2015/9/16	2015/8/10	Ablere-HK	Subsidiary	N/A	Bank financing	China Trust	USD 2,000,000
2015/11/13	2015/8/10	Ablere-HK	Subsidiary	N/A	Bank financing	Taipei Fubon	USD 2,500,000
2016/1/27	2015/12/28	Ablere-HK	Subsidiary	N/A	Bank financing	Shanghai Bank	USD 1,500,000
2016/4/1	2016/1/25	Ablere-HK	Subsidiary	N/A	Bank financing	Mega Bank	USD 3,000,000
Total							USD 9,000,000

- d. The purpose of the company engaging in the derivatives trading is to avoid the risk of change in foreign currency assets or liabilities due to the fluctuation of exchange rate. The derivatives trading is focused on forward foreign exchange contract, and the trading procedure is abide by the internal regulation “Procedures for Acquisition or Disposal of

Assets”. The risk of derivatives trading is limited.

7.6.3 Future R&D projects and corresponding budget:

It is fundamental for R&D in the electronic industry. So the R&D should provide the plan every year. According to plan provision related to R&D to ensure competitive niche of the Company. The company has always attached great importance to research and development of products, the trend growth of the R&D costs in the following table to know the year, the future will continue to foster outstanding research and development personnel and actively involved in research resources to cope with the changing market trends and improve their own it Competitiveness.

The Company's research and development philosophy is:

- (1) to focus on improving power quality and improve reliability of power supply products
- (2) development and integration of advanced power electronics and digital control technology
- (3) introduced into academic research, access to innovation and key technologies
- (4) the implementation of the patented technology layout, improve the industry barriers to competition
- (5) really grasp technology trends and market demand, real-time development of new products

The company's future research plans and programs as follows:

- (1) small size, intelligence, and other network-oriented and decentralized
- (2) three-phase high frequency parallel among large UPS
- (3) Power Quality Management Technology
- (4) and the power-grid PV Inverter
- (5) Power Management Software Technology
- (6) Smart Grid Applications Related Products
- (7) Wireless Battery Monitoring System (Wireless BMS)

The investment for last three years and the research and development costs expected in 2016 as follows:

Unit : NTD in Thousands

Item / Year	2013	2014	2015	Expected in 2016
R&D invested	117,988	119,779	125,720	126,873
Growth	4.07%	1.52%	4.96%	0.92%

The Company expects R & D expenses and the amount of new product lines based on new technology development progress provision, it will be gradually increased R & D expenses with revenue growth in the future, in order to support future R & D programs and

increase the Company's market competitiveness.

7.6.4 The impact of domestic and international policies and law change on the company's finance and business and the responsive measures:

The company's daily operations are handled in accordance with the provisions of the Administration Act. Besides that, the Company finance and sales have not been significant affected for domestic and foreign policies change in the recent years. The management of the company will actively offer solution for any change of Laws or financial circumstances.

7.6.5 The impact of technology change and industrial change on the company's finance and business and the responsive measures:

UPS is the technology-intensive industry, so the development of light-weight, thin, short, small, along with Wisdom, modular, web-based products will be powerful to gain a competitive advantage in the market. In addition to strengthening the Company to enhance UPS equipment, but also committed to the development of high value-added systems improve power quality and green energy systems and related power electronics products. The company spends a lot of both manpower and funding for R & D of new products, reduce production costs and enhance the quality of products to cope with the future trend of electronic products, and to maintain a competitive advantage. Therefore, scientific and technological changes and changes in the industry there is no significant impact on the company.

7.6.6 The impact of industrial image change on business risk management and the responsive measures:

Since the venture has been to uphold the integrity of sound for business purposes, continue to strengthen internal management and improve the quality of management capacity to establish a good corporate image of the company and planning to enter the capital market can absorb more talented people into the company service. Enrich management team strength, operating results will contribute to the society. There was not significant change of corporate image for recent years. The company will be in the pursuit of the largest shareholders' equity and the interests of employees and fulfill the greatest social responsibility in future.

7.6.7 The expected effect, potential risk, and responsive measures of merger:

The company's did not have any merger conducted in 2015 and up to the date of the annual report printed.

7.6.8 The expected effect, potential risk, and responsive measures of plant expansion:

Since annual investment for new plant construction in 2014, it aimed at the production base to build high-end products, and transfer of new product development, increase market share or enter new markets in order to fight the growth of revenue and profit; also reduce too much concentrated in the current situation, in order to gradually disperse operational risk. The possible risks of the new plant expansion: weak economy, over expected market demand, new product development and the transfer of progress not as expected. The company's solution for the risk are as follows: to adjust the construction schedule, in order to control the cash flow as

to follow the market demand and the strength of new product development. Via the ability of self own technology, innovation and strengthen cost competitiveness, to win customers outsourcing production ratio and fight for market share, even if the market is slow, the company can still increase market share by maintaining the stability and growth; as for the speed of transfer of new product development, the company has considerable experience in the core technology cumulative, and it has a major breakthrough, coupled with the team the flexibility to adjust the number of R & D and capacity building should be able to avoid the impact of this risk.

7.6.9 The risk due to concentration of procurements and sales and the responsive measures:

a. The risk due to concentration of procurements and the responsive measures:

The main raw material for UPS include battery, steel sheet, transformers, etc., because of many suppliers for the purchase, the amount will be not too high, so there is no risk of over-centralization of the purchase. Since the prices of raw materials to maintain the elasticity of the bargain, the Company has not entered into force the long-term supply contracts with suppliers. To maintain the supply of a number of suppliers supply and keep good relations with suppliers is a good way to ensure the stability of the sources of supply.

b. The risk due to concentration of sales and the responsive measures:

Main customers of the company are OEM/ODM customers and distributors around the world. With the company's products and explore new markets, products and regions combination will avoid the risk of excessive concentration of sales.

7.6.10 The impact of massive stock transfer or change by directors, supervisors, and shareholders with over 10% shareholding, the risk, and the responsive measures:

There was not any massive stock transfer or change by directors, supervisors, and shareholders with over 10% shareholding in 2015 and up to the date of the annual report printed.

7.6.11 The impact of right to operation change on the company, the risk, and the responsive measures:

No right to operation change on the company up to the date of the annual report printed

7.6.12 Legal and non-legal events:

- (1) The result of the judgments settled or ongoing lawsuits, non-lawsuits or administrative lawsuits in the last 2 years up to the date of the report printed, which could cause significant impact on shareholders' equity or security price of the company, should reveal the arguing facts, amount engaged, litigation starting date, the main parties of the suit, and present situation:

The company received a notice from Taiwan Taipei District Court in the Republic of

China on February 25 2013, Alltek Technology Co., Ltd. (hereinafter referred to as Alltek) filed a legal action requesting payment of the purchase price request reimbursement amount of the payment of USD 587,598.2 and purchase tax and exchange difference losses of NTD 1,812 thousand. For this, The company has appointed a lawyer handling this matter; Besides that, the company request NT \$ 23,963 thousand damage due to delay in delivery in the past, the whole amount of the request by the company to offset the balance of RMB 1,381,692 filed a counterclaim to Alltek company.

The trial from Taiwan Taipei District Court made on April 29 2016, the plaintiff and the Company's counterclaim each outcome, both sides will bear responsibility for the performance or compensation, but the amount of litigation by mutual Upon arrival, Alltek should still deliver the goods in full to the company, and the company shall arrange payment of \$ USD564,112.06 and NT \$ 632 thousand to follow the contract.

In summary, the Group's assessment in this case will not cause a significant loss, so the Group does not estimate the losses and liabilities for it, the case is currently being under the Taiwan Taipei District Court in civil court proceedings, the final result has yet defined.

- (2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by Directors, Supervisors, President, Person in charge, and shareholders with over 10% holdings of the company and subsidiaries in the last 2 years up to the date of the report printed. The result could cause significant impact on shareholders' equity or security price of the company: None.
- (3) Anything listed in Article 157 of Securities and Exchange Act had been implemented by Directors, Supervisors, managers, and shareholders with over 10% holdings of the company and the response of the company in the last 2 years up to the date of the report reprinted: None

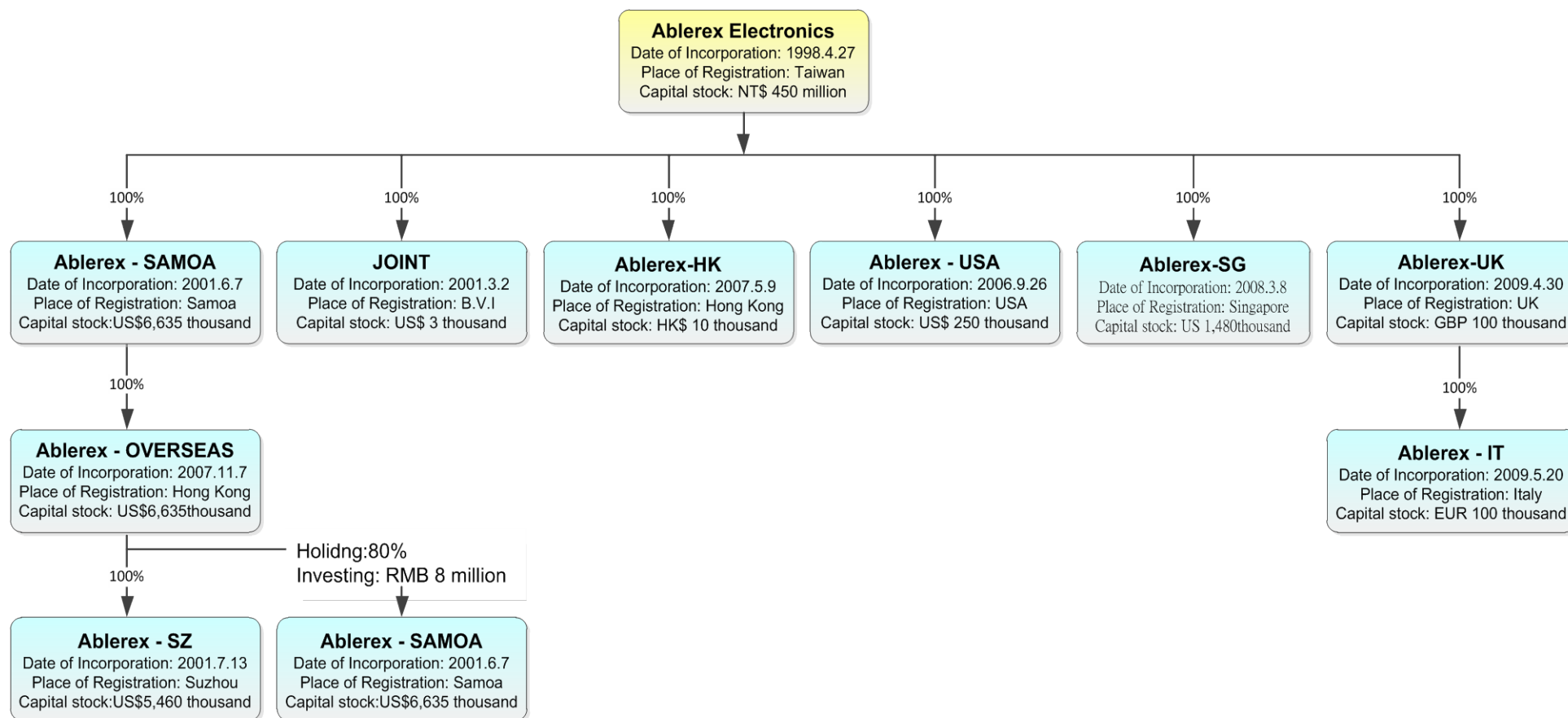
7.6.13 Other significant risks and responsive measures: None

7.7 Other important matters: None

8 Special Disclosure

8.1 Consolidated financial statements of the related party

8.1.1 Organization structure of related party:



8.1.2 Company profile of related party:

2015/12/31, Unit : NTD Thousand

Company Name	Date of Setup	Address	Paid-Up Capital	Business
Ablerex Electronics (Samoa) Co. Ltd. (Ablerex-Samoa)	2001/06/07	Offshore Chambers, P.O.Box 217, Apia, Samoa.	217,827	Holding and reinvestment
Ablerex Overseas Corporation Limited (Ablerex-Overseas)	2007.11.07	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong.	217,827	Holding and reinvestment
Ablerex Electronics (Suzhou) Co. Ltd. (Ablerex-SZ)	2001.07.13	NO.36 WANGWU ROAD SUZHOU, 215128	218,781	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
Ablerex Electronics (Beijing) Co. Ltd. (Ablerex-BJ)	2009.08.06	21 St. Thomas Street BRISTOL BS1 6JS	50,557	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
Ablerex Corporation (Ablerex-USA)	2006.09.26	1175 South Grove Ave. unit 103 Ontario CA 91761, USA	8,208	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
Ablerex International Corporation Limited (Ablerex-HK)	2007.05.09	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong.	42	International Trading
Joint Rewards Trading Corp. (Joint)	2001.03.02	P.O. Box 3152, Road Town, Tortola, British Virgin Islands.	98	Provide Management Services
Ablerex Electronics (S) PTE. LTD. (Ablerex-SG)	2002.04.17	23 New Industrial Road #05-03 Solstice Business Center Singapore 536209	54,587	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
Ablerex Electronics UK Limited (Ablerex-UK)	2009.04.30	21 St. Thomas Street BRISTOL BS1 6JS	4,867	Holding and reinvestment
Ablerex Electronics Italy S.R.L (Ablerex-IT)	2009.5.20	Via Ponte San Michele, 6, 36100 Vicenza, Italy	3,588	Production and Sales for UPS system, PV equipment and relative Power Electronics products.

8.1.3 Consolidated financial statements of the related party: Please refer to **Page 122 to 185**.

8.1.4 Related Party Report: Not Applicable

8.2 Subscription of marketable securities privately in the most recent years and up to the date of the report printed: None.

8.3 The stock shares of the company held or disposed by the subsidiaries in the most recent years and up to the date of the report printed: None.

8.4 Supplementary disclosures: None.

9 Occurrence of events defined in Securities Transaction Law Article 36.2.2 that has great impact on shareholder's equity or security price in the most recent years and up to the date of the report printed: N/A

Ablerex Electronics Company Limited

Statement of Internal Control System

Date: March 23, 2016

Based on the findings of a self-assessment, Ablerex Electronics Company Limited (Ablerex) states the following with regard to its internal control system during the year 2015:

1. Ablerex's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Ablerex takes immediate remedial actions in response to any identified deficiencies.
3. Ablerex evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.
4. Ablerex has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Ablerex believes that on December 31, 2015, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of Ablerex's Annual Report for the year 2015 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 23, 2016, with none of the six attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Ablerex Electronics Company Limited

Steven Hsu
Chairman and President

**ABLEREX ELECTRONICS CO., LTD. AND
SUBSIDIARIES**
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2015 AND 2014

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of ABLEREX ELECTRONICS CO., LTD.

We have audited the accompanying consolidated balance sheets of ABLEREX ELECTRONICS CO., LTD. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of ABLEREX ELECTRONICS CO., LTD. and its subsidiaries as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in conformity with the "Rules Governing the Preparations of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of ABLEREX ELECTRONICS CO., LTD. (not presented herein) as of and for the years ended December 31, 2015 and 2014, on which we have expressed unqualified opinions on these non-consolidated financial statements.

PricewaterhouseCoopers, Taiwan

March 23, 2016

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

ASSETS			December 31, 2015		December 31, 2014	
			Notes	AMOUNT	%	AMOUNT
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 424,743	15	\$ 493,007	17
1150	Notes receivable, net		25,388	1	22,120	1
1170	Accounts receivable, net	6(2)	596,870	20	575,365	20
1180	Accounts receivable due from related parties, net	7	-	-	159	-
1200	Other receivables, net		5,370	-	27,788	1
130X	Inventories	6(3)	922,428	32	918,231	31
1410	Prepayments		34,619	1	29,578	1
1470	Total other current assets	6(1) and 8	194	-	194	-
11XX	Total current assets		2,009,612	69	2,066,442	71
Non-current assets						
1600	Property, plant and equipment	6(4), 7 and 8	820,705	28	749,190	26
1780	Intangible assets		45,696	1	43,920	1
1840	Deferred income tax assets	6(19)	28,915	1	26,821	1
1900	Other non-current assets	6(5) and 8	27,900	1	22,059	1
15XX	Total non-current assets		923,216	31	841,990	29
1XXX	Total assets		\$ 2,932,828	100	\$ 2,908,432	100

(Continued)

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY			Notes	December 31, 2015		December 31, 2014		
				AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(6)	\$	135,883	5	\$	123,384	4
2150	Notes payable			3,487	-		1,558	-
2170	Accounts payable			435,787	15		556,247	19
2200	Other payables	6(7)		124,457	4		121,105	4
2230	Current income tax liabilities	6(19)		33,965	1		31,175	1
2250	Provisions for liabilities - current	6(8)		59,944	2		54,322	2
2300	Other current liabilities	6(10)		308,028	11		189,444	7
21XX	Total current liabilities			1,101,551	38		1,077,235	37
Non-current liabilities								
2570	Deferred income tax liabilities	6(19)		78,612	2		74,462	2
2640	Net defined benefit liability-non-current	6(9)		21,077	1		23,373	1
25XX	Total non-current liabilities			99,689	3		97,835	3
2XXX	Total liabilities			1,201,240	41		1,175,070	40
Equity attributable to owners of parent								
Share capital		6(11)						
3110	Common stock			450,000	15		450,000	15
Capital surplus		6(12)						
3200	Capital surplus			819,878	28		819,878	28
Retained earnings		6(13)						
3310	Legal reserve			166,549	6		145,346	5
3350	Unappropriated retained earnings			255,648	9		278,629	10
Other equity interest								
3400	Other equity interest			30,075	1		30,415	1
31XX	Total equity attributable to owners of parent			1,722,150	59		1,724,268	59
36XX	Non-controlling interests			9,438	-		9,094	1
3XXX	Total equity			1,731,588	59		1,733,362	60
Significant commitments and contingent liabilities		7 and 9						
Significant event after the balance sheet date		11						
3X2X	Total liabilities and equity		\$	2,932,828	100	\$	2,908,432	100

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

		Year ended December 31			
Items	Notes	2015		2014	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(14) and 7	\$ 2,737,210	100	\$ 2,827,996	100
5000 Operating costs	6(3)(17)(18)	(2,098,097)	(77)	(2,170,487)	(77)
5950 Gross profit from operations		<u>639,113</u>	<u>23</u>	<u>657,509</u>	<u>23</u>
Operating expenses	6(17)(18) and 7				
6100 Selling expenses		(207,385)	(7)	(210,362)	(7)
6200 General and administrative expenses		(120,006)	(4)	(101,880)	(4)
6300 Research and development expenses		(125,720)	(5)	(119,779)	(4)
6000 Total operating expenses		(453,111)	(16)	(432,021)	(15)
6900 Net operating income		<u>186,002</u>	<u>7</u>	<u>225,488</u>	<u>8</u>
Non-operating income and expenses					
7010 Other income	6(15)	11,813	-	14,800	-
7020 Other gains and losses	6(16)	26,723	1	27,572	1
7050 Finance costs		(2,807)	-	(1,940)	-
7000 Total non-operating income and expenses		<u>35,729</u>	<u>1</u>	<u>40,432</u>	<u>1</u>
7900 Profit before income tax		<u>221,731</u>	<u>8</u>	<u>265,920</u>	<u>9</u>
7950 Income tax expense	6(19)	(44,996)	(1)	(54,054)	(2)
8200 Profit for the year		<u>\$ 176,735</u>	<u>7</u>	<u>\$ 211,866</u>	<u>7</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(9)	\$ 2,304	-	\$ 8,318	-
8349 Income tax related to the components of other comprehensive income that will not be reclassified to profit or loss	6(19)	(392)	-	1,414	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>1,912</u>	<u>-</u>	<u>(6,904)</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(476)	-	26,237	1
8399 Income tax relating to the components of other comprehensive income	6(19)	55	-	(4,406)	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		<u>(421)</u>	<u>-</u>	<u>21,831</u>	<u>1</u>
8500 Total comprehensive income		<u>\$ 178,226</u>	<u>7</u>	<u>\$ 226,793</u>	<u>8</u>
Profit (loss) attributable to:					
8610 Owners of the parent		\$ 176,310	7	\$ 212,026	7
8620 Non-controlling interest		425	-	(160)	-
		<u>\$ 176,735</u>	<u>7</u>	<u>\$ 211,866</u>	<u>7</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 177,882	7	\$ 226,636	8
8720 Non-controlling interest		344	-	157	-
		<u>\$ 178,226</u>	<u>7</u>	<u>\$ 226,793</u>	<u>8</u>
Earnings per share (in dollars)					
9750 Basic earnings per share	6(20)	\$ 3.92		\$ 4.71	
9850 Diluted earnings per share	6(20)	\$ 3.89		\$ 4.68	

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent							
		Retained Earnings				Financial statements translation differences of foreign operations	Total	Non-controlling interests	Total equity
Notes	Common Stock	Capital surplus, additional paid-in capital	Legal reserve	Unappropriated retained earnings					
<u>2014</u>									
Balance at January 1, 2014		\$ 450,000	\$ 819,878	\$ 130,958	\$ 200,395	\$ 8,901	\$ 1,610,132	\$ 8,937	\$ 1,619,069
Appropriation and distribution of retained earnings:	6(13)								
Legal reserve		-	-	14,388	(14,388)	-	-	-	-
Cash dividends to shareholders		-	-	-	(112,500)	-	(112,500)	-	(112,500)
Profit for the year		-	-	-	212,026	-	212,026	(160)	211,866
Other comprehensive income for the year	6(9)(19)	-	-	-	(6,904)	21,514	14,610	317	14,927
Balance at December 31, 2014		<u>\$ 450,000</u>	<u>\$ 819,878</u>	<u>\$ 145,346</u>	<u>\$ 278,629</u>	<u>\$ 30,415</u>	<u>\$ 1,724,268</u>	<u>\$ 9,094</u>	<u>\$ 1,733,362</u>
<u>2015</u>									
Balance at January 1, 2015		\$ 450,000	\$ 819,878	\$ 145,346	\$ 278,629	\$ 30,415	\$ 1,724,268	\$ 9,094	\$ 1,733,362
Appropriation and distribution of retained earnings:	6(13)								
Legal reserve		-	-	21,203	(21,203)	-	-	-	-
Cash dividends to shareholders		-	-	-	(180,000)	-	(180,000)	-	(180,000)
Profit for the year		-	-	-	176,310	-	176,310	425	176,735
Other comprehensive income for the year	6(9)(19)	-	-	-	1,912	(340)	1,572	(81)	1,491
Balance at December 31, 2015		<u>\$ 450,000</u>	<u>\$ 819,878</u>	<u>\$ 166,549</u>	<u>\$ 255,648</u>	<u>\$ 30,075</u>	<u>\$ 1,722,150</u>	<u>\$ 9,438</u>	<u>\$ 1,731,588</u>

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Consolidated profit before tax for the year		\$ 221,731	\$ 265,920
Adjustments to reconcile net income to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Provision for bad debts	6(2)	6,652	2,391
Net loss on financial liabilities at fair value through profit or loss		-	49
Depreciation expense	6(4)(17)	54,352	52,524
Amortisation expense (including amortisation charges on long-term prepaid rent)	6(17)	6,682	7,325
Loss on disposal of property, plant and equipment	6(16)	2,489	621
Interest income	6(15)	(2,468)	(3,880)
Financial costs		2,807	1,940
Unrealised foreign exchange loss (gain)		1,392	(1,028)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable, net		(3,268)	2,265
Accounts receivable		(28,157)	(131,755)
Accounts receivable due from related parties, net		159	(159)
Inventories		(7,603)	(215,852)
Other receivables		22,331	(21,669)
Prepayments		(5,041)	(13,542)
Other current assets		-	(194)
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss - current		-	(49)
Notes payable		1,929	(635)
Accounts payable		(120,460)	129,722
Other payables		4,085	7,299
Provisions for liabilities - current		5,622	4,646
Other current liabilities		118,584	21,222
Defined benefit liability		8	(716)
Cash generated from operations		281,826	106,445
Interest received		2,555	3,843
Interest paid		(3,540)	(1,978)
Income tax paid		(40,578)	(46,026)
Net cash provided by operating activities		240,263	62,284

(Continued)

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of property, plant and equipment		\$ 524	\$ 883
Acquisition of property, plant and equipment	6(4)	(126,046)	(82,406)
Acquisition of intangible assets		(2,990)	-
Increase in prepayment fo equipment		(11,674)	(3,068)
Increase in deposit		(3,671)	(3,351)
Decrease in deposit		9,144	31,402
Increase in other non-current assets		(5,459)	(3,151)
Net cash used in investing activities		(140,172)	(59,691)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		1,626,889	1,201,519
Repayment of short-term borrowings		(1,614,390)	(1,132,422)
Cash dividends paid	6(13)	(180,000)	(112,500)
Net cash used in financing activities		(167,501)	(43,403)
Effect of exchange rate changes on cash and cash equivalents		(854)	13,861
Decrease in cash and cash equivalents		(68,264)	(26,949)
Cash and cash equivalents at beginning of year		493,007	519,956
Cash and cash equivalents at end of year		<u>\$ 424,743</u>	<u>\$ 493,007</u>

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

Notes

2015

2014

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) Ablere Electronics Co., Ltd (the “Company”), formerly known as UIS Abler Electronics Co., Ltd., was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) on April 27, 1998. The Company merged with PEC Technology Co., Ltd. on April 1, 2002, with the Company as the surviving company and was then renamed as Ablere Electronics Co., Ltd. The shares of the Company have been trading on the Taipei Exchange since September 9, 2010.
- (2) The Company and its subsidiaries (collectively referred herein as the “Group”) are mainly primarily engaged in the following business activities:
- (a) Manufacturing and sales of uninterruptible power supply systems.
 - (b) Manufacturing and sales of equipment to power quality devices.
 - (c) Manufacturing and sales of solar energy equipment.
 - (d) Maintenance and technical services.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 23, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” effective January 1, 2015 (collectively referred herein as the “2013 version of IFRSs”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 19 (revised), ‘Employee benefits’

The revised standard makes amendments that net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability, replaces the finance charge and

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

<u>Notes</u>	<u>2015</u>	<u>2014</u>
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expected return on plan assets. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs, rather than when the entity is demonstrably committed to a termination. Additional disclosures are required for defined benefit plans.

B. IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

C. IFRS 12, 'Disclosure of interests in other entities'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

After the Group's assessment, the above-mentioned items have no material impact on the consolidated financial reports.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
		Effective Date by International Accounting Standards Board	
<u>New Standards, Interpretations and Amendments</u>			
IFRS 9, 'Financial instruments'		January 1, 2018	
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)		To be determined by IASB	
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)		January 1, 2016	
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)		January 1, 2016	
IFRS 14, 'Regulatory deferral accounts'		January 1, 2016	
IFRS 15, 'Revenue from contracts with customers'		January 1, 2018	
IFRS 16, 'Leases'		January 1, 2019	
Disclosure initiative (amendments to IAS 1)		January 1, 2016	
Disclosure initiative (amendments to IAS 7)		January 1, 2017	
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)		January 1, 2017	
		Effective Date by International Accounting Standards Board	
<u>New Standards, Interpretations and Amendments</u>			
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)		January 1, 2016	
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)		January 1, 2016	
Defined benefit plans: employee contributions (amendments to IAS 19R)		July 1, 2014	
Equity method in separate financial statements (amendments to IAS 27)		January 1, 2016	
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)		January 1, 2014	
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)		January 1, 2014	
IFRIC 21, 'Levies'		January 1, 2014	
Improvements to IFRSs 2010-2012		July 1, 2014	
Improvements to IFRSs 2011-2013		July 1, 2014	
Improvements to IFRSs 2012-2014		January 1, 2016	

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the consolidated financial statements will be disclosed when the assessment is complete.

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

Notes	2015	2014
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised past service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligations.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

Notes	2015	2014
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have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

			Notes	2015	2014	
Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description	
			December 31, 2015	December 31, 2014		
The Company	Ablerex Electronics (Samoa) Co., Ltd.	Investment holdings	100	100	Note	
The Company	Joint Rewards Trading Corp.	Management service	100	100	Note	
The Company	Ablerex Corporation	Sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note	
The Company	Ablerex International Co., Ltd.	Sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note	
The Company	Ablerex Electronics (S) Pte. Ltd.	Sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note	
The Company	Ablerex Electronics U.K. Ltd.	Investment holdings	100	100	Note	
Ablerex Electronics U.K. Ltd.	Ablerex Electronics Italy S.R.L.	Sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note	
Ablerex Electronics (Samoa) Co., Ltd.	Ablerex Overseas Co., Ltd.	Investment holdings	100	100	Note	
Ablerex Overseas Co., Ltd.	Ablerex Electronics (Suzhou) Co., Ltd.	Manufacturing and sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note	
Ablerex Overseas Co., Ltd.	Ablerex Electronics (Beijing) Co., Ltd.	Sales of uninterruptible power supply systems and solar energy equipment and	80	80	Note	

Note: These investee companies were recognised based on financial statements of subsidiaries audited and attested by R.O.C. parent company's CPA.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions

Cash and short-term deposits of \$84,213 deposited in Mainland China are under local foreign exchange control which restricts the capital to be remitted outside the borders (except for normal dividend distribution)

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
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(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.

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- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

The group classifies assets that do not meet the above criteria as non-current.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The group classifies liabilities that do not meet the above criteria as non-current.

(6) Cash and cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

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(7) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying

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amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(9) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated fixed production overheads based on actual capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the

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assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	10~50 years
Machinery and equipment	5~10 years
Transportation equipment	5 years
Office equipment	3~8 years

(12) Leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(13) Intangible assets

A. Trademark right and patent rights

Trademark right and patent rights are stated at cost, have a finite useful life and are amortised on a straight-line basis over its estimated useful life of 5 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3~5 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(14) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss. Such recovery of impairment loss shall not result to the asset's carrying amount greater than its amortised cost where no impairment loss was recognised.

B. The recoverable amounts of goodwill shall be evaluated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss on goodwill previously recognised in profit or loss shall not be reversed in the following years.

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C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(15) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(16) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Financial liabilities at fair value through profit or loss

- A. Financial liabilities measured at fair value through profit or loss refer to financial liabilities held for trading, which primarily are derivatives other than those designated as hedge instruments under hedge accounting.
- B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(18) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(19) Provisions

Provisions (primarily warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a

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pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past-service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of

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redundancy benefits in exchange for the termination of employment. The Group recognises termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognised as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D. Employees' , directors' and supervisors' remuneration

Employees' , directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of

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the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(22) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(23) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

A. Sales revenue

The Group manufactures and sells uninterrupted power supply equipment and system, solar energy equipment and other related products. Revenue is measured at the fair value of the

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consideration received or receivable taking into value-added tax, returns and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Service revenue

The Group provides related services of maintaining systems and uninterrupted power supply equipment. Revenue from delivering services is recognised under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed by surveys of work performed. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are likely to be recoverable.

(25) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the

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actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Critical accounting estimates and assumptions

A. Realisability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves **critical accounting judgements** and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industry environment, and laws and regulations might cause material adjustments to deferred income tax assets.

As of December 31, 2015, the Group recognised deferred tax assets amounting to \$28,915.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using **judgements** and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2015, the carrying amount of inventories was \$922,428.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash on hand and petty cash (revolving funds)	\$ 581	\$ 881
Checking accounts and demand deposits	394,698	419,355
Time deposits	29,658	72,965
	424,937	493,201
Transferred to 'Other current assets'	(194)	(194)
	\$ 424,743	\$ 493,007

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. For details on cash and cash equivalents provided as a pledge or collateral, please refer to

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Note 8.

(2) Accounts receivable

	December 31, 2015	December 31, 2014
Accounts receivable	\$ 613,002	\$ 584,845
Less: allowance for bad debts	(16,132)	(9,480)
	\$ 596,870	\$ 575,365

A. The Group has established a related credit risk management system for maintaining the quality of the accounts receivable. The credit risk management system considers factors that influence the ability of customers to fulfil payments such as each customer's historical record, financial status, internal ratings, as well as changes in industry etc. The credit quality of the Group's accounts receivable that were neither past due nor impaired were good.

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2015	December 31, 2014
Up to 45 days	\$ 37,425	\$ 14,844
46 to 90 days	1,442	78
91 to 180 days	2,365	81
Over 180 days	-	-
	\$ 41,232	\$ 15,003

The above ageing analysis was based on past due date.

C. Movement analysis of financial assets that were impaired (both provision) is as follows:

	2015	2014
At January 1	\$ 9,480	\$ 7,089
Provision of impairment	6,652	2,391
At December 31	\$ 16,132	\$ 9,480

D. The Group does not hold any collateral as security.

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(3) <u>Inventories</u>			
		December 31, 2015	
		Cost	Allowance for valuation loss
			Book value
Raw materials	\$	234,329	(\$ 65,044) \$ 169,285
Work in process		58,505	(6,464) 52,041
Semi-finished goods		98,013	(13,844) 84,169
Finished goods		63,057	(9,184) 53,873
Goods		127,849	(22,049) 105,800
Goods in transit		6,830	- 6,830
Unfinished constructions		450,430	- 450,430
	\$	<u>1,039,013</u>	<u>(\$ 116,585) \$ 922,428</u>
		December 31, 2014	
		Cost	Allowance for valuation loss
			Book value
Raw materials	\$	272,130	(\$ 65,554) \$ 206,576
Work in process		122,514	(6,610) 115,904
Semi-finished goods		109,492	(11,011) 98,481
Finished goods		84,736	(5,334) 79,402
Goods		93,065	(12,298) 80,767
Goods in transit		13,677	- 13,677
Unfinished constructions		323,424	- 323,424
	\$	<u>1,019,038</u>	<u>(\$ 100,807) \$ 918,231</u>

The cost of inventories recognised as expense for the period:

	2015	2014
Cost of goods sold	\$ 2,014,624	\$ 2,075,620
Maintenance cost	36,788	33,289
Loss on decline in market value	14,400	7,154
Others	32,285	54,424
	<u>\$ 2,098,097</u>	<u>\$ 2,170,487</u>

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(4) <u>Property, plant and equipment</u>	Land	Buildings	Machinery	Transportation equipment	Office equipment	Lease improvements	Others	Construction in progress	Total
<u>At January 1, 2015</u>									
Cost	\$ 161,799	\$ 464,889	\$ 245,177	\$ 7,606	\$ 37,434	\$ 37,882	\$ 144	\$ 47,136	\$ 1,002,067
Accumulated depreciation	- (90,815)	(111,384)	(5,291)	(21,783)	(23,509)	(95)	-	(252,877)	
	<u>\$ 161,799</u>	<u>\$ 374,074</u>	<u>\$ 133,793</u>	<u>\$ 2,315</u>	<u>\$ 15,651</u>	<u>\$ 14,373</u>	<u>\$ 49</u>	<u>\$ 47,136</u>	<u>\$ 749,190</u>
<u>2015</u>									
Opening net book amount	\$ 161,799	\$ 374,074	\$ 133,793	\$ 2,315	\$ 15,651	\$ 14,373	\$ 49	\$ 47,136	\$ 749,190
Additions	-	-	7,490	2,645	5,472	1,204	-	109,235	126,046
Transfer	-	-	3,406	-	-	337	-	-	3,743
Disposals	-	- (2,848)	(84)	(81)	-	-	-	- (3,013)	
Depreciation charge	- (20,894)	(23,303)	(951)	(6,039)	(2,764)	(401)	-	(54,352)	
Net exchange differences	143 (162)	(1,015)	90	14	(376)	397	-	(909)	
Closing net book amount	<u>\$ 161,942</u>	<u>\$ 353,018</u>	<u>\$ 117,523</u>	<u>\$ 4,015</u>	<u>\$ 15,017</u>	<u>\$ 12,774</u>	<u>\$ 45</u>	<u>\$ 156,371</u>	<u>\$ 820,705</u>
<u>At December 31, 2015</u>									
Cost	\$ 161,942	\$ 464,354	\$ 249,719	\$ 9,533	\$ 42,369	\$ 36,694	\$ 149	\$ 156,371	\$ 1,121,131
Accumulated depreciation	- (111,336)	(132,196)	(5,518)	(27,352)	(23,920)	(104)	-	(300,426)	
	<u>\$ 161,942</u>	<u>\$ 353,018</u>	<u>\$ 117,523</u>	<u>\$ 4,015</u>	<u>\$ 15,017</u>	<u>\$ 12,774</u>	<u>\$ 45</u>	<u>\$ 156,371</u>	<u>\$ 820,705</u>

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

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	Notes		2015		2014					
	Land	Buildings	Machinery	Transportation equipment	Office equipment	Lease improvements	Others	Construction in progress	Total	
<u>At January 1, 2014</u>										
Cost	\$ 161,576	\$ 415,568	\$ 212,950	\$ 6,960	\$ 34,008	\$ 36,569	\$ 136	\$ -	\$ 867,767	
Accumulated depreciation	-	(70,823)	(87,313)	(4,136)	(16,412)	(17,641)	(84)	-	(196,409)	
	<u>\$ 161,576</u>	<u>\$ 344,745</u>	<u>\$ 125,637</u>	<u>\$ 2,824</u>	<u>\$ 17,596</u>	<u>\$ 18,928</u>	<u>\$ 52</u>	<u>\$ -</u>	<u>\$ 671,358</u>	
<u>2014</u>										
Opening net book amount	\$ 161,576	\$ 344,745	\$ 125,637	\$ 2,824	\$ 17,596	\$ 18,928	\$ 52	\$ -	\$ 671,358	
Additions	-	2,839	27,764	380	3,529	758	-	47,136	82,406	
Transfer	-	35,489	-	-	-	-	-	-	35,489	
Disposals	-	-	(1,350)	-	(154)	-	-	-	(1,504)	
Depreciation charge	-	(20,594)	(22,137)	(976)	(5,510)	(3,301)	(6)	-	(52,524)	
Net exchange differences	223	11,595	3,879	87	190	(2,012)	3	-	13,965	
Closing net book amount	<u>\$ 161,799</u>	<u>\$ 374,074</u>	<u>\$ 133,793</u>	<u>\$ 2,315</u>	<u>\$ 15,651</u>	<u>\$ 14,373</u>	<u>\$ 49</u>	<u>\$ 47,136</u>	<u>\$ 749,190</u>	
<u>At December 31, 2014</u>										
Cost	\$ 161,799	\$ 464,889	\$ 245,177	\$ 7,606	\$ 37,434	\$ 37,882	\$ 144	\$ 47,136	\$ 1,002,067	
Accumulated depreciation	-	(90,815)	(111,384)	(5,291)	(21,783)	(23,509)	(95)	-	(252,877)	
	<u>\$ 161,799</u>	<u>\$ 374,074</u>	<u>\$ 133,793</u>	<u>\$ 2,315</u>	<u>\$ 15,651</u>	<u>\$ 14,373</u>	<u>\$ 49</u>	<u>\$ 47,136</u>	<u>\$ 749,190</u>	

A. The significant components of buildings include buildings, air conditioners, elevators and utility constructions. Buildings are depreciated over 30 to 50 years, and others are depreciated over 10 to 20 years.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

C. Amount of borrowing costs capitalised as part of property, plant and equipment is \$0.

(5) Other non-current assets

	December 31, 2015	December 31, 2014
Prepayments for equipment	\$ 14,101	\$ 3,199
Guarantee deposits	4,786	10,259
Long-term prepaid rents – land use rights	1,183	1,226
Others	7,830	7,375
	<u>\$ 27,900</u>	<u>\$ 22,059</u>

Information about the long-term prepaid rents - land use rights that were pledged to others as collateral is provided in Note 8.

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	Notes	2015	2014
(6) <u>Short-term borrowings</u>			
Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 115,660	1.07% ~ 1.12%	None
Secured borrowings	20,223	4.83%	Please see Note 8
	<u>\$ 135,883</u>		
Type of borrowings	December 31, 2014	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 82,572	1.1% ~ 1.18%	None
Secured borrowings	40,812	5.88%	Please see Note 8
	<u>\$ 123,384</u>		

Unused line of credits is as follow:

Type of borrowings	December 31, 2015	December 31, 2014
Bank borrowings		
Unsecured borrowings	\$ 1,094,715	\$ 1,133,928
Secured borrowings	156,728	137,742
	<u>\$ 1,251,443</u>	<u>\$ 1,271,670</u>

For collaterals on bank borrowings and book value information, please refer to Note 8.

(7) <u>Other payables</u>				
	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
Payable for wages and salaries and other short-term employee benefits	\$	86,081	\$	80,380
Others		<u>38,376</u>		<u>40,725</u>
	\$	124,457	\$	121,105

(8) <u>Provisions for liabilities -current</u>		Years ended December 31,
	2015	2014
Warranty:		
At January 1	\$ 54,322	\$ 49,676
Additional provisions	25,619	54,482
Used during the year	(19,997)	(49,836)
At December 31	<u>\$ 59,944</u>	<u>\$ 54,322</u>

The Group's provisions for warranties are primarily for uninterruptible power supplies and solar energy related products. The provisions for warranties are estimated based on historical warranty data of uninterruptible power supplies and solar energy related products.

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Notes	2015	2014
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(9) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method of the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Present value of funded defined benefit obligations (\$	49,373)	(\$ 50,426)
Fair value of plan assets	<u>28,296</u>	<u>27,053</u>
Net defined benefit liability	<u>(\$ 21,077)</u>	<u>(\$ 23,373)</u>

(c) Movements in net defined benefit liabilities are as follows:

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	Notes	2015	2014
	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
<u>Year ended December 31, 2015</u>			
Balance at January 1	(\$ 50,426)	\$ 27,053	(\$ 23,373)
Current service cost	(75)	-	(75)
Interest (expense) income	(1,007)	553	(454)
	(51,508)	27,606	(23,902)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	169	169
Change in demographic assumptions	(725)	-	(725)
Change in financial assumptions	3,442	-	3,442
Experience adjustments	(582)	-	(582)
	2,135	169	2,304
Pension fund contribution	-	521	521
Balance at December 31	(\$ 49,373)	\$ 28,296	(\$ 21,077)
	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
<u>Year ended December 31, 2014</u>			
Balance at January 1	(\$ 41,773)	\$ 26,002	(\$ 15,771)
Current service cost	(66)	-	(66)
Interest (expense) income	(835)	534	(301)
Past service cost	714	-	714
	(41,960)	26,536	(15,424)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	81	81
Change in demographic assumptions	(1,017)	-	(1,017)
Change in financial assumptions	(6,784)	-	(6,784)
Experience adjustments	(665)	-	(665)
	(8,466)	81	(8,385)
Pension fund contribution	-	436	436
Balance at December 31	(\$ 50,426)	\$ 27,053	(\$ 23,373)

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(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS19 paragraph 142. The constitution of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	1.50%	2.00%
Future salary increases	2.00%	3.00%

Assumptions regarding future mortality experience are set based on the fifth Taiwan Standard Ordinary Experience Mortality Table (2012 TSO).

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Discount rate		Future salary increases	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2015</u>				
Effect on present value of defined benefit	(\$ 1,674)	\$ 1,752	\$ 1,739	(\$ 1,670)
<u>December 31, 2014</u>				
Effect on present value of defined benefit	(\$ 1,828)	\$ 1,917	\$ 1,893	(\$ 1,815)

The sensitivity analysis above is based on other conditions are unchanged but only one

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	Notes	2015	2014
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assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculate net pension liability in the balance sheet are the same.

- (f) Expected contributions to the defined benefit pension plans of the Group in the year ended December 31, 2016 are \$1,416.
- (g) As of December 31, 2015, the weighted average duration of that retirement plan is 14 year. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	227
1-2 year(s)		330
3-5 years		3,230
Over 5 years		55,399
	\$	59,186

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland indirect subsidiaries, Ablrex Electronics (Suzhou) Co., Ltd. and Ablrex Electronics (Beijing) Corporation Limited., have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees’ monthly salaries and wages. The contribution percentage for the years ended December 31, 2015 and 2014 was both 20%. Other than the monthly contributions, the Group has no further obligations. Ablrex Corporation, Ablrex Electronics (S) Pte. Ltd. and Ablrex Electronics Italy S.R.L have a defined contribution plan under the local regulations and have no further obligations. Other consolidated subsidiaries do not have any employee.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2015 and 2014 were \$26,122 and \$23,864, respectively.

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	<u>Notes</u>	<u>2015</u>	<u>2014</u>
(10) <u>Other current liabilities</u>			
		<u>December 31, 2015</u>	<u>December 31, 2014</u>
Advance receipts for unfinished constructions		\$ 263,494	\$ 158,676
Others		<u>44,534</u>	<u>30,768</u>
		<u>\$ 308,028</u>	<u>\$ 189,444</u>

Advance receipts for unfinished constructions are contractual payments received in advance for project constructions undertaken by the Group.

(11) Share capital

As of December 31, 2015, the Company's authorized capital was \$800,000, consisting of 80 million shares of ordinary stock, and the paid-in capital was \$450,000 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The Group's ordinary shares at the beginning of the period are the same with the outstanding shares at the end of the period.

(12) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(13) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve unless the accumulated legal reserve has reached the total capital stock balance. Special reserve shall be appropriated in accordance with related regulations promulgated by competent authorities, and the special reserve along with the accumulated unappropriated retained earnings from previous years is considered as the distributable earnings. The remainder, if any, after considering the operating status, and through a proposition by the Board of Directors and a resolution by the shareholders, shall be retained.

B. The Company's dividend distribution policy is based on the Company's current operation

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status, future capital requirements, long-term operation plan, shareholders' benefits, balanced dividends and the Company's long-term financial plan, etc. The appropriation is proposed by the Board of Directors and then approved by the shareholders during their meeting. Cash dividends shall not be less than 20% of the total dividends distributed to shareholders.

- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When the debit balance on other equity items is reversed subsequently, the reversed amount may be included in the distributable earnings.
- E. On June 25, 2015 and June 23, 2014, the Company's shareholders during their meeting resolved to distribute a dividend of \$4 per share and \$2.5 for 2014 and 2013 distribution of earnings, totalling to \$180,000 and \$112,500.
- F. The information relating to employee's remuneration (bonus) and directors' and supervisors' remuneration please refer to note 6(18).

(14) Sales revenue

	2015	2014
Sales revenue	\$ 2,668,659	\$ 2,754,618
Service revenue	68,551	73,378
	<u>\$ 2,737,210</u>	<u>\$ 2,827,996</u>

(15) Other income

	2015	2014
Interest income	\$ 2,468	\$ 3,880
Others	9,345	10,920
	<u>\$ 11,813</u>	<u>\$ 14,800</u>

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	Notes	2015	2014
(16) <u>Other gains and losses</u>			
		2015	2014
Net currency exchange gain	\$	30,106	\$ 29,681
Loss on disposal of property, plant and equipment	(2,489)	(621)
Others	(894)	(1,488)
	\$	<u>26,723</u>	<u>\$ 27,572</u>

(17) Expenses by nature

By function By nature	2015			2014		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 231,583	\$ 247,825	\$ 479,408	\$ 231,843	\$ 228,696	\$ 460,539
Depreciation charges	38,068	16,284	54,352	36,748	15,776	52,524
Amortisation charges	1,826	4,856	6,682	1,511	5,814	7,325

(18) Employee benefit expense

	2015	2014
Wages and salaries	\$ 407,279	\$ 385,407
Labor and health insurance fees	34,151	30,779
Pension costs	26,651	23,584
Other personnel expenses	<u>11,327</u>	<u>20,769</u>
	<u>\$ 479,408</u>	<u>\$ 460,539</u>

A. In accordance with the Company's Articles of Incorporation, upon the distribution of earnings, the Company shall appropriate 6% to 10% of the earnings as employees' bonus and directors' and supervisors' remuneration shall not exceed 2%.

However, in accordance with the Company Act amended on May 20, 2015, a company shall distribute employee remuneration, based on the current year's profit condition, in a fixed amount or a proportion of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. Aforementioned employee remuneration could be paid by cash or stocks. Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members. The resolution should be reported during the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The Company has amended its Articles of Incorporation on January 25, 2016 through the Board of Directors. In accordance with the amended Articles of Incorporation, after the Company covers

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<u>Notes</u>	<u>2015</u>	<u>2014</u>
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accumulated deficit with current year earnings, the remainder, if any, the Company shall provide for employees' remuneration of not less than 6% but not more than 10%, and directors' and supervisors' remuneration of not more than 2%. The amended Articles of Incorporation will be submitted to the shareholders during their meeting for approval in 2016.

- B. For the years ended December 31, 2015 and 2014, employees' remuneration (bonus) was accrued at \$13,665 and \$11,557, respectively; while directors' and supervisors' remuneration was accrued at \$4,555 and \$3,852, respectively. The aforementioned amounts were recognized in salary expenses. The employees' remuneration and directors' and supervisors' remuneration were estimated and accrued based on 6% and 2% of profit of current year distributable for the year ended December 31, 2015. The employees' remuneration and directors' and supervisors' remuneration resolved by the board of directors were \$13,666 and \$4,550, and the employees' remuneration will be distributed in the form of cash.

The expenses recognised for the year 2014 were accrued based on the net income of 2014 and the percentage of 6% and 2% for employees and directors/supervisors, respectively, taking into account other factors such as legal reserve. Where the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates. The difference of \$244 between employees' bonus (directors' and supervisors' remuneration) as resolved by the shareholders during their meeting and the amount recognised in the 2014 financial statements of \$11,557 (\$3,852) had been adjusted in profit or loss for 2015.

Information about the appropriation of employees' compensation (bonus) and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(19) Income tax

A. Income tax expense

(a) Components of income tax expense:

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	Notes	2015	2014
		2015	2014
Current tax:			
Current tax on profits for the period	\$	42,846	\$ 47,431
Tax on undistributed earnings		392	2,839
Adjustments in respect of prior years		39	(947)
Total current tax		43,277	49,323
Deferred tax:			
Origination and reversal of temporary differences		1,719	4,731
Income tax expense	\$	44,996	\$ 54,054

(b) The income tax (charge)/credit relating to components of other comprehensive income are as follows:

	2015	2014
Currency translation differences	(\$ 55)	\$ 4,406
Remeasurement of defined benefit obligations	392	(1,414)
	\$ 337	\$ 2,992

B. Reconciliation between income tax expense and accounting profit:

	2015	2014
Tax calculated based on profit before tax and statutory tax rate	\$ 47,615	\$ 56,183
Expenses disallowed by tax regulation	(221)	(651)
Effect from tax credit of investment	(3,086)	(3,421)
Adjustments in respect of prior years	39	(947)
Effect from Alternative Minimum Tax	257	51
Tax on undistributed earnings	392	2,839
Income tax expense	\$ 44,996	\$ 54,054

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and

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		Notes	2015	2014
investment tax credits are as follows:				
	At January 1,	Recognised in	Recognised in	At December 31,
	2015	profit or loss	other comprehensive income	2015
Temporary differences:				
–Deferred tax assets:				
Unrealised warranty provision	\$ 9,235	\$ 956	\$ -	\$ 10,191
Allowance for market value decline and loss for inventories	8,511	2,132	-	10,643
Accrued pension liabilities	3,973	1	(392)	3,582
Allowance for bad debts	1,812	28	-	1,840
Others	3,290	(631)	-	2,659
	<u>26,821</u>	<u>2,486</u>	<u>(392)</u>	<u>28,915</u>
–Deferred tax liabilities:				
Gain on foreign long-term equity investments	(61,279)	(5,168)	-	(66,447)
Translation differences of foreign operations	(12,306)	-	55	(12,251)
Others	(877)	963	-	86
	<u>(74,462)</u>	<u>(4,205)</u>	<u>55</u>	<u>(78,612)</u>
	<u>(\$ 47,641)</u>	<u>(\$ 1,719)</u>	<u>(\$ 337)</u>	<u>(\$ 49,697)</u>
	At January 1,	Recognised in	Recognised in	At December 31,
	2014	profit or loss	other comprehensive income	2014
Temporary differences:				
–Deferred tax assets:				
Unrealised warranty provision	\$ 8,445	\$ 790	\$ -	\$ 9,235
Allowance for market value decline and loss for inventories	7,650	861	-	8,511
Accrued pension liabilities	2,681	(122)	1,414	3,973
Allowance for bad debts	2,169	(357)	-	1,812
Others	2,405	885	-	3,290
	<u>23,350</u>	<u>2,057</u>	<u>1,414</u>	<u>26,821</u>
–Deferred tax liabilities:				
Gain on foreign long-term equity investments	(54,989)	(6,290)	-	(61,279)
Translation differences of foreign operations	(7,900)	-	(4,406)	(12,306)
Others	(379)	(498)	-	(877)
	<u>(63,268)</u>	<u>(6,788)</u>	<u>(4,406)</u>	<u>(74,462)</u>
	<u>(\$ 39,918)</u>	<u>(\$ 4,731)</u>	<u>(\$ 2,992)</u>	<u>(\$ 47,641)</u>

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS
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(Expressed in thousands of New Taiwan dollars)

<u>Notes</u>	<u>2015</u>	<u>2014</u>
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D. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

E. The Company's unappropriated retained earnings are all generated in and after 1998.

F. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was \$32,275 and \$34,910, respectively. The creditable tax rate was 17.32% for 2014 and is estimated to be 12.62% for 2015.

(20) Earnings per share

	<u>2015</u>		
	<u>Amount after</u>	<u>Weighted average</u>	<u>Earnings</u>
	<u>tax</u>	<u>number of ordinary</u>	<u>per share</u>
		<u>(shares in thousands)</u>	<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company	\$ 176,310	45,000	\$ 3.92
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company	176,310	45,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	359	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 176,310	45,359	\$ 3.89

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	Notes	2015	2014
		<u>2014</u>	
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company	\$ 212,026	45,000	\$ 4.71
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company	212,026	45,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	299	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 212,026	45,299	\$ 4.68

(21) Operating leases

The Group leases in offices and official cars under non-cancellable operating lease agreements. The lease terms are between 2013 and 2019, and most of these lease agreements are renewable at the end of lease period. The Group recognised rental expenses of \$10,911 and \$10,603 for these leases in profit or loss for the years ended December 31, 2015 and 2014, respectively. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	December 31, 2015	December 31, 2014
Not later than one year	\$ 8,777	\$ 7,822
Later than one year but no later than five years	3,564	8,999
Later than five years	-	-
	<u>\$ 12,341</u>	<u>\$ 16,821</u>

7. RELATEDS PARTY TRANSACTIONS

(1) Significant related party transactions

A. Sales revenue

	2015	2014
Entities with significant influence to the Group	\$ 5,180	\$ 4,401

The transaction prices and terms of the Group and entities with significant influence over the Group are determined in accordance with the agreed contracts. The credit term is commensurate with non-related parties, which is 60~120 days after monthly billings.

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	Notes	2015	2014
B. Use of assets (rent expenses)			
		2015	2014
Entities with significant influence to the Group	\$	4,398	\$ 4,398

Expenses are primarily leases of offices and plants. The rent is determined in accordance with contract agreements; rent is payable monthly. The contract will expire in about 1.42 year and the future minimum lease payments amounts to \$6,306.

C. Receivables from related parties

	December 31, 2015	December 31, 2014
Entities with significant influence to the Group	\$ -	\$ 159

D. Construction in progress

	December 31, 2015	December 31, 2014
Entities with significant influence to the Group	\$ 23,652	\$ -

E. Commitments

(a) Promissory notes issued for the warranty of sales and performance guarantees of lease contracts.

	December 31, 2015	December 31, 2014
Entities with significant influence to the Group	\$ 1,616	\$ 1,808

(b) Capital expenditure contracted for at the balance sheet date but not yet incurred: property, plant, and equipment

	December 31, 2015	December 31, 2014
Entities with significant influence to the Group	\$ 52,148	\$ 36,000

(2) Key management compensation

	2015	2014
Salaries and other short-term employee benefits	\$ 29,766	\$ 26,897
Termination benefits	904	701
	\$ 30,670	\$ 27,598

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

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	Notes	2015	2014
	<u>Book value</u>		
<u>Pledged asset</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>Purpose</u>
Other current assets	\$ 194	\$ 194	Performance guarantee for contracts
— time deposits			
Property, plant and equipment	160,263	168,014	Short-term borrowings or guarantee for line of credit
— land and buildings			
Other non-current assets			Short-term borrowings or guarantee for line of credit
— long-term prepaid rent	1,183	1,226	
	<u>\$ 161,640</u>	<u>\$ 169,434</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

Please see Note 11(2).

(2) Commitments

A. As of December 31, 2015 and 2014, other than the details of contingencies and commitments between the Group and related parties as provided in Note 7(1) E, contingencies and commitments between the Group and third parties are as follows:

Capital expenditure contracted for at the balance sheet date but not yet incurred

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Property, plant and equipment	<u>\$ 70,979</u>	<u>\$ 136,834</u>

Warranty and performance guarantee

As of December 31, 2015 and 2014, promissory notes issued for the warranty and performance guarantee of sales amounted to \$44,587 and \$89,315, respectively.

B. Operating leases agreements

Please see Note 6(21).

C. Unused letters of credit

As of December 31, 2015 and 2014, the Company's issued but unused letters of credit for imported products amounted to USD\$0 and USD\$0, respectively.

D. Details of endorsements/guarantees provided by the Company to subsidiaries are provided in Note 13(1) B.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February 25, 2013, the Company received a court notice from the Taiwan Taipei District Court on a civil lawsuit claim by Alltek Technology Corporation (hereon referred to as "Alltek"). Alltek, a supplier of the Company, alleged that the Company is liable for compensation for

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<u>Notes</u>	<u>2015</u>	<u>2014</u>
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non-performance of purchase orders amounting to \$73,651, losses incurred amounting to \$11,451, plus interest at 5% per annum from February 25, 2013 until the date of settlement. However, due to lack of materials, Alltek failed to fulfil its obligation to deliver all goods on time, and as a result, the Company cancelled the purchase orders of the remaining goods not delivered. The parties were unable to settle the dispute on whether the remaining goods should be followed through, thus the case was brought to trial. On February 14, 2014, Alltek revised its litigation assertion in court. Alltek claimed that the Company is liable for compensation of US \$587,598.2 (NT \$18,650) and indemnity of \$1,812 for losses arising from input VAT, plus interest at 5% per annum from February 25, 2013 until the date of settlement.

In order to protect the best interests of the Company and its stockholders, the Company has appointed a lawyer to handle all relevant matters. The appointed lawyers' opinion as of March 15, 2016 is as follows:

- A. Alltek has an obligation to deliver goods and failed to fulfil it. As a result, Alltek cannot claim for compensation from the Company.
- B. In accordance with related regulations, claims against the Company on losses arising from input VAT are not legitimate claims, thus there are no grounds for the claims to be held.
- C. The Company will claim a loss of \$23,963 against Alltek for delays in delivery of goods in the past and propose to set off the amount against the claims held by Alltek. The remainder, amounting to RMB \$1,381,692 (NT \$6,660), will be claimed against Alltek. Losses that may arise from the litigation against the Company are expected to be remote.

After evaluation, the Group does not consider it likely that the case will result in material losses. Consequently, no estimated losses or liabilities were recognised. The case is currently under Taiwan Taipei District Court's judicial examination, and thus legal proceedings have not been finalized.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure with reasonable cost of funds. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain the gearing ratio about 40%. The gearing ratios at December 31, 2015 and 2014 were as follows:

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	Notes	2015	2014
		December 31, 2015	December 31, 2014
Total liabilities	\$	1,201,240	\$ 1,175,070
Total equity		1,731,588	1,733,362
Total assets	\$	2,932,828	\$ 2,908,432
Gearing ratio		41%	40%

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current assets, other non-current assets – guarantee deposits, short-term loans, notes payable, accounts payable and other payables) are approximate to their fair values.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, SGD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.
- iii. The Group has certain investments in foreign operations, whose net assets are

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Notes	2015	2014
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exposed to foreign currency translation risk.

- iv. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2015			2015		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss before tax	Effect on other comprehensive income
(Foreign currency: <u>Functional currency</u>)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 12,171	32.83	\$ 399,574	1%	\$ 3,996	\$ -
RMB:NTD	2,986	5.06	15,109	1%	151	-
RMB:USD	1,489	0.15	7,534	1%	75	-
SGD:USD	1,945	0.71	45,337			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 1,040	32.83	\$ 34,143	1%	\$ 341	\$ -
USD:RMB	619	6.49	20,322	1%	203	-
	December 31, 2014			2014		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss before tax	Effect on other comprehensive income
(Foreign currency: <u>Functional currency</u>)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 15,275	31.65	\$ 483,454	1%	\$ 4,835	\$ -
RMB:NTD	8,369	5.10	42,682	1%	427	-
RMB:USD	1,441	0.16	7,297	1%	73	-
SGD:USD	691	0.76	16,621	1%	166	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ 1,088	31.65	\$ 34,435	1%	\$ 344	\$ -
USD:RMB	3,711	6.21	117,453	1%	1,175	-

- v. Please refer to the following table for the detail of unrealised exchange gain (loss)

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

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arising from significant foreign exchange variation on the monetary items held by the Group.

	Year ended December 31, 2015			Year ended December 31, 2014		
	Unrealized Exchange gain (loss)			Unrealized Exchange gain (loss)		
	Foreign currency			Foreign currency		
	amount	Exchange	Book value	amount	Exchange	Book value
	(In thousands)	rate	(NTD)	(In thousands)	rate	(NTD)
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ -	31.74	\$ 2,989	\$ -	30.31	\$ 11,060
RMB:NTD	-	5.05	30	-	4.92	694
USD:RMB	USD 3	0.16	95	(USD 1)	0.16	(30)
SGD:USD	USD 1	0.73	32	(USD 5)	0.79	(152)
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$ -	31.74	(\$ 490)	\$ -	30.31	(\$ 699)
RMB:NTD						
USD:RMB	RMB 41	6.28	207	RMB 2,631	6.16	12,945

Price risk

Not applicable.

Interest rate risk

The Group's borrowings are mostly with fixed interest rate and maturity within one year. Therefore, the Group does not expect to be exposed to significant interest rate risk.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

- ii. If there is a need to exceed the credit limits, written approvals in accordance with the Group's policy are required. Management does not expect any significant losses from

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	Notes	2015	2014
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non-performance by these counterparties.

- iii. The Group's accounts receivable that were neither past due nor impaired were assessed with high credit quality based on customers' financial position and past experience.
- iv. The ageing analysis of financial assets that were past due but not impaired is provided in Note 6.
- v. The individual analysis of financial assets that had been impaired is provided in Note 6.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. The Group treasury monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. When surplus cash held by the operating entities is over and above the balance required for working capital management, the Group treasury invests surplus cash in interest bearing current accounts, time deposits and other cash equivalents, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

		Between			
	Less than	3 months and			
<u>December 31, 2015</u>	<u>3 months</u>	<u>1 year</u>	<u>Over 1 year</u>		<u>Book value</u>
Short-term borrowings	\$ 115,273	\$ 20,713	\$ -		\$ 135,986
Notes payable	3,487	-	-		3,487
Accounts payable	414,487	21,290	10		435,787
Other payables	79,189	43,552	1,716		124,457

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	Notes	2015	2014	
	Less than	Between		
	3 months	3 months and		
December 31, 2014	3 months	1 year	Over 1 year	Book value
Short-term borrowings	\$ 103,384	\$ 20,998	\$ -	\$ 124,382
Notes payable	1,558	-	-	1,558
Accounts payable	546,824	9,423	-	556,247
Other payables	104,257	16,326	522	121,105

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

Not applicable.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transaction information

The Group discloses related information of the following for the year ended December 31, 2015:

Ablerex Electronics Co., Ltd. (The Company)

Ablerex Electronics (Samoa) Co., Ltd. (Ablerex-Samoa)

Joint Rewards Trading Corp. (Joint)

Ablerex Corporation (Ablerex-USA)

Ablerex International Co., Ltd. (Ablerex-HK)

Ablerex Electronics (Suzhou) Co., Ltd. (Ablerex-SZ)

Ablerex Overseas Co., Ltd. (Ablerex-Overseas)

Ablerex Electronics (S) Pte Limited (Ablerex-SG)

Ablerex Electronics (Beijing) Corporation Limited (Ablerex-BJ)

Ablerex Electronics U.K. Limited (Ablerex-UK)

Ablerex Electronics Italy S.R.L. (Ablerex-IT)

The above listed related parties disclosed below are presentations and disclosures on investees that were concurrently audited by the Certified Public Accountant. For consolidated reporting purposes, all individuals disclosed below have eliminated all inter-group transactions. The disclosed information below is prepared for reference:

A. Loans to others: Please refer to table 1.

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- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Derivative financial instruments undertaken for the year ended December 31, 2015: None.
- J. Significant inter-company transactions for the year ended December 31, 2015: Please refer to table 5.

(2) Information on investees (not including investees in Mainland China)

Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

- (a) Purchasing amount and percentage and related receivables' percentage and balance at December 31, 2015: Please see Note 13(1) G.
- (b) Selling amount and percentage and related receivables' percentage and balance at December 31, 2015: Please refer to table 8.
- (c) Property transaction amounts and gains and loss arising from them: None.
- (d) Balance and purpose of provision of endorsements/guarantees or collaterals at December 31, 2015: None.
- (e) Maximum balance, ending balance, interest rate range and interest for financing during the year ended and at December 31, 2015: Please see Note 13(1) A.
- (f) Other significant transactions that affected the gains and loss or financial status for the year, i.e. rendering/receiving of service: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed

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	Notes	2015	2014
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by the chief operating decision-maker that are used to make strategic decisions. The Company has three reportable operating segments: First Business Division, Second Business Division and Technical Services Division. The primary sources of revenue from products and services are as follows:

First Business Division	:	promotes domestic sales of consigned and self-manufactured products
Second Business Division	:	responsible for international sales and market promotion of self-manufactured products
Technical Services Division	:	responsible for the installation, testing, and warranty of products, as well as development of the repair and maintenance business line, and purchases and sales of spare parts and miscellaneous components

(2) Measurement of segment information

The accounting policies for the Group's operating segments are in agreement with the summary of significant accounting policies mentioned in Note 2 of the consolidated financial statements. The Group's chief operating decision-maker uses income before tax as the basis to evaluate each segment's performance.

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(3) Information about segment profit or loss

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Year ended December 31, 2015

	First Business Division	Second Business Division	Technical Services Division	Reconciliation and elimination	Total
Revenue from external parties	\$ 875,589	\$ 1,674,963	\$ 186,658	\$ -	\$ 2,737,210
Inter-segment revenue	127,750	3,698,534	9,522	(3,835,806)	-
Segment revenue	<u>\$ 1,003,339</u>	<u>\$ 5,373,497</u>	<u>\$ 196,180</u>	<u>(\$ 3,835,806)</u>	<u>\$ 2,737,210</u>
Segment income/(loss)	<u>\$ 67,225</u>	<u>\$ 236,810</u>	<u>\$ 87,152</u>	<u>\$ -</u>	<u>\$ 391,187</u>

Year ended December 31, 2014

	First Business Division	Second Business Division	Technical Services Division	Reconciliation and elimination	Total
Revenue from external parties	\$ 757,945	\$ 1,854,509	\$ 215,542	\$ -	\$ 2,827,996
Inter-segment revenue	72,631	3,823,326	7,274	(3,903,231)	-
Segment revenue	<u>\$ 830,576</u>	<u>\$ 5,677,835</u>	<u>\$ 222,816</u>	<u>(\$ 3,903,231)</u>	<u>\$ 2,827,996</u>
Segment income/(loss)	<u>\$ 95,249</u>	<u>\$ 225,094</u>	<u>\$ 96,512</u>	<u>\$ -</u>	<u>\$ 416,855</u>

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

Reconciliations of reportable segment income to the income before tax from continuing operations for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Reportable segments income before tax	\$ 391,187	\$ 416,855
Other segments loss before tax	(169,456)	(150,935)
Income before tax from continuing operations	<u>\$ 221,731</u>	<u>\$ 265,920</u>

The Company did not provide the total assets and total liabilities amounts to the chief operating decision-maker.

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	Notes	2015		2014
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(5) Information on products and services

Detailed breakdown of the Group's net sales for the years ended December 31, 2015 and 2014 are as follows:

	2015		2014
Uninterruptible power supplies	\$ 1,162,012	\$	1,162,830
Project construction	749,838		755,901
Photovoltaic devices	291,220		455,730
Active power filters	204,598		138,326
Service revenue	68,551		73,378
Others	260,991		241,831
	\$ 2,737,210	\$	2,827,996

(6) Geographical information

The Group's geographical information for the years ended December 31, 2015 and 2014 are as follows:

	2015		2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 884,350	\$ 815,955	\$ 872,104	\$ 733,915
Japan	228,791	-	419,598	-
Turkey	302,438	-	323,466	-
Italy	267,783	529	299,730	94
USA	194,754	13,207	224,606	13,500
Germany	105,257	-	154,890	-
Singapore	130,351	59,824	136,296	57,401
Others	623,486	-	397,306	-
	\$ 2,737,210	\$ 889,515	\$ 2,827,996	\$ 804,910

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2015 and 2014 are as follows:

	2015		2014	
	Revenue	Segment	Revenue	Segment
A	\$ 301,959	Second Business Division	\$ 323,313	Second Business Division
J	228,769	Second Business Division	419,496	Second Business Division

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2015

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2015	Balance at December 31, 2015	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	The Company	Ablerex-IT	Other receivables	Y	\$ 6,574	\$ 6,566	\$ 6,566	1.75%	Short-term financing	\$ -	Turnover of operation	\$ -	None	\$ -	\$ 344,430	\$ 688,860	Note 1 Note 3
1	Ablerex-HK	Ablerex-SZ	Business transaction	Y	98,610	98,490	98,490	3.25%	Short-term financing	-	Turnover of operation	-	None	-	344,430	688,860	Note 1 Note 2 Note 4

Note 1: In accordance with the Company's "Procedures for Provision of Loans", limit on total loans to others is 40% of the Company's net assets. Limit on loans to a single party with business transactions is the higher value of purchases or sales during current year on the year of financing. Limit on loans to a single party with short-term financing is 20% of the Company's net assets; but limit on total loans to subsidiaries is 40% of the parent company's current net assets. Furthermore, for the foreign companies which the Group holds 100% of the voting rights directly or indirectly, limit on loans is not restricted.

Note 2: In accordance with the Ablerex-HK's "Procedures for Provision of Loans", limit on total loans to others is 40% of the parent company's net assets. Limit on loans to a single party with business transactions is the higher value of purchases or sales during current year. Limit on loans to a single party with short-term financing is 20% of the parent company's net assets; but limit on total loans to subsidiaries is 40% of the parent company's current net assets. Furthermore, for the foreign companies which the Group holds 100% of the voting rights directly or indirectly, limit on loans is not restricted. The deadline of each loan is 1 year from the lending day.

Note 3: The maximum loan grant allowed resolved by the Board of Directors is US \$200 thousand. As of December 31, 2015, loan grant allowed of US \$200 thousand is equivalent to the actual loans granted.

Note 4: The maximum loan grant allowed resolved by the Board of Directors is US \$3 million. As of December 31, 2015, loan grant allowed of US \$3 million is equivalent to the actual loans granted.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2015

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2015	Outstanding endorsement/ guarantee amount at December 31, 2015	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	The Company	Ablerex-HK	Subsidiary	\$ 344,430	\$ 295,830	\$ 295,470	\$ 65,660	\$ -	17%	\$ 861,075	Y	N	N	Note

Note: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on the Company endorsements/guarantees to others is 50% of the Company's net assets, and limit on the Company's endorsements/guarantees to a single party is 20% of the Company's net assets. Limit on endorsements/guarantees for companies with business relations is the higher value of purchases or sales during current year.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2015

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Ablerex-SG	Subsidiary	(Sales)	(\$ 179,032)	(7%)	Note 3	Note 3	Note 3	\$ 77,472	14%	-
Ablerex-SG	The Company	Subsidiary	Purchases	USD 5,671 thousand	95%	Note 3	Note 3	Note 3	(USD 2,356 thousand)	(92%)	-
The Company	Ablerex-HK	Subsidiary	(Sales)	(\$ 123,419)	(5%)	Note 4	Note 4	Note 4	\$ -	-	-
Ablerex-HK	The Company	Subsidiary	Purchases	USD 3,918 thousand	7%	Note 4	Note 4	Note 4	(USD - thousand)	-	-
The Company	Ablerex-HK	Subsidiary	Purchases	\$ 1,575,287	77%	Note 1	Note 1	Note 1	(\$ 274,464)	(64%)	-
Ablerex-HK	The Company	Subsidiary	(Sales)	(USD 49,660 thousand)	(92%)	Note 1	Note 1	Note 1	USD 8,360 thousand	90%	-
Ablerex-HK	Ablerex-SZ	An indirectly-owned	(Sales)	(USD 4,034 thousand)	(8%)	Note 4	Note 4	Note 4	USD 950 thousand	10%	-
Ablerex-SZ	Ablerex-HK	An indirectly-owned	Purchases	RMB 25,340 thousand	16%	Note 4	Note 4	Note 4	(RMB 9,057 thousand)	(15%)	-
Ablerex-HK	Ablerex-SZ	An indirectly-owned Subsidiary	Purchases	USD 49,660 thousand	92%	Note 2	Note 2	Note 2	(USD 9,910 thousand)	(99%)	-
Ablerex-SZ	Ablerex-HK	An indirectly-owned Subsidiary	(Sales)	(RMB 309,763 thousand)	(91%)	Note 2	Note 2	Note 2	RMB 64,375 thousand	84%	-

Note 1: The transaction price is commensurate with the purchase price from Ablerex-SZ; the receivable (payable) policy is Net 60 E.O.M.

Note 2: The transaction price is the Ablerex-SZ production cost plus an agreed gross margin; the receivable (payable) policy is Net 60 E.O.M.

Note 3: Transaction prices are determined according to the agreements between the parties; the receivable (payable) policy is Net 120 days E.O.M.

Note 4: Ablerex's sales to Ablerex-Hk were conducted with agreed prices. The sales were then resold to Ablerex-SZ with a zero contribution margin; the terms for receivables are coherent with general customers.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

December 31, 2015

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2015	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Ablerex-HK	The Company	Subsidiary	USD 8,360 thousand	5.45	\$ -	-	USD 8,360 thousand	\$ -
Ablerex-SZ	Ablerex-HK	Affiliate	RMB 64,375 thousand	4.81	-	-	RMB 64,284 thousand	-

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2015

Table 5

Expressed in thousands of NTD

Individual transactions not exceeding \$10,000 and their corresponding transactions are not disclosed.

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	Ablerex-HK	1	Purchases	\$ 1,575,287	Note 4	58%
		Ablerex-HK	1	Sales	123,419	Note 5	5%
		Ablerex-HK	1	Account payable	274,464		9%
		Ablerex-HK	1	Other receivables	13,597		0%
		Ablerex-USA	1	Sales	88,034	Note 6	3%
		Ablerex-SG	1	Sales	179,032	Note 7	7%
		Ablerex-SG	1	Account receivable	77,472		3%
		Ablerex-IT	1	Sales	34,382	Note 7	1%
		Ablerex-IT	1	Account receivable	21,537		1%
1	Ablerex-HK	Ablerex-SZ	3	Purchases	1,564,590	Note 4	57%
		Ablerex-SZ	3	Sales	128,024	Note 5	5%
		Ablerex-SZ	3	Account receivable	31,191		1%
		Ablerex-SZ	3	Account payable	325,463		11%
		Ablerex-SZ	3	Other receivables	117,492	Note 9	4%
2	Ablerex-SZ	Ablerex-BJ	3	Purchases	30,826	Note 8	1%
		Ablerex-BJ	3	Sales	96,438	Note 8	4%
		Ablerex-BJ	3	Account receivable	25,410		1%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Ablerex-HK conducted purchases from Ablerex-SZ, whereby the prices were based on Ablerex-SZ's production costs. The purchases were then resold to Ablerex with a zero contribution margin; the term for receivables and payables is Net 60 days E.O.M.

Note 5: Ablerex's sales to Ablerex-Hk were conducted with agreed prices. The sales were then resold to Ablerex-SZ with a zero contribution margin; the terms for receivables are coherent with general customers.

Note 6: Commensurate with general sale terms; the term for receivables is Net 120 days E.O.M.

Note 7: Transaction prices are determined according to the agreements between the parties; the credit term is Net 120 days E.O.M.

Note 8: Transaction prices are determined according to the agreements between the parties; the credit term is coherent with general customers.

Note 9: Ablerex-HK's loan to Ablerex-SZ, in accordance with their agreement, carries an annual interest rate of 3.25%.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
Information on investees (Not including investments in Mainland China)
For the year ended December 31, 2015

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015			Net profit (loss) of the investee for the year ended December 31, 2015	Investment income(loss) recognised by the Company for the year ended December 31, 2015	Footnote
				Balance as at December 31, 2015	Balance as at December 31, 2014	Number of shares	Ownership (%)	Book value			
The Company	Ablerex-Samoa	Samoa	Holding company	\$ 217,445	\$ 217,445	6,635,000	100	\$ 557,009	\$ 17,735	\$ 20,837	Subsidiary
The Company	Joint	BVI	Providing management service	104	104	3,000	100	62	(34)	(34)	Subsidiary
The Company	Ablerex-USA	U.S.	Sales of uninterruptible power supply, solar energy products, and related systems	8,303	8,303	250,000	100	49,627	4,095	4,111	Subsidiary
The Company	Ablerex-HK	Hong Kong	Sales of uninterruptible power supply, solar energy products, and related systems	43	43	10,000	100	31,132	2,585	2,585	Subsidiary
The Company	Ablerex-SG	Singapore	Sales of uninterruptible power supply, solar energy products, and related systems	48,008	48,008	2,140,763	100	75,152	6,517	6,730	Subsidiary
The Company	Ablerex-UK	UK	Holding company	4,674	4,674	100,000	100	1,800	(4,148)	(3,082)	Subsidiary
Ablerex-Samoa	Ablerex-Overseas	Hong Kong	Holding company	217,445	217,445	6,635,000	100	567,817	17,768	-	Indirect subsidiary
Ablerex-UK	Ablerex-IT	Italy	Sales of uninterruptible power supply, solar energy products, and related systems	4,674	4,674	100,000	100	1,800	(4,148)	-	Indirect subsidiary

Note: The aforementioned information is based on investees' financial statements audited by independent accountants.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2015

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2015	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2015		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	Net income of investee as of December 31, 2015	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2015	Book value of investments in Mainland China as of December 31, 2015	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2015	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Ablerex-SZ	Manufacturing and sales of uninterruptible power supply, solar energy products, and related systems	\$ 179,252	Note 1	\$ 179,252	\$ -	\$ -	\$ 179,252	\$ 16,107	100	\$ 16,107	\$ 530,042	\$ -	Note 2
Ablerex-BJ	Manufacturing and sales of uninterruptible power supply, solar energy products, and related systems	50,557	Note 1	38,575	-	-	38,575	2,126	80	1,701	37,751	-	Note 2

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2015	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
ABLEREX ELECTRONICS CO., LTD.	\$ 217,827	\$ 217,827	\$ 1,033,290

Note 1: Invested in cash through the third region's subsidiary, Ablerex-Samoa which invested in Ablerex-Overseas and then reinvested in Ablerex-SZ and Ablerex-BJ. The investments were approved by the Investment Commission of the Ministry of Economic Affairs.

Note 2: Valuations and disclosures are based on investees' financial statements audited by independent accountants.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2015

Table 8

(2) Selling amount and percentage and related receivables' percentage and balance at December 31, 2015:

Company name	General ledger amount	For the year ended December 31, 2015		Footnote
		Amount	%	
Ablerex-HK	Sales	\$ 123,419	5%	Resold to Ablerex-SZ through Ablerex-HK

(6) Other significant transactions that affected the gains and losses or financial status for the period, i.e. rendering/receiving of service:

Company name	General ledger amount	For the year ended December 31, 2015		Footnote
		Amount	%	
Ablerex-HK	Miscellaneous income	\$ 133	- %	The Company purchased the critical raw materials of \$27,341 on behalf of Ablerex-SZ, and collectd revenue through Ablerex-HK's transshipment.
Ablerex-SZ	Deduction from management fee	\$ 9,510	20%	Provide management service to Ablerex-SZ and collectd payment through Joint.
Company name	General ledger amount	December 31, 2015		Footnote
		Amount	%	
Ablerex-HK	Other receivables	\$ 13,597	67%	