



Ablerex Electronics Co., Ltd.

2016 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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Contents

I	Letter to Shareholders	4
II	Company profile	8
	2.1 Date of Incorporation	8
	2.2 Company History	8
III	Corporate Governance Report	9
	3.1 Organization	9
	3.2 Directors, Supervisors and Management Team	11
	3.3 Remuneration of Directors, Supervisors, President, and Vice Presidents	18
	3.4 Implementation of Corporate Governance	25
	3.5 Information Regarding the Company's Audit Fee, Replacement and Independence	54
	3.6 CPA's information	55
	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	55
	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	55
	3.9 Relationship among the Top Ten Shareholders	57
	3.10 Ownership of Shares in Affiliated Enterprises	57
IV	Capital Overview	58
	4.1 Capital and Shares	58
	4.2 Bonds	63
	4.3 Preferred Stock	63
	4.4 Global Depository Receipts	64
	4.5 Employee Stock Options	64
	4.6 Restricted Employee Shares	64
	4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions	64
	4.8 Financing Plans and Implementation	64
V	Operational highlights	65
	5.1 Business Activities	65
	5.2 Market and Sales Overview	87
	5.3 Human Resources Analysis	95
	5.4 Environmental protection Expenditure	95

5.5 Labor Relations	95
5.6 Important Contracts	98
VI Financial Information.....	100
6.1 Five-year Financial Summary	100
6.2 Five-year Financial Analysis	108
6.3 Supervisors' or Audit Committee's Report in the Most Recent Year	113
6.4 Financial Statements for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Report	113
6.5 Independent Auditors' Report for the Most Recent Years	113
6.6 Impact of Financial difficulties of the Company and related party on the Company's financial position	
VII Review of Financial Conditions, Operating Results, and Risk anagement	114
7.1 Condensed Financial Position	114
7.2 Financial Performance	115
7.3 Analysis of Cash Flow	116
7.4 Impact of major capital expenditure on finance and business	117
7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year	118
7.6 Risk Management and Evaluation until the report printed	119
VIII Special Disclosure	126
8.1 Consolidated financial statements of the related party	126
8.2 Subscription of marketable securities privately in the most recent years and up to the date of the report printed	129
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	129
8.4 Supplementary disclosures	129

I. Letter to Shareholders

Dear Shareholders:

Thank you for attending 2017 Shareholders' Meeting of Ablerex.

The operating performance in 2016 and the business plan for 2017 are reported as follows:

1. Operating Performance in 2016

The consolidated sales revenue of Ablerex is NTD 2,421,044 thousand in 2016, which decreased 11.55% comparing to the sales revenue NTD 2,737,210 thousand in 2015. The consolidated net income is NTD 101,503 thousand in 2016, which decreased 42.57% compared to the net income NTD 176,735 thousand in 2015. (As the following table)

Unit: NT\$ thousands

Item	2016	2015	Growth Rate (%)
Sales Revenue	2,421,044	2,737,210	-11.55%
Gross profit	580,672	639,113	-9.14%
Operating income	123,374	186,002	-33.67%
Net income	101,503	176,735	-42.57%
Profit attributable to parenting company	101,536	176,310	-42.41%
EPS(NTD) – After tax	2.26	3.92	-42.35%

2. Implementation of business plan in 2016

Reviewing year 2016, one customer of Ablerex encountered financial crisis in the first quarter and made us to recognize huge amount of allowance for bad debt, which led to the unprecedented quarterly loss since Ablerex listed in stock market. Also, our major foreign markets confronted an unstable political situation at the middle of the year, which led to the local customer postponing the orders. Moreover, due to the changes of shares and management of our long-term customers, the adjustment of their sales policy caused the cooperation with Ablerex terminated all of a sudden, which shrunk our market share. All the reasons impacted the existence and development of Ablerex.

The management team of Ablerex stuck to the guideline of “Focus on core business, customers' care is our top priority” and insisted in research, innovation, and independent technique that Ablerex still gained the trust and orders from new customers. The profit of sales and services from existing customers maintained in reasonable level. The impact on sales revenue and earnings of Ablerex from the unfavorable factors stated above has eased. Furthermore, the energy products of Ablerex are gaining the leading status in the domestic solar market, so that Ablerex set up a new department to manage the business and development of future renewable energy market.

Under the guidelines of enhancing corporate governance and pursuing sustainable development, Ablerex not only ranked on the top 5% among the OTC companies in the second corporate governance evaluation in 2016, but also published the first social responsibility report

autonomously.

Although Ablerex faced multiple challenges in 2016, the management team followed the guidelines without losing our pace, overcame the obstacles step by step to maintain the operation and to keep gaining profit, and received positive feedback in corporate governance evaluation. The performance was not outstanding, but it was still eligible to be considered as acceptable.

Unit: NT\$ thousands

Item	2016	2015	Growth Rate(%)
Return on Assets	3.55%	6.13%	-2.58 %
Return on Shareholders' Equity	6.02%	10.20%	-4.18 %
Operating Income to Capital Stock	27.42%	41.33%	-13.91 %
Profit before Tax to Capital Stock	31.11%	49.27%	-18.16 %
Net Profit Margin	4.19%	6.45%	-2.26 %
EPS (NTD)-after tax	2.26	3.92	-42.35%

The gross profit margin of Ablerex in 2016 improved slightly than in 2015, however, the sales revenue reduced more than ten percent, while the operating expense maintained at the same level as in 2015, accompanied with the unfavorable currency exchange condition, which led to the both decline in net income and net profit margin in 2016. With Ablerex continuously gaining profit, the retained earnings of Ablerex increased gradually and the assets of Ablerex expanded. Although operating in 2016 still making profit, shrinking profits led to the relevant performance indicators in 2016 of assets and capital were not as good as in 2015.

3. Business Plan for 2017

A. Business guidelines

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

B. Sales Forecasts

Ablerex did not compile financial forecasts, and shall not release the related information. The challenging business plan in 2017 of Ablerex Group has been set, 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

- a. Ablerex provide products with reasonable cost-performance value, aiming at different market and customer's needs, to retrieve single UPS market, to regain the trust from our clients, and to push up sales revenue.
- b. Raising the rate of self-manufactured case and controlling quality as well as delivery to reduce the cost.
- c. Reducing the production cost of 3-phase products to raise competitiveness in price, to grab the niche market, and to expand sales.

- d. Cultivating and consolidating the promotion and application of the energy products under the private brand name in Taiwan market.
- e. Supporting Japanese subsidiary and developing Japanese market. Urging each sales units to enhance sales and to cooperate with the group in the sales and product develop strategies in order to consolidate the market status.
- f. Upgrading the electronic application in production procedures to improve production efficiency and quality.
- g. Tracking the result of group operating expenses and budget implementation to improve the efficiency in the use of resources

D. Research and Development Status

Based on the concept of “Independent technique innovation” and in response to government policies, Ablrex planned and built a perspective technique research and development center specifically for converter and continuously devoting to the research and development on products of 3-phase, high-end, and large scale electronic devices.

Ablrex has built middle- and high-end UPS to be able to substitute for imported UPS. Facing energy issues, Ablrex is ready to provide products such as electric power quality and efficiency improvement devices, wind power inverters, Hybrid Inverters, remote control systems for renewable energy, and energy storage systems (ESS), for commercial usage, as long as the market demand surges.

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 development and design of predominated On-grid 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 Ablrex 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 has grown steadily in recent years. According to the research of well-known market research company in electrical and mechanical industry, Frost & Sullivan, global UPS market is estimated to expand at the compound annual growth rate of 6.91% from 2013 to 2018 and reach to the market scale of USD 13.5 billion at the end of 2018. Meanwhile, another market survey indicated that the global UPS market scale will be enormously grown to USD 17.9 billion.

PV inverter is a part of solar energy industry which still fluctuated in 2016 without obvious upturns. Report from TrendForce estimated that global solar energy market may unprecedentedly come close to zero growth in year 2017 which the demand will be only 73.9GW. China, US, and Japan are the top 3 in the global solar energy market so far while Indian market is emerging gradually to be replace Japan as the 3rd market someday.

Taiwan government set a goal of which the accumulating installation of solar energy generator shall reach to 20GW in 2025 to accomplish the goal of nuclear-free homeland. Also the government proposed a 2-year project of 1.52GW solar energy generator installation. EnergyTrend indicated that if the project goes well, the solar energy demand in Taiwan will reach 900MW in year 2017 and Taiwan will be the top 10 solar energy market like Thailand. Under the condition of almost zero growth of global demand in 2017, Taiwan is expected to be the market that all suppliers eager to enter.

5. Development Strategy

Ablerex is not only improving mature products, providing customers the products with high cost-performance value, and retrieving and gradually raising our UPS market share, but also demonstrate the developing and application experiences in power electronic fields, following the trends of energy use, and complete the product development of renewable energy power generation equipment (power converters of solar- or wind-power) and monitoring systems, as well as energy storage systems, which the efficiency is outperforming via tests.

Technique and products of Ablerex fit the trends of diversifying energy sources and improving usage efficiency 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, to reach corporate social responsibilities goals of “save energy and protect environment”, to fulfill the expectations of all interested parties, and to 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.

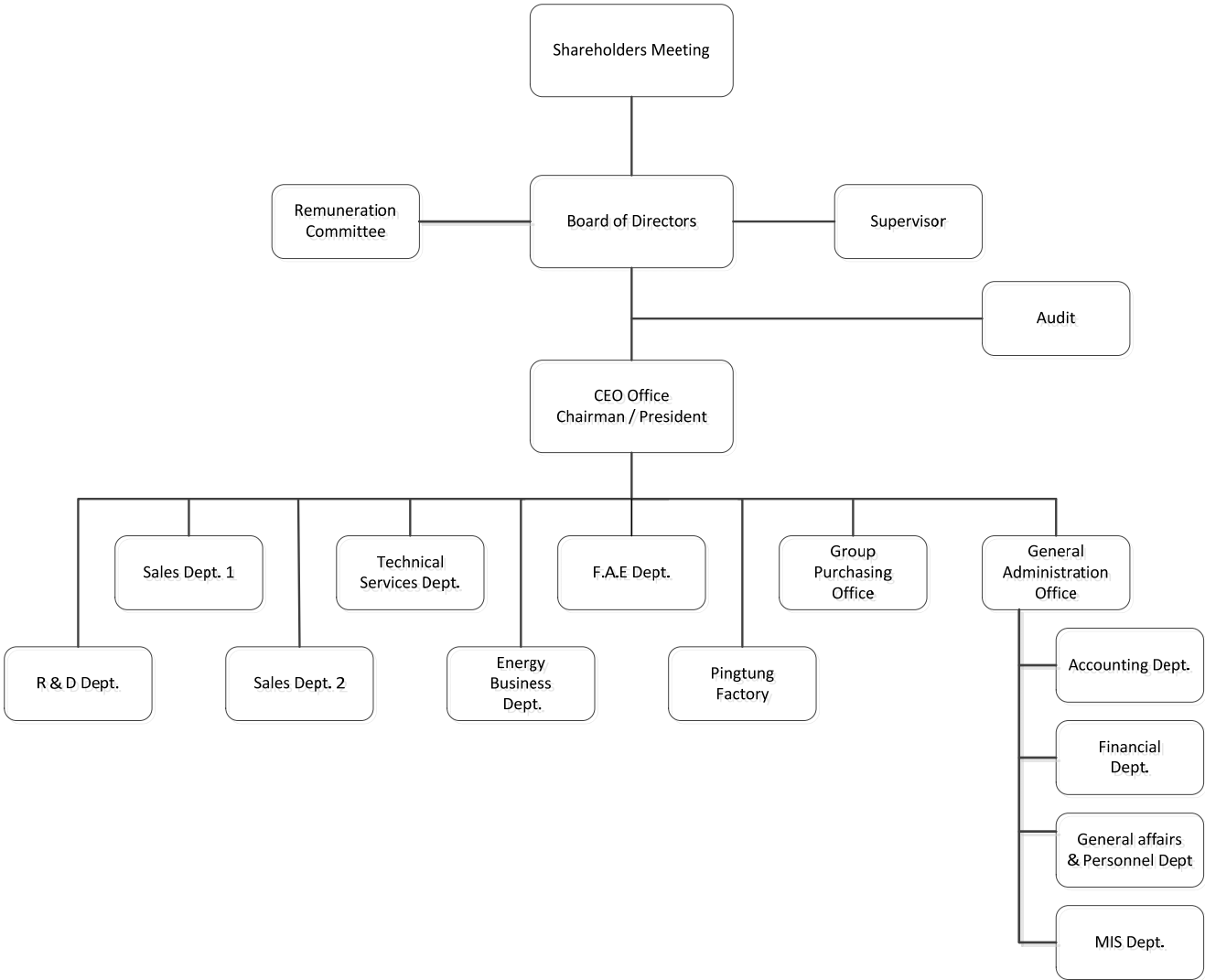
2.2 Company History

2016	Set up Wada Denki Co., Ltd. in Japan
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 Ablerex 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. The development of 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 and customer services
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 and customer services 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
Energy Business Dept.	<ol style="list-style-type: none"> 1. Sales and promotion of own branded energy relative product and services in local market 2. Sales management and business development 3. Offer the service to promote sales and customer services
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>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>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>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>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

2017.4.30, Unit: Shares; %

Title	Name	Gender	Nationality/ Country of Origin	Date of first elected	Date elected	Term (Years)	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	Relati
Chairman	Steven Hsu	M	Taiwan	05-08-02	06-23-14	3	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	Y.A. Chen	M	Taiwan	05-08-02	06-23-14	3	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	UIS Co., Ltd.	M	Taiwan	05-08-02	06-23-14	3	14,727,502	32.73%	14,986,502	33.30%	0	0	0	0	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	UIS Co., Ltd.	M	Taiwan	09-23-15	09-23-15	3	14,727,502	32.73%	14,986,502	33.30%	0	0	0	0	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 Engineering	Note 4	N/A	N/A	N/A
Director	Hank Xiao	M	Taiwan	06-09-06	06-23-14	3	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	Michael Y.J. Ding	M	Taiwan	11-17-09	06-23-14	3	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	S.G. Wang	M	Taiwan	06-23-14	06-23-14	3	0	0.00%	0	0.00%	0	0	0	0	Chung Yuan Christian University/Bachelor of Civil Engineering Chief of team leader of Engineering	Note 7	N/A	N/A	N/A
Supervisor	James Ho	M	Taiwan	11-17-09	06-23-14	3	0	0.00%	0	0.00%	0	0	0	0	University of Pittsburgh/Doctor of Economics	Note 8	N/A	N/A	N/A
Supervisor	Z.M. Yen	M	Taiwan	06-23-14	06-23-14	3	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 9	N/A	N/A	N/A
Supervisor	S.H. Chen	F	Taiwan	05-22-08	06-23-14	3	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.	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 8.	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 9.	Z.M. Yen	Vice Chairman of Wholetech System Hitech Limited, Director of MEGA BILLS FINANCE CO., LTD., Director of China Meteorological And Environment Research & Development Center, Director of Fon-Liang Co., Director of HsinChu Kuang-Fu high school.

B. Major shareholders of Institutional Shareholders

Apr. 30, 2017

Name of Institutional Shareholders	Major shareholders of Institutional Shareholders
UIS Co., Ltd.	A listed company, Chairman Mr. C.S. Chen. Vaucluse Capital Management Limited (7.32%) 、Y.C. Wang (6.08%) 、Lian-Yi Investment Co.(4.01%) 、H.W. Lee (2.94%), Citibank Taiwan Ltd in custody for Norges Bank (2.23%) 、Standard Chartered Bank Hosting the Fidelity Puritan Trust-Fidelity Low-Priced Stocks Fund (2.16%) 、Standard Charter Bank in custody for GMO Emerging Markets Fund (1.95%) 、C.S. Chen(1.52%) 、HSBC bank in custody for Robeco capital growth fund (1.39%) 、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, 2017

Name of Institutional Shareholders	Major shareholders
Vaucluse Capital Management Limited	H.J. Sung (100%)
Lian-Yi Investment Co.	L.S. Wu (11.32%) 、H.F. Lee (10.88%) 、C.Y. Chen (7.88%)
Citibank Taiwan Ltd in custody for Norges Bank	City Bank (100%)
Standard Chartered Bank Hosting the Fidelity Puritan Trust-Fidelity Low-Priced Stocks Fund	the Fidelity Puritan Trust-Fidelity Low-Priced Stocks Fund (100%)
Standard Charter Bank in custody for GMO Emerging Markets Fund	Standard Chartered Bank (100%) 、
HSBC bank in custody for Robeco capital growth fund	HSBC bank(100%)

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

D. Professional qualifications and independence analysis of directors and supervisors

2017.4.30

Criteria Name	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	
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
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
Z.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	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

2017.4.30 / Unit: Share, %

Title	Name	Gender	Nationality/ Country of Origin	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	Steven Hsu	M	Taiwan	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	Y.A. Chen	M	Taiwan	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)	Hank Xiao	M	Taiwan	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)	Tim Sung	M	Taiwan	01-01-15	244,921	0.54%	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	Damon Chao	M	Taiwan	08-30-13	2,000	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	Owen Lin	M	Taiwan	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	TM Lin	M	Taiwan	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.	Wesley Wu	M	Taiwan	01-01-16	3,000	0.01%	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	Jeff Lin	M	Taiwan	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	Emma Liao	F	Taiwan	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, 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.	Hank Xiao	Ablere Electronics Co., Ltd. V.P., Ablere Electronics (Beijing) Co., ltd. Supervisor

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 (E)		Severance Pay (F)		Bonus to Employee (G)						
		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	Comp anies in the consolidated financial statements	The company		All companies in the consolidated financial statements		The company	All companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Steven Hsu	0	0	0	0	1,862	1,862	144	144	1.98%	1.98%	7,921	7,921	184	184	522	0	522	0	10.47%	10.47%	0
Director	Y.A. Chen																					
Director	C.S. Chen																					
Director	Benny Chen																					
Director	Hank Xiao																					
Ind. Director	Y.J. Ding																					
Ind. Director	S.G. Wang																					

Note : Other than the disclosure in the table above, the remuneration received by the Directors of AblereX in the latest year from providing services, such as being consultant that is not the employee of the company, to all the companies listed in the financial report: None

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 C.S. Chen, Benny Chen), Hank Xiao, Y.J. Ding, S.G. Wang.	Steven Hsu, Y.A. Chen、UIS Co (Legal person director C.S. Chen, Benny Chen), Hank Xiao, Y.J. Ding, S.G. Wang.	Steven Hsu, Y.A. Chen、UIS Co (Legal person director C.S. Chen, Benny Chen), Hank Xiao, Y.J. Ding, S.G. Wang.	Steven Hsu, Y.A. Chen、UIS Co (Legal person director C.S. Chen, Benny Chen), Hank Xiao, Y.J. Ding, S.G. Wang.
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	7	7	7	7

Note : 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)		Compensation (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	798	798	61	61	0.85%	0.85%	0
Supervisor	James Ho									
Supervisor	Z.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 Z.M. Yen	S.H. Chen, James Ho and Z.M. Yen
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)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		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	
								Cash	Stock	Cash	Stock			
President	Steven Hsu	7,529	7,529	260	260	1,977	1,977	614	0	614	0	10.22%	10.22%	0
CSO	Y.A. Chen													
V.P	Hank Xiao													
V.P	Tim Sung													

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	986	986	0.97%
	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.	Wesley Wu				
	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	2015		2016	
		The company	Companies in the financial statements	The company	Companies in the financial statements
Remuneration to Directors		3,456	3,456	2006	2006
Ratio of total remuneration paid to Directors to net income (%)		1.96%	1.96%	1.98%	1.98%
Remuneration to Supervisors		1,430	1,430	859	859
Ratio of total remuneration paid to Supervisors to net income (%)		0.81%	0.81%	0.85%	0.85%
Remuneration to President and V.P		10,994	10,994	10,380	10,380
Ratio of total remuneration paid to President and V.P to net income (%)		6.24%	6.24%	10.22%	10.22%

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.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

6 Board Meetings in 2016 and 8 (A) Board Meetings up to the date of annual report printed. The attendance of Directors for the 8 Board Meetings:

Title	Name	Attendance in Person (B)	Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Steven Hsu	8	0	100%	
Director	Y.A. Chen	8	0	100%	
Director	UIS Co. Rep. C.S. Chen	7	0	87.5%	
Director	UIS Co. Rep. Benny Chen	7	0	87.5%	
Director	Hank Xiao	8	0	100%	
Independent Director	Y.J. Ding	8	0	100%	
Independent Director	S.G. Wang	8	0	100%	

Note 1: Where the director from a legal person, he/she shall disclose the name of the legal person shareholder and the name of the representative.

Note 2:

- (1) There are directors who leave the job before the end of the year, it shall indicate the date of departure in remarks, and the actual attendance rate (%) is calculated based on the number of times of board attendance and actual attendance during his term of office.
- (2) The directors are to be re-elected before the end of the year, the new and former directors shall be identified and the directors shall be indicated in remarks as the old, new or re-election date. Actual attendance percentage is calculated for the number of meetings held by the Board during its term of office and its actual attendance.

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) 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 Y.J. Ding, all other attendant directors approved the distribution of employee's bonus as it proposed.
 - (2) 2016.8.8 when the board reviewed the distribution of employees' compensation,

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 Y.J. Ding, all other attendant directors approved the distribution of employee's bonus as it proposed.

- (3) 2016.12.27 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 Y.J. Ding, all other attendant directors approved the year-end bonus for managers as it proposed.
- (4) 2017.5.8 when the board reviewed the qualification of candidate of Directors, Independent Directors and Supervisors, Chairman Steven Hsu, Director Y.A. Chen avoided the vote due to conflict of interests. Review the qualification of C.S. Chen and Benny Chen, both of them avoided the vote due to conflict of interests. When review the qualification of Independent Directors, Bother Michael Y.J.Ding and S.G. Wang avoided the vote due to conflict of interests. When reviewed the qualification of Supervisors, James Ho, Z.M. Yen and S.H. Chen avoided the vote due to conflict of interests. After the voting, all other attendant directors approved the qualification 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
2016.12.27	the 6 th Board meeting in 2016	Report matter	Advised by Independent Director S.G. Wang: Do review the root causes and verification procedures of budget overruns.	The company will be more strictly enforce the cost control and part of the cost can be attributed to project implementation costs.
2016.12.27	the 6 th Board meeting in 2016	Report matter	Advised by Director T.S. Chen: Ablrex shall make a analysis about cost, fee and gross profit of Single phase UPS.	Ablrex has acted on Director's advice.

3.4.2 Attendance of supervisors at the board meeting:

6 Board Meetings in 2016 and 8 (A) Board Meetings up to the date of annual report printed. The attendance of Directors for the 8 Board Meetings:

Title	Name	Attendance on Person (B)	Proxy	Attendance Rate(%) (B/A)	Remarks
Supervisor	James Ho	8	0	100%	
Supervisor	S.H. Chen	8	0	100%	
Supervisor	Z.M. Yen	7	0	87.5%	

Other matters for records:

1. Composition and responsibility of Supervisors: Ablrex 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
2016.11.7	the 5 th Board Meeting in 2016	Report matter	Advised by Supervisor Z.M. Yen: Where there is huge difference between operating performance and budget, the reason shall be remarked on the report.	Ablerex will follow the advice and remark the reason on the report when huge difference between operating performance and budget.

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 and revised on 2016.11.7 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. It was disclosed on http://www.ablerex.com.tw/ch/about_8-2.php and annual report.	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. The contact information on web site : http://www.ablerex.com.tw/ch/about_8-4-5-5.php	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 annually 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.(Note3)	In accordance with “Corporate Governance Best Practice Principles” Article 29.
4. Does the company establish a division to be responsible for corporate governance matters includes but not	V		The Company has set up the General administration office to handle the corporate governance matters, and the CEO office will handle company registration and/or change related business, the board	In accordance with “Corporate Governance Best Practice Principles”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
limited to provide necessary information to board of directors, supervisors, and handle the matters relating to the meetings of the board of directors and the shareholders' meeting, and registration of the company, prepare the minutes of the board meeting and shareholders' meeting.			meeting and the shareholders' meeting.	Article 3-1.
5. Does the company establish a communication channel and build a designated section on its website for stakeholders includes but not limited share holders, staffs, customers and suppliers, as well as to handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has established channels for banks, other creditors, employees, customers, suppliers and shareholders, and respects the legitimate rights. Set up spokespersons and deputy spokespersons as communication channels with interested parties. If necessary, they can communicate through the company's network, telephone, letters and faxes. There is another way to set up a stakeholder area on web site in the future.	In accordance with “Corporate Governance Best Practice Principles” Article 51 and Article 52.
6. 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.
7. 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 (MOPS).	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,	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.

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
webcasting investor conferences) ?				
8. 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 insurance for directors and supervisors)?	V		<p>(1) Status of employee rights: AblereX has been always honest and trust to employees, and their legal rights are all protected under the Labor Standards Act.</p> <p>(2) Employee wellness: AblereX has established the Employees' Welfare Committee, implemented pension fund and group insurance for employees, and held regular health examination. AblereX also encourages employees to attain all kinds of training and conferences.</p> <p>(3) Investor Relationships: AblereX disclosed information according to the regulations to protect the rights of investors as the responsibilities to shareholders.</p> <p>(4) Supplier Relationships: AblereX has always communicated well with the suppliers.</p> <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 attaining training sessions. Note 1 is the Directors' and supervisors' training records recently.</p> <p>(7) Managers' and Auditors' training records: Note 2</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</p>	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	
			has been discussed and been unanimously approved on the Board meeting of 2017.3.27. The insurance for directors and supervisors was purchased as note 4 listed.	
<p>9. Please indicate the improvement of the results of the corporate governance evaluation issued by the Corporate Governance Center in the last year of the Taiwan Stock Exchange Co., Ltd. and provide priority measures and measures for those who have not yet improved.</p> <p>(1) The efforts of Ablrex in corporate governance have been ranked as TOP 5% company in 2016 Corporate Governance Evaluation Results in Taiwan.</p> <p>(2) One third Board directors and one Independent director attend the share holders’ meeting.</p> <p>(3) Upload English version of Annual report, Notice of meeting, Handbook for annual shareholder’s meeting and supplement materials.</p> <p>(4) Disclosed the communication information between Independent Directors, Internal audit and CPAs on company web site.</p> <p>(5) Disclosed full financial report in English on company web site and TWSE/TPEX Market Observation Post System (MOPS).</p>				

Note 1: 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"
Director	C.S.Chen	2016	Securities & Futures Institute	Insider Trading and Corporate Social Responsibility	3.00	Y
Director	Y.A. Chen	2016	Securities & Futures Institute	Strategy and key performance indicators	3.00	Y
Director	Y.A. Chen	2016	Securities & Futures Institute	Interpretation of Corporate Performance Information	3.00	Y
Independent Director	Y.J. Ding	2016	Securities & Futures Institute	Discussion on Preventing Employee 's Fraud	3.00	Y
Supervisor	Z.M. Yen	2016	Taiwan Corporate Governance Association	Financial fraud investigation techniques	3.00	Y
Supervisor	S.H. Chen	2016	Securities & Futures Institute	How the supervisors supervise the company to implement internal control to strengthen corporate governance	3.00	Y
Supervisor	James Ho	2016	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3.00	Y
Supervisor	James Ho	2016	Taiwan Corporate Governance Association	On Enterprise M & A from the Perspective of Directors and Supervisors	3.00	Y
Supervisor	Z.M. Yen	2016	Taiwan Corporate Governance Association	On Enterprise M & A from the Perspective of Directors and Supervisors	3.00	Y
Independent Director	Y.J. Ding	2016	Taiwan Securities Association	Integrated housing and land tax system	3.00	Y
Chairman	Steven Hsu	2016	Taiwan Corporate Governance Association	Board Function and Board Performance Evaluation	3.00	Y
Chairman	Steven Hsu	2016	Taiwan Securities Association	Discussion on Legal Responsibility of Business Secret Law and Case Analysis	3.00	Y
Director	Y.A. Chen	2016	Securities & Futures Institute	corporate governance evaluation awards ceremony and seminars	3.00	Y
Director	Hank Xiao	2016	Taiwan Securities Association	How to quickly understand the IFRS financial statements	3.00	Y
Independent Director	S.G. Wang	2016	Securities & Futures Institute	Taipei Corporate Governance Forum	6.00	Y
Supervisor	James Ho	2016	Taiwan Corporate Governance Association	The Key Analysis and Response of Anti - Avoidance Act	3.00	Y
Supervisor	S.H. Chen	2016	Securities & Futures Institute	Corporate Governance and Practice of Individual Directors	3.00	Y
Director	Hank Xiao	2016	Taiwan Securities Association	An Analysis of Enterprise 's Financial Report and Related Legal Responsibility	3.00	Y

Note 2: Managers' and Auditors' training records:

Title	Name	Year of Training	Organization	Training	Hours
Chairman	Steven Hsu	2016	Taiwan Corporate Governance Association	Board Function and Board Performance Evaluation	3
Chairman	Steven Hsu	2016	Taiwan Securities Association	Discussion on Legal Responsibility of Business Secret Law and Case Analysis	3
CSO	Y.A. Chen	2016	Securities and Futures Institute	Strategy and key performance indicators	3
CSO	Y.A. Chen	2016	Securities and Futures Institute	Interpretation of Corporate Performance Information	3
CSO	Y.A. Chen	2016	Securities and Futures Institute	Corporate Governance Award Presentation Ceremony and Seminar	3
V.P.	Hank Xiao	2016	Taiwan Securities Association	How to quickly understand the IFRS financial statements	3
V.P.	Hank Xiao	2016	Taiwan Securities Association	An Analysis of Enterprise 's Financial Report and Related Legal Responsibility	3
Accounting	Emma Liao	2016	Accounting Research and Development Foundation	The Impact of the Application of the Accounting Standards for Business Enterprises to Taxation	3
Accounting	Emma Liao	2016	Accounting Research and Development Foundation	An Analysis of the Latest Securities Finance Tax Act	1
Accounting	Emma Liao	2016	Accounting Research and Development Foundation	Consolidated cash flow statement and income tax	3
Accounting	Emma Liao	2016	Accounting Research and Development Foundation	An Analysis of the Latest Securities Finance Tax Act	1
Accounting	Emma Liao	2016	Accounting Research and Development Foundation	On the Legal Responsibility of the Financial Case and the Financial Supervision of the Company	3
Accounting	Emma Liao	2016	Accounting Research and Development Foundation	Latest International Financial Statements	1
Auditor	Johnny Lu	2016	Accounting Research and Development Foundation	The legal risk thinking of the economists under the trend of globalization (including the latest developments in insider trading)	6
Auditor	Johnny Lu	2016	Accounting Research and Development Foundation	Inspector 's "evidence collection" method analysis and prosecution unit search seizure crime evidence live observation	6
Auditor	Jam Liao	2016	the Institute of Internal Auditors -Chinese Taiwan	Practice of self-assessment	6
Auditor	Jam Liao	2016	Accounting Research and Development Foundation	A Study on the New IFRS Report	6

Note 3 : Evaluation of Independence of CPAs

Evaluation items / attestation accountant	Check
1. Passed the Certified Public Accountants (CPAs) examination, holds a CPA certificate, and possesses the qualification of a CPA.	Y
2. Has previously received a final and unappealable sentence to a punishment of no less than one year of imprisonment for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime.	N
3. Has been declared by a court to be under guardianship or assistance and that declaration has not been voided.	N
4. Has been declared bankrupt and his or her rights have not yet been reinstated.	N
5. Has been dismissed from public service as a result of disciplinary sanction and the period during which he or she is barred from reappointment has not yet expired.	N
6. When engaged to handle client's business, shall a CPA give overall consideration of manpower and time requirements as well as the degree of risk involved in a given case to collect reasonable remuneration, and not use any improper means to solicit business.	Y
7. CPAs shall pursue continuing professional education as regulated by the competent authorities.	Y
<p>8. Did a CPA engage in the following conduct:</p> <ul style="list-style-type: none"> (1) Permit others to practice under his or her name. (2) Practice under the name of another CPA. (3) Accept employment from a non-CPA to perform CPA services. (4) Take advantage of one's position as a CPA to engage in improper industrial or commercial competition. (5) Perform practice related to matters in connection with which one is an interested party. (6) Use the title of CPA to act as a guarantor in matters beyond the scope of CPA services. (7) Purchase real or personal property under his or her management as a CPA. (8) Solicit, agree to accept, or accept unlawful benefit or compensation. (9) Solicit business by improper means. (10) Advertise for promotional purposes not related to commencement of business, office relocation, merger, accepting client engagements, or introduction of the CPA firm. (11) Disclose confidential information obtained in the performance of professional services without the permission of the appointing agency, client, or audited entity. (12) Engage in other conduct that could tarnish the reputation of CPAs, as specified by the competent authority. 	N
<p>9. Did a CPA engage in the following conduct:</p> <ul style="list-style-type: none"> (1) The CPA is employed by the client to perform routine work for which he or she receives a fixed salary, or serves as a director or supervisor thereof. (2) The CPA has previously served for the client as a director, supervisor, managerial officer, or an employee with material influence over attestation, and has been separated from the position for less than two years. (3) The CPA is a spouse, lineal relative, direct relative by marriage, or a collateral relative within the second degree of kinship of any responsible person or managerial officer of the client. (4) The CPA, or the spouse or a minor child thereof, has invested in the client, or 	N

Evaluation items / attestation accountant	Check
(5) shares in financial gains therewith. (6) The CPA, or the spouse or a minor child thereof, has lent or borrowed funds to or from the client. (7) The CPA provides management consulting or other non-attestation services that affect his or her independence. (8) The CPA fails to comply with regulations, as prescribed by the competent authority with relevant jurisdiction, governing CPA rotation, handling accounting matters on behalf of clients, or other matters that affect his or her independence.	

Note 4 : Purchasing insurance for directors and supervisors:

Insured	Insurance Company	Insured Amount (US\$)	Insurance Period
All Directors and Supervisors	Taiwan Fire & Marine Insurance Co., Ltd. / Fubon Financial	5,000,000	2017.4.12~2018.4.12

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Condition Name	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		
Ind. Director	Y.J. Ding			V	V	V	V	V	V	V	V	V	0	V
Ind. 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 the Company.
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 4 meetings in 2016. The attendance of Committee for the 4 Meetings:

Title	Name	Attendance (B)	By Proxy	Attendance Rate (%) (B / A)	Note
Convener	Y.J. Ding	4	0	100%	N/A
Committee	S.G. Wang	4	0	100%	N/A
Committee	C.S. Lin	4	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 variation.
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 and plan to add ISO-9001 & 14001 and OHSAS18001, etc. to be an important reference for trading.	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.	In accordance with Article 26 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
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 2016 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 had been disclosed in 2016.				
7. If the corporate social responsibility reports have received assurance from external institutions, they should state as below: N/A				

Note : The plan and implement of CSR has been on 2016 Chinese version annual report or on the company web site :

<http://www.ablerex.com.tw/ch/images/CSR%E6%8E%A8%E5%8B%95%E8%A8%88%E5%8A%83%E8%88%87%E5%AF%A6%E6%96%BD%E6%88%90%E6%95%88.pdf>

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	Abstract Explanation	
1. Establishment of ethical corporate management policies and programs				
(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?	V		1. The first version of the Ethical Corporate Management Principles of AblereX has been approved by the Board of Directors in 2014/5/12. 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. Since the beginning of 2016, the establishment of the English corporate governance web site, to fully expose the company's operating conditions for foreign language stakeholders to understand the company's implementation strategies and specific measures.	In accordance with Article 4, 5, 8, 18, and 21 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(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?	V		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.	In accordance with Article 2, 6, and 10-14 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(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 TWSE/TPEX Listed Companies?	V		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.	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	Abstract Explanation	
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		1. Ablrex 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, Ablrex 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 internal auditors or CPAs on a regular basis?	V		4. The implementation status of Ablrex 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 Companies”

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		5. Ablerex encouraged employees to attain external educational trainings and propagating conferences on operational integrity and also advocated honesty, integrity, equality, and responsibilities on irregular basis.	In accordance with Article 22 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
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. Ablerex 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. Ablerex 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. Ablerex 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 company’s website and Market Observation Post System?	V		1. Ablerex discloses the status of Ethical Corporate Management and the related measures in the “Corporate Governance” session on the website and in ther annual report. 2. The efforts of Ablerex in corporate governance have been ranked as TOP 5% company in 2016 Corporate Governance Evaluation Results in Taiwan.	In accordance with Article 25 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	Abstract Explanation	
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.				
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.				

3.4.7 Corporate Governance Guidelines and Regulations

Please refer to Ablerex’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 130.

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	Major Resolutions
1.	2016/6/21	Shareholders' Meeting	<ol style="list-style-type: none"> 1. Adopted the Proposal for Distribution of 2015 Profits. 2. Approved the amendments to the "Articles of Incorporation" of the Company. 3. Adopted the 2015 Business Report and Financial Statements. 4. Approved the Amendments to the "Operational Procedures for Loaning Funds to Others" of the Company.

B. Major Resolutions of Board Meetings

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
1.	2016.1.25	Board Meeting	<p>【the 11th meeting of the 6th term】</p> <ol style="list-style-type: none"> 1. Approved the 2015 manager performance bonus determination proposed by the Remuneration Committee. 2. Approved the amendments to the "Articles of Incorporation". 3. Approved the change of auditors of the Company and assessment result of independence of auditor. 4. Approved the motion on the application for the renewal of credit limits. 5. Approved the proposal for providing guarantee for Ablrex International Corp. Ltd. 6. Approved to make a loan to the subsidiary Ablrex-IT.
2	2016.3.23	Board Meeting	<p>【the 12th meeting of the 6th term】</p> <ol style="list-style-type: none"> 1. Approved annual financial statements, consolidated financial statements and the business report of the Year 2015. 2. Approved the declaration of internal control system of Year 2015. 3. Approved the directors', supervisors' and employees' compensation of Year 2015. 4. Approved the date and agenda of the Year 2016 Annual Shareholders' Meeting. 5. Approved the proposal of taking out D&O liability insurance.
3	2016.5.9	Board Meeting	<p>【the 13th meeting of the 6th term】</p> <ol style="list-style-type: none"> 1. Acknowledged the Q1 consolidated financial statements of Year 2016. 2. Ratified Ablrex-IT's receivables exceeded usual credit terms as a loan fund. 3. Approved the earning distribution of the Year 2015.

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
			<p>4. Approved the amendments to the“Operational Procedures for Loaning Funds to Others”for the Company and the Subsidiary Ablrex-HK.</p> <p>5. Approved the proposed additions to the agenda of the Year 2016 Annual Shareholders' Meeting, the proposed agenda of the 2016 Shareholders' Meeting of the Company is as follows:</p> <p>A. Matter to be discussed To review and approve the amendments to the "Articles of Incorporation"of the Company</p> <p>B. Matters to be reported</p> <p>1.Business Report</p> <p>2.Supervisor's Review Report on the 2015 Financial Statements</p> <p>3.Implementation of Investments in PRC</p> <p>4.The 2015 directors, supervisors and employees' compensation</p> <p>5.The amendments to“Ethical Corporate Management Best Practice Principles”</p> <p>6.Setting up the“Procedures for Ethical Management and Guidelines for Conduct”</p> <p>7.Other Reports</p> <p>a. The Status of Endorsement and Guarantee</p> <p>b. Proposed Matters from Eligible Shareholders</p> <p>C. Matters to be ratified</p> <p>1.Adoption of the 2015 Business Report and Financial Statement</p> <p>2.Adoption of the Proposal for Distribution of 2015 Profits</p> <p>4. Matter to be discussed</p> <p>1.Amendments to the“Operational Procedures for Loaning Funds to Others”(Additional agenda)</p> <p>5. Motion to Adjourn</p> <p>6. Approved the motion on the application for the renewal of credit limits.</p> <p>6. The Company's Q1 of Year 2016 financial results will be available for download, after the public announcement of the Q1 consolidated financial statements of Year 2016, on TWSE's MOPS http://emops.twse.com.tw</p>

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
4	2016.8.8	Board Meeting	<p>【the 14th meeting of the 6th term 】</p> <ol style="list-style-type: none"> 1. Acknowledged the Q2 consolidated financial statements of Year 2016. 2. Approved the record date for common shares dividend. 3. Approved the distribution of directors and supervisors' remuneration and managers' employee remuneration of the Year 2015 proposed by the Remuneration Committee. 4. Approved the JPY 30 million investment to set up the Japan subsidiary. 5. Ratified AblereX-IT's receivables exceeded usual credit terms as a loan fund, and approved to make a new loan to it. 6. The Company's Q2 of Year 2016 financial results will be available for download, after the public announcement of the Q2 consolidated financial statements of Year 2016, on TWSE's MOPS http://emops.twse.com.tw
5	2016.11.7	Board Meeting	<p>【the 15th meeting of the 6th term 】</p> <ol style="list-style-type: none"> 1. Acknowledged the Q3 consolidated financial statements of Year 2016. 2. Discussed and approved the Year 2017 Audit Plan. 3. Discuss and approve the amendments to “Corporate Social Responsibility Best Practice Principles” of the Company. 4. Discuss and approve the amendments to “Operational Procedures for Handling Material Inside Information and Preventing Insider Trading” of the Company. 5. Discuss and approve the amendments to “Corporate Government Best Practice Principles” of the Company. 6. The Company's Q3 of Year 2016 financial results will be available for download, after the public announcement of the Q3 consolidated financial statements of Year 2016, on TWSE's MOPS http://emops.twse.com.tw
6	2016.12.27	Board Meeting	<p>【the 16th meeting of the 6th term 】</p> <ol style="list-style-type: none"> 1. Approved the company's budget and business plan of 2017. 2. Approved the 2016 manager performance bonus determination proposed by the Remuneration Committee. 3. Approved the motion on the application for the renewal of credit limits. 4. Approved the proposal for providing guarantee for AblereX International Corp. Ltd. 5. Approved AblereX International Corp. Ltd. to make a loan to AblereX Electronics (Suzhou) Co., Ltd.

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
7	2017.3.27	Board Meeting	<p>【the 17th meeting of the 6th term 】</p> <ol style="list-style-type: none"> 1. Approved annual financial statements consolidated financial statements and the business report of the Year 2017. 2. Approved the declaration of internal control system of Year 2016. 3. Approved the directors', supervisors' and employees' compensation of Year 2016. 4. Approved the earning distribution of the Year 2016. 5. Cash dividends distributed from legal reserve and capital reserve to shareholders (NT\$ per share):1.0 6. Approved the amendments to the“Guidelines for Handling Acquisition and Disposal of Assets”for the Company. 7. Approved the issue to the “Handle the nomination of directors 'supervisors and the rules for the handling of shareholders' proposals” 8. Approved to elect new Directors and Supervisors of the Company in Year 2017 Annual Shareholders’ Meeting. 9. Approved the date and agenda and election of new Directors and Supervisors in the Year 2017 Annual Shareholders’ Meeting. 10. Approved the proposal of taking out D&O liability insurance. 11. Approved the Independence evaluation of nominated attestation accountants 12. Approved the motion on the application for the renewal of credit limits. 13. Approved the proposal for providing guarantee 14. Approved the “Capital loan and others operating procedure” from Alerex Corporation’s
8	2017.5.8	Board Meeting	<p>【the 18th meeting of the 6th term 】</p> <ol style="list-style-type: none"> 1. Acknowledged the Q1 consolidated financial statements of Year 2017. 2. Reviewed and examined the Directors and Supervisors candidates’ qualifications. 3. Approved the release of the non-competition restriction on Directors candidates in accordance with Article 209 of the Company Act. 4. 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 26-28

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: None

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	Zoe Chou	Philine Lee	fiscal year 2016	Financial statements Audits and Tax Return Certification

Amount bracket		The term of CPAs fee	Auditing fees	Non-auditing fees	Total
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	Zoe Chou Philine Lee	4,780	0	0	0	0	0	2016.1.1~2016.12.31	
	Zoe Chou	0	0	0	0	120	120	2016.1.1~2016.12.31	Translation of Document
	Jason Hsu	0	0	0	0	78	78	2016.1.1~2016.12.31	Tax Reduction for R&D Investment
	Lily Hsu	0	0	0	0	550	550	2016.1.1~2016.12.31	TP Project
	Eliza Li	0	0	0	0	167	167	2016.1.1~2016.12.31	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 ~2017	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	2016		As of Apr. 30, 2017	
	Net Change in Shareholding	Net Change in Share Pledged	Net Change in Shareholding	Net Change in Share Pledged
Steven Hsu	0	0	0	0
UIS Co., Ltd	197,000	0	62,000	0
C.S. Chen	0	0	0	0
Benny Chen	0	0	0	0
Hank Xiao	0	0	0	0
Y.A. Chen	0	600,000	0	0
James Ho	0	0	0	0
Z.M. Yen	0	0	0	0
Chen Shui-Hwa	0	0	0	0
Tim Sung	0	0	23,000	0
Damon Chao	1,000	0	0	0
Owen Lin	0	0	0	0
TM Lin	0	0	0	0
Wesley Wu	0	0	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 --

Name	Reason	Change date	Deal relative person	The relationship between the counterparty and the company, directors, supervisors and shareholders holding more than 10 percent of the shares	Share	Shareholding ratio	Pledge ratio
Y.A.Chen	Pledge	2016.5.24	Hua Nan Commercial Bank Lungchiang Branch	None	600,000	5.52%	24.14%

3.9 Relationship among the Top Ten Shareholders

As of 2017.4.30 / 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	14,986,502	33.30%	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	0.74%	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	0.07%	0	0	None	None	
FuJui F.M.Co./Rep. S.J. Ho	430,000	0.96%	0	0	0	0	None	None	
S.J. Ho	0	0	0	0	0	0	FuJui F.M.Co.	Rep of major shareholder	
C.Y. Chung	331,000	0.74%	0	0	0	0	None	None	
Tim Sung	244,921	0.54%	0	0	0	0	None	None	
S.J. Du	219,973	0.49%	9,591,177	21.31%	0	0	Steven Hsu	spouse	
Y.C. Wang	167,000	0.37%	0	0	0	0	None	None	

3.10 Ownership of Shares in Affiliated Enterprises

2016.12.31 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
Wada Denki Co., Ltd.	3,000	100	-	-	3,000	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	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	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	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	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	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	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	N/A

B. Type of shares

Apr. 30, 2017 / 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, 2017 / 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	2,925	4	2,940
Shareholding	0	0	15,771,502	29,202,498	26,000	45,000,000
Shareholding ratio (%)	0	0	35.05%	64.89%	0.06%	100%

Note: No shareholdings by the fund from Mainland China.

4.1.3 Status of shareholding Distributed

Apr. 30, 2017 / Unit: persons, share, %

Classification			Number of Shareholders	Shareholding	Shareholding Ratio(%)
1	~	999	199	23,490	0.052
1,000	~	5,000	2,190	4,223,802	9.386
5,001	~	10,000	279	2,237,583	4.972
10,001	~	15,000	89	1,164,996	2.589
15,001	~	20,000	35	647,006	1.438
20,001	~	30,000	50	1,272,584	2.828
30,001	~	40,000	31	1,091,475	2.426
40,001	~	50,000	12	553,000	1.229
50,001	~	100,000	30	2,232,268	4.961
100,001	~	200,000	16	2,012,178	4.472
200,001	~	400,000	3	795,894	1.769
400,001	~	600,000	1	430,000	0.956
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	26,949,442	59.888
Total			2,940	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.

2017.4.30 / Unit: Share, %

Shareholders' Name	Shareholding under their name	
	Shares	Holding percentage (%)
UIS Co., Ltd.	14,986,502	33.30%
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.	430,000	0.96%
C.Y. Chung	331,000	0.74%
Tim Sung	244,921	0.54%
S.J.Du	219,973	0.49%
Y.C. Wang	167,000	0.37%

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

Unit : NTD Thousand, Thousand share

Item \ Year			2015	2016	2017.3.31 (Note 2)
Market Price per Share	Highest		83.40	53.40	44.70
	Lowest		41.00	37.40	38.55
	Average		65.96	46.46	42.00
Net Worth per Share	Before Distribution		38.27	36.29	35.51
	After Distribution		35.02	Note 1	–
Earning per Share	Weighted Average Shares		45,000	45,000	45,000
	Diluted Earning per share	Before Adjustment	3.92	2.26	(0.08)
		After Adjustment	3.92	Note 1	–
Stock Dividends	Cash Dividend		3.25	Note 1	–
	stock grants	Dividends from Retained Earnings	-	-	–
		Dividends from Capital Surplus	-	-	–
	Accumulated Undistributed		-	-	–
Return on Investment	PE ratio (Note 1)		16.83	20.56	–
	Price/Dividends Ratio (Note 2)		20.30	Note 1	-
	Cash Dividend Yield Rate(Note 3)		4.93	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 2016 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 25-1 of Articles of Incorporation in operation, when the annual final accounting statement shows earnings, the Company shall contribute 6-10% of earning as employee compensation and note more than 2% of earning as compensation as remuneration to directors and supervisors. But the company still has accumulated losses, should be made up. The remuneration to directors shall be Cash. Employees' compensation shall be made by stock or cash. It shall be held by the board of directors by attending more than two-thirds of the directors and attending a majority of the directors 'consent, and report to the shareholders' meeting. In addition to the employees of the Company, the employees of the Company shall pay the employees of the Company 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 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 26-1 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
2016 Net income	101,535,779	
Less: provision of legal reserve (10%)	10,153,578	
Add: 2016 adjustment of retained earnings	1,541,177	Actuarial pension actuarial differences
Add: 2015 undistributed earnings	91,767,042	
2016 Distributable earnings	181,608,066	
Less: cash dividend to shareholders	90,000,000	NTD 2.0 cash dividend per share
Undistributed earnings	91,608,066	

Note: This earning distribution has been approved by Board of Directors on Mar 27, 2017 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\$ 2.0 cash dividend per share from profit in 2016 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' compensation and not 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 8,068 thousands and to Directors and Supervisors to be NTD 2,689 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 8,007 thousands as employees' remuneration in 2016 and NTD 2,660 thousands as remuneration to directors and supervisors. The distribution amount aforementioned is NTD 90 thousands less than the estimated amount reported in 2016. 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' compensation 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:

The actual earning distribution of 2015 is as stated aforementioned. The differences NTD 4 thousands with the recognized employees' compensation is mainly due to the distribution changes with profit, which has been adjusted in the profit or loss of 2016.

2015 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	\$4,555	\$4,550	-\$5	Distribute practice tolerance
Employees' cash compensation	\$13,665	\$13,666	\$1.	Distribute practice tolerance

4.1.9 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 : None

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; %

Year	2015		2016	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
UPS	1,162,012	42.46%	943,494	38.97%
APF	204,598	7.47%	136,942	5.66%
PV	291,220	10.64%	27,910	1.15%
Project	749,838	27.39%	954,732	39.43%
Others	329,542	12.04%	357,966	14.79%
Total	2,737,210	100.00%	2,421,044	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.

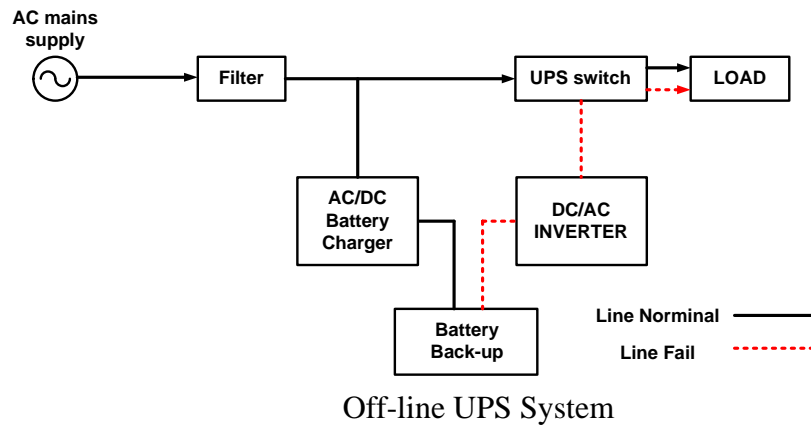
In recent years, in an effort to improve the efficiency of On-line UPS systems, in addition to adopting three-stage power inverters to handle the task of conversion, the system also features a new economic operation mode. In this mode, the DC/AC inverter of the UPS system would be set to hot standby,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

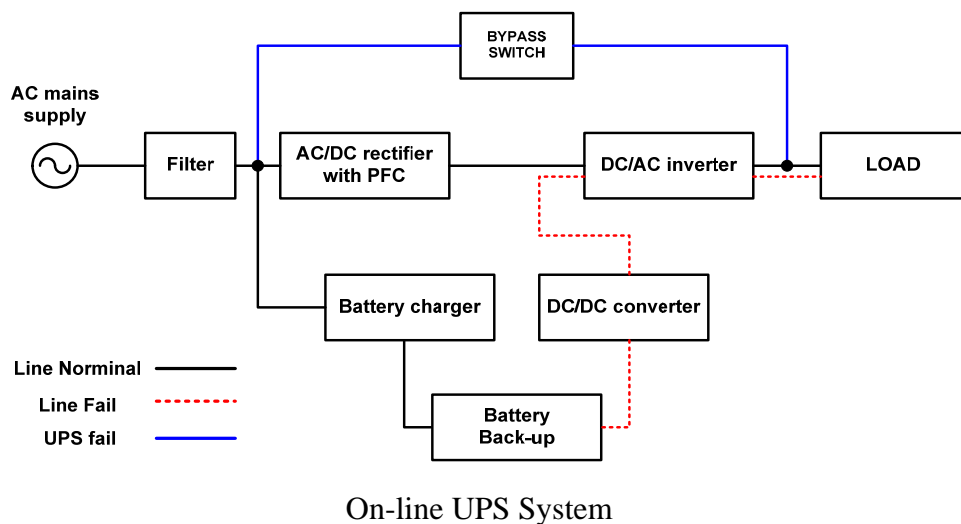
A. Off-line

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.



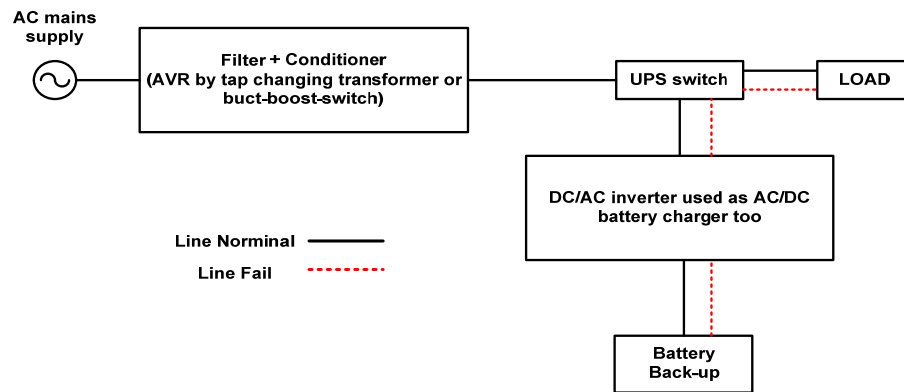
B. On-line

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. Ablrex 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 Active Power Filter (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, Alerex 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.

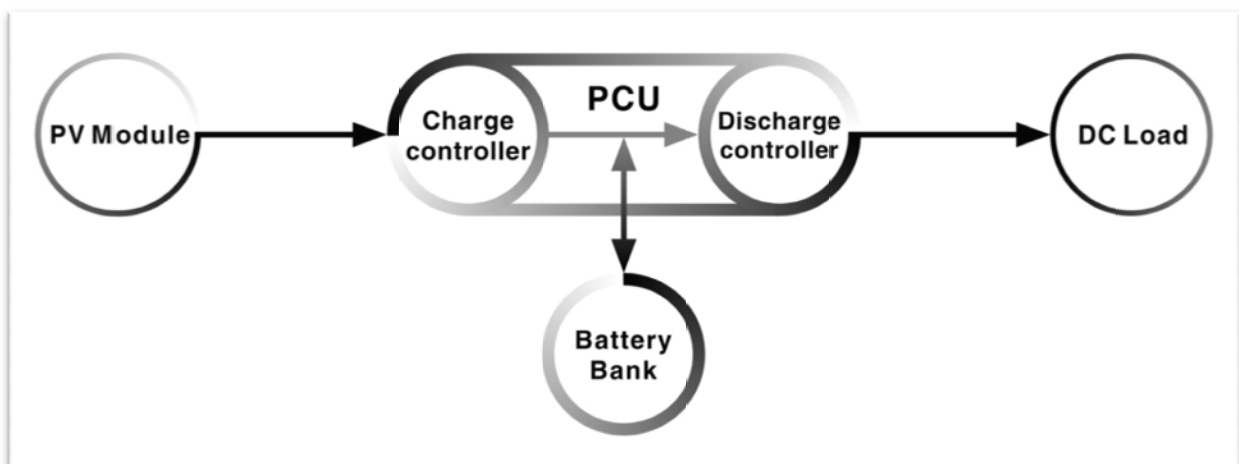
According to IMS Research's prediction, the market for PV inverter will continue to grow, with more noticeable growth in demand in 2017. The demands for small business building PV system (usually between 10~100kW) and PV stations (typical installation of 500kW or higher) are expected to grow more significantly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

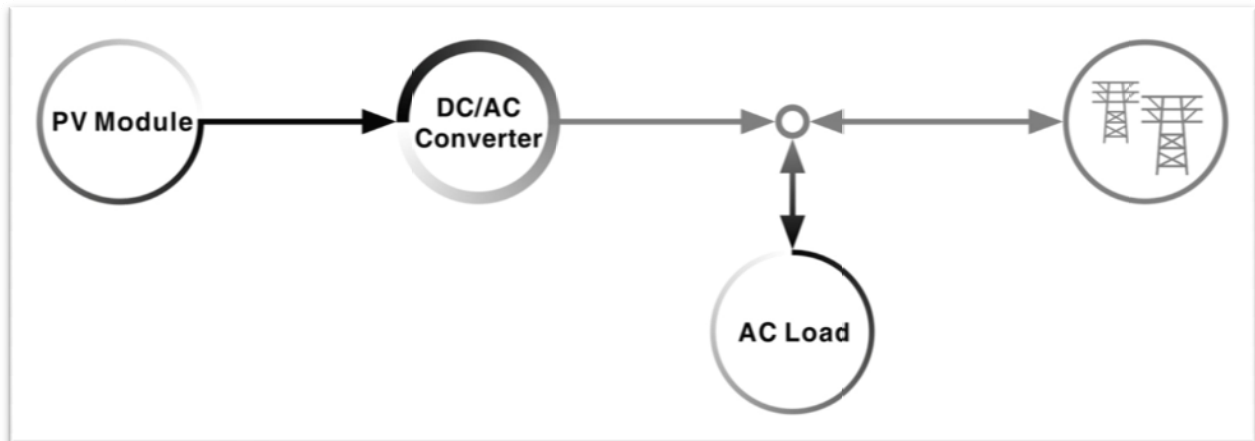
As its name implies, a stand-alone PV system is capable of generating the power that is required without having to be connected to the power distribution grid of the power company. Since the system will not be able to generate electricity in the absence of sunlight at night or in poor weather, stand-alone 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

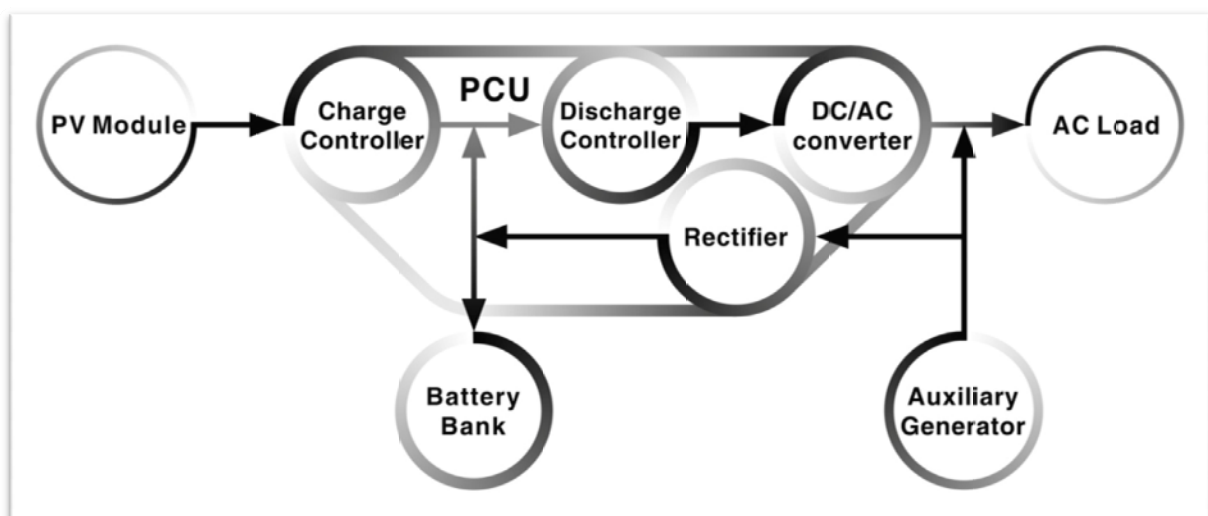
A Grid-connected system generates power in a parallel connection with the city power grid. The system would generate power for the load and the power company will cover the insufficient part of power. With such system, the city power grid can be perceived as an infinitely large and everlasting battery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

④ Residential Energy Storage System

As sources of intermittent energy, solar energy is not continuously available and can be easily affected by numerous environmental factors. Thus the output power of solar energy can be described as unstable and unpredictable power source. When a large quantity of grid connected PV systems are installed on the electrical grid, the

intermittency characteristics of solar energy will have given a serious impact on the electrical grid such as the fluctuation of voltage and frequency, safety, stability, and electrical power quality. Therefore, the development of grid connected PV system has been limited. In order to deduct intermittency characteristics of solar energy cause impact on the power grid, the transmittance of solar PV system must be developed. At the same time, the battery storage system can solve the fluctuation of voltage and poor electrical power quality caused by over capacities of grid connected renewable energy system. Since the Smart Grid was established, liberalization of the electricity market has rapidly accelerated the business from various sectors have been selling electricity by time-of-use pricing. Users allow to purchase the lowest price of electricity at the off-peak period and storage into the battery bank. and discharge the saved energy at the peak period, which the electricity price is extremely high, to avoid the consumption of electricity or even sell back to the utility. Other than fuctions mentioned above, if the utility grid is ordinary condition, users can operate charging/ discharging the power from our battery module during the night. When the utility grid has unpredictable problem occurred, our system would disconnect with the utility automatically and continuously provide power to loads by using storage energy.

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

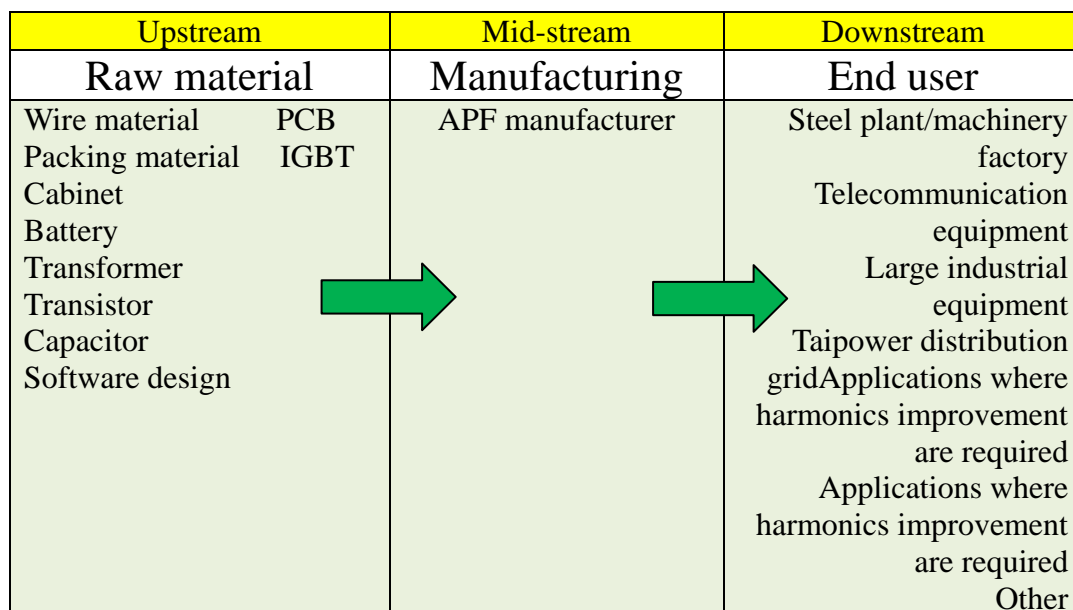
① UPS manufacturing process (up, mid and downstream)

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

Ablerex 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.

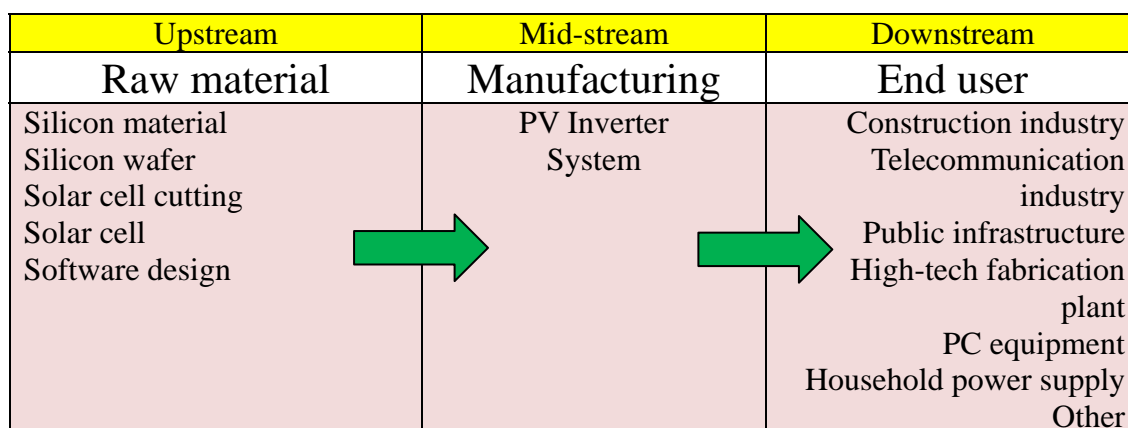
② APF



Ablerex 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)



In the solar PV industry, Ablerex 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 Ablerex 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 Ablerex.

④ESS for home 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 Battery cell	Residential Energy Storage System	Construction industry Telecommunication industry Public infrastructure High-tech fabrication plant PC equipment Household power supply Other

In the Energy Storage industry, Ablerex specializes in the area of system and inverter technologies and assumes the role of a designer and manufacturer of inverter for ESS. 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 on.

Energy Storage industry promises vast business opportunities in the foreseeable future. Due to the high technological threshold, there are only few competitors seen in the domestic market. Our inverter for ESS definitely have competitive advantages in quality and pricing of the product. In fact, Ablerex has become a leading manufacturer in domestic industry and has been designated as an ODM partner by several major domestic companies. Our ESS has already brought substantial revenues for Ablerex.

(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, Ablerex 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 Residential Energy Storage System

The future of Residential Energy Storage System(ESS) will not only develop in high efficiency and for commercial use, but also it will be able to resolve the renewable energy problem of intermittent electricity generation for wind power and solar power. The development of this system allows problems to be solved while expanding its potential market further. From 2016, Ablerex has continuously been applied for certifications in Germany, Australia, and Japan. We strongly believe these certifications from different regions would be beneficial to expand the ESS market and has generated substantial revenue for Ablerex.

(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.

④ Residential Energy Storage System

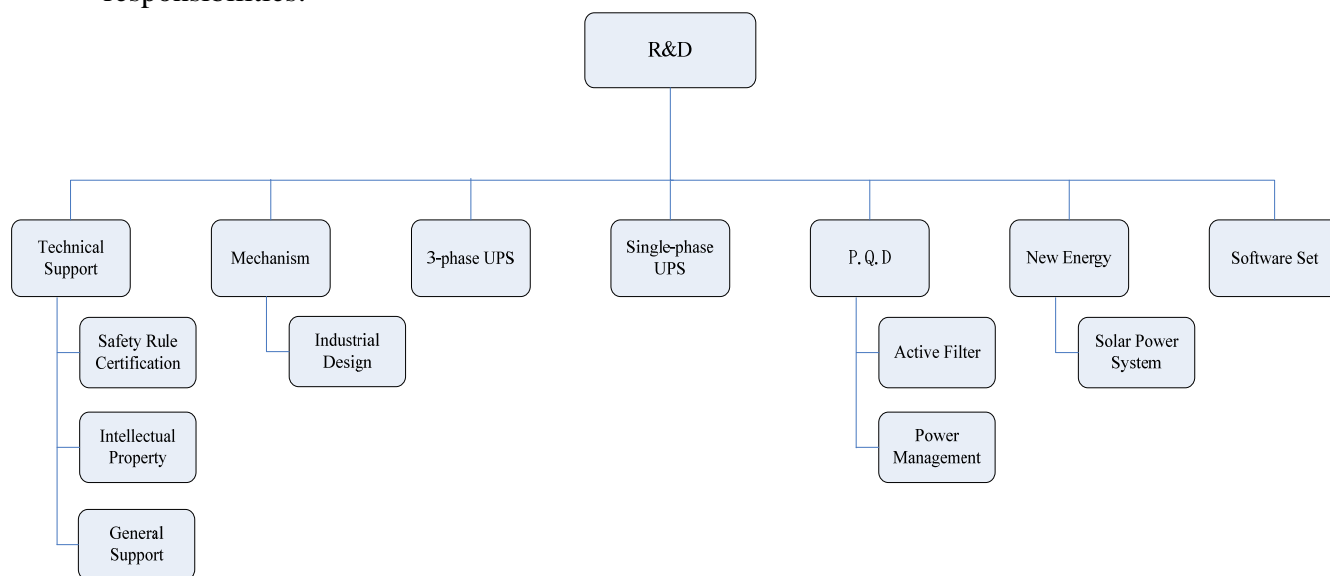
ESS is primarily used to convert the AC current stored in solar panels to DC power or to save the generated power in the battery bank for direct usage and connection to the power grid. Unless the new invention of conversion equipment or new solar cells that could convert DC current by itself, otherwise, there are no other existing products that could replace this system.

5.1.3 Research and Development

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

Right from the initiation of the company, Ablerex 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, power management system product, Energy storage system and technology research.
	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 and the system platform for Cloud computing.

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, Alerex 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	6-Ablerex 2-Suzhou	6-Ablerex 2-Suzhou
USA	0	0	3	3
EU	0	0	5	5
Total	0	0	22	22

Status of trademark application as of Feb 7, 2017.

Status of patent application: including patents received and pending

At present, Ablrex has acquired a total of 118 patents, and 114 of which are patents of invention. These patents have been utilized on our main products and aptly reflect Ablrex's capacity for research and innovation.

Region	Application Status	UPS	APF	SOLAR	BMS	ESS	Total
Taiwan	Patent received	13	13	11	2	2	41
	Under review	0	0	2	2	0	4
Taiwan Total		13	13	13	4	2	45
China	Patent received	11	13	8	5	2	39
	Under review	2	0	5	1	0	8
China Total		13	13	13	6	2	47
USA	Patent received	12	13	9	2	2	38
	Under review	1	0	3	0	0	4
USA Total		13	13	12	2	2	42
Total		39	39	38	12	6	134

Number of patent applications as of Feb 07, 2017

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 Ablere'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 Feb 7, 2017

(2) R&D staffs and their academic credentials

As of Feb 07, 2017, we have a total of 118 employees on our R&D staff, with their academic credential distribution as shown in the table below:

As of Feb 7, 2017 / Unit: Person

Academic credentials	PhD	Masters	Bachelor	College	Senior High School	Total
No. of employees	2	68	44	2	2	118
Percentage	1.69	57.62	37.28	1.69	1.69	100.00%

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

Item \ Year	2012	2013	2014	2015	2016	2017Q1
R&D Expense	113,374	117,988	119,779	125,720	139,208	36,473
Revenue	2,320,640	2,426,211	2,827,996	2,737,210	2,421,044	594,570
Rate of Revenue	4.89%	4.86%	4.24%	4.59%	5.75%	6.13%

All the financial data stated above have been reviewed by CPAs

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

Year	Product Category	Successfully developed technology or product	Description of characteristics/purpose
2016/2017	UPS	Line-interactive UPS Glamor Sine Wave1000VA~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 cos
		On-line UPS ARES 1K~3K RT / Tower Model for 120/230Vac System	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 RT / Tower Model	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
		Three-phase UPS TAURUS 80K~200K	1. Adopted a new three-level 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 transferring speed < 3ms
		Three-phase UPS Voltage Sag	1. Adopted a new three-level architecture to significantly improve the unit's overall operating performance. 2. Adopted a long lifecycle capacitor back to replace the battery. Backup loads from utility voltage problems. 3. Capacity can be extended up to 6 units of total 360kVA/360kW
	Power Management Development	Battery Management System BMSIII plus RF Receiver	In addition to the wireless transmission functionality that is also featured in the previous generation, the product has also been designed with battery voltage equalizer technology to prevent battery overvoltage with greater precision. We have designed with additional function that allows determine battery condition, remaining discharging time, and diagnosing life cycle of deteriorated battery.
		Raspberry Pi Intelligent HMI	Adding a wifi function; moreover, to strengthen the development of Green Product related application software.
		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.
	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

Year	Product Category	Successfully developed technology or product	Description of characteristics/purpose
			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.
		APF 60A/90A	Other than breakthrough the current product structure and technology, there is a new additional feature that permits units with different capacity to run the parallel operation. This function gives customers to have more flexible options to choose their product capacity.
	ESS	Single Phase Residential ESS	The ESS includes smart meter(ESS-MET), inverter (ESS-INV), and battery module(ESS-BAT). °
		Energy Storage System ESS5000/4000/3300	Through the smart meter interface, the user can command the Self-consumption function based on the calculation of voltage, current, and power factor throughout the controller. The controller will automatically order the command to the rectifier to adjust power generation from solar panel and battery discharge/charge power. This system also fits to time-of-use pricing program users that throughout the setting of smart meter, users will be able to control discharging or charging electricity by adjusting the setting of off peak and on peak time-of-use periods. Users can buy electricity in the off peak period to storage into the system and sell these storage electricity in the on peak period to accomplish the goal of saving energy resource and the most efficiency way of use. Our ESS inverter can use any batteries as long as the voltage of inverter matches the voltage of battery bank within the range of 40~60V. The customer can consider choosing our ESS Li-ion battery module option which includes the Battery Management System in it. Our system is suitable for the Lead-acid, Lit-ion, LiFePO4, SiC, Seawater battery, etc.

Year	Product Category	Successfully developed technology or product	Description of characteristics/purpose
	PV Inverter	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.
		Single-phase PV inverter ESJ5500 For Japan market	This single-phase 5.5kW PV product is to comply with JET certification in Japan; in addition, it has installed with the output voltage circuit for the disaster prevention usage. This product can be widely applicable in numerous areas that it will possibly be developing our single-phase ESS in the foreseeable future.
		Single-phase PV inverter ES5500H	To modify a existing product of ES5000H, we select the outer case made of aluminum material, in order to improve its heat dissipation performance. The capacity of the machine increases 10% with the same material cost as the previous model, and we are hoping this modification will help increasing our product's profit margin.
		Single-phase PV inverter ES7200HC	As the solar panel production improves year after year, panel efficiencies continue to improve as well. To apply to the improvement of solar panel and market's needs, we have developed a new inverter of 7.2kW model. This new inverter is designed with single MPPT function and 1000V DC input, in order to rise power density and to make the product lighter.
		Wind Power Generation System	Both wind power generation system and PV power generation system play an important role as the development of renewable energy resources. We implanted our maximum power point track technology into single-phase inverter and combined with Dump Load, rectifier, cloud monitoring module, Wind inverter, and controller into the systematized cabinet to standardize our product of wind power generation system to shine in the wind power market.

5.1.4 Long-Term and Short-Term Business Development Plans

(1) Short-term business development plan

① Product strategy

Under adjustment, Low-end single-phase UPS products, a comprehensive back to the market, according to different market and customer needs, to provide a reasonable C / P value of products, to regain customer trust and raise revenue.

② Production strategy

Improve the self - made rate of the shell of the product and control quality and lead time. Select raw material carefully and raise assembly skill to make quality stable. Continue improving of production flow and expanding electronic production to raise production efficiency and quality for controlling of products costs.

③ Marketing strategy

Sales localized 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, Ablerex 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 Ablerex 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 Ablerex'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		2016	
		Amount	%
Domestic operating income		1,026,519	42.40%
Internal operating income	Asia	726,705	30.02%
	America	205,656	8.49%
	Europe	462,164	19.09%
Total		2,421,044	100.00%

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

Ablerex 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

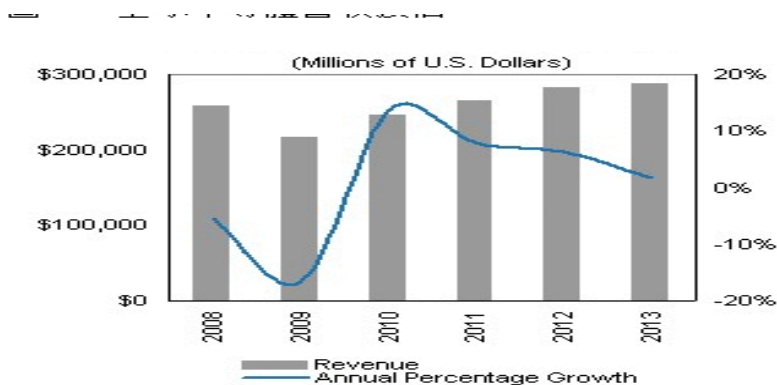
Despite the long history of the UPS industry, the sector still has much room for growth waiting for businesses to commit and cultivate. Even though the migration of local businesses may significantly reduce the quantity of factory equipment in Taiwan, UPS manufacturers will still be able to locate new 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 million, 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

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 Residential Energy Storage System

According to Energytrend's prediction, the ESS market will continuously grow in future. Especially clear and more needs after 2018 to 2020. We estimate the demand of ESS converter (normally 5kW) will likely increase in the foreseeable future.

(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, AblereX has obtained 118 patents, and 114 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:

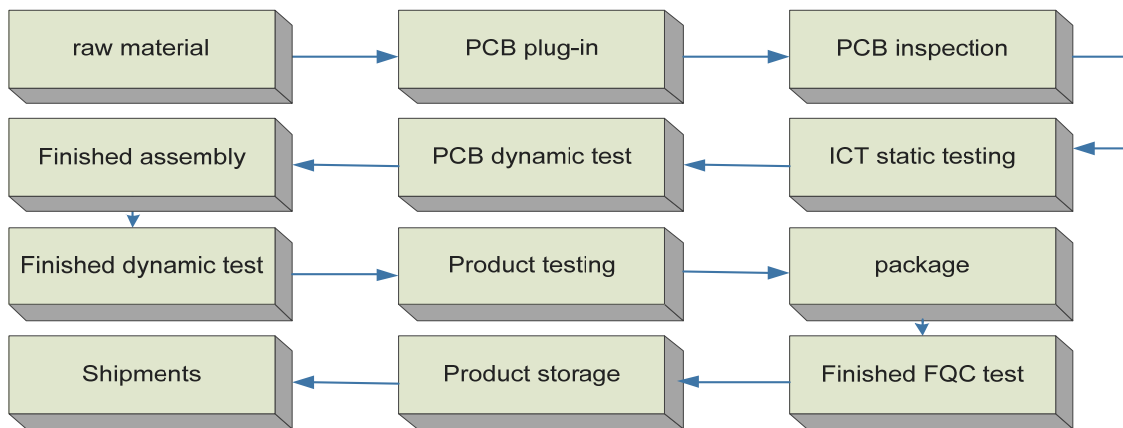
We will continue to develop new customers and cultivate new customer base in different countries to better understand the needs of our future clients. In addition, we will foray into the respective markets to lower the risks of being overly dependent on the distribution in specific regions.

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 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.
ESS	The ESS includes smart meter (ESS-MET), inverter (ESS-INV), and battery module (ESS-BAT).

(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, Ablerex 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 Ablerex 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	2015				2016					2017Q1				
Item	Name	Amount	%	Relation with issuer	Item	Name	Amount	%	Relation with issuer	Item	Name	Amount	%	Relation with issuer
1	Toplite (Guang Zhou) Technology Battery Co., Ltd.	153,784	9.34%	None	1	Taiwan Yuasa Corp.	184,003	12.04%	None	1	Taiwan Yuasa Corp.	18,244	6.28%	None
2	Other	1,493,113	90.66%	-	2	Other	1,343,783	87.96%	-	2	Other	272,225	93.72%	-
	Total	1,646,897	100.00%	-		Total	1,527,786	100.00%	-		Total	290,469	100.00%	-

Cause of change: Toplite Technology Battery co., Ltd. has stopped the production line from 2016. .

B. Major Clients in the Last Two Calendar Years

Unit: NT\$ Thousand; %

Year	2015				2016				2017Q1			
Item	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer	Name	Amount	%	Relation with issuer
1	Co. A	301,959	11.03%	None	Co. F	280,984	11.61%	None	Co. A	78,329	13.17%	None
2	Co. J	228,770	8.36%	None	Co. A	231,198	9.55%	None	UIS Corp.	61,497	10.34%	
3	Other	2,206,481	80.61%		Other	1,908,862	78.84%		Other	454,744	76.48%	
	Total	2,737,210	100.00%		Total	2,421,044	100.00%		Total	594,570	100.00%	

Cause of change: Due to customer consolidation and active participation in domestic projects, both Co. A and Co.F are changed to major clients.

(5) Production in the Last Two Years

Unit: piece; NT\$ Thousand

Year Major Products	2015		2016	
	Capacity	Capacity	Capacity	Amount
UPS	311,218	1,067,109	272,610	871,714
APF	2,913	88,790	3,388	91,892
PV inverter	20,222	441,671	11,661	250,504
Project	Note	587,972	Note	757,843
Other	Note	1,576,773	Note	1,384,704
Total	334,353	3,762,315	287,659	3,356,657

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	2015				2016			
		Local		Export		Local		Local	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
UPS		654	3,319	298,345	1,158,693	137	2,422	257,694	941,072
APF				2,254	204,598		-	1,481	136,942
PV		2,193	61,419	7,485	229,801	1,015	27,504	23	406
Project			745,331		4,507		926,028		28,704
Other			74,281		255,261		70,564		287,402
Total		-	884,350	-	1,852,860	-	1,026,518	-	1,394,526

5.3 Human Resources Analysis

Apr. 30, 2017, Unit: people, age, %

Year		2015	2016	2017/4/30
Number of Employees	Direct Labor	276	181	178
	Indirect Labor	87	112	74
	Administrative staff	361	366	417
	Total	724	659	669
Average age		34.26	34.23	34.58
Average years of service		5.22	5.77	6.00
Education (%)	Ph. D.	0.41%	0.30%	0.30%
	Masters	9.68%	11.99%	12.56%
	Bachelor's Degree	22.24%	25.64%	27.50%
	College	19.75%	21.55%	19.43%
	Senior High School	28.04%	24.43%	26.16%
	Junior High School and below	19.89%	16.08%	14.05%

Note : The numbers are for all group

5.4 Environmental protection Expenditure

5.4.1 Total Losses and Penalties

According to the law, the applicant shall apply for the establishment of a permit or pollution discharge permit or should pay pollution control costs or the establishment of environmental protection units responsible for the person, the application, payment or establishment of the statement: the company in the production process and No major sources of pollution, but in order to avoid changes in the law also set up environmental protection personnel, and regularly check the status of the law to determine whether the impact of the company's operations.

5.4.2 Major equipment to prevention and their usage and potential benefit : None.

5.4.3 Until the date of publication, any improvement in environmental pollution for past two years : None

5.4.4 (Including remedial measures) and possible expenses (including non-response measures that may occur in the future due to the total amount of the damage suffered by the Company in the last two years and as of the date of publication) Loss, disposition and indemnity, if it is not reasonably possible, it shall state the fact that it can reasonably be estimated. : None

5.4.5 The current pollution situation and its improvement on the company's earnings, competitive position and capital expenditure and the expected impact of the next two years of major environmental capital expenditure: 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, Ablere provides group insurances covering healthcare, accidents, and health examinations for employees. Ablere 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	11	37	88	0
2. Specialist training	132	316	2363	356,694
Total amount	143	353	2451	356,694

(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.

No.	Target	Solution	Status	Execution
1	Change to lead-free product	10% leaded product change to lead-free product	There are still very few leaded products in the Company, although it still complied with international standard, but also as a goal to go.	Lead-free raw materials and lead-free electrical product development test, the production line has been fully changed accordingly.
2	10% recycling of Office total used	program for A4 paper and laser printer cartridge recycling	Recycling	Set A4 recycling paper dedicated machine, toner cartridges are re-transfer manufacturers to use
3	Energy saving and carbon reduction and improvement	Saving water saving measures	The company set the energy policy in 2017, electricity consumption decreased by 1% compared with 2016 years, water consumption than the 2016 years by 5% °	<ol style="list-style-type: none"> 1. Funding permission to replace the traditional T8 lamps for efficient energy-saving lamps. 2. export indicator, evacuation direction indicator, fire indicator LED products, energy saving rate of more than 68%, the future will continue to be replaced. 3. Implement energy saving and reduce electricity bills. 4. Central air conditioning use time control. 5. master the various units of electricity, to review the possible loss of power. 6. Analyze the rationality of electricity and set the optimal contract capacity. 7. Water faucet is small. 8. Equipment failure for replacement, the use of water-saving standard water equipment. 9. Wash basin installation of water-saving device

Follow-up activities on environmental and occupational safety and health promotion

A. Harmful substances limit (ROHS)

ROHS in July 1, 2006 came into effect, the products sold to the EU shall not contain lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyls and polybrominated diphenyl ether and other six hazardous substances. The Company actively promote green production and procurement, to achieve in the process, and has been with the main customers to meet the products without harmful substances, access to customer recognition.

B. Plan for Occupational Disaster Prevention

In order to achieve the goal of zero disaster, the Company plans to prepare the annual occupational disaster prevention plan at the end of each year, and then formulate detailed implementation plans according to the contents of the occupational disaster prevention plan, and will be implemented by the institution according to the planned time and content. The system explores the lack of implementation, at every three months of the safety and health committee or the labor meeting, to fix the occupational disaster prevention plan. In accordance with the resolution of the Safety and Health Committee during the year, we will set down the occupational disaster prevention plan, re-implementation, re-audit, review and revise the plan for the next year. We will continue to reduce the risk of harm to the public through the PDCA The ultimate goal of the disaster.

C. Implement the automatic check

Employees in the face of different operating environment, process, operation and operation, may be due to unsafe operations, equipment or management and other factors, resulting in physical harm, to this end, the company is actively promoting the automatic inspection, This is a measure to promote the discovery of potential hazards, and strive to improve and effectively control. The company automatically checks the items, including equipment, the use of raw materials, operating environment, operating machinery and motor vehicles.

D. On-site job environment measurement and personal protection of employees

In the implementation of the operating environment of the Company, the operating environment measurement plan containing the sampling strategy is prepared, and the project is collected from the basic data collection, the process flow and the hazard record. Through the observation, interview record, survey, (CO2), noise, ... and so on.

Site workplace planning safety line, the protection part of the necessary equipment, such as the protection of protective equipment, earplugs, etc., on the part of the staff assigned to the safety shoes to strengthen the protection. Regular health check every three years, the most recent implementation date 2015.09.18.

E. Strengthen corporate social responsibility to take care of employees

In the spirit of corporate social responsibility, the Company has a Code of Ethics on Employee Practitioners, which clearly protects employees' work fairly and maintains their work. We also set up the Supplier Corporate Social Responsibility (CSR) Code for Supplier Management and Specifically, they are required to sign back the declaration, the specific requirements of the staff must also protect the rights and interests.

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
Financing contracts	Chang Hwa Commercial Bank	2016.6.30~2017.6.30	Comprehensive credit line	None
Financing contracts	China Trust Commercial Bank	2016.9.1~2017.8.31	Comprehensive credit line	None
Financing contracts	Taipei Fubon Bank	2016.11.13~2017.11.13	Comprehensive credit line	None
Financing contracts	E.Sun Commercial Bank	2016.11.15~2017.11.15	Comprehensive credit line	None
Financing contracts	Mega International Commercial Bank	2017.4.10~2018.4.9	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					03-31-2017 (Note 4)
		2012	2013	2014	2015	2016	
Current assets		1,620,758	1,714,839	2,066,442	2,009,612	1,856,317	1,575,028
Real estate, plant and equipment		585,943	671,358	749,190	820,705	924,197	904,522
Intangible assets		42,592	42,939	43,920	45,696	48,394	47,503
Deferred income tax assets		21,442	23,350	26,821	28,915	30,755	31,399
Other non-current assets		83,750	87,640	22,059	27,900	23,956	21,579
Total assets		2,354,485	2,540,126	2,908,432	2,932,828	2,883,619	2,580,031
Current liabilities	Before	720,539	842,018	1,077,235	1,101,551	1,141,517	879,407
	After distribution	833,039	954,518	1,257,235	1,247,801	Note 3	-
Deferred income tax liabilities		54,813	63,268	74,462	78,612	78,574	70,665
Other non-current liabilities		30,411	15,771	23,373	21,077	22,034	23,931
Total liabilities	Before	805,763	921,057	1,175,070	1,201,240	1,242,125	974,003
	After distribution	918,263	1,033,557	1,355,070	1,347,490	Note 3	-
Shareholders' equity	Before	1,542,828	1,610,132	1,724,268	1,722,150	1,632,863	1,597,777
	After distribution	1,430,328	1,497,632	1,544,268	1,575,900	Note 3	-
Capital		450,000	450,000	450,000	450,000	450,000	450,000
Additional paid-in capital		819,878	819,878	819,878	819,878	819,878	819,878
Retained earnings	Before	288,576	331,353	423,975	422,197	375,942	372,231
	After distribution	176,076	218,853	243,975	275,947	Note 3	-
Other equities		(15,626)	8,901	30,415	30,075	(12,957)	(44,332)
Minority interests		5,894	8,937	9,094	9,438	8,631	8,251
Total shareholders'	Before	1,548,722	1,619,069	1,733,362	1,731,588	1,641,494	1,606,028
	After distribution	1,436,222	1,506,569	1,553,362	1,585,338	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 2016 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)					03-31-2017 (Note 3)
	2012	2013	2014	2015	2016	
Operating revenue	2,320,640	2,426,211	2,827,996	2,737,210	2,421,044	594,570
Gross profit	523,269	575,887	657,509	639,113	580,672	120,453
Income from operations	140,684	168,554	225,488	186,002	123,374	5,532
Non-operating income/expenses	3,866	9,906	40,432	35,729	16,612	(9,016)
Income before tax	144,550	178,460	265,920	221,731	139,986	(3,484)
Income from operations of continued segments - after	112,885	146,537	211,866	176,735	101,503	(3,644)
Income from discontinued operations	-	-	-	-	-	-
Net income (Loss)	112,885	146,537	211,866	176,735	101,503	(3,644)
Other comprehensive income	(12,072)	36,310	14,927	1,491	(45,347)	(31,822)
Total comprehensive income	100,813	182,847	226,793	178,226	56,156	(35,466)
Net income attributable to shareholders	112,867	143,879	212,026	176,310	101,536	(3,711)
Net income attributable to non-controlling interest	18	2,658	(160)	425	(33)	67
Comprehensive income attributable to Shareholders	100,963	179,804	226,636	177,882	56,963	(35,086)
Comprehensive income attributable to non-	(150)	3,043	157	344	(807)	(380)
Earnings per share (NTD)	2.51	3.20	4.71	3.92	2.26	(0.08)

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)					03-31-2017 (Note 4)
	2012	2013	2014	2015	2016	
Current assets	1,176,848	1,297,892	1,524,690	1,495,974	1,373,045	N/A
Investment by equities	571,898	621,106	684,030	714,782	723,797	
Real estate, plant and equipment	261,136	337,505	368,415	463,920	610,200	
Intangible assets	26,147	26,472	27,514	29,352	32,084	
Deferred income tax assets	21,442	23,350	26,821	28,915	30,755	
Other non-current assets	64,871	49,832	19,774	25,648	13,113	
Total assets	2,122,342	2,356,157	2,651,244	2,758,591	2,782,994	
Current liabilities	Before	494,290	666,986	829,141	936,752	1,049,523
	After	606,790	779,486	1,009,141	1,083,002	Note 3
Deferred income tax liabilities		54,813	63,268	74,462	78,612	78,574
Other non-current liabilities		30,411	15,771	23,373	21,077	22,034
Total liabilities	Before distribution	579,514	746,025	926,976	1,036,441	1,150,131
	After distribution	692,014	858,525	1,106,976	1,182,691	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 distribution	288,576	331,353	423,975	422,197	375,942
	After distribution	176,076	218,853	243,975	275,947	Note 3
Other equities		(15,626)	8,901	30,415	30,075	(12,957)
Total shareholders' equities	Before distribution	1,542,828	1,610,132	1,724,268	1,722,150	1,632,863
	After distribution	1,430,328	1,497,632	1,544,268	1,575,900	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 2016 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)					03-31-2017
	2012	2013	2014	2015	2016	(Note 3)
Operating revenue	2,183,082	2,247,346	2,695,165	2,609,108	2,189,098	N/A
Gross profit	387,239	402,301	458,631	441,630	370,493	
Income from operations	136,730	136,312	187,342	161,772	71,271	
Non-operating income/expenses	2,038	34,853	66,330	47,760	51,416	
Income before tax	138,768	171,165	253,672	209,532	122,687	
Income from operations of continued segments - after tax	112,867	143,879	212,026	176,310	101,536	
Income from discontinued operations	-	-	-	-	-	
Net income (Loss)	112,867	143,879	212,026	176,310	101,536	
Other comprehensive income	(11,904)	35,925	14,610	1,572	(44,573)	
Total comprehensive income	100,963	179,804	226,636	177,882	56,963	
Earnings per share	2.51	3.20	4.71	3.92	2.26	

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)					03-31-2017
	2012	2013	2014	2015	2016	
Current assets	1,635,634					
Funds & Long-term investments	-					
Fixed assets	601,736					
Intangible assets	49,114					
Other assets	66,780					
Total assets	2,353,264					
Current liabilities						
Before distribution	718,113					
After distribution	830,613					
Long-term liabilities	-					
Other liabilities	61,942					
Total liabilities						
Before distribution	780,055					
After distribution	892,555					
Capital	450,000					
Additional paid-in capital	819,878					
Retained earnings						
Before distribution	285,541					
After distribution	173,041					
Unrealized gain from the financial assets for sales	-					
Cumulative translation adjustments	14,047					
Net loss not recognized as pension cost	(2,151)					
Stockholders' equity of						
Before distribution	1,567,315					
After distribution	1,454,815					
Other Equity - Minority Interest	5,894					
Total equity						
Before distribution	1,573,209					
After distribution	1,460,709					

N/A

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

Item \ Year		Financial Summary for The Last Five Years (Note 1&2)					03-31-2017	
		2012	2013	2014	2015	2016		
Operating revenue		2,320,640	N/A					
Gross profit		523,028						
Income from operations		139,175						
Non-operating income		17,162						
Non-operating expenses		13,296						
Income before tax		143,041						
Income from operations of continued segments - after tax		111,633						
Income from discontinued operations		-						
Extraordinary gain or loss		-						
Cumulative effect of accounting principle changes		-						
Net income		111,633						
Earnings per share (NTD)	Before retroactive	2.48						
	After retroactive	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&2)					03-31- 2017
		2012	2013	2014	2015	2016	
Current assets		1,191,724	N/A				
Funds & Long-term investments		580,027					
Fixed assets		261,136					
Intangible assets		31,492					
Other assets		64,871					
Total assets		2,129,250					
Current liabilities	Before distribution	491,864					
	After distribution	604,364					
Long-term liabilities		-					
Other liabilities		70,071					
Total liabilities	Before distribution	561,935					
	After distribution	674,435					
Capital		450,000					
Additional paid-in capital		819,878					
Retained earnings	Before distribution	285,541					
	After distribution	173,041					
Unrealized gain from the financial assets for sales		-					
Cumulative translation adjustments		14,047					
Net loss not recognized as pension cost		(2,151)					
Total equity	Before distribution	1,567,315					
	After distribution	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

Item \ Year		Financial Summary for The Last Five Years (Note 1&2&3)					03-31-2017
		2012	2013	2014	2015	2016	
Operating revenue		2,183,082	N/A				
Gross profit (Note 2)		380,990					
Income from operations		129,213					
Non-operating income		14,959					
Non-operating expenses		6,913					
Income from operations of continued segments - before tax		137,259					
Income from operations of continued segments - after tax		111,615					
Income from discontinued operations		-					
Extraordinary gain or loss		-					
Cumulative effect of accounting principle changes		-					
Net income		111,615					
Earnings per share (NTD)	Before retroactive	2.48					
	After retroactive	2.48					

Note 1: All the financial data for past 5 years 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 2011 to 2016

CPAs and their auditing opinions in the past 5 years

Year	Accounting Firms	CPAs	Audit Opinions
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	Philine Lee 、 Jenny Yeh	unqualified opinion
2016	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&3)					03-31-2017 (Note 3)
			2012	2013	2014	2015	2016	
Financial structure (%)	Ratio of liabilities to assets (%)		34.22	36.26	40.40	40.95	43.07	37.75
	Ratio of long-term capital to fixed assets (%)		278.85	252.93	244.42	223.13	188.49	188.01
Solvency (%)	Current ratio (%)		224.93	203.65	191.82	182.43	162.61	179.10
	Quick ratio (%)		140.44	118.33	103.84	95.55	77.91	83.01
	Times interest earned ratio		29.57	118.27	138.10	79.99	69.08	(5.00)
Operating ability	Account receivable turnover		4.66	5.30	5.21	4.39	4.15	4.97
	Days sales in accounts receivable		78.32	68.86	70.05	83.14	87.95	73.44
	Inventory turnover (times)		2.58	2.54	2.39	2.03	1.74	1.88
	Account payable turnover (times)		4.46	4.61	4.40	4.20	3.78	4.26
	Average days in sales		141.47	143.70	152.71	179.80	209.77	194.14
	Fixed assets turnover (times)		4.35	3.85	3.98	3.48	2.77	2.60
	Total assets turnover (times)		0.92	0.99	1.03	0.93	0.83	0.87
Profitability	Ratio of return on total assets (%)		4.67	6.03	7.83	6.13	3.55	(0.12)
	Ratio of return on shareholders' equity (%)		7.00	9.25	12.63	10.20	6.02	(0.22)
	Ratio to issued capital stock (%)	Operating income	31.26	37.45	50.10	41.33	27.42	1.23
		Income before tax	32.12	39.65	59.09	49.27	31.11	(0.77)
	Profit ratio (%)		4.86	6.03	7.49	6.45	4.19	(0.61)
	Earnings per share (NT\$)		2.50	3.19	4.71	3.92	2.26	(0.08)
Cash flow (%)	Cash flow ratio (%)		40.38	28.06	5.78	21.81	16.59	1.11
	Cash flow adequacy ratio (%)		N/A	N/A	N/A	N/A	55.37	50.54
	Cash reinvestment ratio (%)		3.83	6.77	0.00	2.92	2.19	0.33
Leverage	Degree of operating leverage		2.67	2.49	2.13	2.49	3.39	14.16
	Degree of financial leverage		1.03	1.00	1.00	1.01	1.01	1.11

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. Operational ability: Due to the increase in real estate, plant and equipment, real estate, plant and equipment turnover decreased by 20.4% over 2015 years,.
2. Profitability:
 - (1) Ratio of return on total assets decreased 42.09% in 2016 comparing to the ratio in 2015 because earning decreased while profit decreased.
 - (2) Ratio of return on total equity decreased 40.98% in 2016 comparing to the ratio in 2015 because earning decreased while profit decreased.
 - (3) The operating profit accounts for the paid capital ratio decreased 33.66% in 2016 comparing to the ratio in 2015 because earning decreased while profit decreased.
 - (4) The Pre-tax net profit decreased 36.86% in 2016 comparing to the ratio in 2015 because earning decreased while profit decreased.
 - (5) The Rate of return decreased 35.04% in 2016 comparing to the ratio in 2015 because earning decreased while profit decreased.
 - (6) The Earnings per share decreased 42.35% in 2016 comparing to the ratio in 2015 because earning decreased while profit decreased.
3. Cash flow:
 - (1) Cash flow ratio decreased 23.93% in 2016 comparing to the ratio in 2015 mainly due to the decrease of net cash inflow from operating activities.
 - (2) Cash reinvestment ratio increased 25% in 2016 comparing to the ratio in 2015 mainly due to the decrease of net cash inflow from operating activities.
4. Leverage : The Leverage increased 36.14% in 2016 comparing to the ratio in 2015 because earning decreased while profit decreased.

B. Stand Alone Condensed Financial Analysis – Based on IFRSs

			Financial Summary for The Last Five Years (Note 1&2)					03-31-2017 (Note 3)
			2012	2013	2014	2015	2016	
Financial structure (%)	Ratio of liabilities to assets (%)		27.30	31.66	34.96	37.57	41.32	N/A
	Ratio of long-term capital to fixed assets (%)		623.45	500.48	494.57	392.70	284.08	
Solvency (%)	Current ratio (%)		238.08	194.59	183.88	159.69	130.82	
	Quick ratio (%)		167.90	128.54	117.92	92.93	66.81	
	Times interest earned ratio		1,876.80	1,509.24	1,933.80	474.24	114.5	
Operating ability	Account receivable turnover (times)		4.75	5.27	5.10	4.38	3.93	
	Days sales in accounts receivable		76	69	71	83.00	92	
	Inventory turnover (times)		4.76	4.28	4.16	3.42	2.56	
	Account payable turnover (times)		5.42	5.54	5.35	4.74	5.34	
	Average days in sales		76	85	87	106.00	142	
	Fixed assets turnover (times)		11.46	4.86	7.63	6.26	4.07	
	Total assets turnover (times)		0.97	0.95	1.07	0.96	0.79	
Profitability	Ratio of return on total assets (%)		5.06	6.42	8.47	6.53	3.69	
	Ratio of return on shareholders		7.03	9.12	12.71	10.23	6.05	
	Ratio to issued capital stock (%)	Operating income	30.38	30.29	41.63	35.94	15.83	
		Income before tax	30.83	38.03	56.37	46.56	27.26	
	Profit ratio (%)		5.17	6.40	7.86	6.75	4.63	
	Earnings per share (NT\$)		2.50	3.19	4.71	3.92	2.26	
Cash flow (%)	Cash flow ratio (%)		36.93	26.66	13.58	16.81	1.59	
	Cash flow adequacy ratio (%)		N/A	N/A	N/A	N/A	37.49	
	Cash reinvestment ratio (%)		0.00	3.86	0.00	0.00	0.00	
Leverage	Degree of operating leverage		2.18	2.32	1.97	2.16	4.12	
	Degree of financial leverage		1.00	1.00	1.00	1.00	1.01	

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.

Financial Analysis – Stand Alone - Under IFRSs

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

1. Financial Structure :

Due to the increase in real estate, plant and equipment, real estate, plant and equipment the long-term funds decreased by 27.66% over 2015.

2. Solvency :

Due to the Current Liability increased, the Quick ratio decrease 28.11% than 2015.

Due to profit decreased and bank interest increased the Interest Protection Multiples decreased 75.86% over 2015.

3. Operating ability :

Due to inventory increased, the Inventory Turnover decreased 25.15% over 2015.

Due to inventory increased, the Average inventory turnover days decreased 33.96% over 2015.

Due to the increase in real estate, plant and equipment, real estate, plant and equipment the turnover (time) decreased by 34.98% over 2015.

4. Profitability :

Due to profit decreased and bank interest increased, the Return on Total Assets decreased 43.49% over 2015.

Due to profit decreased, the Return on total stockholders' equity decreased 40.86% over 2015.

Due to profit decreased, the Operation income to capital decreased 55.95% over 2015.

Due to profit decreased, the Pre-tax income to capital decreased 41.45% over 2015.

Due to profit decreased, the Profit ratio decreased 31.41% over 2015.

Due to profit decreased, the Earning per share decreased 42.35% over 2015.

5. Cash flow :

Due to the Cash Flows from Operating Activities decreased, the Cash flow ratio decreased 90.54% over 2015.

6. Leverage :

The Leverage increased 90.74% in 2016 comparing to the ratio in 2015 because earning decreased while profit decreased.

C. Consolidated Condense Financial Analysis – Based on ROC GAAP

			Year	Financial Summary for The Last Five Years (Note 1&2)				
			2012	2013	2014	2015	2016	
Financial structure (%)	Ratio of liabilities to assets (%)		33.15	N/A				
	Ratio of long-term capital to fixed assets (%)		261.45					
Solvency (%)	Current ratio (%)		227.77					
	Quick ratio (%)		142.99					
	Times interest earned ratio		29.28					
Operating ability	Account receivable turnover (times)		4.45					
	Days sales in accounts receivable		82					
	Inventory turnover (times)		2.58					
	Account payable turnover (times)		4.47					
	Average days in sales		141.42					
	Fixed assets turnover (times)		4.26					
	Total assets turnover (times)		0.93					
Profitability	Ratio of return on total assets (%)		4.63					
	Ratio of return on shareholders' equity (%)		6.82					
	Ratio to issued capital stock (%)	Operating income	30.93					
		Income before tax	31.79					
	Profit ratio (%)		4.81					
	Earnings per share (NT\$)		2.48					
Cash flow (%)	Cash flow ratio (%)		40.75					
	Cash flow adequacy ratio (%)		74.22					
	Cash reinvestment ratio (%)		3.90					
Leverage	Degree of operating leverage		2.17					
	Degree of financial leverage		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

Item \ Year		Financial Summary for The Last Five Years (Note 1&2)				
		2012	2013	2014	2015	2016
Financial structure (%)	Ratio of liabilities to assets (%)	26.39	N/A			
	Ratio of long-term capital to fixed	600.19				
Solvency (%)	Current ratio (%)	242.29				
	Quick ratio (%)	181.96				
	Times interest earned ratio	1,858.92				
Operating ability	Account receivable turnover (times)	4.64				
	Days sales in accounts receivable	79				
	Inventory turnover (times)	5.45				
	Account payable turnover (times)	5.42				
	Average days in sales	66.92				
	Fixed assets turnover (times)	11.46				
	Total assets turnover (times)	0.98				
Profitability	Ratio of return on total assets (%)	5.00				
	Ratio of return on shareholders' equity	6.85				
	Ratio to issued capital stock (%)	Operating income	28.71			
		Income before tax	30.50			
	Profit ratio (%)	5.11				
	Earnings per share (NT\$)	2.48				
Cash flow (%)	Cash flow ratio (%)	37.00				
	Cash flow adequacy ratio (%)	77.73				
	Cash reinvestment ratio (%)	-				
Leverage	Degree of operating leverage	2.31				
	Degree of financial leverage	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 113 to 115 of the Chinese annual report.
- 6.4 Financial Statements for the Most Recent Years: Please refer to Page 131 to 193 for the details
- 6.5 Independent Auditors' Report for the Most Recent Years: Please refer to Page 132 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	2015	2016	Difference	
			Amount	%
Current assets	2,009,612	1,856,317	(153,295)	(7.63)
Real estate, plant, and equipment	820,705	924,197	103,492	12.61
Intangible assets	45,696	48,394	2,698	5.90
Deferred tax assets	28,915	30,755	1,840	6.36
Other non-current assets	27,900	23,956	(3,944)	(14.14)
Total assets	2,932,828	2,883,619	(49,209)	(1.68)
Current liabilities	1,101,551	1,141,517	39,966	3.63
Deferred tax liabilities	78,612	78,574	(38)	(0.05)
Other non-current liabilities	21,077	22,034	957	4.54
Total liabilities	1,201,240	1,242,125	40,885	3.40
Shareholders' equity, attributable to owners of	1,722,150	1,632,863	(89,287)	(5.18)
Capital stock	450,000	450,000	0	0.00
Additional paid-in capital	819,878	819,878	0	0.00
Retained earnings	422,197	375,942	(46,255)	(10.96)
Other equities	30,075	(12,957)	(43,032)	(143.08)
Non-controlling equities	9,438	8,631	(807)	(8.55)
Total shareholders' equity	1,731,588	1,641,494	(90,094)	(5.20)

Effect of Changes in the last two years to more than 20%, and the amount of change of NT \$ 10 million or more:

1. Other interests: mainly due to investment in foreign currency due to convertible financial statements.

7.2 Financial Performance

A. Condensed Consolidated Financial Performance Analysis – Under IFRSs

NTD Thousands; %

Year	2015	2016	Difference	
			Amount	%
Net Sales	2,737,210	2,421,044	(316,166)	(11.55)
Cost of Good Sold	2,098,097	1,840,372	(257,725)	(12.28)
Gross Profit	639,113	580,672	(58,441)	(9.14)
Operating Expense	453,111	457,298	4,187	0.92
Operating Income	186,002	123,374	(62,628)	(33.67)
Non-operating Income and Expense	35,729	16,612	(19,117)	(53.51)
Income Before Tax	221,731	139,986	(81,745)	(36.87)
Income Tax	44,996	38,483	(6,513)	(14.47)
Net Income	176,735	101,503	(75,232)	(42.57)

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

1. Operating profit and loss : Mainly due to the decrease in operating income.
2. Non - operating income and expenses : Mainly due to the reduction of net foreign currency interest.
3. Pre - tax net profit : Mainly due to the decrease in operating income and the decrease in net foreign currency exchange.
4. Net profit : Mainly due to the decrease in operating income and the decrease in net foreign currency exchange.

B. Estimated sales volume and its basis, the possible impact on the company's future financial business and the response plan:

With the global communications products, Internet, cable television, wireless base stations, smart grid and cloud demand and other areas of vigorous development, resulting in end applications such as personal desktop PC, enterprise with a large data center and public foundation Facilities of the large room equipment, etc., in the use of stable power protection needs, resulting in UPS products have almost become an indispensable standard equipment, so the global UPS industry in recent years showed steady growth trend. According to the Frost & Sullivan survey, the global UPS market is expected to expand from CAGR at 6.91% from 2013 to 2018, and is expected to grow at \$ 13.5 billion by the end of 2018, according to the Frost & Sullivan survey, a well-known electromechanical industry survey company The At the same time, another market pointed out that the end of 2025 by the end of the global UPS market size will grow substantially \$ 17.9 billion.

PV Inverter industry for the solar industry, one ring, 2016 solar market conditions have repeatedly shocked, there is no obvious signs of improvement. TrendForce GreenTechnology estimates that 2017 will be the first time that the global solar market is close to zero growth, with only 73.9GW of demand. At present, China, the United States and Japan for the world's

top three solar energy market, but the gradual rise of the Indian market, it is possible to replace Japan as the third largest market.

In Taiwan, for the goal of non-nuclear homes, the Government set the solar photovoltaic in 2025 cumulative installation to 20GW, also launched the device target 1.52GW solar photovoltaic two-year plan. EnergyTrend pointed out that if the plan goes well, Taiwan's solar energy demand in 2017 will be seen 900MW, together with Thailand among the world's top ten solar energy market. In 2017 the global demand is almost flat, Taiwan is expected to become the major manufacturers rush into the market.

In considering the market development situation and the company's own conditions, the company will continue to technological innovation as the core, to play the customer's technical advisers and support partners, and actively strive for international manufacturers and important distributors or systems manufacturers UPS main products ODM / OEM, trying to stabilize the existing market position; As for the PV Inverter is focused on the domestic market expansion, and with the cloud monitoring system to enhance product added value, to further expand the domestic market share, and plans to cross the solar photovoltaic system To provide information services.

7.3 Analysis of Cash Flow

7.3.1 Liquidity analysis of the recent years

Item \ Year	2015	2016	Financial ratio change
Current ratio	21.81	16.59	-23.93%
Cash Flow adequacy ratio	N/A	55.37	N/A
Cash reinvestment ratio	2.92	2.19	-25.00%

Analysis of financial ratio change:

- (1) Current ratio : Net cash inflow from operating activities decreased by approximately 21.1% from the previous year due to the decline in revenue for the Company for the year 2016 and the decrease in net profit before tax, while the current liabilities for the year 105 decreased by 7.6% over the previous year. But this ratio is declining when the molecular variation is greater than the denominator change.
- (2) Cash Flow adequacy ratio : In the past five years, the Company had net cash inflows, but the capital expenditure achieved by the capital market continued to increase capital expenditure, so the ratio was less than 1.
- (3) Cash reinvestment ratio : The net cash inflow from operating activities in 2016 was less than the amount due in cash dividends after the issuance of cash dividends for the year.

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
355,461	(48,842)	147,977	158,642	-	-

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	2016.2.29	26, 235	-	8, 190	18, 045
Purchase of Equipment	Working capital	2016.12.31	16, 692	-	7, 490	9, 202
Construction of Plant	Working capital	2016.9.22	289, 223	47, 136	109, 235	132, 852

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, 2016; 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\$41)	Annual expenditure	
AblereX Electronics (SAMOA) Co. LTD.	US\$ 6,635	To set up AblereX-SZ and Holding company of AblereX-BJ.	NT\$44,783	mainly recognized profit from ABLEREX-SZ	
AblereX Corporation	US\$ 250	To promote and sales for America territory.	NT\$4,031	Expand sales territory	
AblereX International Corp. LTD.	HK\$ 10	Trading Company between AblereX and AblereX-SZ.	NT\$282	Support to expand sales	
AblereX Electronics(s) PTE. LTD	US\$ 1,480	To promote and sales for EMEA.	NT\$4,084	Expand sales territory	
AblereX Electronics UK LTD.	GBP 100	To set up Holding company of AblereX-IT.	(NT\$658)	recognized profit loss from ABLEREX-IT	Increase AblereX-IT sales
WADA DENKI CO., LTD.	JPY 30,000	To promote and sales for Japan territory.	(NTD847)	Set up on 2016.9.16, initial fee.	

Note: The Company recognizes the write-down of the investment gains and losses.

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 2016 and 2015 were 2,056 thousand and 2,807 thousand alternately, the costs accounted to be 0.08% and 0.10% 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 business of the Group involves a number of non-functional currencies (the functional currency of the Company is NT and the functional currency of some subsidiaries is US \$ and RMB). Therefore, the foreign currency assets affected by the exchange rate fluctuation And liability information and foreign currency market risk analysis as Chinese version of 2016 annual report.

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

- a. 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.
- b. 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.
- c. To achieve a certain degree of natural hedging effect through an offset for regular A/P and A/R.
- d. 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
2016.8.30	2016.8.8	Ablerex Electronics Italy S.r.L	US\$291,436	1.5%	Due for repayment	Credit	2017.8.30
2017.3.8	2016.8.8	Ablerex Electronics Italy S.r.L	US\$200,000	1.5%	Due for repayment	Credit	2018.3.8

Note : On 2016.8.8, The board of director approved to offer a short term loans to Ablere Electronics Italy S.r.L.

(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
Note	2016.12.27	Ablere-SZ	US\$3,000,000	-	Due for repayment	Credit	2017.12.27

Note: On 2016.12.27, the Board of Directors approved that Ablere-HK offer Ablere (Suzhou) Co., Ltd. the short-term loan amount of US \$ 3 million; as of the date of publication, no loan balance.

- (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 Ablrex	Collateral	Guarantee Items	Undertaking Bank	Endorsement/ Guarantee Amount
2016.9.13	2016.8.8	Ablrex-HK	Subsidiary	N/A	Bank financing	China Trust	USD 2,000,000
2016.11.18	2016.8.8	Ablrex-HK	Subsidiary	N/A	Bank financing	Taipei Fubon	USD 2,500,000
2017.2.8	2016.12.27	Ablrex-HK	Subsidiary	N/A	Bank financing	Shanghai Bank	USD 1,500,000
2017.4.10	2017.3.27	Ablrex-HK	Subsidiary	N/A	Bank financing	Mega Bank	USD 3,000,000
Total							USD 9,000,000

- (4) 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	2014	2015	2016	Expected in 2017
R&D invested	119,779	125,720	139,208	148,099
Growth	5.65%	4.96%	10.73%	6.39%

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 manufacturing and sales of solar power converters and energy storage systems, the decision on the recent domestic energy policy has a considerable impact on the promotion of the Company's business. The Company has set up a dedicated business dept. to implement the green energy market development and the business, trying to expand the company's product market share and revenue growth; the other labor benchmark law of the amendment, the company's maintenance contract service business manpower scheduling and operating costs have a greater impact, the company has continued to add staffs In order to maintain the rights and interests of colleagues in line with the provisions of the laws and regulations, in the short term so the cost will be absorbed by the Company itself, but in the long term, this cost will be re-agreed with the contract, a reasonable part of the joint burden by customers.

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 , the company got good records in past three years 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 the new plant completed the opening in Sept. 2016, 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 2016 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.

As the result of the first trial is not conducive to the Company, but the trial somehow meet our appointed lawyers' opinion, but the company and the appointment lawyers deem that the judge in the counterclaim verdict, The difference between the amount awarded and the amount claimed is very different. Accordingly, the Company has filed an appeal in accordance with the law, trying to fight back the rights and interests. The case is now being heard by the Taiwan High Court.

The current assessment of the case will not produce significant losses, so the company did not estimate the relevant losses and liabilities.

(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

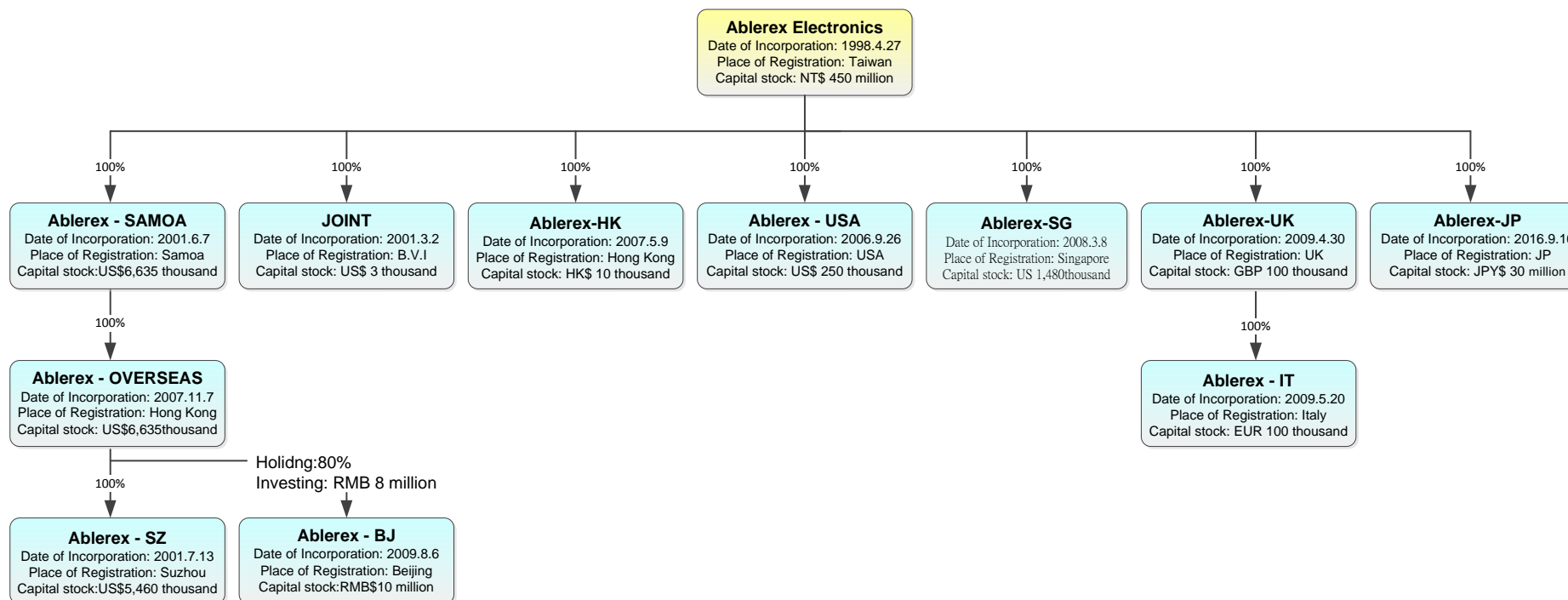
7.6.13 Other significant risks and responsive measures: None

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:

2016.12.31, 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.	213,979	Holding and reinvestment
Ablerex Overseas Corporation Limited (Ablerex-Overseas)	2007.11.07	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong.	213,979	Holding and reinvestment
Ablerex Electronics (Suzhou) Co. Ltd. (Ablerex-SZ)	2001.07.13	NO.36 WANGWU ROAD SUZHOU, 215128	200,817	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	46,406	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 103Ontario CA 91761, USA	8,063	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.	41	International Trading
Joint Rewards Trading Corp. (Joint)	2001.03.02	P.O. Box 3152, Road Town, Tortola, British Virgin Islands.	97	Provide Management Services
Ablerex Electronics (S) PTE. LTD. (Ablerex-SG)	2002.04.17	23 New Industrial Road #05-03 Solstice Business Center Singapore 536209	53,623	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	3,961	Holding and reinvestment
Ablerex Electronics Italy S.R.L (Ablerex-IT)	2009.5.20	Via Ponte San Michele, 6, 36100 Vicenza, Italy	3,390	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
WADA DENKI CO., LTD. (Ablerex-JP)	2016.09.16	No. 10Nihonbashi Ningyocho 1-chome No. 7, Chuo-ku, Tokyo	8,268	Production and Sales for UPS system, PV equipment and relative Power Electronics products.

8.1.3 Presumed to have the same shareholder information as controls and subordinates : None

8.1.4 Overall relationship The business and division of labor covered by the business of the enterprise :

1. The Company produced Electronic products via the following relationship branches:
(1) Ablerex Electronics (Suzhou) Co. Ltd.
2. The Company sold Electronic products via the following relationship branches:
(1) Ablerex Corporation

- (2) Ablere Electronics (S) PTE. LTD.
- (3) Ablere Electronics Italy S.R.L
- (4) Ablere Electronics (Suzhou) Co. Ltd.
- (5) Ablere Electronics (Beijing) Co. Ltd.
- (6)Wada Denki Co., Ltd.

3. The Company offer Management services via the following relationship branches:

- (1) Joint Rewards Trading Corp

8.1.5 The information of directors, supervisors and general manager for relationship between enterprises

Company Name	Title	Name	Share	Share Rate
Ablere Electronics (Samoa) Co. Ltd. (Ablere-Samoa)	director	Y.A. Chen	6,635,000	100%
Ablere Corporation (Ablere-USA)	director	Steven Hsu	250,000	100%
	director	YI FANG Chang		
Ablere International Corporation Limited(Ablere-HK)	director	Steven Hsu	10,000	100%
Joint Rewards Trading Corp. (Joint)	director	Steven Hsu	3,000	100%
Ablere Electronics (S) PTE. LTD.(Ablere-SG)	director	Steven Hsu	2,140,763	100%
Ablere Electronics UK Limited (Ablere-UK)	director	Steven Hsu	100,000	100%
Ablere Overseas Corporation Limited(Ablere-Overseas)	director	Y.A. Chen	6,635,000	100%
Ablere Electronics Italy S.R.L (Ablere-IT)	director	Steven Hsu	NA*	100%
Ablere Electronics (Suzhou) Co. Ltd.(Ablere-SZ)	Chairman	Y.A. Chen	NA*	100%
	director	Steven Hsu		
	director	L.Wang		
	Supervisor	Jeff Lin		
Ablere Electronics (Beijing) Co. Ltd. (Ablere-BJ)	Chairman	Steven Hsu	NA*	80%
	director	Y.A. Chen		
	director	Y.P. Chu		
	Supervisor	Hank Xiao		
Wada Denki Co., Ltd.	Chairman	Steven Hsu	3,000	100%
	Chairman	Wada		
	director	Joseph Hwang		
	Supervisor	Jeff Lin		

* The company type for the limited company, so no shares.

8.1.6 Overview of the relationship branch

2016.12.31 ; Unit : NT thousands (EPS in NTD)

Company Name	Capital	Asset	Liabilities	Net	Revenue	profit and loss	profit and loss (after tax)	EPS (NTD) after Tax
Joint Rewards Trading Corporation	97	20	0	20	11,614	(41)	(41)	(13.64)
Ablerex Corporation	8,063	69,741	16,929	52,812	110,823	6,745	3,958	15.83
Ablerex International Corporation Limited	41	264,826	233,962	30,864	1,166,248	(107)	282	28.19
Ablerex Electronics (S) Pte. Ltd.	53,623	112,803	49,397	63,407	176,589	3,663	4,108	1.92
Ablerex Electronics U.K Limined..	3,961	1,447	0	1,447	0	0	211	2.11
Ablerex Electronics Italy S.R.L.	3,390	43,715	42,268	1,447	63,783	1,058	211	NA (Note2)
Wada Denki Co., Ltd.	8,268	7,521	38	7,483	0	(833)	(847)	(282.18)
Ablerex Electronics (Samoa) Co., Ltd.	213,979	558,947	97	558,850	0	(34)	39,298	5.92
Ablerex Overseas Corporation Limited	213,979	558,830	47	558,782	0	(40)	39,332	5.93
Ablerex Electronics (Suzhou) Co., Ltd.	200,817	861,291	337,015	524,275	1,262,496	37,599	39,505	NA (Note2)
Ablerex Electronics (Beijing) Co., Ltd.	46,406	70,635	27,480	43,156	103,595	(571)	(166)	NA (Note2)

Note 1 : In the case of a foreign company, the relevant figures are converted to NT at the exchange rate at the reporting.

Currency	sight	Average
USD	32.25	32.26
EURO	33.9	35.7
RMB	4.6406	4.8557
GBP	39.61	43.78
JPY	0.2756	0.2972

Note 2 : The company type is the limited company, so no sharew.

8.1.7 Related Business Consolidated Financial Statements: Please refer to the consolidated financial statements on pages 131 to 193 of this booklet.

8.1.8 Relationship Report : N/A

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

Ablere Electronics Company Limited

Statement of Internal Control System

Date: March 23, 2016

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

1. Ablere'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 Ablere takes immediate remedial actions in response to any identified deficiencies.
3. Ablere 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. Ablere 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, Ablere 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 Ablere'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.

Ablere Electronics Company Limited

Steven Hsu
Chairman and President

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

**ABLEREX ELECTRONICS CO., LTD. AND
SUBSIDIARIES**
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2016 AND 2015

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

Report of Independent Accountants

To the Board of Directors and Shareholders of Ablerex Electronics Co., Ltd. And Subsidiaries

Opinion

We have audited the accompanying consolidated balance sheets of Ablerex Electronics Co., Ltd.

and its subsidiaries (the “Group”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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 (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Appropriateness of cut-off of project construction revenue

Description

For accounting policy of revenue recognition, please refer to Note 4(23).

The Group's operating revenue were classified as sales revenue and project construction revenue respectively. The project construction revenue constituted 39% of consolidated operating revenue comprising of selling large equipment and providing installment and maintenance services. Installment was a significant part of the contract due to the risk and reward had not been transferred completely and revenue could only be recognized when acceptance occurs. The Group recognized project construction revenue when customer completed the acceptance and using manual control, with respect to the recognition timing of revenue involved management's judgement. Considered the recognition amount and timing of the Group's project construction revenue were material to its financial statements, and therefore, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess cut-off of project construction revenue:

1. Assessed and obtained an understanding of the Group's internal control procedures of the project construction revenue recognition, and confirmed the related internal controls were performed effectively.
2. Performed cut off test on project construction revenue transactions, and selected samples to check the project construction revenue had been recorded in the period accordingly.
3. Tested the accuracy and completeness of project construction list, including selected delivery orders, invoices and product warranties and mutual ticked in order to confirm the recognition amount and timing were appropriate.

Valuation of allowance for inventory valuation losses

Description

For description of accounting policy on inventory valuation, please refer to Note 4(10); for accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2); and for description of allowance for inventory valuation losses, please refer to Note 6(3).

As of December 31, 2016, the Group's inventories and allowance for inventory valuation losses amounted to NT \$1,065,953 thousand and NT \$124,368 thousand, respectively.

The Group was engaged in design, manufacture and sales of uninterruptible power supply systems, equipment to power quality devices and others. Due to the rapid technological innovations and the competitive nature of the market, there is a higher risk of inventory losses due from market value decline or obsolescence. The Group recognises inventories at the lower of cost and net realisable value. Obsolete or slow-moving inventories were assessed individually.

The Group's estimation and determination of the net realizable value of inventories are subjected to management's judgement and contain a high level of uncertainty and have material effects on the financial statement, and therefore, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in order to assess the adequacy of the measurement of net realisable value and provision on allowance for inventory valuation losses:

1. Assessed the reasonableness of policies relating to the provision of allowance for inventory valuation losses and procedures based on our understanding of the Group's operation and industry.
2. Obtained an understanding of the Group's warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count event in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
3. Verified the accuracy of the inventory aging report and net realisable value report were accurate in order to confirm the information of report were consistent with its inventory policies.
4. Checked the appropriateness of the estimation basis adopted by the Group for the evaluation of the net realizable value, verified the accuracy of inventory selling and purchase prices, and recalculated and evaluated the reasonableness of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Ablrex Electronics Co., Ltd. as at and for the years ended December 31, 2016 and 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including supervisors, are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Chou, Hsiao-Tzu

For and on behalf of PricewaterhouseCoopers, Taiwan
March 27, 2017

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.

ASSETS			December 31, 2016		December 31, 2015			
			Notes	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$	355,461	12	\$	424,743	15
1150	Notes receivable, net			4,895	-		25,388	1
1170	Accounts receivable, net	6(2)		508,383	18		596,870	20
1180	Accounts receivable due from	7						
	related parties, net			14,064	-		-	-
1200	Other receivables, net			6,404	-		5,370	-
130X	Inventories	6(3)		941,585	33		922,428	32
1410	Prepayments			25,331	1		34,619	1
1470	Total other current assets	6(1) and 8		194	-		194	-
11XX	Total current assets			1,856,317	64		2,009,612	69
Non-current assets								
1600	Property, plant and equipment	6(4), 7 and 8		924,197	32		820,705	28
1780	Intangible assets			48,394	2		45,696	1
1840	Deferred income tax assets	6(19)		30,755	1		28,915	1
1900	Other non-current assets	6(5) and 8		23,956	1		27,900	1
15XX	Total non-current assets			1,027,302	36		923,216	31
1XXX	Total assets		\$	2,883,619	100	\$	2,932,828	100

(Continued)

LIABILITIES AND EQUITY		Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(6)	\$ 240,000	8	\$ 135,883	5
2150	Notes payable		6,501	-	3,487	-
2170	Accounts payable		526,361	18	435,787	15
2200	Other payables	6(7)	122,740	4	124,457	4
2230	Current income tax liabilities	6(19)	20,695	1	33,965	1
2250	Provisions for liabilities - current	6(8)	39,713	2	59,944	2
2300	Other current liabilities	6(10)	185,507	7	308,028	11
21XX	Total current liabilities		<u>1,141,517</u>	<u>40</u>	<u>1,101,551</u>	<u>38</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(19)	78,574	2	78,612	2
2640	Net defined benefit liability-non-current	6(9)	22,034	1	21,077	1
25XX	Total non-current liabilities		<u>100,608</u>	<u>3</u>	<u>99,689</u>	<u>3</u>
2XXX	Total liabilities		<u>1,242,125</u>	<u>43</u>	<u>1,201,240</u>	<u>41</u>
Equity attributable to owners of parent						
Share capital		6(11)				
3110	Common stock		450,000	16	450,000	15
Capital surplus		6(12)				
3200	Capital surplus		819,878	28	819,878	28
Retained earnings		6(13)				
3310	Legal reserve		184,180	6	166,549	6
3350	Unappropriated retained earnings		191,762	7	255,648	9
Other equity interest						
3400	Other equity interest		(12,957)	-	30,075	1
31XX	Total equity attributable to owners of parent		<u>1,632,863</u>	<u>57</u>	<u>1,722,150</u>	<u>59</u>
36XX	Non-controlling interests		<u>8,631</u>	<u>-</u>	<u>9,438</u>	<u>-</u>
3XXX	Total equity		<u>1,641,494</u>	<u>57</u>	<u>1,731,588</u>	<u>59</u>
Significant commitments and contingent liabilities		7 and 9				
New Item		11				
3X2X	Total liabilities and equity		<u>\$ 2,883,619</u>	<u>100</u>	<u>\$ 2,932,828</u>	<u>100</u>

		Year ended December 31			
Items	Notes	2016		2015	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(14) and 7	\$ 2,421,044	100	\$ 2,737,210	100
5000 Operating costs	6(3)(17)(18)	(1,840,372)	(76)	(2,098,097)	(77)
5950 Gross profit from operations		<u>580,672</u>	<u>24</u>	<u>639,113</u>	<u>23</u>
Operating expenses	6(17)(18) and 7				
6100 Selling expenses		(197,643)	(8)	(207,385)	(7)
6200 General and administrative expenses		(120,447)	(5)	(120,006)	(4)
6300 Research and development expenses		(139,208)	(6)	(125,720)	(5)
6000 Total operating expenses		(457,298)	(19)	(453,111)	(16)
6900 Net operating income		<u>123,374</u>	<u>5</u>	<u>186,002</u>	<u>7</u>
Non-operating income and expenses					
7010 Other income	6(15)	9,738	1	11,813	-
7020 Other gains and losses	6(16)	8,930	-	26,723	1
7050 Finance costs		(2,056)	-	(2,807)	-
7000 Total non-operating income and expenses		<u>16,612</u>	<u>1</u>	<u>35,729</u>	<u>1</u>
7900 Profit before income tax		<u>139,986</u>	<u>6</u>	<u>221,731</u>	<u>8</u>
7950 Income tax expense	6(19)	(38,483)	(2)	(44,996)	(1)
8200 Profit for the year		<u>\$ 101,503</u>	<u>4</u>	<u>\$ 176,735</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)	(\$ 1,857)	-	\$ 2,304	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)	<u>316</u>	<u>-</u>	<u>(392)</u>	<u>-</u>
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(1,541)	-	1,912	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(52,646)	(2)	(476)	-
8399 Income tax relating to the components of other comprehensive income	6(19)	<u>8,840</u>	<u>-</u>	<u>55</u>	<u>-</u>
8360 Components of other comprehensive income that will be reclassified to profit or loss		(43,806)	(2)	(421)	-
8500 Total comprehensive income		<u>\$ 56,156</u>	<u>2</u>	<u>\$ 178,226</u>	<u>7</u>
Profit (loss) attributable to:					
8610 Owners of the parent		\$ 101,536	4	\$ 176,310	7
8620 Non-controlling interest		(33)	-	425	-
		<u>\$ 101,503</u>	<u>4</u>	<u>\$ 176,735</u>	<u>7</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 56,963	2	\$ 177,882	7
8720 Non-controlling interest		(807)	-	344	-
		<u>\$ 56,156</u>	<u>2</u>	<u>\$ 178,226</u>	<u>7</u>
Earnings(Loss) per share (in dollars)					
9750 Basic earnings (loss) per share	6(20)	<u>\$ 2.26</u>		<u>\$ 3.92</u>	
9850 Diluted earnings (loss) per share	6(20)	<u>\$ 2.24</u>		<u>\$ 3.89</u>	

2015

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(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>

2016

Balance at January 1, 2016		\$	450,000	\$	819,878	\$	166,549	\$	255,648	\$	30,075	\$	1,722,150	\$	9,438	\$	1,731,588
Appropriation and distribution of retained earnings :	6(13)																
Legal reserve			-		-		17,631	(	17,631)		-		-		-		-
Cash dividends to shareholders			-		-		-	(	146,250)		-	(	146,250)		-	(	146,250)
Profit for the period			-		-		-		101,536		-		101,536	(	33)		101,503
Other comprehensive income for the year	6(19)		-		-		-	(	1,541)	(	43,032)	(	44,573)	(	774)	(	45,347)
Balance at September 30, 2016		\$	<u>450,000</u>	\$	<u>819,878</u>	\$	<u>184,180</u>	\$	<u>191,762</u>	(	<u>12,957</u>)	\$	<u>1,632,863</u>	\$	<u>8,631</u>	\$	<u>1,641,494</u>

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before tax		\$	139,986	\$	221,731
Adjustments					
Adjustments to reconcile profit (loss)					
Depreciation expense	6(4)(17)		53,221		54,352
Amortisation expense (including amortisation charges on long-term prepaid rent)	6(17)		8,154		6,682
Provision (reversal) for bad debts	6(2)	(	1,106)		6,652
Financial costs			2,056		2,807
Interest income	6(15)	(	1,512 )	(	2,468)
Loss on disposal of property, plant and equipment	6(16)		765		2,489
Unrealised foreign exchange loss (gain)		(	317)		1,392
Changes in operating assets and liabilities					
Changes in operating assets					
Notes receivable, net			20,493	(	3,268)
Accounts receivable			89,593	(	28,157)
Accounts receivable due from related parties, net		(	14,064)		159
Other receivables		(	1,097)		22,331
Inventories		(	20,574 )	(	7,603)
Prepayments			9,288	(	5,041)
Changes in operating liabilities					
Notes payable			3,014		1,929
Accounts payable			90,574	(	120,460)
Other payables			1,537		4,085
Provisions for liabilities - current		(	20,231)		5,622
Other current liabilities		(	122,521)		118,584
Defined benefit liability		(	900)		8
Cash inflow generated from operations			236,359		281,826
Interest received			1,575		2,555
Interest paid		(	5,310 )	(	3,540)
Income tax paid		(	43,137 )	(	40,578)
Net cash flows from operating activities			189,487		240,263

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property, plant and equipment	6(4)	(\$ 170,068)	(\$ 126,046)
Proceeds from disposal of property, plant and equipment		-	524
Acquisition of intangible assets		(8,318)	(2,990)
Increase in prepayment fo equipment		(8,709)	(11,674)
Decrease in deposit		(851)	5,473
Increase in other non-current assets		<u>-</u>	<u>(5,459)</u>
Net cash flows used in investing activities		<u>(187,946)</u>	<u>(140,172)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in short-term borrowings		1,435,816	1,626,889
Repayment of short-term borrowings		(1,331,699)	(1,614,390)
Cash dividends paid	6(13)	<u>(146,250)</u>	<u>(180,000)</u>
Net cash flows used in financing activities		<u>(42,133)</u>	<u>(167,501)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>(28,690)</u>	<u>(854)</u>
Net decrease in cash and cash equivalents		(69,282)	(68,264)
Cash and cash equivalents at beginning of year		<u>424,743</u>	<u>493,007</u>
Cash and cash equivalents at end of year		<u>\$ 355,461</u>	<u>\$ 424,743</u>

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

(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 27, 2017.

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”)
None.

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

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 14, 'Regulatory deferral accounts')	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
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 above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.	

(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 IFRSs endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
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 International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of international financial reporting'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the followings, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss'

approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'revenue from contracts with customers' replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases

with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

E. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

F. Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'

These amendments clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, and they clarify several of the general principles underlying the accounting for deferred tax assets. The amendments clarify that a deductible temporary difference exists whenever an asset is measured at fair value and that fair value is below the asset's tax base. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers a deductible temporary difference in combination with all of its other deductible temporary differences unless there are tax law restrictions, and the tax deduction resulting from temporary differences is excluded from estimated future taxable profits. The amendments are effective from January 1, 2017.

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 International Financial Reporting

Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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 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:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2016	December 31, 2015	
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
The Company	Wada Denki Co., Ltd.	Sales of uninterruptible power supply systems and solar energy equipment and others	100	-	Note 1, 2
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	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 1 : The consolidated financial statements as at December 31, 2016 and 2015 were prepared based on individual company's financial statements of the same period which have been audited by independent accountants.

Note 2 : Wada Denki Co., Ltd. was incorporated on September 16, 2016, which has been approved by Investment Commission, Ministry of Economic Affairs on November 18, 2016, and thus was prepared in consolidated financial statements from acquisition date.

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 \$118,149 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.

(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.

- (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.

(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 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 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	5~8 years
Leasehold improvements	10 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.

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) 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.

(18) 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 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.

(19) 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 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.

(20) 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 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.

(21) 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.

(22) 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.

(23) 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 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.

(24) 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 judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the 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:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

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, 2016, the carrying amount of inventories was \$941,585.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash on hand and petty cash (revolving funds)	\$ 708	\$ 581
Checking accounts and demand deposits	325,373	394,698
Time deposits	<u>29,574</u>	<u>29,658</u>
	355,655	424,937
Transferred to 'Other current assets'	(194)	(194)
	<u>\$ 355,461</u>	<u>\$ 424,743</u>

Note: Overdue receivable and allowance for bad debts-Overdue receivable recognized in other non-current assets.

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 Note 8.

(2) Accounts receivable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable	\$ 523,409	\$ 613,002
Overdue receivables	36,806	21,908
Less: allowance for bad debts — accounts receivable	(15,026)	(16,132)
Less: allowance for bad debts — overdue receivable	(36,806)	(21,908)
	<u>\$ 508,383</u>	<u>\$ 596,870</u>

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:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Up to 45 days	\$ 23,534	\$ 37,425
46 to 90 days	2,181	1,442
91 to 180 days	-	2,365
Over 180 days	<u>-</u>	<u>-</u>
	<u>\$ 25,715</u>	<u>\$ 41,232</u>

The above ageing analysis was based on past due date.

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

	2016		
	Individual provision	Group provision	Total
At January 1	\$ 21,908	\$ 16,132	\$ 38,040
Provision for imnairment(reversal)	14,898	(1,106)	13,792
At December 31	<u>\$ 36,806</u>	<u>\$ 15,026</u>	<u>\$ 51,832</u>

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

(3) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 236,508	(\$ 51,241)	\$ 185,267
Work in process	66,486	(6,156)	60,330
Semi-finished goods	135,248	(40,902)	94,346
Finished goods	63,526	(7,909)	55,617
Goods	90,682	(18,160)	72,522
Goods in transit	34,375	-	34,375
Unfinished constructions	439,128	-	439,128
	<u>\$ 1,065,953</u>	<u>(\$ 124,368)</u>	<u>\$ 941,585</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)</u>	<u>\$ 922,428</u>

The cost of inventories recognised as expense for the period:

	2016	2015
Cost of goods sold	\$ 1,770,245	\$ 2,014,624
Maintenance cost	35,422	36,788
Loss on decline in market value	9,859	14,400
Others	32,285	32,285
	<u>\$ 1,847,811</u>	<u>\$ 2,098,097</u>

(4) Property, plant and equipment

	Land	Buildings	Machinery	Transportation equipment	Office equipment	Lease improvements	Others	Construction in progress	Total
<u>At January 1, 2016</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>

2016

Opening net book amount	\$ 161,942	\$ 353,018	\$ 117,523	\$ 4,015	\$ 15,017	\$ 12,774	\$ 45	\$ 156,371	\$ 820,705
Additions	8,108	143,503	9,202	2,857	6,398	-	-	-	170,068
Transfer	-	164,561	1,127	-	2,966	-	-	(156,371)	12,283
Disposals	-	-	(453)	(142)	(170)	-	-	-	(765)
Depreciation charge	-	(23,782)	(20,144)	(1,267)	(5,868)	(2,160)	-	-	(53,221)
Net exchange differences	(70)	(16,550)	(7,266)	(132)	(379)	(476)	-	-	(24,873)
Closing net book amount	<u>\$ 169,980</u>	<u>\$ 620,750</u>	<u>\$ 99,989</u>	<u>\$ 5,331</u>	<u>\$ 17,964</u>	<u>\$ 10,138</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 924,197</u>

At December 31, 2016

Cost	\$ 169,980	\$ 750,860	\$ 239,556	\$ 11,140	\$ 42,882	\$ 18,406	\$ 147	\$ -	\$ 1,232,971
Accumulated depreciation	-	(130,110)	(139,567)	(5,809)	(24,918)	(8,268)	(102)	-	(308,774)
	<u>\$ 169,980</u>	<u>\$ 620,750</u>	<u>\$ 99,989</u>	<u>\$ 5,331</u>	<u>\$ 17,964</u>	<u>\$ 10,138</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 924,197</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>

At December 31, 2015

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>

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.

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

(5) Other non-current assets

	December 31, 2016	December 31, 2015
Overdue receivable	\$ 36,806	\$ 21,908
receivable	(36,806)	(21,908)
Prepayments for equipment	8,709	14,101
Guarantee deposits	5,637	4,786
Long-term prepaid rents – land use rights	1,058	1,183
Others	8,552	7,830
	<u>\$ 23,956</u>	<u>\$ 27,900</u>

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

(6) Short-term borrowings

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 240,000	1.00% ~ 1.05%	None
Secured borrowings	-	0.00%	None
	<u>\$ 240,000</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>		

Unused line of credits is as follow:

Type of borrowings	December 31, 2016	December 31, 2015
Bank borrowings		
Unsecured borrowings	\$ 884,125	\$ 1,094,715
Secured borrowings	162,422	156,728
	<u>\$ 1,046,547</u>	<u>\$ 1,251,443</u>

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

(7) Other payables

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Payable for wages and salaries and other short-term employee benefits	\$ 94,833	\$ 86,081
Others	27,907	38,376
	<u>\$ 122,740</u>	<u>\$ 124,457</u>

(8) Provisions for liabilities -current

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Warranty:		
At January 1	\$ 59,944	\$ 54,322
Additional provisions	17,394	25,619
Used during the year	(37,625)	(19,997)
At December 31	<u>\$ 39,713</u>	<u>\$ 59,944</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.

(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, 2016</u>	<u>December 31, 2015</u>
Present value of funded defined benefit obligations (\$	50,923)	(\$ 49,373)
Fair value of plan assets	28,889	28,296
Net defined benefit liability	<u>(\$ 22,034)</u>	<u>(\$ 21,077)</u>

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

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
<u>Year ended December 31, 2016</u>			
Balance at January 1	(\$ 49,373)	\$ 28,296	(\$ 21,077)
Current service cost	(73)	-	(73)
Past service cost	887	-	887
Interest (expense) income	(738)	433	(305)
	(49,297)	28,729	(20,568)
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	(231)	(231)
Change in demographic assumptions	(334)	-	(334)
Change in financial assumptions	(1,656)	-	(1,656)
Experience adjustments	364	-	364
	(1,626)	(231)	(1,857)
Pension fund contribution	-	391	391
Balance at December 31	(\$ 50,923)	\$ 28,889	(\$ 22,034)
	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)

(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:

	2016	2015
Discount rate	1.25%	1.50%
Future salary increases	2.00%	2.00%

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	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2016</u>				
Effect on present value of defined benefit	(\$ 1,637)	\$ 1,710	\$ 1,693	(\$ 1,628)
<u>December 31, 2015</u>				
Effect on present value of defined benefit	(\$ 1,674)	\$ 1,752	\$ 1,739	(\$ 1,670)

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group in the year ended December 31, 2017 are \$1,394.

(g) As of December 31, 2016, 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	\$	256
1-2 year(s)		1,760
3-5 years		5,367
Over 5 years		52,739
	\$	<u>60,122</u>

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, Ablere Electronics (Suzhou) Co., Ltd. and Ablere 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, 2016 and 2015 was both 20%. Other than the monthly contributions, the Group has no further obligations. Ablere Corporation, Ablere Electronics (S) Pte. Ltd. and Ablere 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, 2016 and 2015 were \$25,093 and \$26,122, respectively.

(10) Other current liabilities

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Advance receipts for unfinished constructions	\$ 165,948	\$ 263,494
Others	19,559	44,534
	<u>\$ 185,507</u>	<u>\$ 308,028</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, 2016, 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 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 21, 2016 and June 25, 2015, the Company's shareholders during their meeting resolved to distribute a dividend of \$3.25 per share and \$4 for 2015 and 2014 distribution of earnings, totalling to \$146,250 and \$180,000.
- F. The information relating to employee's compensation and directors' and supervisors'

remuneration please refer to note 6(18).

(14) Sales revenue

	2016	2015
Sales revenue	\$ 2,356,691	\$ 2,668,659
Service revenue	64,353	68,551
	<u>\$ 2,421,044</u>	<u>\$ 2,737,210</u>

(15) Other income

	2016	2015
Interest income	\$ 1,512	\$ 2,468
Others	8,226	9,345
	<u>\$ 9,738</u>	<u>\$ 11,813</u>

(16) Other gains and losses

	2016	2015
Net currency exchange gain	\$ 12,626	\$ 30,106
Loss on disposal of property, plant and equipment	(765)	(2,489)
Others	(2,931)	(894)
	<u>\$ 8,930</u>	<u>\$ 26,723</u>

(17) Expenses by nature

By nature \ By function	2016			2015		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 210,415	\$ 265,041	\$ 475,456	\$ 231,583	\$ 246,459	\$ 478,042
Depreciation charges	37,709	15,512	53,221	38,068	16,284	54,352
Amortisation charges	1,426	6,728	8,154	1,826	4,856	6,682

(18) Employee benefit expense

	2016	2015
Wages and salaries	\$ 396,145	\$ 405,913
Labor and health insurance fees	36,395	34,151
Pension costs	24,584	26,651
Other personnel expenses	18,332	11,327
	<u>\$ 475,456</u>	<u>\$ 478,042</u>

- A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall 6% to 10% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at \$8,068 and \$13,665, respectively; while directors' and supervisors' remuneration was accrued

at \$2,689 and \$4,555, respectively. The aforementioned amounts were recognized in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 6% and 2% of profit of current year distributable as of the end of reporting period December 31, 2016.

The difference of \$4 between employees' compensation (directors' and supervisors' remuneration) as resolved by Board of Directors and the amount recognised in the 2015 financial statements of \$13,665 (\$4,555) had been adjusted in profit or loss for 2016. The appropriation was in the form of cash.

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:

	2016	2015
Current tax:		
Current tax on profits for the period	\$ 26,857	\$ 42,846
Tax on undistributed earnings	1,434	392
Adjustments in respect of prior years	2,914	39
Total current tax	<u>31,205</u>	<u>43,277</u>
Deferred tax:		
Origination and reversal of temporary differences	7,278	1,719
Income tax expense	<u>\$ 38,483</u>	<u>\$ 44,996</u>

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

	2016	2015
Currency translation differences	(\$ 8,840)	(\$ 55)
Remeasurement of defined benefit obligations	(316)	392
	<u>(\$ 9,156)</u>	<u>\$ 337</u>

B. Reconciliation between income tax expense and accounting profit:

	2016	2015
Tax calculated based on profit before tax and statutory tax rate	\$ 35,917	\$ 47,615
Expenses disallowed by tax regulation	2,271 (	221)
Effect from tax credit of investment	(4,504) (	3,086)
Adjustments in respect of prior years	2,914	39
Effect from Alternative Minimum Tax	451	257
Tax on undistributed earnings	1,434	392
Income tax expense	<u>\$ 38,483</u>	<u>\$ 44,996</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and investment tax credits are as follows:

	At January 1, 2016	Recognised in profit or loss	Recognised in other comprehensive income	At December 31, 2016
Temporary differences:				
–Deferred tax assets:				
Unrealised warranty provision \$	10,191	(\$ 3,440)	\$ -	\$ 6,751
Allowance for market value decline and loss for inventories	10,643	1,855	-	12,498
Accrued pension liabilities	3,582 (	152)	316	3,746
Allowance for bad debts	1,840	3,183	-	5,023
Others	2,659	78	-	2,737
	<u>28,915</u>	<u>1,524</u>	<u>316</u>	<u>30,755</u>
–Deferred tax liabilities:				
Gain on foreign long-term equity investments	(66,447) (	8,493)	-	(74,940)
Translation differences of foreign operations	(12,251)	-	8,840 (	3,411)
Others	86 (	309)	-	(223)
	<u>(78,612)</u>	<u>(8,802)</u>	<u>8,840</u>	<u>(78,574)</u>
	<u>(\$ 49,697)</u>	<u>(\$ 7,278)</u>	<u>\$ 9,156</u>	<u>(\$ 47,819)</u>

	At January 1, 2015	Recognised in profit or loss	Recognised in other comprehensive income	At December 31, 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	<u>3,290</u>	<u>(631)</u>	<u>-</u>	<u>2,659</u>
	<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	<u>(877)</u>	<u>963</u>	<u>-</u>	<u>86</u>
	<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>

- D. The Company's income tax returns through 2014 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, 2016 and 2015, the balance of the imputation tax credit account was \$29,314 and \$32,275, respectively. The creditable tax rate was 17.72% for 2015 and is estimated to be 15.29% for 2016.

(20) Earnings per share

2016			
	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	\$ 101,536	45,000	\$ 2.26
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company	101,536	45,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	359	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 101,536	45,359	\$ 2.24
2015			
	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	\$ 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' compensation	-	359	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 176,310	45,359	\$ 3.89

(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 \$11,307 and \$10,911 for these leases in profit or loss for the years ended December 31, 2016 and 2015, respectively. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Not later than one year	\$ 5,762	\$ 8,777
Later than one year but no later than five years	2,784	3,564
Later than five years	-	-
	<u>\$ 8,546</u>	<u>\$ 12,341</u>

7. RELATEDS PARTY TRANSACTIONS

(1) Significant related party transactions

A. Sales revenue

	<u>2016</u>	<u>2015</u>
Entities with significant influence to the Group	\$ 16,338	\$ 16,338
Other related parties	33	33
	<u>\$ 16,371</u>	<u>\$ 16,371</u>

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.

B. Use of assets (rent expenses)

	<u>2016</u>	<u>2015</u>
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 0.5 year and the future minimum lease payments amounts to \$1,788.

C. Receivables from related parties

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Entities with significant influence to the Group	\$ 14,064	\$ -

D. Property transactions:

(1) Acquisition of property, plant and equipment

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Entities with significant influence to the Group	\$ 77,800	\$ -

(2) Construction in progress

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Entities with significant influence to the Group	\$ -	\$ 23,652

(3) Guaranteed note for construction of real estate

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Entities with significant influence to the Group	\$ 4,084	\$ -

E. Endorsements and guarantees

As of December 31, 2016 and 2015, there was unsecured bank borrowings at \$240,000 thousand and 50,000 thousand, respectively. The Company's key management was joint guarantor.

F. Commitments

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Entities with significant influence to the Group	\$ 1,646	\$ 1,616

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Entities with significant influence to the Group	\$ -	\$ 52,148

(2) Key management compensation

	<u>2016</u>	<u>2015</u>
Salaries and other short-term employee benefits	\$ 28,996	\$ 29,766
Termination benefits	933	904
	<u>\$ 29,929</u>	<u>\$ 30,670</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	
Other current assets	\$ 194	\$ 194	Performance guarantee for contracts
— time deposits			
Property, plant and equipment	141,373	160,263	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	1,058	1,183	
	<u>\$ 142,625</u>	<u>\$ 161,640</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

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 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.

On April 29, 2016, the civil court of Taiwan Taipei District Court has made a verdict stating that the Company is obliged to pay for the trading price US\$587,598.2 accompanying by business tax \$632 when Alltek delivers the products in the quantity under dispute. Owing to Altek's late delivery, Altek is also responsible for the Company's damage because of trading price difference in another order of materials at US\$23,486.14. After offset, the Company shall pay US \$564,112.06 accompanying by business tax \$632 to Altek.

The administrative judgment of the first instance seemed unfavorable to the Company although the Judge took a point of view which was consistent with the Company's assigned attorney. However, the Company and assigned attorney agreed that the judge might err in referencing the evidence which resulted in enormous difference between the ordered compensation and the Company's claim. Hence, the Company appealed in compliance with the laws. On February 20, 2017, the first preliminary trial was held. Both parties provided related evidence to reinforce the argument. On May 15, 2017, the second preliminary trial will be held for the Company to defense its own rights. Currently it is assumed that the Company will not incur major loss and thus did not recognise related loss and liabilities.

(2) Commitments

- A. As of December 31, 2016 and 2015, 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, 2016</u>	<u>December 31, 2015</u>
Property, plant and equipment	<u>\$ -</u>	<u>\$ 70,979</u>

Warranty and performance guarantee

As of December 31, 2016 and 2015, promissory notes issued for the warranty and performance guarantee of sales amounted to \$54,852 and \$44,587, respectively.

- B. Operating leases agreements

Please see Note 6(21).

C 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

A. The appropriations of 2016 earnings had been proposed by the Board of Directors on March 27, 2017. Details are summarized below:

	2016	
	Amount	Dividends per share
Legal reserve	\$ 10,154	
Cash dividends of share	90,000	\$ 2.00

As of March 27, 2017, the appropriations of 2016 earnings has not been resolved at the stockholder's meeting.

B. On March 27, 2017, the Board of Directors proposed to appropriate \$1 cash dividend for each share from additional paid-in capital surplus. As of March 27, the appropriation proposal has not been approved by shareholders' meeting.

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 2016, the Group's strategy, which was unchanged from 2015, was to maintain the gearing ratio about 40%. The gearing ratios at December 31, 2016 and 2015 were as follows:

	December 31, 2016	December 31, 2015
Total liabilities	\$ 1,242,125	\$ 1,201,240
Total equity	1,641,494	1,731,588
Total assets	\$ 2,883,619	\$ 2,932,828
Gearing ratio	43%	41%

(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 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, 2016					2015		
(Foreign currency: Functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis		
					Effect on profit or loss before tax	Effect on other comprehensive income	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$ 8,292	32.25	\$ 267,417	1%	\$ 2,674	\$ -	-
RMB:NTD	2,045	4.64	9,489	1%	95	-	-
RMB:USD	616	0.14	2,860	1%	29	-	-
SGD:USD	1,346	0.69	45,211	1%	\$ 452.00		
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD	\$ 1,395	32.25	\$ 44,989	1%	\$ 450	\$ -	-
USD:RMB	582	6.94	16,813	1%	168	-	-

December 31, 2015					2014		
(Foreign currency: Functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis		
					Effect on profit or loss before tax	Effect on other comprehensive income	
<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	-	-

- v. The total exchange gain arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015, amounted \$12,626 and \$30,106, respectively.

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 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:

		Less than	Between		
		3 months	3 months and		
December 31, 2016			1 year	Over 1 year	Book value
Short-term borrowings	\$240,267	\$	-	\$	\$ 240,267
Notes payable	6,501		-	-	6,501
Accounts payable	513,637		12,724	-	526,361
Other payables	90,069		25,957	6,714	122,740

December 31, 2015	Between			Book value
	Less than 3 months	3 months and 1 year	Over 1 year	
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

- 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:

- A. Loans to others: Please refer to table 1.
- 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, 2016: Please see Note 13(1) G.

- (b) Selling amount and percentage and related receivables' percentage and balance at December 31, 2016: 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, 2016: None.
- (e) Maximum balance, ending balance, interest rate range and interest for financing during the year ended and at December 31, 2016: Please see Note 13(1) A.
- (f) Other significant transactions that affected the gains and loss or financial status for the period, 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 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

Energy Division: Domestic sales and market promotion of self-manufactured energy-related products

(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.

(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	Engergy Division	Reconciliation and elimination	Total
Revenue from external parties	\$ 1,018,023	\$ 1,183,501	\$ 189,320	\$ 30,200	\$ -	\$2,421,044
Inter-segment revenue	79,613	2,571,976	11,613	-	(2,663,202)	-
Segment revenue	<u>\$ 1,097,636</u>	<u>\$ 3,755,477</u>	<u>\$ 200,933</u>	<u>\$ 30,200</u>	<u>(\$ 2,663,202)</u>	<u>\$2,421,044</u>
Segment income/(loss)	<u>\$ 114,299</u>	<u>\$ 173,948</u>	<u>\$ 72,134</u>	<u>\$ 18,729</u>	<u>(\$ 255,736)</u>	<u>\$ 123,374</u>

Year ended December 31, 2014

	First Business Division	Second Business Division	Technical Services Division	Engergy 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>\$ -</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>\$ -</u>	<u>\$ 391,187</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, 2016 and 2015 are as follows:

	2016	2015
Reportable segments income before tax	\$ 123,374	\$ 186,002
Other income	9,738	11,813
Other gains and losses	8,930	76,723
Finance costs	(2,056)	(2,807)
Income before tax from continuing operations	<u>\$ 139,986</u>	<u>\$ 274,538</u>

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

(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:

	2016	2015
Uninterruptible power supplies	\$ 943,494	\$ 1,162,012
Project construction	954,732	749,838
Photovoltaic devices	27,910	291,220
Active power filters	136,942	204,598
Service revenue	64,354	68,551
Others	293,612	260,991
	<u>\$ 2,421,044</u>	<u>\$ 2,737,210</u>

(6) Geographical information

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

	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,026,519	\$ 918,238	\$ 884,350	\$ 815,955
Japan	4,379	-	228,791	-
Turkey	120,524	-	302,438	-
Italy	146,074	424	267,783	529
USA	170,537	12,411	194,754	13,207
Germany	83,571	-	105,257	-
Singapore	138,578	59,837	130,351	59,824
Others	730,862	-	623,486	-
	<u>\$ 2,421,044</u>	<u>\$ 990,910</u>	<u>\$ 2,737,210</u>	<u>\$ 889,515</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2016 and 2015 are as follows:

	2016		2015	
	Revenue	Segment	Revenue	Segment
F	\$ 280,984	First Business Division	\$ 79,414	First Business Division
A	231,198	Second Business Division	131,481	Second Business Division
A	301,959	Second Business Division	301,959	Second Business Division
J	228,769	Second Business Division	228,769	Second Business Division

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2016

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, 2016	Balance at December 31, 2016	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	\$ 31,360 (USD 1,000 thousand)	\$ 22,575 (USD 700 thousand)	\$ 15,849 (USD 491 thousand)	1.5%-1.75%	Short-term financing	\$ -	Turnover of operation	\$ -	None	\$ -	\$ 326,573	\$ 653,145	Note 1 Note 3
0	The Company	Ablerex-IT	Other receivables	Y	\$ 6,467 (USD 203 thousand)	\$ -	\$ -	-	Business dealings	41,453	Turnover of operation	-	None	-	41,453	653,145	Note 1
1	Ablerex-HK	Ablerex-SZ	Inter-company transactions	Y	\$ 96,840 (USD 3,000 thousand)	\$ -	\$ -	-	Short-term financing	-	Turnover of operation	-	None	-	326,573	653,145	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 credit to be drawn as approved by the Board of Directors was USD1,000 thousand. As of December 31, 2016, the amount of loan grant allowed was USD 700 thousand, and the actual loans granted was USD 491 thousand.

Note 4: The maximum credit to be drawn as approved by the Board of Directors was USD3,000 thousands. As of December 31, 2016, the amount of loan grant allowed was USD 0 thousand, and the actual loans granted was USD 1 thousand.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2016

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, 2016	Outstanding endorsement/ guarantee amount at December 31, 2016	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	\$ 326,573	\$ 290,520	\$ 290,520	\$ -	\$ -	18%	\$ 816,432	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, 2016

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)	(\$ 111,811)	(5%)	Note 3	Note 3	Note 3	\$ 40,009	8%	-
Ablerex-SG	The Company	Parent Company	Purchases	USD 3,476 thousand	90%	Note 3	Note 3	Note 3	(USD 1,241 thousand)	(92%)	
The Company	Ablerex-HK	Subsidiary	Purchases	\$ 1,107,894	71%	Note 1	Note 1	Note 1	(\$ 231,078)	(48%)	
Ablerex-HK	The Company	Parent Company	(Sales)	(USD 34,343 thousand)	(95%)	Note 1	Note 1	Note 1	USD 7,165thousand	89%	-
Ablerex-HK	Ablerex-SZ	An indirectly-owned Subsidiary	Purchases	USD 34,343 thousand	95%	Note 2	Note 2	Note 2	(USD 6,736 thousand)	(93%)	-
Ablerex-SZ	Ablerex-HK	An indirectly-owned Subsidiary	(Sales)	(RMB 227,187thousand)	(87%)	Note 2	Note 2	Note 2	RMB 46,725 thousand	87%	-

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

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

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

December 31, 2016

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016	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 7,165 thousand	4.42	\$ -	-	USD 6,260 thousand	\$ -
Ablerex-SZ	Ablerex-HK	Affiliate	RMB 46,725 thousand	4.09	-	-	RMB 43,133 thousand	-

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
For the year ended December 31, 2016

Table 5

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

Expressed in thousands of NTD

(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	Sales	\$ 58,486	Note 8	3%
		Ablerex-HK	1	Purchases	1,107,894	Note 4	51%
		Ablerex-HK	1	Account Payable	231,078		8%
		Ablerex-HK	1	Other Receivable	16,453		1%
		Ablerex-USA	1	Sales	84,496	Note 5	4%
		Ablerex-USA	1	Account Receivable	16,465		1%
		Ablerex-SG	1	Sales	111,811	Note 6	5%
		Ablerex-SG	1	Account Receivable	40,009		1%
		Ablerex-IT	1	Sales	41,543	Note 6	2%
		Ablerex-IT	1	Account Receivable	23,496		1%
		Ablerex-IT	1	Other Receivable	15,849	Note 9	1%
		Joint	1	Deduction from management fee	11,637	Note 10	1%
1	Joint	Ablerex-SZ	3	Sales	11,637	Note 10	1%
1	Ablerex-HK	Ablerex-SZ	3	Purchases	1,103,143	Note 4	50%
		Ablerex-SZ	3	Sales	58,345	Note 8	3%
		Ablerex-SZ	3	Account Receivable	13,924		0%
		Ablerex-SZ	3	Account Payable	216,853		8%
		Ablerex-SZ	3	Other Receivable	13,288		0%
2	Ablerex-SZ	Ablerex-BJ	3	Sales	56,118	Note 7	3%
		Ablerex-BJ	3	Purchase	21,696	Note 7	1%
		Ablerex-BJ	3	Account Receivable	20,006		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: Ablere-HK conducted purchases from Ablere-SZ, whereby the prices were based on Ablere-SZ's production costs. The purchases were then resold to Ablere with a zero contribution margin; the term for receivables and payables is Net 60 days E.O.M.

Note 5: Commensurate with general sale terms; the term for receivables is Net 120 days E.O.M.

Note 6: Transaction prices are determined according to the agreements between the parties; the credit term is Net 120 days E.O.M.

Note 7: Transaction prices are determined according to the agreements between the parties; the credit term is coherent with general customers.

Note 8: Ablere-Hk conducts purchases from Ablere, whereby the prices were determined according to the agreements between the parties. The purchases were then sold to Ablere-SZ with a zero contribution margin; the credit term is coherent with general customers.

Note 9: Ablere lent money to Ablere-IT, of which \$15,849 calculated interest against agreed interest rate 1.5%~1.75% per annum and the rest was for business demand.

Note 10: Ablere charged management fee from Ablere-SZ through Joint.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2016

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, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
The Company	Ablerex-Samoa	Samoa	Holding company	\$ 217,445	\$ 217,445	6,635,000	100	\$ 553,425	\$ 39,298	\$ 44,783	-
The Company	Joint	BVI	Providing management service	104	104	3,000	100	20	(41)	(41)	-
The Company	Ablerex-USA	U.S.	Sales of uninterruptible power supply, solar energy products, and related systems	8,303	8,303	250,000	100	52,778	3,958	4,031	Note
The Company	Ablerex-HK	Hong Kong	Sales of uninterruptible power supply, solar energy products, and related systems	43	43	10,000	100	30,864	282	282	Note
The Company	Ablerex-SG	Singapore	Sales of uninterruptible power supply, solar energy products, and related systems	48,008	48,008	2,140,763	100	78,169	4,108	4,084	Note
The Company	Ablerex-UK	UK	Holding company	4,674	4,674	100,000	100	1,058	211	(658)	Note
The Company	Ablerex-JP	Japan	Sales of uninterruptible power supply, solar energy products, and related systems	9,253	-	3,000	100	7,483	(847)	(847)	Note
Ablerex-Samoa	Ablerex-Overseas	Hong Kong	Holding company	217,445	217,445	6,635,000	100	558,783	39,332	-	-
Ablerex-UK	Ablerex-IT	Italy	Sales of uninterruptible power supply, solar energy products, and related systems	4,674	4,674	100,000	100	1,058	211	-	-

Note : The Company recognised investment income comprising of downstream and upstream transactions.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2016

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, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended December 31, 2016	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Ablerex-SZ	Manufacturing and sales of uninterruptible power supply, solar energy products, and related systems	\$ 176,085	Note 1	\$ 176,085	\$ -	\$ -	\$ 176,085	\$ 39,505	100	\$ 39,505	\$ 524,275	\$ -	Note 2
Ablerex-BJ	Manufacturing and sales of uninterruptible power supply, solar energy products, and related systems	46,406	Note 1	37,894	-	-	37,894	(166)	80	(133)	34,525	-	Note 2

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	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.	\$ 213,979	\$ 213,979	\$ 979,718

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

Note 2: Excluding the presentation and disclosures of Ablere-SZ concurrently reviewed by the Certified Public Accountant, the above-listed related parties disclosed below are presentations and disclosures on investees that were not concurrently reviewed by the Certified Public Accountant. For consolidated reporting purposes, all individuals disclosed below have eliminated all inter-group transactions.

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, 2016

Table 8

(1) Selling amount and percentage and related receivables' percentage and balance at December 31, 2016:

Company name	General ledger amount	For the nine-month period ended December 31, 2016		Footnote
		Amount	%	
Ablerex-SZ	Sales	\$ 58,486	5%	Resold to Ablerex-SZ through Ablerex-HK

(2) 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, 2016		Footnote
		Amount	%	
Ablerex-SZ	Miscellaneous income	\$ 2,066	- %	The Company purchased the critical raw materials of \$26,688 on behalf of Ablerex-SZ, and collectd revenue through Ablerex-HK's transshipment.
Ablerex-SZ	Deduction from management fee	\$ 11,637	19%	Provide management service to Ablerex-SZ and collectd payment through Joint.

Company name	General ledger amount	December 31, 2016		Footnote
		Amount	%	
Ablerex-SZ	Other receivables	\$ 16,453	17%	