ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31，2017，pursuant to “Criteria Governing Preparation of Affiliation Reports，Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates，is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. If relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies，it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

ABLEREX ELECTRONICS CO., LTD.
Wen Hsu，Chairman
March 22，2018

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

Report of Independent Accountants

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

Opinion

We have audited the accompanying consolidated balance sheets of Ablerex Electronics Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2017 and 2016, 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, 2017 and 2016, 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 judgement, 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.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Appropriateness of cut-off of project construction revenue

Description

Please refer to Note 4(23) for accounting policy on revenue recognition, Note 6(14) for composition of operating revenue and Note 14(5) for information on products and services. For the year ended December 31, 2017, the Group's project construction revenue amounted to NT$930,745 thousand, accounting for 39% of consolidated net sales.

The Group's operating revenue is comprised of sales revenue and service revenue. The sales revenue is accrued either from shipment of goods or from project construction which includes sales of large equipment and installation services. The installation constitutes a significant part of the contract. Its revenue is recognized when the acceptance occurs. The Group recognizes project construction revenue when the acceptance is completed, delivery orders are signed by customers and product warranties are issued. Given the significant effect of recognized revenue and its timing to the Group's financial statements, we consider it one of key audit matters.

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, and determined, on a test basis, the delivery orders, invoices and product warranties in order to confirm the recognition amount and timing were appropriate.

Valuation of allowance for inventory valuation losses

Description

Please refer to Note 4(10) for accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(3) for the details of allowance for inventory valuation losses. As of December 31, 2017, the Group's inventories and allowance for inventory valuation losses amounted to NT $994,163 thousand and NT $117,308 thousand, respectively.

The Group is engaged in the 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 to the 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, involves a high level of uncertainty and has a material effect on the financial statements. 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 loses 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 in order to confirm that the information in the reports were consistent with the Group's 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 Ablerex Electronics Co., Ltd. as at and for the years ended December 31, 2017 and 2016.

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 judgement 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   Lee, Hsiu-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan
March 22, 2018

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		Notes	December 31, 2017 AMOUNT		%	December 31, 2016 AMOUNT		%
	Current assets							
1100	Cash and cash equivalents	6(1)	$	255,339	9	$	355,461	12
1150	Notes receivable, net			15,841	1		4,895	-
1170	Accounts receivable, net	6(2)		575,399	21		508,383	18
1180	Accounts receivable due from related parties, net	7		9,927	-		14,064	-
1200	Other receivables, net			3,616	-		6,404	-
130X	Inventories, net	6(3)		876,855	32		941,585	33
1410	Prepayments			41,466	2		25,331	1
1470	Total other current assets	6(1) and 8		194	-		194	-
11XX	**Total current assets**			1,778,637	65		1,856,317	64
	Non-current assets							
1600	Property, plant and equipment, net	6(4), 7 and 8		868,528	31		924,197	32
1780	Intangible assets			45,238	2		48,394	2
1840	Deferred income tax assets	6(19)		31,762	1		30,755	1
1900	Other non-current assets	6(5) and 8		25,151	1		23,956	1
15XX	**Total non-current assets**			970,679	35		1,027,302	36
1XXX	**Total assets**		$	2,749,316	100	$	2,883,619	100

(Continued)

	LIABILITIES AND EQUITY	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(6)	$ 255,000	9	$ 240,000	8
2150	Notes payable		850	-	6,501	-
2170	Accounts payable		465,630	17	526,361	18
2200	Other payables	6(7)	127,259	5	122,740	4
2230	Current income tax liabilities	6(19)	14,316	-	20,695	1
2250	Provisions for liabilities - current	6(8)	45,791	2	39,713	2
2300	Other current liabilities	6(10)	171,639	6	185,507	7
21XX	**Total current liabilities**		1,080,485	39	1,141,517	40
	Non-current liabilities					
2570	Deferred income tax liabilities	6(19)	76,392	3	78,574	2
2640	Net defined benefit liability-non-current	6(9)	21,793	1	22,034	1
25XX	**Total non-current liabilities**		98,185	4	100,608	3
2XXX	**Total liabilities**		1,178,670	43	1,242,125	43
	Equity attributable to owners of parent					
	Share capital	6(11)				
3110	Common stock		450,000	17	450,000	16
	Capital surplus	6(12)				
3200	Capital surplus		774,878	28	819,878	28
	Retained earnings	6(13)				
3310	Legal reserve		194,334	7	184,180	6
3350	Unappropriated retained earnings		171,415	6	191,762	7
	Other equity interest					
3400	Other equity interest		(29,535)	(1)	(12,957)	-
31XX	**Total equity attributable to owners of parent**		1,561,092	57	1,632,863	57
36XX	**Non-controlling interests**		9,554	-	8,631	-
3XXX	**Total equity**		1,570,646	57	1,641,494	57
	Significant commitments and contingent liabilities	7 and 9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 2,749,316	100	$ 2,883,619	100

Code	Items	Notes	2017 AMOUNT	2017 %	2016 AMOUNT	2016 %
4000	**Sales revenue**	6(14) and 7	$ 2,394,838	100	$ 2,421,044	100
5000	**Operating costs**	6(3)(17)(18)	(1,833,063)	(77)	(1,840,372)	(76)
5950	**Gross profit from operations**		561,775	23	580,672	24
	Operating expenses	6(17)(18) and 7				
6100	Selling expenses		(214,281)	(9)	(197,643)	(8)
6200	General and administrative expenses		(106,467)	(4)	(120,447)	(5)
6300	Research and development expenses		(144,289)	(6)	(139,208)	(6)
6000	**Total operating expenses**		(465,037)	(19)	(457,298)	(19)
6900	**Net operating income**		96,738	4	123,374	5
	Non-operating income and expenses					
7010	Other income	6(15)	19,536	1	9,738	1
7020	Other gains and losses	6(16)	(17,270)	(1)	8,930	-
7050	Finance costs		(2,331)	-	(2,056)	-
7000	**Total non-operating income and expenses**		(65)	-	16,612	1
7900	**Profit before income tax**		96,673	4	139,986	6
7950	Income tax expense	6(19)	(16,134)	-	(38,483)	(2)
8200	**Profit for the year**		$ 80,539	4	$ 101,503	4
	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)	$ 238	-	($ 1,857)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)	(41)	-	316	-
8310	**Components of other comprehensive (loss) income that will not be reclassified to profit or loss**		197	-	(1,541)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		(19,967)	(1)	(52,646)	(2)
8399	Income tax relating to the components of other comprehensive income	6(19)	3,383	-	8,840	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(16,584)	(1)	(43,806)	(2)
8500	**Total comprehensive income**		$ 64,152	3	$ 56,156	2
	Loss attributable to:					
8610	Owners of the parent		$ 79,610	4	$ 101,536	4
8620	Non-controlling interest		929	-	(33)	-
			$ 80,539	4	$ 101,503	4
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		$ 63,229	3	$ 56,963	2
8720	Non-controlling interest		923	-	(807)	-
			$ 64,152	3	$ 56,156	2
	Earnings per share (in dollars)					
9750	**Basic earnings per share**	6(20)	$	1.77	$	2.26
9850	**Diluted earnings per share**	6(20)	$	1.76	$	2.24

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 2015 earnings :	6(13)								
Legal reserve		-	-	17,631	(17,631)	-	-	-	-
Cash dividends to shareholders		-	-	-	(146,250)	-	(146,250)	-	(146,250)
Profit (loss) for the year		-	-	-	101,536	-	101,536	(33)	101,503
Other comprehensive loss for the year	6(19)	-	-	-	(1,541)	(43,032)	(44,573)	(774)	(45,347)
Balance at December 31, 2016		$ 450,000	$ 819,878	$ 184,180	$ 191,762	($ 12,957)	$ 1,632,863	$ 8,631	$ 1,641,494
2017									
Balance at January 1, 2017		$ 450,000	$ 819,878	$ 184,180	$ 191,762	($ 12,957)	$ 1,632,863	$ 8,631	$ 1,641,494
Appropriation and distribution of 2016 earnings :	6(13)								
Legal reserve		-	-	10,154	(10,154)	-	-	-	-
Cash dividends to shareholders		-	-	-	(90,000)	-	(90,000)	-	(90,000)
Cash dividends paid by additional paid-in capital		-	(45,000)	-	-	-	(45,000)	-	(45,000)
Profit for the year		-	-	-	79,610	-	79,610	929	80,539
Other comprehensive loss for the year	6(19)	-	-	-	197	(16,578)	(16,381)	(6)	(16,387)
Balance at December 31, 2017		$ 450,000	$ 774,878	$ 194,334	$ 171,415	($ 29,535)	$ 1,561,092	$ 9,554	$ 1,570,646

	Notes				
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		$	96,673	$	139,986
Adjustments					
Adjustments to reconcile profit (loss)					
Depreciation expense	6(4)(17)		58,613		53,221
Amortisation expense (including amortisation charges on long-term prepaid rent)	6(17)		9,261		8,154
Provision (reversal of) for bad debts	6(2)		4,103	(	1,106)
Financial costs			2,331		2,056
Interest income	6(15)	(	1,127)	(	1,512)
(Gain) loss on disposal of property, plant and equipment	6(4)(16)	(	619)		765
Unrealised foreign exchange loss (gain)			932	(	317)
Changes in operating assets and liabilities					
Changes in operating assets					
Notes receivable, net		(	10,946)		20,493
Accounts receivable		(	71,119)		89,593
Accounts receivable due from related parties, net			4,137	(	14,064)
Other receivables			2,786	(	1,097)
Inventories			64,165	(	20,574)
Prepayments		(	16,135)		9,288
Changes in operating liabilities					
Notes payable		(	5,651)		3,014
Accounts payable		(	60,731)		90,574
Other payables			7,762		1,537
Provisions for liabilities - current			6,078	(	20,231)
Other current liabilities		(	13,868)	(	122,521)
Defined benefit liability		(	3)	(	900)
Cash inflow generated from operations			76,642		236,359
Interest received			1,129		1,575
Interest paid		(	5,574)	(	5,310)
Income tax paid		(	20,422)	(	43,137)
Net cash flows from operating activities			51,775		189,487

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CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(4)	($ 13,535)	($ 170,068)
Proceeds from disposal of property, plant and equipment	6(4)	12,017	-
Acquisition of intangible assets		(6,023)	(8,318)
Increase in prepayment of equipment		(2,604)	(8,709)
Increase in deposit		(755)	(851)
Increase in other non-current assets		(6,537)	-
Net cash flows used in investing activities		(17,437)	(187,946)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		2,300,000	1,435,816
Repayment of short-term borrowings		(2,285,000)	(1,331,699)
Cash dividends paid	6(13)	(90,000)	(146,250)
Cash dividends paid by additional paid-in capital	6(12)	(45,000)	-
Net cash flows used in financing activities		(120,000)	(42,133)
Effect of exchange rate changes on cash and cash equivalents		(14,460)	(28,690)
Net decrease in cash and cash equivalents		(100,122)	(69,282)
Cash and cash equivalents at beginning of year		355,461	424,743
Cash and cash equivalents at end of year		$ 255,339	$ 355,461

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

1. HISTORY AND ORGANISATION

(1) Ablerex 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 Ablerex 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 AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 22, 2018.

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”)

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
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14,‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016
Amendments to IAS 19, ‘Defined benefit plans: employee contributions’	July 1, 2014
Amendments to IAS 27, ‘Equity method in separate financial statements’	January 1, 2016
Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’	January 1, 2014
Amendments to IAS 39, ‘Novation of derivatives and continuation of hedge accounting’	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

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

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	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

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance 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 as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised past service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligations.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2017	December 31, 2016	Description
The Company	Ablerex Electronics (Samoa) Co., Ltd.	Investment holdings	100	100	Note 1
The Company	Joint Rewards Trading Corp.	Management service	100	100	Note 1
The Company	Ablerex Corporation	Sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note 1
The Company	Ablerex International Co., Ltd.	Sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note 1
The Company	Ablerex Electronics (S) Pte. Ltd.	Sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note 1
The Company	Ablerex Electronics U.K. Ltd.	Investment holdings	100	100	Note 1
The Company	Wada Denki Co., Ltd.	Sales of uninterruptible power supply systems and solar energy equipment and others	100	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 1
Ablerex Electronics (Samoa) Co., Ltd.	Ablerex Overseas Co., Ltd.	Investment holdings	100	100	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2017	Ownership (%) December 31, 2016	Description
Ablerex Overseas Co., Ltd.	Ablerex Electronics (Suzhou) Co., Ltd.	Manufacturing and sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note 1
Ablerex Overseas Co., Ltd.	Ablerex Electronics (Beijing) Co., Ltd.	Sales of uninterruptible power supply systems and solar energy equipment and others	80	80	Note 1
Ablerex Electronics (S) Pte. Ltd.	Ablerex Electronics (Thailand) Co., Ltd.	Sales of uninterruptible power supply systems and solar energy equipment and others	70	-	Note 3, 4

Note 1：The information included in these consolidated financial statements as at December 31, 2017 and 2016 is based on the audited financial statements of the investees.

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

Note 3：The information included in these consolidated financial statements as at December 31, 2017 is based on the audited financial statements of the investee.

Note 4：The consideration for acquiring the ownership of Ablerex Electronics (Thailand) Co., Ltd. was remitted on August 15, 2017. The investee was included in these consolidated financial statements thereafter.

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 $61,429 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 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) <u>Classification of current and non-current items</u>

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 settle liabilities more than twelve months after the balance sheet date.

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 settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled 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.

(6) <u>Cash and cash equivalents</u>

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) <u>Accounts receivable</u>

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) <u>Impairment of financial assets</u>

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;

and

(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) <u>Derecognition of financial assets</u>

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

(10) <u>Inventories</u>

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) <u>Property, plant and equipment</u>

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) Operating 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 expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense 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 net defined benefit 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 expense and liability, 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.

(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 is 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 Group's 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

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

As of December 31, 2017, the carrying amount of inventories was $876,855.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand and petty cash (revolving funds)	$ 550	$ 708
Checking accounts and demand deposits	234,205	325,373
Time deposits	20,778	29,574
	255,533	355,655
Transferred to 'Other current assets'	(194)	(194)
	$ 255,339	$ 355,461

A. The Group transacts 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

	December 31, 2017	December 31, 2016
Accounts receivable	$ 594,528	$ 523,409
Less: Allowance for bad debts — accounts receivable	(19,129)	(15,026)
	$ 575,399	$ 508,383

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

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

	December 31, 2017	December 31, 2016
Up to 45 days	$ 35,641	$ 23,534
46 to 90 days	1,710	2,181
	$ 37,351	$ 25,715

The above ageing analysis was based on past due date.

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

	2017		
	Individual provision	Group provision	Total
At January 1	$ -	$ 15,026	$ 15,026
Provision for impairment	-	4,103	4,103
At December 31	$ -	$ 19,129	$ 19,129

	2016		
	Individual provision	Group provision	Total
At January 1	$ -	$ 16,132	$ 16,132
Reversal of impairment	-	(1,106)	(1,106)
At December 31	$ -	$ 15,026	$ 15,026

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

(3) Inventories

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 245,360	($ 55,944)	$ 189,416
Work in process	64,344	(4,732)	59,612
Semi-finished goods	114,267	(40,679)	73,588
Finished goods	34,167	(3,916)	30,251
Goods	85,338	(12,037)	73,301
Goods in transit	25,181	-	25,181
Unfinished constructions	425,506	-	425,506
	$ 994,163	($ 117,308)	$ 876,855

	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
	$ 1,065,953	($ 124,368)	$ 941,585

The cost of inventories recognised as expense for the period:

	2017	2016
Cost of goods sold	$ 1,763,467	$ 1,770,245
Maintenance cost	31,697	35,422
Loss (gain from reversal) on decline in market value	(1,619)	9,859
Others	39,518	24,846
	$ 1,833,063	$ 1,840,372

For the year ended December 31, 2017, the gain on reversal of decline in market value was recognised due to the sale of inventories which had previously recognised a price decline.

(4) Property, plant and equipment

	Land	Buildings	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Others	Total
At January 1, 2017								
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)
	$ 169,980	$ 620,750	$ 99,989	$ 5,331	$ 17,964	$ 10,138	$ 45	$ 924,197
2017								
Opening net book amount	$ 169,980	$ 620,750	$ 99,989	$ 5,331	$ 17,964	$ 10,138	$ 45	$ 924,197
Additions	-	-	6,419	1,686	5,430	-	-	13,535
Transfer	-	1,073	7,407	-	565	-	-	9,045
Disposals	-	-	(11,320)	(59)	(19)	-	-	(11,398)
Depreciation charge	-	(30,752)	(19,335)	(1,376)	(5,577)	(1,573)	-	(58,613)
Net exchange differences	(302)	(6,188)	(1,059)	(261)	(261)	(163)	(4)	(8,238)
Closing net book amount	$ 169,678	$ 584,883	$ 82,101	$ 5,321	$ 18,102	$ 8,402	$ 41	$ 868,528
At December 31, 2017								
Cost	$ 169,678	$ 744,725	$ 230,660	$ 10,840	$ 42,109	$ 17,950	$ 135	$ 1,216,097
Accumulated depreciation	-	(159,842)	(148,559)	(5,519)	(24,007)	(9,548)	(94)	(347,569)
	$ 169,678	$ 584,883	$ 82,101	$ 5,321	$ 18,102	$ 8,402	$ 41	$ 868,528

	Land	Buildings	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Others	Construction in progress	Total
At January 1, 2016									
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)
	$ 161,942	$ 353,018	$ 117,523	$ 4,015	$ 15,017	$ 12,774	$ 45	$ 156,371	$ 820,705
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	$ 169,980	$ 620,750	$ 99,989	$ 5,331	$ 17,964	$ 10,138	$ 45	$ -	$ 924,197
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)
	$ 169,980	$ 620,750	$ 99,989	$ 5,331	$ 17,964	$ 10,138	$ 45	$ -	$ 924,197

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 collaterals is provided in Note 8.

C. There was no borrowing costs capitalised as part of property, plant and equipment.

(5) Other non-current assets

	December 31, 2017	December 31, 2016
Overdue receivable	$ 36,240	$ 36,806
Allowance for bad debts – overdue receivable	(36,240)	(36,806)
Prepayments for equipment	2,604	8,709
Guarantee deposits	6,393	5,637
Long-term prepaid rents – land use rights	1,013	1,058
Others	15,141	8,552
	$ 25,151	$ 23,956

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, 2017	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 255,000	0.99%～1.02%	None

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 240,000	1.00%～1.05%	None

Unused line of credits is as follow:

Type of borrowings	December 31, 2017	December 31, 2016
Bank borrowings		
Unsecured borrowings	$ 867,960	$ 884,125
Secured borrowings	159,951	162,422
	$ 1,027,911	$ 1,046,547

For collaterals on bank borrowings and book value information, please refer to Note 7 and Note 8.

(7) Other payables

	December 31, 2017	December 31, 2016
Payable for wages and salaries and other short-term employee benefits	$ 91,602	$ 94,833
Others	35,657	27,907
	$ 127,259	$ 122,740

(8) Provisions for liabilities -current

	Years ended December 31, 2017	Years ended December 31, 2016
Warranty:		
At January 1	$ 39,713	$ 59,944
Additional provisions	25,071	17,394
Used during the year	(18,993)	(37,625)
At December 31	$ 45,791	$ 39,713

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 and its domestic subsidiaries contribute 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 and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient 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 contributions to cover the deficit by next March.

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

	December 31, 2017	December 31, 2016
Present value of funded defined benefit obligations	($ 51,310)	($ 50,923)
Fair value of plan assets	29,517	28,889
Net defined benefit liability	($ 21,793)	($ 22,034)

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 50,923)	$ 28,889	($ 22,034)
Current service cost	(75)	-	(75)
Interest (expense) income	(635)	368	(267)
	(51,633)	29,257	(22,376)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(85)	(85)
Change in demographic assumptions	(208)	-	(208)
Experience adjustments	531	-	531
	323	(85)	238
Pension fund contribution	-	345	345
Balance at December 31	($ 51,310)	$ 29,517	($ 21,793)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
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 assets (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)

(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 earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	2017	2016
Discount rate	1.25%	1.25%
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%
December 31, 2017				
Effect on present value of defined benefit	($ 1,538)	$ 1,604	$ 1,588	($ 1,530)
December 31, 2016				
Effect on present value of defined benefit	($ 1,637)	$ 1,710	$ 1,693	($ 1,628)

The sensitivity analysis above is based on one assumption which changed while the other conditions that remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating 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 for the year ending December 31, 2018 amounts to $1,389.

(g) As of December 31, 2017, the weighted average duration of the retirement plan is 12 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	614
1-2 year(s)		1,821
3-5 years		5,080
Over 5 years		50,825
	$	58,340

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 China indirect subsidiaries, Ablerex Electronics (Suzhou) Co., Ltd. and Ablerex 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, 2017 and 2016 was both 20%. Other than the monthly contributions, the Group has no further obligations. Ablerex Corporation, Ablerex Electronics (S) Pte. Ltd., Ablerex Electronics (Thailand) Co Led. Ablerex Electronics Italy S.R.L and Wada Denki Co., Ltd. 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, 2017 and 2016 were $25,003 and $25,093 respectively.

(10) Other current liabilities

	December 31, 2017		December 31, 2016	
Advance receipts for unfinished constructions	$	155,751	$	165,948
Others		15,888		19,559
	$	171,639	$	185,507

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, 2017, the Company's authorised 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

A. 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.

B. The shareholders resolved to appropriate capital surplus in cash at their meeting on June 19, 2017:

	Year ended December 31, 2016	
	Amount	Cash per share (in dollars)
Capital surplus appropriated in cash	$ 45,000	$ 1.00

The cash appropriation of capital surplus is in agreement with the proposal submitted by the Board of Directors.

(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 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 19, 2017 and June 21, 2016, the Company's shareholders during their meeting resolved to distribute a dividend of $2 per share and $3.25 per share for 2016 and 2015 distribution of earnings, totalling to $90,000 and $146,250, respectively.

F. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(18).

(14) Sales revenue

	2017	2016
Sales revenue	$ 2,320,661	$ 2,356,691
Service revenue	74,177	64,353
	$ 2,394,838	$ 2,421,044

(15) Other income

	2017	2016
Interest income	$ 1,127	$ 1,512
Others	18,409	8,226
	$ 19,536	$ 9,738

(16) Other gains and losses

	2017	2016
Net currency exchange (loss) gain	($ 13,774)	$ 12,626
Gain (loss) on disposal of property, plant and equipment	619	(765)
Others	(4,115)	(2,931)
	($ 17,270)	$ 8,930

(17) Expenses by nature

By function / By nature	2017			2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	$ 196,901	$ 285,029	$ 481,930	$ 210,415	$ 265,041	$ 475,456
Depreciation charges	39,683	18,930	58,613	37,709	15,512	53,221
Amortisation charges	944	8,317	9,261	1,426	6,728	8,154

(18) Employee benefit expense

	2017	2016
Wages and salaries	$ 402,363	$ 396,145
Labor and health insurance fees	37,778	36,395
Pension costs	25,345	24,584
Other personnel expenses	16,444	18,332
	$ 481,930	$ 475,456

A. In according with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 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, 2017 and 2016, employees' compensation was accrued at $5,950 and $8,068, respectively; while directors' and supervisors' remuneration was accrued at $1,983 and $2,689, 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 distributable profit of current year as of the year end December 31, 2017.

The difference of $90 between employees' compensation (directors' and supervisors' remuneration) as resolved by Board of Directors and the amount recognised in the 2016 financial statements of $8,068 ($2,689) had been adjusted in profit or loss for 2017. 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 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:

	2017	2016
Current tax:		
Current tax on profits for the period	$ 14,914	$ 26,857
Tax on undistributed earnings	-	1,434
Prior year income tax underestimation	1,067	2,914
Total current tax	15,981	31,205
Deferred tax:		
Origination and reversal of temporary differences	153	7,278
Income tax expense	$ 16,134	$ 38,483

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

	2017	2016
Currency translation differences	($ 3,383)	($ 8,840)
Remeasurement of defined benefit obligations	41	(316)
	($ 3,342)	($ 9,156)

B. Reconciliation between income tax expense and accounting profit:

	2017	2016
Tax calculated based on profit before tax and statutory tax rate	$ 19,644	$ 35,917
Expenses disallowed by tax regulation	-	2,271
Effect from tax credit of investment	(4,607)	(4,504)
Prior year income tax underestimation	1,067	2,914
Effect from Alternative Minimum Tax	30	451
Tax on undistributed earnings	-	1,434
Income tax expense	$ 16,134	$ 38,483

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

	At January 1, 2017	Recognised in profit or loss	Recognised in other comprehensive income	At December 31, 2017
Temporary differences:				
–Deferred tax assets:				
Unrealised warranty provision	$ 6,751	$ 1,033	$ -	$ 7,784
Allowance for market value decline and loss for inventories	12,498	-	-	12,498
Accrued pension liabilities	3,746	-	(41)	3,705
Allowance for bad debts	5,023	634	-	5,657
Others	2,737	(619)	-	2,118
	30,755	1,048	(41)	31,762
–Deferred tax liabilities:				
Gain on foreign long-term equity investments	(74,940)	(1,241)	-	(76,181)
Translation differences of foreign operations	(3,411)	-	3,383	(28)
Others	(223)	40	-	(183)
	(78,574)	(1,201)	3,383	(76,392)
	($ 47,819)	($ 153)	$ 3,342	($ 44,630)

	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
	28,915	1,524	316	30,755
–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)
	(78,612)	(8,802)	8,840	(78,574)
	($ 49,697)	($ 7,278)	$ 9,156	($ 47,819)

D. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

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

F. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

Unappropriated retained earnings on December 31, 2016:

	December 31, 2016
Earnings generated in and before 1997	$ -
Earnings generated in and after 1998	91,608

G. As of December 31, 2016 the balance of the imputation tax credit account was $29,314 the creditable tax rate was 15.29% for 2016.

(20) Earnings per share

	2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent company	$ 79,610	45,000	$ 1.77
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent company	79,610	45,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	180	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 79,610	45,180	$ 1.76

	2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent company	$ 101,536	45,000	$ 2.26
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent company	101,536	45,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	276	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 101,536	45,276	$ 2.24

(21) Operating leases

The Group leases offices and company vehicles under non-cancellable operating lease agreements. The lease terms are between 2015 and 2019, and most of these lease agreements are renewable at the end of lease period. The Group recognised rental expenses of $11,447 and $11,307 for these leases in profit or loss for the years ended December 31, 2017 and 2016, respectively. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	December 31, 2017	December 31, 2016
Not later than one year	$ 10,479	$ 5,762
Later than one year but not later than five years	4,657	2,784
	$ 15,136	$ 8,546

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
United Integrated Services Co., Ltd.	The entity using equity method to account for the investment in the Company
Beijing Sicon Technology Co.,Ltd.	The entity using equity method to account for the investment in Ablerex-BJ
Directors, supervisors, general manager and vice general manager	The Company's key management

(2) Significant related party transactions and balances

A. Sales revenue

	2017	2016
Sales revenue		
Entities with significant influence to the Group	$ 83,547	$ 16,338
Other related parties	325	33
	$ 83,872	$ 16,371

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)

	2017	2016
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 2 years and the future minimum lease payments amounts to $6,078.

C. Receivables from related parties

	December 31, 2017	December 31, 2016
Receivables from related parties		
Entities with significant influence to the Group	$ 9,927	$ 14,064

D. Property transactions:

(1) Acquisition of property, plant and equipment

	December 31, 2017	December 31, 2016
Entities with significant influence to the Group	$ -	$ 77,800

(2) Guaranteed note for construction of real estate

	December 31, 2017	December 31, 2016
Entities with significant influence to the Group	$ -	$ 4,084

E. Endorsements and guarantees

As of December 31, 2017 and 2016, there were unsecured bank borrowings amounting to $255,000 thousand and $240,000 thousand, respectively. The Company's key management was joint guarantor.

F. Commitments

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

	December 31, 2017	December 31, 2016
Entities with significant influence to the Group	$ 1,577	$ 1,646

(3) Key management compensation

	2017	2016
Salaries and other short-term employee benefits	$ 28,090	$ 28,996
Termination benefits	934	933
	$ 29,024	$ 29,929

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2017	December 31, 2016	Purpose
Other current assets —time deposits	$ 194	$ 194	Performance guarantee for contracts
Property, plant and equipment —land and buildings	133,580	141,373	Short-term borrowings or guarantee for line of credit
Other non-current assets —long-term prepaid rent	1,013	1,058	Short-term borrowings or guarantee for line of credit
	$ 134,787	$ 142,625	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. As of December 31, 2017 and 2016, other than the details of contingencies and commitments between the Group and related parties as provided in Note 7(2) 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

	December 31, 2017	December 31, 2016
Property, plant and equipment	$ 550	$ -

Warranty and performance guarantee

As of December 31, 2017 and 2016, promissory notes issued for the warranty and performance guarantee of sales amounted to $87,654 and $54,852, 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 2017 earnings had been proposed by the Board of Directors on March 22, 2018. Details are summarized below:

	2017	
	Amount	Dividends per share
Legal reserve	$ 7,961	
Special reserve	29,535	
Cash dividends	72,000	$ 1.60

As of March 22, 2018, the appropriations of 2017 earnings has not been resolved at the stockholders' meeting.

B. On March 22, 2018, the Board of Directors proposed to appropriate $0.90 (in dollars) per share in cash with the capital surplus equivalent to $774,878 arising from paid-in capital in excess of par value on issuance of common stocks. As of March 22, 2018, the proposal has not been resolved by shareholders at their meeting.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by $5,605 and $13,495, respectively, which will be adjusted in the first quarter of 2018.

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 the year ended December 31, 2017, the Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio of about 40%. The gearing ratios at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 1,178,670	$ 1,242,125
Total equity	1,570,646	1,641,494
Total assets	$ 2,749,316	$ 2,883,619
Gearing ratio	43%	43%

(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, 2017			2017 Sensitivity analysis		
(Foreign currency: Functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss before tax	Effect on other comprehensive income
Financial assets						
Monetary items						
USD:NTD	$ 10,554	29.76	$ 314,087	1%	$ 3,141	$ -
RMB:NTD	1,880	4.57	8,592	1%	86	-
SGD:USD	940	0.75	20,981	1%	210	
Financial liabilities						
Monetary items						
USD:NTD	$ 1,364	29.76	$ 40,593	1%	$ 406	$ -
USD:RMB	341	6.51	10,145	1%	101	-

	December 31, 2016			2016 Sensitivity analysis		
(Foreign currency: Functional currency)	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss before tax	Effect on other comprehensive income
Financial assets						
Monetary items						
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	-
Financial liabilities						
Monetary items						
USD:NTD	$ 1,395	32.25	$ 44,989	1%	$ 450	$ -
USD:RMB	582	6.94	16,813	1%	168	-

v. The total exchange (loss) gain arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016, amounted to ($13,774) and $12,626, 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:

December 31, 2017	Less than 3 months	Between 3 months and 1 year	Over 1 year	Book value
Short-term borrowings	$255,298	$ -	$ -	$ 255,298
Notes payable	850	-	-	850
Accounts payable	440,980	24,650	-	465,630
Other payables	106,736	19,125	1,398	127,259

December 31, 2016	Less than 3 months	Between 3 months and 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

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, 2017:

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, 2017: None.

J. Significant inter-company transactions for the year ended December 31, 2017: 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, 2017: Please see Note 13(1) G.

(b) Selling amount and percentage and related receivables' percentage and balance at December 31, 2017: 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, 2017: None.

(e) Maximum balance, ending balance, interest rate range and interest for financing during the year ended and at December 31, 2017: 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, 2017

	First Business Division	Second Business Division	Technical Services Division	Energy Division	Reconciliation and elimination	Total
Revenue from external parties	$ 786,934	$ 1,237,887	$ 190,415	$ 179,602	$ -	$2,394,838
Inter-segment revenue	88,073	2,522,486	10,955	-	(2,621,514)	-
Segment revenue	$ 875,007	$ 3,760,373	$ 201,370	$ 179,602	($ 2,621,514)	$2,394,838
Segment income/(loss)	$ 67,450	$ 177,597	$ 82,922	$ 21,708	($ 252,939)	$ 96,738

Year ended December 31, 2016

	First Business Division	Second Business Division	Technical Services Division	Energy 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	$ 1,097,636	$ 3,755,477	$ 200,933	$ 30,200	($ 2,663,202)	$2,421,044
Segment income/(loss)	$ 114,299	$ 173,948	$ 72,134	$ 18,729	($ 255,736)	$ 123,374

(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, 2017 and 2016 are as follows:

	2017	2016
Reportable segments income before tax	$ 96,738	$ 123,374
Other income	19,536	9,738
Other gains and losses	(17,270)	8,930
Finance costs	(2,331)	(2,056)
Income before tax from continuing operations	$ 96,673	$ 139,986

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, 2017 and 2016 are as follows:

		2017		2016
Uninterruptible power supplies	$	1,006,204	$	943,494
Project construction		930,745		954,732
Photovoltaic devices		19,389		27,910
Active power filters		134,199		136,942
Service revenue		74,177		64,354
Others		230,124		293,612
	$	2,394,838	$	2,421,044

(6) Geographical information

The Group's geographical information for the years ended December 31, 2017 and 2016 are as follows:

	2017				2016			
	Revenue		Non-current assets		Revenue		Non-current assets	
Taiwan	$	1,022,803	$	860,497	$	1,026,519	$	918,238
Japan		8,088		218		4,379		-
Turkey		129,531		-		120,524		-
Italy		153,634		964		146,074		424
USA		177,203		10,975		170,537		12,411
Germany		64,181		-		83,571		-
Singapore		101,803		59,871		138,578		59,837
Others		737,595		-		730,862		-
	$	2,394,838	$	932,525	$	2,421,044	$	990,910

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2017 and 2016 are as follows:

	2017			2016		
	Revenue		Segment	Revenue		Segment
A	$	332,020	Second Business Division	$	231,198	Second Business Division
F		95,623	First Business Division		280,984	First Business Division