ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2018, 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 21, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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, 2018 and 2017, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and 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

<u>Description</u>

Please refer to Note 4(24) for accounting policy on revenue recognition, Note 6(13) for composition of operating revenue and Note 14(5) for information on products and services. For the year ended December 31, 2018, the Group's project construction revenue amounted to NT$1,060,972 thousand, accounting for 42% of consolidated net sales.

The Group's operating revenue is comprised of sales revenue and project construction revenue. The main composition of the project construction revenue is the sale of large equipment and installation related projects. The project needs to be completed through the Group's installation of large-scale equipment, and after the relevant documents are executed by both parties and the client can obtain and consume the benefits provided by the asset, the Group will have deemed to have completed the contractual performance obligations and can recognize the project construction revenue. Due to the fact that the income of the Group's project construction involves manual operation, it may result to inappropriate timing recognition of revenue. Considering that the amount of income recognized by the Group's project construction in a timely manner has a significant impact on the consolidated financial statements, we have deemed the appropriateness of the project construction income as one of the significant audit matters for the year.

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 that the project construction revenue had been recorded in the proper period accordingly.
3. Tested the accuracy and completeness of project construction list and traced to a related document that can prove revenue in order to confirm that 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, 2018, the Group's inventories and allowance for inventory valuation losses amounted to NT $1,096,185 thousand and NT $124,144 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. 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.
3. 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, 2018 and 2017.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the 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 21, 2019

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	ASSETS	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 201,285	7	$ 255,339	9
1150	Notes receivable, net	6(2)	43,758	2	15,841	1
1170	Accounts receivable, net	6(2)	511,183	19	575,399	21
1180	Accounts receivable due from related parties, net	7	10,084	-	9,927	-
1200	Other receivables		5,089	-	3,616	-
130X	Inventories,net	6(3)	972,041	36	876,855	32
1410	Prepayments		19,711	1	41,466	2
1470	Total other current assets	6(1) and 8	194	-	194	-
11XX	**Total current assets**		1,763,345	65	1,778,637	65
	Non-current assets					
1600	Property, plant and equipment	6(4) and 8	835,870	31	868,528	31
1780	Intangible assets		44,326	2	45,238	2
1840	Deferred income tax assets	6(18)	37,154	1	31,762	1
1900	Other non-current assets	6(5) and 8	31,182	1	25,151	1
15XX	**Total non-current assets**		948,532	35	970,679	35
1XXX	**Total assets**		$ 2,711,877	100	$ 2,749,316	100

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ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	LIABILITIES AND EQUITY	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(6)	$ 252,298	9	$ 255,000	9
2130	Current contract liabilities	6(13)	248,614	9	-	-
2150	Notes payable		3,630	-	850	-
2170	Accounts payable		371,747	14	465,630	17
2200	Other payables	6(7)	131,684	5	127,259	5
2230	Current income tax liabilities	6(18)	22,140	1	14,316	-
2250	Provisions for liabilities - current	6(8)	31,959	1	45,791	2
2300	Other current liabilities	12(5)	16,275	1	171,639	6
21XX	**Total current liabilities**		1,078,347	40	1,080,485	39
	Non-current liabilities					
2570	Deferred income tax liabilities	6(18)	83,030	3	76,392	3
2640	Net defined benefit liability,non-current	6(9)	21,761	1	21,793	1
25XX	**Total non-current liabilities**		104,791	4	98,185	4
2XXX	**Total liabilities**		1,183,138	44	1,178,670	43
	Equity attributable to owners of parent					
	Share capital	6(10)				
3110	Common stock		450,000	17	450,000	17
	Capital surplus	6(11)				
3200	Capital surplus		734,378	27	774,878	28
	Retained earnings	6(12)				
3310	Legal reserve		202,294	7	194,334	7
3320	Special reserve		29,535	1	-	-
3350	Unappropriated retained earnings		135,877	5	171,415	6
	Other equity interest					
3400	Other equity interest		(34,442)	(1)	(29,535)	(1)
31XX	**Total equity attributable to owners of parent**		1,517,642	56	1,561,092	57
36XX	**Non-controlling interests**		11,097	-	9,554	-
3XXX	**Total equity**		1,528,739	56	1,570,646	57
	Significant contingent liabilities and unrecognised contract commitments	7 and 9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 2,711,877	100	$ 2,749,316	100

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

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

			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(13) and 7	$ 2,530,613	100	$ 2,394,838	100
5000	**Operating costs**	6(13)(16)(17)	(1,919,053)	(76)	(1,833,063)	(77)
5950	**Gross profit from operations**		611,560	24	561,775	23
	Operating expenses	6(16)(17) and 7				
6100	Selling expenses		(256,997)	(10)	(214,281)	(9)
6200	General and administrative expenses		(121,654)	(5)	(106,467)	(4)
6300	Research and development expenses		(151,895)	(6)	(144,289)	(6)
6450	Expected credit gain		3,618	-	-	-
6000	**Total operating expenses**		(526,928)	(21)	(465,037)	(19)
6900	**Net operating income**		84,632	3	96,738	4
	Non-operating income and expenses					
7010	Other income	6(14)	14,299	1	19,536	1
7020	Other gains and losses	6(15)	7,551	-	(17,270)	(1)
7050	Finance costs		(2,448)	-	(2,331)	-
7000	**Total non-operating income and expenses**		19,402	1	(65)	-
7900	**Profit before income tax**		104,034	4	96,673	4
7950	Income tax expense	6(18)	(29,118)	(1)	(16,134)	-
8200	**Profit for the year**		$ 74,916	3	$ 80,539	4

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

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
	Other comprehensive income					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(9)	$ 32	-	$ 238	-
8349	Income tax related to components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(18)	769	-	(41)	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		801	-	197	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(6,344)	-	(19,967)	(1)
8399	Income tax relating to the components of other comprehensive income	6(18)	1,220	-	3,383	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(5,124)	-	(16,584)	(1)
8500	**Total comprehensive income**		$ 70,593	3	$ 64,152	3
	Profit attributable to:					
8610	Owners of the parent		$ 73,156	3	$ 79,610	4
8620	Non-controlling interest		1,760	-	929	-
			$ 74,916	3	$ 80,539	4
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 69,050	3	$ 63,229	3
8720	Non-controlling interest		1,543	-	923	-
			$ 70,593	3	$ 64,152	3
	Earnings per share (in dollars)					
9750	**Basic earnings per share**	6(19)	$ 1.63		$ 1.77	
9850	**Diluted earnings per share**	6(19)	$ 1.62		$ 1.76	

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent								
				Retained earnings						
	Notes	Common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total	Non-controlling interests	Total equity
2017										
Balance at January 1, 2017		$ 450,000	$ 819,878	$ 184,180	$ -	$ 191,762	($ 12,957)	$1,632,863	$ 8,631	$1,641,494
Profit for the year		-	-	-	-	79,610	-	79,610	929	80,539
Other comprehensive income (loss) for the year		-	-	-	-	197	(16,578)	(16,381)	(6)	(16,387)
Total comprehensive income (loss)		-	-	-	-	79,807	(16,578)	63,229	923	64,152
Appropriation and distribution of 2016 earnings:	6(12)									
Legal reserve		-	-	10,154	-	(10,154)	-	-	-	-
Cash dividends to shareholders		-	-	-	-	(90,000)	-	(90,000)	-	(90,000)
Cash dividends paid by additional paid-in capital	6(11)	-	(45,000)	-	-	-	-	(45,000)	-	(45,000)
Balance at December 31, 2017		$ 450,000	$ 774,878	$ 194,334	$ -	$ 171,415	($ 29,535)	$1,561,092	$ 9,554	$1,570,646
2018										
Balance at January 1, 2018		$ 450,000	$ 774,878	$ 194,334	$ -	$ 171,415	($ 29,535)	$1,561,092	$ 9,554	$1,570,646
Profit for the year		-	-	-	-	73,156	-	73,156	1,760	74,916
Other comprehensive income (loss) for the year		-	-	-	-	801	(4,907)	(4,106)	(217)	(4,323)
Total comprehensive income (loss)		-	-	-	-	73,957	(4,907)	69,050	1,543	70,593
Appropriation and distribution of 2017 earnings:	6(12)									
Legal reserve		-	-	7,960	-	(7,960)	-	-	-	-
Special reserve		-	-	-	29,535	(29,535)	-	-	-	-
Cash dividends to shareholders		-	-	-	-	(72,000)	-	(72,000)	-	(72,000)
Cash dividends paid by additional paid-in capital	6(11)	-	(40,500)	-	-	-	-	(40,500)	-	(40,500)
Balance at December 31, 2018		$ 450,000	$ 734,378	$ 202,294	$ 29,535	$ 135,877	($ 34,442)	$1,517,642	$ 11,097	$1,528,739

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

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

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 104,034	$ 96,673
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(4)(16)	58,350	58,613
Amortisation expense (including amortisation charges on long-term prepaid rent)	6(16)	10,148	9,261
Expected credit gain/Provision for bad debts		(3,618)	4,103
Financial costs		2,448	2,331
Interest income	6(14)	(1,311)	(1,127)
Loss (gain) on disposal of property, plant and equipment	6(4)(15)	548	(619)
Unrealised foreign exchange loss		467	932
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(27,917)	(10,946)
Accounts receivable		67,282	(71,119)
Accounts receivable due from related parties, net		(157)	4,137
Other receivables		1,113	2,786
Inventories		(95,186)	64,165
Prepayments		21,755	(16,135)
Changes in operating liabilities			
Current contract liabilities		248,614	-
Notes payable		2,780	(5,651)
Accounts payable		(93,883)	(60,731)
Other payables		3,538	7,762
Provisions for liabilities - current		(13,832)	6,078
Other current liabilities		(155,364)	(13,868)
Defined benefit liability		775	(3)
Cash inflow generated from operations		130,584	76,642
Interest received		(1,275)	1,129
Interest paid		(1,561)	(5,574)
Income tax paid		(18,059)	(20,422)
Net cash flows from operating activities		109,689	51,775

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

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(4)	($ 30,056)	($ 13,535)
Proceeds from disposal of property, plant and equipment	6(4)	638	12,017
Acquisition of intangible assets		(1,960)	(6,023)
Increase in prepayment for equipment		-	(2,604)
Increase in deposit		(2,010)	(755)
Increase in other non-current assets		(10,660)	(6,537)
Net cash flows used in investing activities		(44,048)	(17,437)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		(2,702)	15,000
Cash dividends paid	6(12)	(72,000)	(90,000)
Cash dividends paid by additional paid-in capital	6(11)	(40,500)	(45,000)
Net cash flows used in financing activities		(115,202)	(120,000)
Effect of exchange rate changes on cash and cash equivalents		(4,493)	(14,460)
Net decrease in cash and cash equivalents		(54,054)	(100,122)
Cash and cash equivalents at beginning of year		255,339	355,461
Cash and cash equivalents at end of year		$ 201,285	$ 255,339

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(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 21, 2019.

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 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 losses'	January 1, 2017

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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

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

A. IFRS 9, ‘Financial instruments’

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

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

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity’s risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of ‘rebalancing’; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

(d) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

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

The Group, using IFRS 15 for the first time, has elected not to restate prior period financial statements and recognized the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. Only select advance receipts were reclassified as contract liabilities by nature in the balance sheet on January 1, 2018. The significant effects of January 1, 2018 are summarised below:

(a) Presentation of contract liabilities

In line with IFRS 15 requirements, the Group expects to change the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities in relation to sales revenue contracts are recognised as a contract liabilities, but were previously presented as other non-current assets in the balance sheet. As of January 1, 2018, the balance would amount to $160,928.

(b) Related disclosures for the first time using IFRS15 are provided in Note 12(5).

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 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
IFRS 16, 'Leases'	January 1, 2019
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 performance based on the Group's assessment.

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.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $45,266 and $24,996 respectively, and decrease other non-current assets by $20,270.

(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
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
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 17, 'Insurance contracts'	January 1, 2021

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

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 less present value of defined benefit obligation.

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.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(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, 2018	December 31, 2017	Description
The Company	Ablerex Electronics (Samoa) Co., Ltd. (Ablerex-Samoa)	Investment holdings	100	100	Note 1
The Company	Joint Rewards Trading Corp. (Joint)	Management service	100	100	Note 1
The Company	Ablerex Corporation (Ablerex-USA)	Sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note 1
The Company	Ablerex International Co., Ltd. (Ablerex-HK)	Sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note 1
The Company	Ablerex Electronics (S) Pte. Ltd. (Ablerex-SG)	Sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note 1
The Company	Ablerex Electronics U.K. Ltd. (Ablerex-UK)	Investment holdings	100	100	Note 1
The Company	Wada Denki Co., Ltd. (Ablerex-JP)	Sales of uninterruptible power supply systems and solar energy equipment and others	100	100	Note 1
Ablerex Electronics U.K. Ltd.	Ablerex Electronics Italy S.R.L. (Ablerex-IT)	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. (Ablerex-Overseas)	Investment holdings	100	100	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
Ablerex Overseas Co., Ltd.	Ablerex Electronics (Suzhou) Co., Ltd. (Ablerex-SZ)	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. (Ablerex-BJ)	Sales of uninterruptible power supply systems and solar energy equipment and others	80	80	Note 1
Ablerex Electronics (S)	Ablerex Electronics (Thailand) Co., Ltd. (Ablerex-TH)	Sales of uninterruptible power supply systems and solar energy equipment and others	70	70	Note 1, 3
Ablerex Corporation	Ablerex Latam Corporation (Ablerex-Latam)	Sales of uninterruptible power supply systems and solar energy equipment and others	100	-	Note 2, 4

Note 1：The information included in these consolidated financial statements as at December 31, 2018 and 2017 is based on the audited financial statements of the investees.

Note 2：The information included in these consolidated financial statements as at December 31, 2018 is based on the audited financial statements of the investee.

Note 3：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.

Note 4：The consideration for acquiring the ownership of Ablerex Latam Corporation was remitted on November 28, 2018. 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 $47,987 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) Cash and cash equivalents

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

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

(10)Inventories

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

(11)Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

(12)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

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(18)Derecognition of financial liabilities

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

(19)Provisions

Provisions (primarily warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(20)Employee benefits

A. Short-term employee benefits

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

(21)Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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.

(22)Share capital

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

(23)Dividends

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

(24)Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells uninterrupted power supply equipment and system, improved power quality system and equipment and solar energy equipment and other related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) The Group provides standard warranty on the products sold, and has the obligation to maintain the products. The liabilities are recognized when the goods are sold.

(c) Accounts receivable are recognized when the goods are delivered to the customer, since the Group has unconditional rights to the contract price since that point in time, and it is only necessary to pass the time to collect the consideration from the customer.

B. Sale of goods—Project construction

(a) The Group provides sales services related to uninterruptible power system and equipment, improved power quality system and equipment and solar system and equipment integration. The project construction revenue includes equipment sales and installation services, and the contract involves and provides integrated services. Therefore, the equipment and installation are indistinguishable and are regarded as a single performance obligation. The Group installs equipment, the customer performs the acceptance procedure, and the Group opens the warranty book. The customer obtains the control of the equipment and the benefits arising therefrom. When all the acceptance criteria are met, the Group completes the contractual performance obligated of contract to recognize revenue.

(b) The Group provides standard warranty for project construction, and is responsible for the maintenance of equipment, and recognizes liabilities when selling goods.

(c) Accounts receivable are recognized when the project construction is completed and the warranty book is delivered to the customer. Since the Group has unconditional rights to the contract price from that point, it is only necessary to collect the consideration from the customer as time elapsed.

C. Service revenue

The Group provides uninterruptible power system and equipment, improved power quality system and equipment and solar system and equipment. Service revenue is recognized as income during the financial reporting period in which the services are provided to customers. Revenue from fixed price contracts is recognised as a percentage of the number of months of service actually provided on the balance sheet date. The customer pays the contract price in accordance with the payment schedule agreed upon, and is recognized as a contract assets when the services provided by the Group exceed the customer's payables, and are recognized as contract liabilities if the customer pays more than the services provided by the Group.

D. Costs of obtaining a customer contract

The incremental costs incurred by the Group in obtaining customer contracts are expected to be recoverable, but the relevant contract period is less than one year, so the costs are recognized at the expense when incurred.

(25)Revenue recognition

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

A. Evaluation of inventory

Evaluation of 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, 2018, the Group’s carrying amount of inventories was $972,041.

B. Estimation of provisions for liabilities

The sale of goods requires consideration of the cost incurred or to be incurred in connection with the transaction. Therefore, the Group formulates the proposed policy for the determination of the warranty for the sale of the product, which is used to measure the actual operating profit and loss of the company. The Group's liability determination is based on the Group's policy based on the historical warranty data of the product as the basis for the assessment, and the related product warranty liabilities are estimated to estimate the future maintenance costs.

As of December 31, 2018, the Group estimated the liability provision to be $31,959.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash (revolving funds)	$ 828	$ 550
Checking accounts and demand deposits	150,915	234,205
Time deposits	49,736	20,778
	201,479	255,533
Transferred to 'Other current assets'	(194)	(194)
	$ 201,285	$ 255,339

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) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 43,758	$ 15,841
Accounts receivable	$ 527,246	$ 594,528
Less: Allowance for bad debts — accounts receivable	(16,063)	(19,129)
	$ 511,183	$ 575,399

A. The ageing analysis of accounts receivable and notes receivable is as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Within 120 days	$ 478,032	$ 42,011	$ 523,147	$ 15,841
121 to 180 days	34,940	872	45,463	-
181 to 360 days	5,448	875	13,206	-
Over 361 days	8,826	-	12,712	-
	$ 527,246	$ 43,758	$ 594,528	$ 15,841

The above ageing analysis was based on invoice date.

B. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable were $43,758 and $15,841, $511,183 and $575,399, respectively.

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

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(3) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 302,673	($ 58,842)	$ 243,831
Work in process	54,831	(5,464)	49,367
Semi-finished goods	179,514	(37,090)	142,424
Finished goods	86,443	(7,518)	78,925
Goods	136,968	(15,230)	121,738
Goods in transit	29,146	-	29,146
Unfinished constructions	306,610	-	306,610
	$ 1,096,185	($ 124,144)	$ 972,041

	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

The cost of inventories recognised as expense for the period:

	2018	2017
Cost of goods sold	$ 1,845,722	$ 1,763,467
Maintenance cost	33,443	31,697
Loss (gain from reversal) on decline in market value	7,703	(1,619)
Others	32,185	39,518
	$ 1,919,053	$ 1,833,063

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, 2018								
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
2018								
Opening net book amount	$ 169,678	$ 584,883	$ 82,101	$ 5,321	$ 18,102	$ 8,402	$ 41	$ 868,528
Additions	-	-	21,315	562	8,179	-	-	30,056
Transfer	-	-	-	-	460	-	-	460
Disposals	-	-	(1,077)	-	(109)	-	-	(1,186)
Depreciation charge	-	(30,542)	(19,018)	(1,614)	(5,604)	(1,572)	-	(58,350)
Net exchange differences	116	(2,062)	(1,599)	20	(36)	(79)	2	(3,638)
Closing net book amount	$ 169,794	$ 552,279	$ 81,722	$ 4,289	$ 20,992	$ 6,751	$ 43	$ 835,870
At December 31, 2018								
Cost	$ 169,794	$ 735,921	$ 241,126	$ 11,494	$ 44,567	$ 17,907	$ 140	$ 1,220,949
Accumulated depreciation	-	(183,642)	(159,404)	(7,205)	(23,575)	(11,156)	(97)	(385,079)
	$ 169,794	$ 552,279	$ 81,722	$ 4,289	$ 20,992	$ 6,751	$ 43	$ 835,870

	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

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 by 10 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, 2018	December 31, 2017
Overdue receivable	$ 35,395	$ 36,240
Allowance for bad debts – overdue receivable	(35,395)	(36,240)
Prepayments for equipment	1,545	2,604
Guarantee deposits	8,403	6,393
Long-term prepaid rents – land use rights	964	1,013
Others	20,270	15,141
	$ 31,182	$ 25,151

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, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 252,298	0.99%～2.79%	None

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 255,000	0.99%～1.02%	None

Unused line of credits is as follow:

Type of borrowings	December 31, 2018	December 31, 2017
Bank borrowings		
Unsecured borrowings	$ 824,852	$ 867,960
Secured borrowings	156,520	159,951
	$ 981,372	$ 1,027,911

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

(7) Other payables

	December 31, 2018	December 31, 2017
Payable for wages and salaries and other short - term employee benefits	$ 98,460	$ 91,602
Others	33,224	35,657
	$ 131,684	$ 127,259

(8) Provisions for liabilities -current

	Years ended December 31,	
	2018	2017
Warranty:		
At January 1	$ 45,791	$ 39,713
Additional provisions	24,956	25,071
Used during the year	(38,788)	(18,993)
At December 31	$ 31,959	$ 45,791

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 Act, 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 Act. 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, 2018	December 31, 2017
Present value of funded defined benefit obligations	($ 52,807)	($ 51,310)
Fair value of plan assets	31,046	29,517
Net defined benefit liability	($ 21,761)	($ 21,793)

(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, 2018			
Balance at January 1	($ 51,310)	$ 29,517	($ 21,793)
Current service cost	(75)	-	(75)
Interest (expense) income	(638)	374	(264)
	(52,023)	29,891	(22,132)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	816	816
Change in demographic assumptions	(127)	-	(127)
Financial assumptions change	(1,504)	-	(1,504)
Experience adjustments	847	-	847
	(784)	816	32
Pension fund contribution	-	339	339
Balance at December 31	($ 52,807)	$ 31,046	($ 21,761)

	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)

(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 its domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and its 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, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows

	2018	2017
Discount rate	1.00%	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, 2018				
Effect on present value of defined benefit obligation	($ 1,509)	$ 1,571	$ 1,552	($ 1,498)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 1,538)	$ 1,604	$ 1,588	($ 1,530)

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, 2019 amounts to $293.

(g) As of December 31, 2018, the weighted average duration of the retirement plan is 11 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	893
1-2 year(s)		1,435
3-5 years		5,298
Over 5 years		50,320
	$	57,946

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 defined contribution plans. 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, 2018 and 2017 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., Ltd., Ablerex Electronics Italy S.R.L and Wada Denki Co., Ltd. have defined contribution plans 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, 2018 and 2017 were $25,947 and $25,003, respectively.

(10) Share capital

As of December 31, 2018, 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.

(11) 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 21, 2018 and June 19, 2017:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Amount	Cash per share (in dollars)	Amount	Cash per share (in dollars)
Capital surplus appropriated in cash	$ 40,500	$ 0.90	$ 45,000	$ 1.00

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

(12) 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 21, 2018 and June 19, 2017, the shareholders resolved that total dividends for the distribution of earnings for the years of 2017 and 2016 was as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	$ 7,960		$ 10,154	
Special reserve	29,535		-	
Cash dividends	72,000	$ 1.60	90,000	$ 2.00

F. For information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(17).

(13) Sales revenue

	2018
Sales revenue	$ 1,401,805
Project construction revenue	1,060,972
Service revenue	67,836
	$ 2,530,613

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following:

2018	First Business Division	Second Business Division	Technical Services Division	Energy Division	Reconciliation and elimination	Total
Revenue from external customer contracts	$ 861,498	$ 1,192,195	$ 250,365	$ 226,555	$ -	$ 2,530,613
Inter-segment revenue	130,872	2,725,250	9,045	-	(2,865,167)	-
Total segment revenue	$ 992,370	$ 3,917,445	$ 259,410	$ 226,555	($ 2,865,167)	$ 2,530,613
Segment income/(loss)	$ 123,038	$ 103,182	$ 92,119	$ 14,497	($ 248,204)	$ 84,632
Timing of revenue recognition						
At a point in time	$ 861,498	$ 1,192,195	$ 189,394	$ 226,040	$ -	$ 2,469,127
Over time	-	-	60,971	515	-	61,486
	$ 861,498	$ 1,192,195	$ 250,365	$ 226,555	$ -	$ 2,530,613

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2018
Contract liabilities:	
Contract liabilities – advance receipts for construction	$ 234,440
Contract liabilities – advance sales receipts	14,174
	$ 248,614

(a) Significant changes in contract liabilities

None.

(b) Revenue recognised that was included in the contract liability balance at the beginning of the period

	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Sales revenue	$ 79,995

C. Related disclosures for initial application of IFRS15 are provided in Note 12(5).

(14) Other income

	2018	2017
Interest income	$ 1,311	$ 1,127
Others	12,988	18,409
	$ 14,299	$ 19,536

(15) Other gains and losses

	2018	2017
Foreign exchange gains (losses)	$ 14,409	($ 13,774)
Losses on financial liabilities at fair value through profit or loss	(5,969)	-
(Losses) gains on disposals of property, plant and equipment	(548)	619
Others	(341)	(4,115)
	$ 7,551	($ 17,270)

(16) Expenses by nature

By function / By nature	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense	$ 210,405	$ 320,702	$ 531,107	$ 196,901	$ 285,029	$ 481,930
Depreciation charges	35,631	22,719	58,350	39,683	18,930	58,613
Amortisation charges	467	9,681	10,148	944	8,317	9,261

(17) Employee benefit expense

	2018	2017
Wages and salaries	$ 449,088	$ 402,363
Labor and health insurance fees	38,587	37,778
Pension costs	26,286	25,345
Other personnel expenses	17,146	16,444
	$ 531,107	$ 481,930

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, 2018 and 2017, employees' compensation was accrued at $6,262 and $5,950, respectively; while directors' and supervisors' remuneration was accrued at $2,087 and $1,983, 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 for the year end December 31, 2018.

The difference of $6 between employees' compensation (directors' and supervisors' remuneration) as resolved by Board of Directors and the amount recognised in the 2017 financial statements of $5,950 ($1,983) had been adjusted in profit or loss for 2018. 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.

(18) Income tax

A. Income tax expense

(a) Components of income tax expense:

	2018	2017
Current tax:		
Current tax on profits for the period	$ 20,119	$ 14,914
Prior year income tax (over) underestimation	(2,882)	1,067
Total current tax	17,237	15,981
Deferred tax:		
Origination and reversal of temporary differences	3,235	153
Impact of change in tax rate	8,646	-
Income tax expense	$ 29,118	$ 16,134

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

	2018	2017
Currency translation differences	($ 1,225)	($ 3,383)
Remeasurement of defined benefit obligations	7	41
Impact of change in tax rate	(771)	-
	($ 1,989)	($ 3,342)

B. Reconciliation between income tax expense and accounting profit:

	2018	2017
Tax calculated based on profit before tax and statutory tax rate	$ 25,566	$ 19,644
Effect from tax credit of investment	(2,212)	(4,607)
Prior year income tax (over) underestimation	(2,882)	1,067
Effect from changes in tax regulation	8,646	-
Effect from Alternative Minimum Tax	-	30
Income tax expense	$ 29,118	$ 16,134

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

	At January 1, 2018	Recognised in profit or loss	Recognised in other comprehensive income	At December 31, 2018
Temporary differences:				
–Deferred tax assets:				
Unrealised warranty provision	$ 7,784	($ 1,392)	$ -	$ 6,392
Allowance for market value decline and loss for inventories	12,498	3,095	-	15,593
Accrued pension liabilities	3,705	(122)	769	4,352
Allowance for bad debts	5,657	859	-	6,516
Translation differences of foreign operations	-	-	1,192	1,192
Others	2,118	991	-	3,109
	31,762	3,431	1,961	37,154
–Deferred tax liabilities:				
Gain on foreign long-term equity investments	(76,181)	(6,829)	-	(83,010)
Translation differences of foreign operations	(28)	-	28	-
Others	(183)	163	-	(20)
	(76,392)	(6,666)	28	(83,030)
	($ 44,630)	($ 3,235)	$ 1,989	($ 45,876)

	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)

D. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

E. 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 was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(19) Earnings per share

	2018		
	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	$ 73,156	45,000	$ 1.63
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent company	$ 73,156	$ 45,000	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	223	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 73,156	45,223	$ 1.62

	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

(20) 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 $11,913 and $11,447 for these leases in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 8,231	$ 10,479
Later than one year but not later than five years	3,291	4,657
	$ 11,522	$ 15,136

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
Directors, supervisors, general manager and vice general manager	The Company's key management

(2) Significant related party transactions and balances

A. Sales revenue

	2018	2017
Sales revenue		
Entities with significant influence to the Group	$ 1,877	$ 83,547
Other related parties	-	325
	$ 1,877	$ 83,872

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)

	2018	2017
Entities with significant influence to the Group	$ 4,362	$ 4,398

Expenses are primarily leases of offices and plants. The rent is determined in accordance with contract agreements; rent is payable monthly. The contract will expire in about 1 year and the future minimum lease payments amounts to $1,788.

C. Receivables from related parties

	December 31, 2018	December 31, 2017
Receivables from related parties		
Entities with significant influence to the Group	$ 10,084	$ 9,927

D. Endorsements and guarantees

As of December 31, 2018 and 2017, there were unsecured bank borrowings amounting to $252,298 and $255,000, respectively. The Company's key management was joint guarantor.

E. Commitments

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

	December 31, 2018	December 31, 2017
Entities with significant influence to the Group	$ 1,220	$ 1,577

(3) Key management compensation

	2018	2017
Salaries and other short-term employee benefits	$ 29,998	$ 28,090
Termination benefits	898	934
	$ 30,896	$ 29,024

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Other current assets —time deposits	$ 194	$ 194	Performance guarantee for contracts
Property, plant and equipment —land and buildings	125,193	133,580	Short-term borrowings or guarantee for line of credit
Other non-current assets —long-term prepaid rent	964	1,013	Short-term borrowings or guarantee for line of credit
	$ 126,351	$ 134,787	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. As of December 31, 2018 and 2017, 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, 2018	December 31, 2017
Property, plant and equipment	$ 3,067	$ 550

Warranty and performance guarantee

As of December 31, 2018 and 2017, promissory notes issued for the warranty and performance guarantee of sales amounted to $71,690 and $87,654, respectively.

B. Operating leases agreements

Please see Note 6(20).

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

The appropriations of 2018 earnings had been proposed by the Board of Directors on March 21, 2019. Details are summarized below:

	2018			
	Amount		Dividends per share	
Legal reserve	$	7,316		
Special reserve		4,907		
Cash dividends		67,500	$	1.50

As of March 21, 2019, the appropriations of 2018 earnings has not been resolved at the stockholders' meeting.

12. OTHERS

(1) Capital management

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

During the year ended December 31, 2018, the Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio of about 40%. The gearing ratios at December 31, 2018 and 2017 were as follows:

	December 31, 2018		December 31, 2017	
Total liabilities	$	1,183,138	$	1,178,670
Total equity		1,528,739		1,570,646
Total assets	$	2,711,877	$	2,749,316
Gearing ratio		44%		43%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 201,285	$ 255,339
Notes receivable(including related parties)	43,758	15,841
Accounts receivable(including related parties)	521,267	585,326
Other receivables	5,089	3,616
Guarantee deposits paid	8,403	6,393
Other financial assets	194	194
	$ 779,996	$ 866,709
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 252,298	$ 255,000
Notes payable	3,630	850
Accounts payable	371,747	465,630
Other accounts payable	131,684	127,259
Guarantee deposits received	72	74
	$ 759,431	$ 848,813

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. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

(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 and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopt ed to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting.

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, 2018			2018		
				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	$ 6,901	30.72	$ 211,964	1%	$ 2,120	$ -
RMB:NTD	7,260	4.47	32,467	1%	325	-
SGD:USD	1,176	0.73	26,437	1%	264	-
Financial liabilities						
Monetary items						
USD:NTD	$ 1,401	30.72	$ 43,032	1%	$ 430	$ -
USD:RMB	404	6.87	12,409	1%	124	-
SGD:USD	562	0.73	12,634	1%	126	-

(Foreign currency: Functional currency)	December 31, 2017 Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	2017 Sensitivity analysis 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	-

v. The total exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to $14,409 and ($13,774), respectively.

Cash flow and fair value 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 on the contract obligations. The main factor is that counterparties could not repay in full the contract cash flows of accounts receivable, notes receivable and amortized cost financial assets based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of investment grade or above are accepted. 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 management. The utilisation of credit limits is regularly monitored. The main credit risk arises from wholesale and retail customers, including outstanding receivables.

iii. The Group adopts the assumptions under IFRS 9, there has been a significant increase in credit risk on that instrument since initial recognition, when the contract payments were past due over 30 days.

iv. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) Default or delinquency in interest or principal repayments;

(iii) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group classifies customers' accounts receivable in accordance with sales area. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2018, the Group's written-off financial assets that are still under recourse procedures amounted to $35,395.

viii. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the provision matrix is as follows:

	Not overdue	Overdue within 30 days	Overdue within 60 days	Overdue within 90 days	Overdue for more than 90 days	Total
At December 31, 2018						
Expected loss rate	0.03%	0.17~1.28%	37~71%	38~84%	50~100%	
Total book value	$ 483,995	$ 24,620	$ 6,820	$ 1,993	$ 9,818	$ 527,246
Loss allowance	145	605	4,262	1,747	9,304	16,063

ix. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2018
At January 1	$ 19,129
Reversal of impairment loss	(3,066)
At December 31	$ 16,063

x. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. 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 head-room as determined by the above-mentioned 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, 2018	Less than 3 months	Between 3 months and 1 year	Over 1 year	Book value
Short-term borrowings	$ 252,527	$ -	$ -	$ 252,527
Notes payable	3,630	-	-	3,630
Accounts payable	354,024	17,723	-	371,747
Other payables	107,618	21,410	2,656	131,684

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

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

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3:Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value.

The Group's carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, accounts payable and other payables are approximate to their fair values. The carrying amounts are provided in Note 12(2)A.

C. As of December 31, 2018 and 2017, there are no financial instruments measured at fair value, therefore, there are no related information disclosed.

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(b) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

(4) <u>Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017</u>

A. Summary of significant accounting policies adopted in 2017

(a) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They 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.

(b) Impairment of financial assets

i. 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.

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

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) 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;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) 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.

iii. 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 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.

B. Credit risk information for the year ended December 31, 2017 are as follows :

(a) 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.

(b) No credit limits were exceeded during the reporting period of 2017, and management does not expect any significant losses from non-performance by these counterparties.

(c) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 45 days	$ 35,641
46 to 90 days	1,710
	$ 37,351

The above ageing analysis was based on past due date.

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

i. As of December 31, 2017, the impairment of accounts receivable amounted to $19,129.

ii. Movement in the provision for impairment of accounts receivable for the year ended December 31, 2017 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

C. The initial application of IFRS 9 has no significant impact on the Group's consolidated statements of comprehensive income as of January 1, 2018.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

(a) Sales of goods

The Group provides uninterruptible power supply systems, solar energy equipment and related products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates 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) Sales of services

The Group provides uninterruptible power supply systems, system maintenance. 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 the proportion of contract costs incurred for services performed as of the financial reporting date to the estimated total costs for the service contract. 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.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

		2017
Sales revenue	$	1,389,916
Project construction revenue		930,745
Service revenue		74,177
	$	2,394,838

C. The Group applies the relevant provisions of IAS 18 in 2017. During the past reporting period, it recognized the advance payment and payment related to the income contract, and listed other current liabilities on the balance sheet. The balance as of December 31, 2017 is as follows:

		December 31, 2017
Advance receipts for construction	$	155,751
Advance sales receipts		5,177
Other		10,711
	$	171,639

D. The effects and description of current balance sheet items if the Group continues adopting above accounting policies are as follows, no significant impact on the current consolidated statements of comprehensive income items.

	December 31, 2018					
Balance sheet items	Balance by using IFRS 15		Balance by using previous accounting policies		Effects from chages in accounting policy	
Contract liabilities	$	248,614	$	-	$	248,614
Other non-current assets		-		248,614	(	248,614)

Explanation: According to IFRS 15, the contractual liabilities recognized in the contract are expressed on the balance sheet as advance receipts (listed for other current liabilities) in the past reporting period.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transaction information

The Group discloses related information of the following for the year ended December 31, 2018:

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, 2018: None.

J. Significant inter-company transactions for the year ended December 31, 2018: 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, 2018: Please see Note 13(1) G.

(b) Selling amount and percentage and related receivables' percentage and balance at December 31, 2018: 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, 2018: None.

(e) Maximum balance, ending balance, interest rate range and interest for financing during the year ended and at December 31, 2018: 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 four reportable operating segments: First Business Division, Second Business Division, Technical Services Division and Energy 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 follow:

2018	First Business Division	Second Business Division	Technical Services Division	Energy Division	Reconciliation and elimination	Total
Revenue from external customer contracts	$ 861,498	$ 1,192,195	$ 250,365	$ 226,555	$ -	$ 2,530,613
Inter-segment revenue	130,872	2,725,250	9,045	-	(2,865,167)	-
Total segment revenue	$ 992,370	$ 3,917,445	$ 259,410	$ 226,555	($ 2,865,167)	$ 2,530,613
Segment income/(loss)	$ 123,038	$ 103,182	$ 92,119	$ 14,497	($ 248,204)	$ 84,632

2017	First Business Division	Second Business Division	Technical Services Division	Energy Division	Reconciliation and elimination	Total
Revenue from external customer contracts	$ 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)	-
Total 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

(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, 2018 and 2017 are as follows:

	2018	2017
Reportable segments income before tax	$ 84,632	$ 96,738
Other income	14,299	19,536
Other gains and losses	7,551	(17,270)
Finance costs	(2,448)	(2,331)
Income before tax from continuing operations	$ 104,034	$ 96,673

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, 2018 and 2017 are as follows:

	2018	2017
Project construction	$ 1,060,839	$ 930,745
Uninterruptible power supplies	935,361	1,006,204
Active power filters	156,369	134,199
Photovoltaic devices	27,170	19,389
Service revenue	67,836	74,177
Others	283,038	230,124
	$ 2,530,613	$ 2,394,838

(6) Geographical information

The Group's geographical information for the years ended December 31, 2018 and 2017 are as follows:

	2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 1,162,703	$ 828,337	$ 1,022,803	$ 860,497
Japan	8,940	195	8,088	218
Turkey	92,420	-	129,531	-
Italy	182,753	4,389	153,634	964
USA	83,665	11,044	177,203	10,975
Germany	66,300	-	64,181	-
Singapore	96,240	59,011	101,803	59,871
Others	837,592	-	737,595	-
	$ 2,530,613	$ 902,976	$ 2,394,838	$ 932,525

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2018 and 2017 are as follows:

	2018		2017	
	Revenue	Segment	Revenue	Segment
F	$ 331,103	First Business Division	$ 95,623	First Business Division
A	282,672	Second Business Division	332,020	Second Business Division

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	The Company	Ablerex-IT	Other recivables	Y	$ 24,572 (USD 800 thousand)	$ 24,572 (USD 800 thousand)	$ 10,750 (USD 350 thousand)	3.80%	Short-term financing	$ -	Turnover of operation	$ -	None	$ -	$ 303,529	$ 607,057	Note 1 Note 4
1	Ablerex-USA	Ablerex-IT	Other recivables	Y	9,138 (USD 300 thousand)	7,679 (USD 250 thousand)	7,679 (USD 250 thousand)	1.65%	Short-term financing	-	Turnover of operation	-	None	-	303,529	607,057	Note 1 Note 3 Note 6
2	Ablerex-HK	Ablerex-SZ	Other recivables	Y	92,145 (USD 3,000 thousand)	92,145 (USD 3,000 thousand)	61,430 (USD 2,000 thousand)	3.20%	Short-term financing	-	Turnover of operation	-	None	-	303,529	607,057	Note 1 Note 2 Note 5

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

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

Note 3: In accordance with the Ablerex-USA's "Procedures for Provision of Loans", limit on total loans to others is 40% of the parent company's net assets. Limit on loans to a single party with business transactions is the higher value of purchases or sales during current year. Limit on loans to a single party with short-term financing is 20% of the parent company's net assets.Each loan matures within one year after it is lent except for financing among entities who directly or indirectly own 100% voting right of the Company's parent company.

Note 4: The maximum credit to be drawn as approved by the Board of Directors was USD 800 thousand. The period-end available credit balance was USD 800 thousand. The actual amount drawn was USD 350 thousand.

Note 5: The maximum credit to be drawn as approved by the Board of Directors was USD 3,000 thousand. The period-end available credit balance was USD 3,000 thousand. The actual amount drawn was USD 2,000 thousand.

Note 6: The maximum credit to be drawn as approved by the Board of Directors was USD 300 thousand. The period-end available credit balance was USD 250 thousand. The actual amount drawn was USD 250 thousand.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	The Company	Ablerex-HK	Subsidiary	$ 758,821	$ 276,435	$ 230,363	$ 61,227	$ -	15%	$ 758,821	Y	N	N	Note 1 Note 2

Note1: In accordance with the Company’s “Procedures for Provision of Endorsements and Guarantees”, limit on the Company endorsements/guarantees to others is 50% of the Company’s net assets. Limit on the Company's endorsements/guarantees to a single party is 20% of the Company’s net assets,and limit on endorsements/guarantees for companies with business relations is the higher value of purchases or sales during current year.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Transactions made with Ablerex-HK is higher than 50% of the Company’s net assets, which is over the limit on the Company endorsements/guarantees to others.
Thus, the limit on the Company endorsements/guarantees to Ablerex-HK is 50% of the Company’s net assets.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Ablerex-HK	Subsidiary	(Sales)	($ 103,888)	(4%)	Note 4	Note 4	Note 4	$ -	0%	-
Ablerex-HK	The Company	Parent Company	Purchases	USD 3,613 thousand	9%	Note 4	Note 4	Note 4	(USD 542 thousand)	(14%)	-
The Company	Ablerex-SG	Subsidiary	(Sales)	($ 147,648)	(6%)	Note 3	Note 3	Note 3	$ 56,243	11%	-
Ablerex-SG	The Company	Parent Company	Purchases	USD 4,935 thousand	84%	Note 3	Note 3	Note 3	(USD 1,831 thousand)	(81%)	-
The Company	Ablerex-IT	An indirectly-owned Subsidiary	(Sales)	($ 93,757)	(4%)	Note 3	Note 3	Note 3	$ 25,127	5%	-
Ablerex-IT	The Company	Parent Company	Purchases	EUR 2,637 thousand	86%	Note 3	Note 3	Note 3	(EUR 688 thousand)	(79%)	-
The Company	Ablerex-HK	Subsidiary	Purchases	$ 1,082,804	71%	Note 1	Note 1	Note 1	($ 122,576)	(42%)	-
Ablerex-HK	The Company	Parent Company	(Sales)	(USD 35,914 thousand)	(91%)	Note 1	Note 1	Note 1	USD 3,991 thousand	84%	-
Ablerex-HK	Ablerex-SZ	Affiliate	Purchases	USD 35,914 thousand	91%	Note 2	Note 2	Note 2	(USD 3,295 thousand)	(86%)	-
Ablerex-HK	Ablerex-SZ	Affiliate	(Sales)	(USD 3,613 thousand)	(9%)	Note 3	Note 3	Note 3	USD 771 thousand	16%	-
Ablerex-SZ	Ablerex-HK	Affiliate	(Sales)	(RMB 236,328 thousand)	(88%)	Note 2	Note 2	Note 2	RMB 22,612 thousand	73%	-
Ablerex-SZ	Ablerex-BJ	Affiliate	(Sales)	(RMB 26,786 thousand)	(10%)	Note 3	Note 3	Note 3	RMB 7,835 thousand	25%	-
Ablerex-BJ	Ablerex-SZ	Affiliate	Purchases	RMB 26,786 thousand	90%	Note 3	Note 3	Note 3	(RMB 7,835 thousand)	(91%)	-

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

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

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

Note 4: Ablerex-HK conducts purchases from Ablerex, whereby the prices were determined according to the agreements between the parties. The purchases were then sold to Ablerex-SZ with a zero contribution margin; the credit term is coherent with general customers.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

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

December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Ablerex-HK	The Company	Parent Company	USD 3,991 thousand	6.22	-	-	USD 3,991 thousnad	$ -
Ablerex-SZ	Ablerex-HK	Affiliate	RMB 22,612 thousand	6.58	-	-	RMB 22,612 thousnad	-

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the year ended December 31, 2018

Table 5

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

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	The Company	Ablerex-HK	1	Sales	$ 103,888	Note 8	4%
		Ablerex-HK	1	Purchases	1,082,804	Note 4	43%
		Ablerex-HK	1	Accounts Payable	122,576		5%
		Ablerex-HK	1	Other Receivable	16,654		1%
		Ablerex-USA	1	Sales	64,789	Note 5	3%
		Ablerex-USA	1	Accounts Receivable	17,590		1%
		Ablerex-SG	1	Sales	147,648	Note 6	6%
		Ablerex-SG	1	Accounts Receivable	56,243		2%
		Ablerex-IT	1	Sales	93,757	Note 6	4%
		Ablerex-IT	1	Accounts Receivable	25,127		1%
		Ablerex-IT	1	Other Receivable	10,750	Note 10	0%
		Ablerex-IT	1	Selling Expense	13,645		1%
1	Ablerex-HK	Ablerex-SZ	3	Purchases	1,077,682	Note 4	43%
		Ablerex-SZ	3	Sales	108,924	Note 8	4%
		Ablerex-SZ	3	Accounts Receivable	23,675		1%
		Ablerex-SZ	3	Accounts Payable	101,120		4%
		Ablerex-SZ	3	Other Receivable	61,384	Note 9	2%
2	Ablerex-SZ	Ablerex-BJ	3	Sales	122,147	Note 7	5%
		Ablerex-BJ	3	Accounts Receivable	35,038		1%

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

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

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

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

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

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

Note 9: Ablerex-HK loan to Ablerex-SZ, of which $61,384 calculated interest against agreed interest rate 3.2% per annum and the rest was for business demand.

Note 10: Ablerex loan to Ablerex-IT, of which $10,750 calculated interest against agreed interest rate 3.8% per annum and the rest was for business demand.

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
The Company	Ablerex-Samoa	Samoa	Holding company	$ 217,445	$ 217,445	6,635,000	100	$ 491,877	($ 46,676)	($ 46,924)	Subsidiary
The Company	Joint	BVI	Providing management service	104	104	3,000	100	77	(38)	(38)	Subsidiary
The Company	Ablerex-USA	U.S.	Sales of uninterruptible power supply, solar energy products, and related systems	8,303	8,303	250,000	100	52,436	1,850	1,851	Subsidiary
The Company	Ablerex-HK	Hong Kong	Sales of uninterruptible power supply, solar energy products, and related systems	43	43	10,000	100	30,350	487	487	Subsidiary
The Company	Ablerex-SG	Singapore	Sales of uninterruptible power supply, solar energy products, and related systems	48,008	48,008	2,140,763	100	84,747	7,617	5,584	Subsidiary
The Company	Ablerex-UK	UK	Holding company	4,674	4,674	100,000	100	5,826	3,362	2,715	Subsidiary
The Company	Ablerex-JP	Japan	Sales of uninterruptible power supply, solar energy products, and related systems	9,253	9,253	3,000	100	4,826	(81)	(112)	Subsidiary
Ablerex-Samoa	Ablerex -Overseas	Hong Kong	Holding company	217,445	217,445	6,635,000	100	496,073	(46,642)	-	Second-tier subsidiary
Ablerex-UK	Ablerex-IT	Italy	Sales of uninterruptible power supply, solar energy products, and related systems	4,674	4,674	100,000	100	5,826	3,362	-	Second-tier subsidiary
Ablerex-SG	Ablerex-TH	Thailand	Sales of uninterruptible power supply, solar energy products, and related systems	256	256	280,000	70	1,125	787	-	Second-tier subsidiary
Ablerex-USA	Ablerex-Latam	U.S.	Sales of uninterruptible power supply, solar energy products, and related systems	15,358	-	3,650	100	13,624	(1,702)	-	Second-tier subsidiary

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Ablerex-SZ	Manufacturing and sales of uninterruptible power supply, solar energy products, and related systems	$ 167,704	Note 1	$ 167,704	$ -	$ -	$ 167,704	($ 52,677)	100	($ 52,677)	$ 453,530	$ -	-
Ablerex-BJ	Manufacturing and sales of uninterruptible power supply, solar energy products, and related systems	44,720	Note 1	36,090	-	-	36,090	6,728	80	5,382	42,457	-	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
ABLEREX ELECTRONICS CO., LTD.	$ 203,794	$ 203,794	$ 910,585

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

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

ABLEREX ELECTRONICS CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2018

Table 8

(1) Selling amount and percentage and related receivables' percentage and balance at December 31, 2018:

		For the year ended December 31, 2018		
Company name	General ledger amount	Amount	%	Footnote
Ablerex-SZ	Sales	$ 108,924	5%	Resold to Ablerex-SZ through Ablerex-HK

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

		For the year ended December 31, 2018		
Company name	General ledger amount	Amount	%	Footnote
Ablerex-SZ	Miscellaneous income	$ 3,380	43 %	The Company purchased the critical raw materials of $41,434 on behalf of Ablerex-SZ, and collected revenue through Ablerex-HK's transhipment.
Ablerex-SZ	Deduction from management fee	$ 8,983	15 %	Provide management service to Ablerex-SZ and collected payment through Joint.