

Stock Code: 3628

# 2019

## 2018 Annual Report

Printed on May 15, 2019

Ablerex Electronics Co. annual report is available at :

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

Taiwan Stock Exchange Market Observation Post System:

<http://newmops.twse.com.tw>

 **Ablerex**  
Experts in Power Conversion



# **Ablerex Electronics Co., Ltd.**

2018 Annual Report

**Notice to readers**

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

Taiwan Stock Exchange Market Observation Post System:

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Printed on May 15, 2019

**Spokesperson**

Name : Jeff Lin

Title: Manager of Financial Dept.

Tel: 886-2-2917-6857

E-mail: financial@ablerex.com.tw

**Deputy Spokesperson**

Name : Damon Chao

Title: Special Assistant to Chairman

Tel: 886-2-2917-6857

E-mail: damon.chao@ablerex.com.tw

**Stock Transfer Agent**

Stock Affairs Service Agent Department  
of Fubon Securities Corporation

Address: 2F., No.17, Syuchang St,

Jhongjheng Dist, Taipei City 100,

Taiwan (R.O.C.)

Tel: 886-2-2361-1300

Website: www.fbs.com.tw

**Auditors**

PwC

Auditors: Zoe Chou/CPA and Philine Lee /CPA

Address: 27F., No.333, Sec. 1, Keelung Rd.,

Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

Tel.: 886-2-2729-6666

Website: www.pwc.com.tw

**Overseas Securities Exchange**

N/A

**Corporate Website**

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

**Headquarters and Plant****Headquarters**

Address: 1F., No.3, Ln. 7, Baogao Rd.,

Xindian Dist., New Taipei City 231,

Taiwan (R.O.C.)

Tel: 886-2-2917-6857

**Plant**

Address: No.7, Gongye 4th Rd.,

Pingtung City, Pingtung County 900,

Taiwan (R.O.C.)

Tel: 886-8-7230091

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## I. Letter to Shareholders

Dear Shareholders:

First of all, thank all shareholders for full support of the company in the past year. The operating performance in 2018 and the business plan for 2019 are reported as follows:

### 1. Operating Performance in 2018

The consolidated sales revenue of Ablerex is NTD 2,530,613 thousand in 2018, which increased 5.67% comparing to the sales revenue NTD 2,394,838 thousand in 2017. The consolidated net income is NTD 74,916 thousand in 2018, which decreased 6.98% compared to the net income NTD 80,539 thousand in 2017. (As the following table)

Unit: NT\$ thousands			
Item	2018	2017	Growth Rate (%)
Sales Revenue	2,530,613	2,394,838	5.67%
Gross profit	611,560	561,775	8.86%
Operating income	84,632	96,738	-12.51%
Net income	74,916	80,539	-6.98%
Profit attributable to parenting company	73,156	79,610	-8.11%
EPS(NTD) – After tax	1.63	1.77	-7.91%

### 2. Implementation of business plan in 2018

Reviewing year 2018, due to the diversification of the company's revenue, although the market for UPS products is facing competition, revenues from active filters (APF), project engineering and others (components, batteries, etc.) still maintain considerable growth momentum, the annual group revenue got a small progress compared with the previous year; however, in order to maintain the market share and develop new business in the competitive market, and to maintain future growth, the Group never worry to invest on marketing activities and the construction of its bases, and technical research and products Development. So, the operating expenses continue to expand, resulting in a year-on-year profitability is less than 2017.

The company's 2018 major business performance indicators are as follows:

Unit: NT\$ thousands			
Item	2018	2017	Growth Rate(%)
Return on Assets	2.82%	2.93%	-0.11 ppts
Return on Shareholders' Equity	4.83%	5.01%	-0.18 ppts
Operating Income to Capital Stock	18.81%	21.50%	-2.69 ppts
Profit before Tax to Capital Stock	23.12%	21.48%	+1.64 ppts
Net Profit Margin	2.96%	3.36%	-0.40 ppts
EPS (NTD)-after tax	1.63	1.77	-7.91%

Although the company's annual sales gross profit margin (24.17%) increased slightly by 0.71 % from 2017 (23.46%), the operating expense ratio increased by 1.4 % from 2017, resulting in a decrease in the overall business profit. Besides, the income tax rate increased from 17% to 20%, resulting in a

decline in net profit and net profit ratio for the whole year. The performance of related assets and capital management performance indicators was not as good as that of 2017.

### **3. Business Plan for 2019**

#### **A. Business guidelines**

Ablerex Management team is aimed at 4 Guidelines for management : satisfying customers' various needs in the application of power conversion. The company's operating team is (1) to focus on the industry and always treat customer first priority, (2) devotes itself to technical research and product development, (3) take care of employees, feedback to shareholders, (4) Strengthen corporate governance and pursue sustainable development. Continue to focus on the development and production of power electronic products for power conversion and related service provision; pursue reasonable operating profit, take care of employees and reward shareholders, and take into account the interests of all stakeholders. To fulfill corporate social responsibility for sustainable development of enterprises foundation and continue to establish the "Ablerex , Experts in Power Conversion."

#### **B. Sales Forecasts and basis**

Ablerex did not make any financial forecasts, and shall not release the related information.

#### **C. Major production and sales strategy**

1. Continuously strengthen and improve research and development functions, control the source of product design and planning to improve product quality and improve production efficiency; and improve the response speed of R&D department to market and customer demand, to grasp business opportunities and ensure market position.
2. Adjust the procurement policy to ensure the original/material quality and delivery period, thereby reducing the product defective rate and improving inventory conditions.
3. Improve production efficiency, maintain product quality, and reduce customer complaints.
4. Expand the promotion and application of own branded products in the Taiwan market.
5. Support local marketing bases, improve company and product visibility, expand markets in Japan, Central and South America, Middle East and Eastern Europe, and consolidate market position.

#### **D. Research and Development Status**

The company uphold to the "technology independence" and continues to invest in the application research and product design of three-phase, high-end, high-capacity power electronics technology, and has successively completed the improvement of power quality and efficiency, and energy storage product development; Customer needs, committed to the improvement and enhancement of existing medium and low-end UPS products, the introduction of products that meet customer C/P value requirements, and strive to obtain greater market share and enhance the company's revenue and profit.

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

##### **A. External Competitive Environment**

UPS is a mature and highly-competitive industry. Markets of middle- and high-end products are handled by few major brand names with long history and reputations, which enhanced their oligopoly shares by merging and acquisition, while the market of low-end products is a highly price-competitive market. As for PV Inverter, mainland manufacturers have become a strong force in the market because of their big advantages in the mentioned market. They have led the product prices to continue falling. The market price competition has become increasingly hot. However, product applications and follow-up services are highly localized, so if it is not a resource-rich factory, not easy to operate a multinational market.

##### **B. Regulatory Environment**

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

##### **C. Macroeconomic Conditions**

With the booming development of global communication products, Internet, cable TV, wireless base stations, smart grids and cloud demand, the aging of existing global power infrastructure and power grids has led to end-use applications such as personal desktops. PCs, large-scale data centers for enterprises, large-scale computer equipment for public infrastructure, and other types of electronic digital devices all have stable power supply protection requirements which makes UPS products almost indispensable standard equipment, so the world The UPS industry has shown a steady growth trend in recent years. According to a report published by the industry research company Global Industry Analysts, Inc. in 2019, the global UPS market is expected to reach 15.0 billion U.S. dollars by 2024.

PV Inverter is a part of the solar energy industry. According to the research of EnergyTrend, Global demand is expected to continue to grow in 2019. It is expected that the new grid connection will reach 111.3GW, with a growth of 7.7%, once again hitting a record high; while the GW market will increase to 15 and the market will continue to be decentralized. China, the United States It will continue to be the world's top two markets, and India will become the third largest demand country from 2017, followed by Japan. Emerging markets such as Southeast Asia, North Africa, the Middle East, and Latin America have emerged since 2018. The global market size will stabilize from 2019, and India is most likely to have a large demand growth.

Facing the era of power shortage, the Taiwan government is undergoing energy transformation. It plans to reach 20 GW of PV devices by 2025. It ranks one of the 15 GW-class markets in 2019, and not only attracts Swiss private equity partners to come to Taiwan. Australian investment bank Macquarie Capital is also working with local system



vendors to develop wind power and PV, and even Google is buying solar green power in Taiwan. The estimated direct production value is about 850 billion NT Dollars. The output value under the benefit can reach 2 trillion NT Dollars, but the research unit also believes that the progress of the solar power plant installation is not only the investment incentive rate, but also the integration of land, the policy restrictions of the land law, and the difficulty of changing the land. These obstacles need to be broken again in order to have the opportunity to reach the 20GW target in 2025.

## **5. Development Strategy**

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

Technique and products of Ablerex fit the trends of diversifying energy sources and improving usage efficiency and will be part of the energy management field. Ablerex will also expand the sales volume of core products and application of core technology to help our customers improve the efficiency in using power, to reach corporate social responsibilities goals of “energy saving and environment protection”, to fulfill the expectations of all interested parties, and to pursue sustainable development of Ablerex.

All the best,

Chairman and CEO

Wen Hsu

## II. Company Profile

2.1 Date of Incorporation: Apr. 27, 1998.

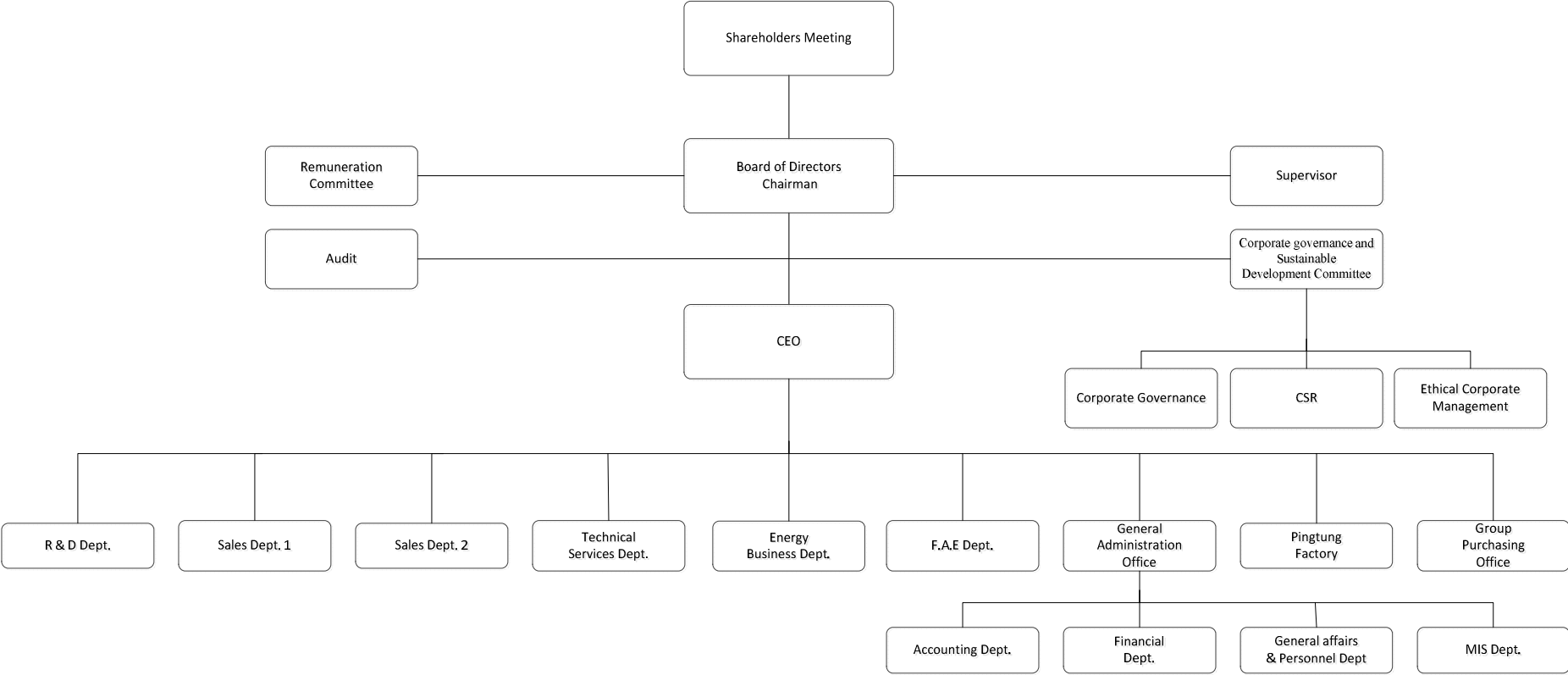
### 2.2 Company History

<b>2018</b>	Set up Ablerex Latam Corp. in US for Latin America market
<b>2017</b>	Invest Ablerex Electronics (Thailand) Co., Ltd. for own branded products in Thailand
<b>2016</b>	Set up Wada Denki Co., Ltd. in Japan
<b>2016</b>	Invest New Office for Xinchu office
<b>2013</b>	Set up New Building for U.S. Office
<b>2012</b>	New Factory at Pingtung Taiwan for 3 phase product.
<b>2010</b>	Public Listed on OTC market Increased Capital to USD 15M (NTD450M)
<b>2009</b>	Set up Beijing office and Italy office Listed on Emerging Stock Market
<b>2008</b>	Set up RD center in Kaohsiung Invest Singapore Company Set up 2nd-owned Factory in Suzhou, China Public offering in Taiwan Stock Market
<b>2006</b>	Set up USA office.
<b>2005</b>	Set up 1st-owned Factory in Suzhou, China.
<b>2004</b>	Increased Capital to USD 10 M (NTD 310 M)
<b>2002</b>	Merged with UIS Abler Electronics Co., Ltd. and rename Ablerex Electronics Co., Ltd.
<b>2001</b>	Start to set up Production facility in Suzhou, China
<b>1994</b>	Set up PEC TECHNOLOGY CO., LTD

# III. Corporate Governance Report

## 3.1 Organization

### A. Organization Chart



## B. Major Corporate Function

Department	Main Function
CEO office	<ol style="list-style-type: none"> <li>1. Setup Chairman, General Manager, Special assistant to Chairman and Stock affairs</li> <li>2. Follow the Corp. policy, business development and operation of mid/long term plan.</li> <li>3. Relative process for Stock affairs</li> </ol>
Corporate governance and Sustainable Development Committee	<ol style="list-style-type: none"> <li>1. Regularly review the implementation of various businesses and issue reports to the board of directors.</li> <li>2. According to government decrees, the competent authorities, and relevant management regulations within the company, plan, coordinate and track the implementation status of each task, and issue the duties of relevant departments according to the functional nature.</li> <li>3. Regularly report the results of the annual plan implementation before the end of the year and prepare the next annual plan.</li> </ol>
Audit Office	<ol style="list-style-type: none"> <li>1. All audit of finance, Sales and Accounting</li> <li>2. Trace the internal procedure and review operation for internal control system</li> <li>3. Amend the system document and promote the audit management</li> </ol>
R & D Dept.	<ol style="list-style-type: none"> <li>1. The development of new technology and new product</li> <li>2. Setup specification of new product</li> <li>3. Internal technical transference and training</li> <li>4. Filing and management of technical document and application for all intelligent right</li> </ol>
Sales Dept. 1	<ol style="list-style-type: none"> <li>1. Sales and promotion of own branded product in Big China market</li> <li>2. Sales management and business development</li> <li>3. Offer the service to promote sales and customer services</li> </ol>
Sales Dept. 2	<ol style="list-style-type: none"> <li>1. Sales and promotion of own branded product in world-wide market</li> <li>2. Sales management and business development</li> <li>3. Offer the service to promote sales and customer services</li> <li>4. To update the catalog and web site</li> </ol>
Technical Services Dept.	<ol style="list-style-type: none"> <li>1. To offer services of Installation, inspection and warranty</li> <li>2. Create business for maintenance, parts and components</li> </ol>
Energy Business Dept.	<ol style="list-style-type: none"> <li>1. Sales and promotion of own branded energy relative product and services in local market</li> <li>2. Sales management and business development</li> <li>3. Offer the service to promote sales and customer services</li> </ol>
F.A.E Dept.	<ol style="list-style-type: none"> <li>1. Support to customers for all own branded product</li> <li>2. Backup of sales promotion</li> <li>3. Support for all claim</li> </ol>
Pingtung Factory	<ol style="list-style-type: none"> <li>1. Plan and management for all Production, schedule, inventory, raw material, packing.</li> <li>2. Support and plan for all OEM</li> <li>3. Delivery, lead time control and after sales services.</li> </ol>
Group Purchasing Office	<ol style="list-style-type: none"> <li>1. Setup of supply chain</li> <li>2. Out sourcing for R&amp;D, raw material and parts</li> <li>3. Control of purchasing cost</li> </ol>
General Administration Office	<p><u>Accounting Dept.</u></p> <ol style="list-style-type: none"> <li>1. Accounting, tax process and preparation of finance report</li> <li>2. Analysis and control of summary of annual budget</li> </ol> <p><u>Financial Dept.</u></p> <ol style="list-style-type: none"> <li>1. A/P, finance plan and management analysis</li> <li>2. Management and plan of funds</li> </ol> <p><u>General affairs &amp; Human Resource Dept.</u></p> <ol style="list-style-type: none"> <li>1. General affairs for operation</li> <li>2. Maintenance and management of Fix assets</li> <li>3. Attendance management</li> </ol> <p><u>MIS Dept.</u></p> <ol style="list-style-type: none"> <li>1. Installation, maintenance and management of IT system</li> <li>2. Internal net working installation and maintenance</li> <li>3. Plan, integration of ERP on-line system</li> <li>4. Development for process automation and function</li> </ol>

## 3.2 Directors, Supervisors and Management Team

### 3.2.1 Directors and Supervisors

#### A. Directors and Supervisors

2019.4.30, Unit: Shares; %

Title	Name	Gender	Nationality/ Country of Origin	Date of first elected	Date elected	Term (Years)	Shareholding when elected		Current shareholding		Spouse and Minors Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							(MM-DD- (Years)	Shares	%	Shares	%	Shares	%	Shares			%	Title	Name
Chairman	Steven Hsu	M	Taiwan	05-08-02	06-19-17	3	9,477,177	21.06%	9,616,177	21.37%	333,973	0.74%	0	0	National Kaohsiung university of applied science/Honor Ph.D/Master of electronic engineering (MEE) Chairman & President of PEC Technology Co., Ltd.	Note 1	N/A	N/A	N/A
Director	Y.A. Chen	M	Taiwan	05-08-02	06-19-17	3	2,485,763	5.52%	2,485,763	5.52%	0	0	0	0	National Chiao Tung University/Master of Institute of Traffic & Transportation President of United Integrated Services Co., Ltd. Chairman of UIS Abler Electronics Co., Ltd. Chairman of Ablerex Electronics Co., Ltd.	Note 2	N/A	N/A	N/A
Director	UIS Co., Ltd.	M	Taiwan	05-08-02	06-19-17	3	14,986,502	33.30%	14,986,502	33.30%	0	0	0	0	N/A	N/A	N/A	N/A	
	C.S. Chen						-	0.00%	-	0.00%	0	0	0	0	National Chiao Tung University/Bachelor of Institute of Communications Engineering ,	Note 3	N/A	N/A	N/A
Director	UIS Co., Ltd.	M	Taiwan	09-23-15	06-19-17	3	14,986,502	33.30%	14,986,502	33.30%	0	0	0	0	N/A	N/A	N/A	N/A	
	B.C. Chen						-	0.00%	-	0.00%	0	0	0	0	National Chiao Tung University/Bachelor of Institute of Communications Engineering	Note 4	N/A	N/A	N/A
Director	Tim Sung	M	Taiwan	06-19-17	06-19-17	3	244,921	0.54%	242,921	0.54%	0	0	0	0	National Kaohsiung university of applied science/Master of electronic engineering (MEE) Sales Manager of PEC Technology Co., Ltd. Ablerex Electronics FAE V.P.	Note 5	N/A	N/A	N/A
Ind. Director	Y.J. Ding	M	Taiwan	11-17-09	06-19-17	3	0	0.00%	0	0.00%	0	0	0	0	Indiana University/Doctor of Philosophy. President of Fubon Securities Investment Trust Co., Ltd. Chairman of Waterland Securities Co., Ltd.	Note 6	N/A	N/A	N/A
Ind. Director	S.G. Wang	M	Taiwan	06-23-14	06-19-17	3	0	0.00%	0	0.00%	0	0	0	0	Chung Yuan Christian University/Bachelor of Civil Engineering Chief of team leader of Engineering Division, Taipei	Note 7	N/A	N/A	N/A
Supervisor	James Ho	M	Taiwan	11-17-09	06-19-17	3	0	0.00%	0	0.00%	0	0	0	0	University of Pittsburgh/Doctor of Economics Vice Executive Secretary of National Development	Note 8	N/A	N/A	N/A
Supervisor	Z.M. Yen	M	Taiwan	06-23-14	06-19-17	3	0	0.00%	0	0.00%	0	0	0	0	Soochow University/Master of Economics The director of Hsin-chu Science-Based Industrial Park	Note 9	N/A	N/A	N/A
Supervisor	S.H. Chen	F	Taiwan	05-22-08	06-19-17	3	700,482.00	1.56%	700,482.00	1.56%	0	0	0	0	Kun Shan University/Bachelor of International Trade	N/A	N/A	N/A	N/A

Note 1.	Wen Hsu	Chairman and CEO, Ablerex Electronics Co.,Ltd., CEO, Ablerex Electronics (Suzhou) Co., Ltd., Director, Joint rewards trading corp. Director, Ablerex corporation, Ablerex International Corp. Ltd., Ablerex Electronics (S) PTE Ltd. Director, Ablerex Electronics U.K. Ltd. Director, Ablerex Electronics Italy s.r.l. Director, Ablerex Electronics (Beijing) Co., ltd.
Note 2.	Y.A. Chen	Chairman, Ablerex Electronics Co.,Ltd., Chairman ,Ablerex Electronics (Suzhou) Co., Ltd., Director, Ablerex Electronics (Samoa) Co., Ltd. Director, Ablerex Overseas Corp Ltd. Director Ablerex Electronics (Beijing) Corp Ltd., Director of JG Environmental Technology Co., Ltd.
Note 3.	C.S. Chen	Chairman, UIS Co., Ltd. Chairman, Chairman of United Integrated Services Co., Ltd., Chairman of United Information Systems (BVI) Co., Director of United Integrated Services Co., Ltd.(Jiangxi), Director of United Integrated Services Co., Ltd. (Shanghai), Director of United Integrated Services Co., Ltd. (Suzhou), Director of Hitpoint Inc., Supervisor of Han-Tai Investment Co., Ltd., Director of Brainchild Electronic Co., Ltd.
Note 4.	B.C. Chen	President of United Integrated Services Co., Ltd., Director of Han-Tai Investment Co., Ltd., Director of Wholetech System Hitech Limited (Legal Representative), Chairman of United Integrated Services Co., Ltd.(Jiangxi), Chairman of United Integrated Services Co., Ltd. (Shanghai), Chairman of United Integrated Services Co., Ltd. (Suzhou), Chairman of United Integrated Services Co., Ltd. (Beijing), Chairman of United Integrated Services Pte. Ltd., Director of Jiangxi Construction Engineering (Group) Co., Ltd., Legal Rep. of JG Environmental Technology Co., Ltd.
Note 5.	Tim Sung	None
Note 6.	Y.J. Ding	Chairman & CEO, Waterland Securities Co., Ltd., Chairman, Waterland Futures Co., Ltd., Chairman, Paradigm Asset Management Co., Ltd., President & CEO, Fubon Asset Management Co., Ltd., Chairman & CEO, Fubon Securities Investment, Services Co., Ltd., Chief Economist, Fubon Financial Holding Co., Ltd.
Note 7.	S.G. Wang	Honorary President of Chinese Taipei Society for Trenchless Technology Member of the Ministry of Economic Affairs Water Supply Workers Test Committee and Honorary Chairman of the Underground Pipeline Technology Association of the Republic of China.
Note 8.	James Ho	Chairman of Hwa-Sun Asset Management Co., Ltd., Director and President of CDIB Capital Group. Director of CDIB Capital Management Corporation. Director of CDIB Venture Capital Corporation., Director of Hotran Resource Development Ltd., Director of Adnes Technology Corporation, Director of CDIB Venture Capital (Hong Kong) Corporation Ltd., Director of CDIB Private Equity (China) Corporation.
Note 9.	Z.M. Yen	Senior Consultant of Wholetech System Hitech Limited, Director of HsinChu Kuang-Fu high school., Ind. Director of Machvision Inc. Co., Ltd.

## B. Major shareholders of Institutional Shareholders

Apr. 30, 2019

Name of Institutional Shareholders	Major shareholders of Institutional Shareholders
UIS Co., Ltd.	A listed company, Chairman Mr. C.S. Chen. Vaucluse Capital Management Limited (6.38%)、H.W. Lee (4.63%)、Lian-Yi Investment Co.(4.04%)、, Citibank (Taiwan) Commercial Bank is entrusted with the custody of the Bank of Norway's investment bank account (2.32%), Standard Chartered International Commercial Bank's Sales Department is entrusted with custody Fidelity Pursuit Trust: Fidelity's low-priced share fund investment account (2.16%), The American branch of JPMorgan Chase Bank Taipei Branch is entrusted to keep the investment account of Robinco Capital Growth Fund(2.06%), G.Y.Wang (2.02%), G.W.Wang (1.99%), HSBC Hosts Special Account for Morgan Stanley International Limited (1.53%), C.S.Chen (1.52%)

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

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

Apr. 30, 2019

Name of Institutional Shareholders	Major shareholders
Vaucluse Capital Management Limited	H.J. Sung (2.46%)、C.F. Zhang (2.46%)
Lian-Yi Investment Co.	K. Y.Wang (22.76%)
Citibank (Taiwan) Commercial Bank is entrusted with the custody of the Bank of Norway's investment bank account	City Bank (100%)
Standard Chartered International Commercial Bank's Sales Department is entrusted with custody Fidelity Pursuit Trust: Fidelity's low-priced share fund investment account	Standard Chartered International Commercial Bank (100%)
The American branch of JPMorgan Chase Bank Taipei Branch is entrusted to keep the investment account of Robinco Capital Growth Fund	JPMorgan Chase Bank (100%)
HSBC Hosts Special Account for Morgan Stanley International Limited	HSBC bank(100%)

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

D. Professional qualifications and independence analysis of directors and supervisors

2019.4.30

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



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

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

### 3.2.2 Management Team

2019.4.30 / Unit: Share, %

Title	Name	Gender	Nationality/ Country of Origin	Date Effective (MM-DD-YY)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman/ CEO	Wen Hsu	M	Taiwan	06-09-11	9,616,177	21.37%	333,973	0.74%	0	0	National Kaohsiung university of applied science/Master of electronic engineering (MEE) Chairman & President of PEC Technology Co., Ltd.	Note 1	N/A	N/A	N/A
CSO	Y.A. Chen	M	Taiwan	06-09-11	2,485,763	5.52%	0	0	0	0	National Chiao Tung University/Master of Institute of Traffic & Transportation President of United Integrated Services Co., Ltd. Chairman of UIS Abler Electronics Co., Ltd. Chairman of Ablerex Electronics Co., Ltd.	Note 2	N/A	N/A	N/A
V.P.(Administration Dept.)	Hank Xiao	M	Taiwan	07-01-11	102,085	0.23%	79	0.00%	0	0	Tamkang University/Bachelor of Electronic Engineering Manager of Fu Pin Industry Co., Ltd. Deputy Manager of UIS Abler Electronics Co., Ltd. Factory Manager of Ablerex Electronics Co., Ltd.	Note 3	N/A	N/A	N/A
V.P.(FAE)	Tim Sung	M	Taiwan	01-01-15	242,921	0.54%	0	0	0	0	National Kaohsiung university of applied science/Master of electronic engineering (MEE) Sales Manager of PEC Technology Co., Ltd. Manager of FAE Department of PEC Technology Co., Ltd.	N/A	N/A	N/A	N/A
Manager of Sales Dept. 1	Odin Huang	M	Taiwan	07-01-17	20,000	0.04%	0	0	0	0	Department of Electrical Engineering, St. John's University Sales Rep of Ablerex Electronics Co., Ltd.	N/A	N/A	N/A	N/A
Manager of Sales Dept. 2	Jake Ho	M	Taiwan	01-01-18	6,400	0.01%	0	0	0	0	Tunghai University, Dept. of Animal Science and Biotechnology	N/A	N/A	N/A	N/A
Manager of Technical Services Dept.	Wesley Wu	M	Taiwan	01-01-16	5,000	0.01%	0	0	0	0	Hwa Hsia University of Technology Deputy Manager of Ablerex Technical Service Dept.	N/A	N/A	N/A	N/A
Financial Manager	Jeff Lin	M	Taiwan	03-03-08	14,000	0.03%	0	0	0	0	National Taiwan University/Bachelor of Economics Deputy Manager of Taipei Fubon Commercial Bank Co., Ltd.	N/A	N/A	N/A	N/A
Accounting Manager	Emma Liao	F	Taiwan	07-01-06	665,800	1.48%	31,000	0.07%	0	0	National Taipei University of Business/Bachelor of Accounting Deputy Manager of Accounting Department of PEC Technology Co., Ltd.	N/A	N/A	N/A	N/A

- Note 1. Wen Hsu Chairman and CEO, Ablerex Electronics Co.,Ltd., CEO, Ablerex Electronics (Suzhou) Co., Ltd., Director, Joint rewards trading corp. Director, Ablerex corporation, Ablerex International Corp. Ltd., Ablerex Electronics (S) PTE Ltd. Director, Ablerex Electronics U.K. Ltd. Director, Ablerex Electronics Italy s.r.l. Director, Ablerex Electronics (Beijing) Co., Ltd.
- Note 2. Y.A. Chen CSO, Ablerex Electronics Co.,Ltd., Chairman ,Ablerex Electronics (Suzhou) Co., Ltd., Director, Ablerex Electronics (Samoa) Co., Ltd. Director, Ablerex Overseas Corp Ltd. Director Ablerex Electronics (Beijing) Corp Ltd., Supervisor of JG Environmental Technology Co., Ltd.
- Note 3. Hank Xiao Ablerex Electronics Co., Ltd. V.P., Ablerex Electronics (Beijing) Co., Ltd. Supervisor

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

#### 3.3.1 Remuneration of Directors (Ind. Directors) and Supervisor

##### A. Remuneration of Directors

Unit: NTD thousand

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)								Relevant Remuneration Received by Directors Who are Also Employees				Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)		Base Compensation (E)		Severance Pay (F)		Bonus to Employee (G)		Base Compensation (A)								
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	Cash	Stock	Cash	Stock	The company	All companies in the consolidated financial statements			
Chairman	Wen Hsu																							
Director	Y.A. Chen																							
Director	C.S. Chen																							
Director	B.C. Chen	0	0	0	0	1,456	1,456	194	194	2.26%	2.26%	8,051	8,051	184	184	402	0	402	0	14.06%	14.06%	0		
Director	Tim Sung																							
Ind. Director	Y.J. Ding																							
Ind. Director	S.G. Wang																							

Note :

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

**Remuneration Bracket**

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

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

## B. Remuneration of Supervisors

Unit: NTD thousand, %

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Compensation (B)		Allowances (C)		The company	Companies in the consolidated financial statements	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
Supervisor	S.H. Chen	0	0	624	624	83	83	0.97%	0.97%	0
Supervisor	James Ho									
Supervisor	Z.M. Yen									

### Remuneration Bracket

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

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

### C. Remuneration of President and Vice Presidents

Unit: NTD thousand, %

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the financial Statements	
								Cash	Stock	Cash	Stock			
CEO	Wen Hsu	7,559	7,559	260	260	2,112	2,112	472	0	472	0	14.22%	14.22%	0
CSO	Y.A. Chen													
V.P	Hank Xiao													
V.P	Tim Sung													

### Remuneration Bracket

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

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

D. Remuneration of Executive Officers

Unit: NTD Thousand

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	CEO	Wen Hsu	0	692	692	0.95%
	Chief Strategy Officer	Y.A. Chen				
	V.P of Group Purchasing Office	Hank Xiao				
	V.P of FAE Dept.	Tim Sung				
	Manager of Sales Dept. 1	Odin Huang				
	Manager of Sales Dept. 2	Jake Ho				
	Manager of Technical Services Dept.	Wesley Wu				
	Assistant Manager of Accounting Dept.	Emma Liao				
	Manager of Financial Dept.	Jeff Lin				

The term of Manager T.M. Lin of Sales Dept.2 was expired and replaced by Jake Ho from Jan 1, 2018.

The term of Special Assistant to CEO Damon Chao was expired from Dec 1, 2018.

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

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

Unit: NTD Thousand, %

Title	Year	2017		2018	
		The company	Companies in the financial statements	The company	Companies in the financial statements
Remuneration to Directors		1,534	1,534	1,650	1,650
Ratio of total remuneration paid to Directors to net income (%)		1.93%	1.93%	2.26%	2.26%
Remuneration to Supervisors		655	655	707	707
Ratio of total remuneration paid to Supervisors to net income (%)		0.82%	0.82%	0.97%	0.97%
Remuneration to President and V.P		10,264	10,264	10,403	10,403
Ratio of total remuneration paid to President and V.P to net income (%)		12.89%	12.89%	14.22%	14.22%



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

Title Description	Remuneration to Directors	Remuneration to President and V.P
Policy of Remuneration	The directors and supervisors of the Company currently do not have fixed remuneration, and only if the company has a surplus at the end of its operating year, the company can provide within 2% of the profit for the current year according to the provisions of Article 25 of the Articles of Association. Remuneration for the supervisors of the current year. The procedures for the determination of remuneration are based on the Company's "Board Performance Evaluation Method" as a review. Except for the overall operating performance, industrial operating risks and development trends of the company, the individual and overall performance of the board members and the company's operations are also considered. Situation, and given a reasonable remuneration, relevant performance appraisal and remuneration rationality are subject to review by the Compensation Committee and the Board of Directors, and based on changes in the relevant laws, a timely review of the remuneration system in order to balance the company's sustainable management and risk control.	The remuneration of Managers is paid based on Staff Remuneration Management Principles. Bonus is paid according to Bonus and Profit Sharing Principles of Ablrex in the years of surplus.
Criteria and Packages	Based on the responsibility of undertakings and guarantees of individual Directors or Supervisors	Salary, duty allowances, meal allowances, bonus from evaluation, and subsidies.
Rules and procedures related to the remuneration	<p>The remuneration to Directors from Ablrex's earning is stipulated by the Articles of Incorporation. The amount is proposed by the Remuneration Committee, resolved by the Board of Directors and Shareholders' Meeting before allocation.</p> <p>The allocation of remuneration to Directors and Supervisors is advised by the Remuneration Committee, and allocated after the consent of Board of Directors.</p>	<p>The rule of remuneration is stipulated in Staff Remuneration Management Principles, reviewed by the Remuneration Committee, and approved by the Board of Directors.</p> <p>The bonus from annual performance and compensation is proposed according to the annual performance evaluation and related internal regulations, reviewed by the Remuneration Committee, and approved by the Board of Directors.</p>
Relation to business performance and future risks	The remuneration is determined based on each individual's participation and contribution, as well as the level of remuneration paid by peers. And the criteria of remuneration are regularly reviewed by the Remuneration Committee.	The remuneration is determined based on the contracted salary and the performance and profit of each business unit. The remuneration is regularly reviewed by the Remuneration Committee.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors

7 Board Meetings in 2018 and 9 (A) Board Meetings up to the date of annual report printed. The attendance of Directors for the 9 Board Meetings:

Title	Name	Attendance in Person (B)	Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Wen Hsu	9	0	100%	
Director	Y.A. Chen	8	0	88.89%	
Director	UIS Co. Rep. C.S. Chen	7	0	77.78%	
Director	UIS Co. Rep. B.C. Chen	9	0	100%	
Director	Tim Sung	9	0	100%	
Independent Director	Y.J. Ding	9	0	100%	
Independent Director	S.G. Wang	9	0	100%	

#### Note 1: Independent Board Directors' Attendance Status in 2018

◎:take part in person;☆:letter of Authorization;\*:absent

2018	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>	7 <sup>th</sup>
Ind.director Y.J. Ding	◎	◎	◎	◎	◎	◎	◎
Ind.director S.G. Wang	◎	◎	◎	◎	◎	◎	◎

Note 2: Where the director from a legal person, he/she shall disclose the name of the legal person shareholder and the name of the representative.

Note 3:

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

Other mentionable items:

1. If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified : As per note
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:
  - (1) On Aug 6, 2018, the Board of Directors reviewed the distribution of managerial staff bonuses for the year 2017. During the voting for the review, due to Chairman Wen Hsu, Director Y.A. Chen, CSO, and Director Tim Sung, V.P. are the managers of the company, they resolved to issue their own interests in accordance with the regulation and avoided discussion and did not participate in the discussion. Vote and appoint Y.J. Ding

- as the sole director to vote on the matter. The chairman consulted the remaining attending the three directors and agreed to pass the case.
- (2) On Dec 24, 2018, the Board of Directors reviewed the year-end bonus of the company's managers for the year of 2018. During the voting for the review, due to Chairman Wen Hsu, Director Y.A. Chen, CSO, and Director Tim Sung, V.P. are the managers of the company, they resolved to issue their own interests in accordance with the regulation and avoided discussion and did not participate in the discussion. Vote and appoint Y.J. Ding as the sole director to vote on the matter. The chairman consulted the remaining attending the three directors and agreed to pass the case.
3. Measures taken to strengthen the functionality of the board: (Ex. The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.)
- (1) Goal of strengthening the functionality of the board: Ablerex established “Rules of Procedure for Board of Directors Meetings and Management Procedures for the Operation of Board Directors Meetings”, which regulates the managerial systems of the board of Ablerex and strengthens the board’s function of supervision and management, to let the procedures of board’s meeting to follow.
- (2) Implementation evaluation: The convention and process of board of directors’ meeting of Ablerex is fully followed the regulation of “Rules of Procedure for Board of Directors Meetings and Management Procedures for the Operation of Board Directors Meetings”. Remuneration Committee exercises its duty of review the remuneration of directors, supervisors, and managers, and provides evaluations and suggestions about the relevant policies and internal regulations for the reference of board of directors.
- (3) Referring to “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and related regulations, the amendment of “Corporate Governance Best Practice Principles” has been approved by board of directors and by shareholders’ meeting. The amendment states that it adopts the candidate nomination system for election of directors (including independent directors) and supervisors. The composition of the board of directors shall be determined by taking diversity into consideration and should include, but not limited to, gender, age, culture and professional

Note :

Date	Term	motion	Independent Director’s opinion	Follow up
Jan 29, 2018	the 1 <sup>st</sup> Board meeting in 2018	Report items	<p>Independent Director Y.J. Ding and S.G.Wang :</p> <p>In the future, each branch shall submit a business report description every quarter. The R&amp;D department provides 2018 annual R&amp;D goals and R&amp;D schedules.</p> <p>The company's business plan could be prepared according to estimation based on the turnover of last three years plus the annual average.</p> <p>Business Description: please indicate the business condition assumption requirements along with the business budget.</p> <p>Implementation report: should report the business overview and review the implementation by each quarter of the board meeting.</p> <p>Performance Bonus: The achievement rate of the business target shall be included in the year-end performance appraisal of the responsible persons of each region and the basis for the payment of the year-end bonus.</p> <p>Future development: The company should pay attention to the market development trend, establish research and development goals and product structure, and adjust the company's future development direction.</p>	The company will follow the advice.

3.4.2 Audit Committee Operations or Supervisors' Participation in Board Operations:

1. Audit Committee Operation: The company has not set up an audit committee.
2. Supervisors' participation in the operation of the board of directors: Listed on the following page.

Attendance of supervisors at the board meeting

7 Board Meetings in 2018 and 9 (A) Board Meetings up to the date of annual report printed. The attendance of Directors for the 9 Board Meetings:

Title	Name	Attendance on Person (B)	Proxy	Attendance Rate(%) (B/A)	Remarks
Supervisor	James Ho	9	0	100%	
Supervisor	S.H. Chen	8	0	88.89%	
Supervisor	Z.M. Yen	9	0	100%	

Other matters for records:

1. Composition and responsibility of Supervisors: Ablerex currently set up 3 Supervisors who attend the Board Meeting periodically.
  - (1) Communication between the company's supervisors and employees and shareholders:  
The company employees or shareholders, stakeholders and the major shareholder may contact supervisor by letter or phone. The supervisors will be in attendance the shareholders meeting, and shareholders may communicate with supervisor in the shareholders' meeting. The Company has set up a dedicated window as spokesman of external communication, employees and shareholders to monitor for to communicate with people, you can convey to supervisors through a spokesman.
  - (2) Communication between the company's supervisors and internal chief director and CPA:
    1. The audit will present internal audit report to supervisors and independent directors next month of the completion of the audit projects, and report in the Board meetings. Besides attendance of Board meetings, supervisors may monitor the company's financial, business execution status, if there are questions related to the company's operations, supervisors can communicate with the relevant unit heads and review improvements.
    2. CPAs will communicate with supervisors about aspects of the audit plan before execution of audit. If any questions about the Company's financial condition, business, etc., the supervisors may have direct communication with the CPAs about the audit result.
2. For the opinions of the supervisors stated in the board meeting, the date, term, the content of the case, the resolution reached, and the company's response to the supervisor's opinion must be stated in details:

Date	Term	motion	Supervisor's opinion	Follow up
Jan 29, 2018	the 1 <sup>st</sup> Board Meeting in 2018	Report matter	Advised by Supervisor James Ho and Z.M. Yen: Company's business goal preparation proposal: Business objectives: Estimated based on the turnover of the previous three years plus the annual average. Business Description: Business budget should be marked with business background assumptions.	The company will follow the advice.

Date	Term	motion	Supervisor's opinion	Follow up
			<p>Execution report: Each quarter of the board of directors should report on the business overview and review the implementation.</p> <p>Performance bonuses: The achievement rate of business goals should be included in the year-end performance appraisal of the heads of each region and the basis for year-end bonuses.</p> <p>Future development: The company should pay attention to market development trends, establish research and development goals and product structure, and adjust the future direction of the company.</p>	

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

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” ?	✓		Ablerex has established the “Corporate Governance Best-Practice Principles” and have been approved by the Board of Directors on 2013.3.22 and revised on 2016.11.7 and 2019.1.21 to build an effective corporate governance structure, to protect the rights of shareholders, to enhance the power of the Board of Directors, to empower the Supervisors, to respect the welfare of the stakeholders, and to improve transparency of information disclosure. It was disclosed on <a href="http://www.ablerex.com.tw/ch/about_8-2.php">http://www.ablerex.com.tw/ch/about_8-2.php</a> and annual report.	In compliance with “Corporate Governance Best Practice Principles” Article 1.
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) Ablerex has appointed spokesperson and deputy spokesperson to deal with shareholders’ suggestions, doubts, and disputes. The contact information on web site : <a href="http://www.ablerex.com.tw/ch/about_8-7-3.php">http://www.ablerex.com.tw/ch/about_8-7-3.php</a> . Besides that, legal consultant was contracted to provide legal advice.	In compliance with “Corporate Governance Best Practice Principles” Article 13.
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) Ablerex and the shareholder services agent collect the information of major shareholders and the list of ultimate owners of those shares on the regular basis and report the shares owned by Directors, Supervisors, Managers, and the major shareholders who possess over 10% of Ablerex’s shares.	In compliance with “Corporate Governance Best Practice Principles” Article 19.
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		(3) The management authorization and obligations are clearly divided between Ablerex and the affiliates. The financial and business relationships within the conglomerate structure follow the regulations and “Business Management Procedures with Specified Stakeholders and Affiliates”. Ablerex also established “Supervision and Management of Subsidiaries” as	In compliance with “Corporate Governance Best Practice Principles” Article 14 to Article 17.

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
			the management and firewall system.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(4) Ablerex has established “Operational Procedures for Handling Material Inside Information and Preventing Insider Trading” as the basis of internal information processing and disclosure which regulates that the trading of Ablerex’s stock or other securities containing the rights of shares is not allowed when acknowledging the information, which is not released or within 18 hours after released, having huge impact on stock price.	In compliance with “Corporate Governance Best Practice Principles” Article 10 Paragraph 3.
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		(1) The “Corporate Governance Best Practice Principles” of Ablerex has stated the diversified background of the members of the Board. There are 7 Directors, including 2 Independent Directors, who possess the knowledge and skill to operate the daily business. Considering the list of the 7th directors of the company, which was specialized in the management, leadership decision-making, industrial knowledge, including Wen Hsu, Y.A. Chen, C.S. Chen, B.C. Chen, Tim Sung, Y.J. Ding, S.G. Wang; particularly special in financial affairs, financial accounting involving C.S. Chen and Y.J. Ding. S.G. Wang is specialized in Environmental protection. The company's directors accounted for 43% of the employees, independent directors accounted for 28%, and the two independent directors were divided into four years and nine years. The age distribution of directors is 1 for people over 70 years old, 4 for those over 60 years old and under 70 years old, and 2 for those under 60 years old. The board of directors formulates diversified policies on membership and exposes them on the company's website and public information observatories. (Note 2)	In compliance with “Corporate Governance Best Practice Principles” Article 20.

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		(2) Alerex has established the Remuneration Committee and exercised the due care of a good administrator to propose the suggestions to the Board of Directors for discussion. The other committees will be developed if necessary.	In compliance with “Corporate Governance Best Practice Principles” Article 28-1.
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?	✓		<p>(3) The company has established a performance appraisal method for the board of directors in 2017, which will be implemented annually for the board of directors and each member. The Company completed the assessment of the board of directors and board members in December of 2018. In the Board of Directors held in January, 2019, the evaluation results will keep improving the report. The performance evaluation of the board of directors of the company includes the following five aspects:</p> <ol style="list-style-type: none"> <li>(1) The degree of participation in the company's operations.</li> <li>(2) Improve the quality of the board's decision.</li> <li>(3) Board composition and structure.</li> <li>(4) Selection of Directors and Continuing Education.</li> <li>(5) Internal control.</li> </ol> <p>The measurement items for the performance evaluation of board members include the following items:</p> <ol style="list-style-type: none"> <li>(1) Understanding of the company and its responsibilities.</li> <li>(2) The degree of participation in the company's operations.</li> <li>(3) Internal relationship management and communication.</li> <li>(4) Directors' professionalism and continuing education.</li> <li>(5) Internal control.</li> </ol> <p>The evaluation was conducted using internal questionnaires. According to the board of directors' operation and the degree of participation of the directors, there were two parts. The administrative management department adopted the method of assessing the operation of the board of directors and the directors' participation in the assessment. According to the</p>	Not in accordance with “Corporate Governance Best Practice Principles” Article 37 Paragraph 4, yet this is an optional item.



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
			results of the evaluation of the performance of the board of directors in 2018, the overall performance of the board of directors is excellent, and the relevant assessment results will be disclosed on the company's website ( <a href="http://www.ablerex.com.tw/ch/about_8-4-5-2.php">http://www.ablerex.com.tw/ch/about_8-4-5-2.php</a> ), and MOPS.	
(4) Does the company regularly evaluate the independence of CPAs?	✓		(4) The company evaluates the independence and the adequacy of the independent auditors at least once a year. Based on the size and reputation of the accounting firm, it continuously provides the number of years of auditing services, the nature and extent of non-audit services provided, the fee for auditing, peer review, and whether No legal proceedings or cases corrected or investigated by the competent authority, audit service quality, whether there is regular education, and management The indicators such as the interaction of the hierarchy and the internal auditor are requested. The accountant and his firm are required to provide relevant information and declarations. The verification and assessment of the contents of the information conducted by the Administration Office has resulted in the results of the most recent biannual assessment on Jan 25, 2016, March 27, 2017 and Jan 29, 2018 and passed after deliberation. The independent auditor of the company has withdrawn from the appointment and the person who has a direct or indirect interest in it, and has no relationship with the company and the supervisor. The certification is independent. The company’s evaluation results are also disclosed on the company’s website and annual report. (Note 3)	In accordance with “Corporate Governance Best Practice Principles” Article 29.
4. Does the company establish a division to be responsible for corporate governance matters includes but not limited to provide necessary information to board of directors,	✓		The Company sets up the Corporate Governance Sustainable Development Committee in accordance with the Corporate Governance Code of Practice, and sets up the Special assistant to Chairman to coordinate corporate governance, shareholder meetings, company registration and change registration, etc., and	In compliance with “Corporate Governance Best Practice Principles” Article 3-1.

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
supervisors, and handle the matters relating to the meetings of the board of directors and the shareholders' meeting, and registration of the company, prepare the minutes of the board meeting and shareholders' meeting.			the relevant materials for the board of directors and shareholders' meeting are placed under the CEO office.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders includes but not limited share holders, staffs, customers and suppliers, as well as to handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company has established channels for banks, other creditors, employees, customers, suppliers and shareholders, and respects the legitimate rights. Set up spokespersons and deputy spokespersons as communication channels with interested parties. If necessary, they can communicate through the company's network, telephone, letters and faxes. There is another way to set up a stakeholder area on web site in the future.	In compliance with “Corporate Governance Best Practice Principles” Article 51 and Article 52.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company designates Fubon Securities Corporation Limited to deal with shareholder affairs.	In compliance with “Corporate Governance Best Practice Principles” Article 7 Paragraph 1.
7. Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) Ablerex’s financials, business information could be reached on the official website : <a href="http://www.ablerex.com.tw/ch/about_8.php">http : //www.ablerex.com.tw/ch/about_8.php</a> and Market Observation Post System (MOPS).	In compliance with “Corporate Governance Best Practice Principles” Article 57.
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences) ?	✓		(2) Ablerex has assigned an appropriate person to handle information disclosure and implemented a spokesman system. Ablerex’s financials, business information, etc. could be reached on the official website and Market Observation Post System.	In compliance with “Corporate Governance Best Practice Principles” Article 55 to Article 58.

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>(1) Status of employee rights: Ablerex has been always honest and trust to employees, and their legal rights are all protected under the Labor Standards Act.</p> <p>(2) Employee wellness: Ablerex has established the Employees’ Welfare Committee, implemented pension fund and group insurance for employees, and held regular health examination. Ablerex also encourages employees to attain all kinds of training and conferences.</p> <p>(3) Investor Relationships: Ablerex disclosed information according to the regulations to protect the rights of investors as the responsibilities to shareholders.</p> <p>(4) Supplier Relationships: Ablerex has always communicated well with the suppliers.</p> <p>(5) Rights of stakeholders: Ablerex set communication channels for stakeholders to make suggestions as protecting the legal right of the stakeholders.</p> <p>(6) Directors’ and Supervisors’ training records: The Directors and Supervisors all possess of professional background knowledge and also attaining training sessions. Note 1 is the Directors’ and supervisors’ training records recently.</p> <p>(7) Managers’ and Auditors’ training records: Note 5</p> <p>(8) The implementation of risk management policies and risk evaluation measures: Ablerex has established internal regulations according to the laws to manage and evaluate all kinds of risks.</p> <p>(9) The implementation of customer relations policies: Ablerex maintains good and stable relationships with the customers to create the profits.</p> <p>(10) Purchasing insurance for directors and supervisors: The proposal of purchasing insurance for directors and supervisors has been discussed and been unanimously approved on the Board meeting of 2019.3.21. The insurance for directors and</p>	In compliance with “Corporate Governance Best Practice Principles” Article28-2 and Article 51 to Article 54.

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reason
	Yes	No	Abstract Illustration	
			supervisors was purchased as note 6. (11) According to the corporate governance evaluation indicators, the special integration and planning of the information security policy in 2019 and will be initially integrated and continue improving in the future. (Note 7)	
<p>9. Please indicate the improvement of the results of the corporate governance evaluation issued by the Corporate Governance Center in the last year of the Taiwan Stock Exchange Co., Ltd. and provide priority measures and measures for those who have not yet improved.</p> <p>(1) The efforts of Alerex in corporate governance have been ranked as TOP 5% company in 2015, 2016, 2017 and 2018 Corporate Governance Evaluation Results in Taiwan.</p> <p>(2) Improving the 5th Corporate Governance Evaluation Indicators 1.2 Record the results of the consent, opposition and waiver of each proposal in the shareholders' meeting at the minutes of the meeting, and enter the results into the designated Internet information reporting system on the day of the meeting.</p> <p>(3) Adjusting the 5th Corporate Governance Evaluation Indicators 2.21 Set up corporate governance full-time personnel and units to be responsible for corporate governance related matters.</p> <p>(4) Improving the 5th Corporate Governance Evaluation Indicators 2.24 Directors and supervisors completed the training according to the number of hours specified in the “Implementation of Directors and Supervisors of Listed Companies”.</p> <p>(5) Improve the 5th Corporate Governance Evaluation Indicator 3.2 Synchronously declare important information in English.</p> <p>(6) The addition of the 5th Corporate Governance Evaluation Indicator 3.14 reveals the link between directors' performance evaluation and salary compensation.</p> <p>(7) The fifth annual Corporate Governance Evaluation Indicator 4.11 is published in the CSR Report to disclose annual carbon dioxide or other greenhouse gas emissions over the past two years.</p> <p>(8) Add the 5th Corporate Governance Evaluation Indicators 4.6 Refer to the International Human Rights Convention to formulate a policy for the protection of human rights and expose it to the annual report and the company's website.</p>				

Note 1: Regardless of whether the check box is "Yes" or "No", it should be stated in the summary description field.

Note 2:

Board diversity

Directors' Name	Diversified core item	Gender	Management	Leadership and Strategy	Industrial Knowledge	Finance and Accounting	Law	Environment Protect
Steven Hsu		M	√	√	√			
Y.A. Chen		M	√	√	√			
C.S. Chen (UIS Co., Rep.)		M	√	√		√		
B.C. Chen (UIS Co., Rep.)		M	√	√	√			
Tim Sung		M	√	√	√			
Y.J. Ding		M	√	√		√		
S.G. Wang		M			√			√

\* The experience of the supervisors of the Board of Directors is as follows on page 8 of this annual report.

Note 3 : Evaluation of the independence of CPA

Evaluation Items/CPA	Result Y/N
1. Whether or not to pass the CPA exam and have an accountant certificate and obtain an accountant qualification.	Y
2. Whether there has been fraud, breach of trust, misappropriation, falsification of documents, or criminal acts in business, is determined by the declaration of imprisonment of more than one year.	N
3. Whether Guardianship or Auxiliary Declaration has not been revoked.	N
4. Whether the bankruptcy declaration has not been restored.	N
5. Whether he was a civil servant and was dismissed from office, the period of his suspension has not yet expired.	N
6. When the accountant is entrusted with the company's business, whether the overall manpower, time and risk level required for the entrusted case are taken into consideration, and reasonable remuneration will be charged. Do not use unfair methods to attract business.	Y
7. Whether the accountant continues to pursue professional training as required by the competent authority.	Y
8. Does the accountant have the following behavior: (1) Agree that others use their own name to perform business. (2) Perform business in the name of another accountant. (3) Employed by persons not qualified as an accountant to perform the accounting business. (4) Utilize the status of an accountant and engage in unfair competition in industry and commerce. (5) Perform business on events that are of interest to him/herself. (6) To use the name of an accountant as a guarantor outside the accountant business. (7) Acquisition of movable or immovable property managed in business. (8) Require, contract or accept unlawful benefits or remuneration. (9) To solicit business improperly. (10) Propaganda advertisements other than those introduced by accounting firms for opening, relocation, merger, commissioned by clients, and accounting firms. (11) Secrets of business are leaked without the permission of the appointing authority, the principal or the auditee. (12) Other competent authorities have determined that they can influence the credibility of the accountant.	N
9. Does the accountant have the following behavior: (1) Being employed by the company for regular work, providing fixed salary or serving as director and supervisor. (2) A former director, supervisor, manager of a company or a staff member who has a significant influence on a visa case while leaving the company Two years. (3) The relationship with the company's person-in-charge or manager who has a spouse, a direct lineage, a direct in-law or a second parent, etc. system. (4) I or my spouse or underage child has a relationship with the company to invest in or share financial benefits. (5) I or my spouse, underage children and the company have funds to borrow. (6) Enforce management advice or other non-visa business enough to affect independence. (7) Inconsistent with business events, the competent authority deals with accounting rotations, handles accounting transactions on behalf of others, or otherwise affects independence The norms of sex.	N

Note 4: Directors' and supervisors' training records in 2017 :

Title	Name	Year of Training	Organization	Training	Hours	Qualified "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/ TPEX Listed Companies"
Chairman	Wen Hsu	2018	Taiwan Corporate Governance Association	Corporate Governance Behind the Scenes - Company Secretary Operations Practice	3	Yes
Chairman	Wen Hsu	2018	Taiwan Corporate Governance Association	Analysis of Annual report key information and responsibility	3	Yes
Director	Y.A. Chen	2018	Taiwan Securities Association	How to improve operational performance with big data analytics	3	Yes
Supervisor	James Ho	2018	Taiwan Corporate Governance Association	Income Tax Law and Product Creation Regulations Update	3	Yes
Director	C.S. Chen	2018	Taiwan Stock Exchange Corporation (TWSE)	Listed company's new corporate governance blueprint summit forum	3	Yes
Director	B.C. Chen	2018	Taiwan Stock Exchange Corporation (TWSE)	Listed company's new corporate governance blueprint summit forum	3	Yes
Supervisor	James Ho	2018	Taiwan Corporate Governance Association	Common tax disputes in corporate mergers and acquisitions	3	Yes
Independent Director	Y.J. Ding	2018	Taiwan Academy of Banking and Finance	Taxpayer Rights Protection Act	3	Yes
Director	C.S. Chen	2018	Taiwan Institute of Directors	2018 Annual Meeting of Directors' Association	3	Yes
Director	B.C. Chen	2018	Taiwan Institute of Directors	2018 Annual Meeting of Directors' Association	3	Yes
Director	Tim Sung	2018	Taipei Exchange	Equity Announcement for Insiders of OTC and Emerging stock	3	Yes
Independent Director	S.G. Wang	2018	Taipei Exchange	Equity Announcement for Insiders of OTC and Emerging stock	3	Yes
Supervisor	Z.M. Yen	2018	Accounting Research and Development Foundation	From the revision of corporate law to see corporate governance. The impact of internal control and the responsibility of directors and supervisors	3	Yes
Supervisor	Z.M. Yen	2018	Accounting Research and Development Foundation	Analysis and decision-making of corporate financial information	3	Yes
Director	Y.A. Chen	2018	Taiwan Corporate Governance Association	Analysis of the Connotation and Practical Cases of Taiwan's Anti-tax Avoidance	3	Yes
Supervisor	S.H. Chen	2018	Taiwan Securities Association	Exploring the window decorations and fraud of financial reports from problem companies	3	Yes
Independent Director	S.G. Wang	2018	The Financial Supervisory Commission	Taipei Corporate Governance Forum	3	Yes

Title	Name	Year of Training	Organization	Training	Hours	Qualified "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/ TPEX Listed Companies"
Director	Tim Sung	2018	The Financial Supervisory Commission	Taipei Corporate Governance Forum	3	Yes
Independent Director	Y.J. Ding	2018	Taiwan Academy of Banking and Finance	Stakeholder topic	3	Yes
Supervisor	S.H. Chen	2018	Taiwan Securities Association	Corporate Law Attack and Defense Strategy and Crisis Management Case Analysis	3	Yes

Note 5: Managers' and Auditors' training records:

Title	Name	Year of Training	Organization	Training	Hours
Chairman	Wen Hsu	2018	Taiwan Corporate Governance Association	Corporate Governance Behind the Scenes - Company Secretary Operations Practice	3
Chairman	Wen Hsu	2018	Taiwan Corporate Governance Association	Annual report key information and responsibility analysis	3
CSO	Y.A. Chen	2018	Taiwan Securities Association	How companies use big data analytics to improve operational performance	3
CSO	Y.A. Chen	2018	Taiwan Corporate Governance Association	Analysis of the Connotation and Practical Cases of Taiwan's Anti-tax Avoidance	3
V.P.	Tim Sung	2018	Taipei Exchange	The counter meeting of the insider and the company's insider's equity	3
V.P.	Tim Sung	2018	Financial Supervisory Commission	Taipei Corporate Governance Forum	3
Accounting	Emma Liao	2018	Accounting Research and Development Foundation	The impact of various employee reward system on corporate finance and taxation and the application of practice	3
Accounting	Emma Liao	2018	Accounting Research and Development Foundation	Corporate Corporate Governance Practice: The Impact of the Revision of the New Labor Standards Law on Enterprises and Its Response	3
Accounting	Emma Liao	2018	Accounting Research and Development Foundation	Analysis of the latest annual International Financial Reporting Standards Question and Answer Set (IFRS Q&A)	3
Accounting	Emma Liao	2018	Accounting Research and Development Foundation	Analysis of the Impact of US "Overseas Anti-corruption Law" on Taiwanese Businessmen and Legal Liability	3
Auditor	Johnny Lu	2018	Accounting Research and Development Foundation	The impact of the "New Financial Statements Check Report" on internal auditing services and the response	6
Auditor	Johnny Lu	2018	Accounting Research and Development Foundation	Internal control practice under the digital economy era	6
Auditor	Jam Liao	2018	The Institute of Internal Auditors -Chinese Taiwan	Power BI(I) multivariate data import and cross-tab data analysis	6
Auditor	Jam Liao	2018	The Institute of Internal Auditors -Chinese Taiwan	Design and Analysis of Power BI(II) Visual Risk Dashboard	6



Note 6 : Purchasing insurance for directors and supervisor

Insured	Insurance Company	Insured Amount (US\$)	Insurance Period
All Directors and Supervisors	Tokio Marine Nawa Insurance Co., Ltd.	5,000,000	2019.4.12~2020.4.12

Note 7 :

The information security policy

The purpose for the corporate to set up information networking, besides to improve productivity, efficiency and safety, need to consider information security at top priority. However, follow the extension of the company's development information network, the risk of security is also raising. Therefore, from July 22, 2005, the "Computer Operation Management Process" was formulated to further define and plan the purchasing for equipment, authority application, information revision and transaction, safety control and maintenance, and emergency response.

The organization

Under the control of the Company's administrative department, an information management unit is set up to review the company's security management policies, planning, supervision, and security management operations at various points, monitor the security situation at all points, and report to the board of directors on a regular basis. Overview. Key controls include control of software and hardware purchase, use and maintenance control, control of system development and program modification, control of system documentation, access control of programs and data, control of data entry and output, control of data processing, files and Equipment safety control, system recovery plan and test program control, and capital safety inspection control, etc., the content includes the internal and external network of the parent company, the software management system of the package, and the operation manual of the production unit.

Information security management mechanism

Ablerex's information security strategy focuses on the three major aspects of compliance, control and management, and timely and complete implementation. From the system to the application, from individual to the whole, the information security management and control mechanism is fully implemented.

The internal and internal operating systems of the enterprise use the internal network infrastructure, and the entire organization organizes instant information sharing and close cooperation. The more connection points, the more physical or digital, internal or external, and malicious attacks (such as DDOS, ransomware, fake websites, etc.) or unintentional security threats. If it is invaded, it will be eliminated immediately. If it is serious, it will affect the normal operation of the company and cause the production interruption of the factory.

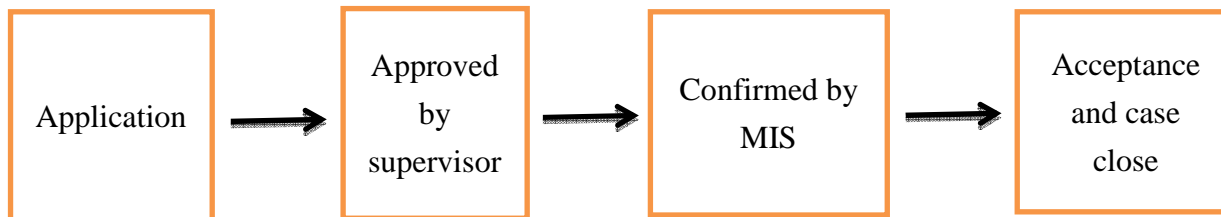
<<The three major aspects of the strategy of information networking and practices>>

Item	Key point	Process
compliance	Establish a compliance loop mechanism	Establish a compliance loop mechanism to comply with international standards for international security and an overseas regional law
Control	responsibility	All applications for security rights are applied according to the powers and responsibilities
completion	Regular review/revision	Regularly review and revise internal operating practices to fully standardize safety and security regulations

Information service process

Applications for ERP permission applications and changes, file server permission applications, and changes to network information are processed through the electronic process application process, and the rights are escalated to completion and closed.

<<Information Service Process Overview>>



#### Personal information protection management

The company has established the "Management of Personal Data Protection" specification on November 11, 2014, strictly controlling and protecting the personal data of employees. Except for authorized personnel units, the rest can not obtain personnel. Information, the audit unit regularly checks and confirms the current status of the personal data held to ensure that personal data is protected.

#### Information security resources

In view of the ubiquity of the security threats, in addition to strengthening the software and hardware investment in information security, the company has budgeted the capital security projects every year and maintains close cooperation and connection with relevant software and hardware vendors. At the same time, the MIS colleagues also often arranged for external training through statistics for a total of 4 person-times in 2 years, 21.5 hours. Also participate in seminars related to security, such as the Kaspersky Cyber Insights 2018 seminar, to enhance the company's ability to manage corporate security.

In the internal management, develop information use management norms, educate employees such as: new personnel education and training, irregular inspection of virus intrusion situation to strengthen the infringement of the unit, etc., strict requirements for employees to comply with the regulations. And instill in the staff crisis awareness, not easily open unknown emails and websites. It is absolutely forbidden to install or download illegal software to protect intellectual property rights.

#### << Cost >>

Item	2018	2017
Anti-virus software	58,500	60,000
Maintenance	88,145	101,867
Center security	0	0
Equipment and software upgrade costs	15,400	26,000
Total	162,045	187,867

#### <<2018 Education and Training Situation>>

	Hours	People*time
Training course for new comers	208	88

## Information Security Management and Events

There have been no serious information issue in the past two years, but the company still prepare an emergency response mechanism and regular drills to prevent emergencies. In addition, it will assess whether it is necessary to insure security insurance. As the security insurance is still an emerging insurance, it is necessary to understand its relevant regulations and supporting measures before making a decision.

### 3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

#### Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Condition  Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Ind. Director	Y.J. Ding			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Ind. Director	S.G. Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	✓
Others	C.S. Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in the Company.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10

in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

#### Operations of the Remuneration Committee

1. The number of the Remuneration Committee : 3
2. Period of the term : 06-19-17 to 06-18-20. There are 3 meetings in 2018. The attendance of Committee for the 3 meetings:

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

Major resolutions of the Compensation and Remuneration Committee in current year (2018)

Date	Term	Issue	Opinion	Follow up
2018.03.22	The first Remuneration Committee meeting in 2018	Review the company's 2017 annual employee compensation and the compensation and distribution of directors and supervisors.	The case was approved by the chairman and the whole committee.	
2018.08.06	The second Remuneration Committee meeting in 2018	Review the case of the distribution of the amount of compensation for managers in 2017	The case was approved by the chairman of the whole committee and passed the case.	
2018.12.24	The third Remuneration Committee meeting in 2018	Review the 2018 year-end manager's year-end bonus case.	The case was approved by the chairman of the whole committee and passed the case. Request CEO, SE-1 manager and SE-2 manager to attend the meeting for review process.	Will follow the resolution

Other Notice :

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

### 3.4.5 Corporate Social Responsibility

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
1. Exercising Corporate Governance				
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	V		1. AblereX has established “Corporate Social Responsibility Best Practice Principles” and “Supplier Social Responsibility Best Practice Principles” as the base of implementing social responsibility, and includes it into check list of annual internal audit plan to review the effects of implementation.	In accordance with Article 1, 5, 6, and 9 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(2) Does the company organize regular training on social responsibility?	V		2. AblereX has established “Corporate Social Responsibility Best Practice Principles” and “Supplier Social Responsibility Best Practice Principles” in 2015 and announced to all staff. The related information has been included in the training for new employees to ensure the implementation of this policy.	In accordance with Article 8 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(3) Does the company establish exclusively (or concurrently) dedicated units, which are authorized by and report to the Board of Directors, to be in charge of proposing and enforcing the corporate social responsibility policies?	V		3. Under the supervision of the Board of Directors, the Company established the “Corporate Governance Development Committee” in accordance with the Corporate Governance Evaluation Indicators on 2018.5.2, and established a “Corporate Social Responsibility Code” after the establishment of full-time staff from 2018.12.1. The revision of the specification and the promotion of the relevant business. After the implementation of the announcement, the previous tasks will continue to arrange education training or promotion operations, so as to promote the implementation of corporate social responsibility policies for all employees and related parties, and continue to report the results of compliance in the board of directors every year, so as to implement corporate social responsibility.	In accordance with Article 7 and 9 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(4) Does the company educate and promote business ethics to Directors, Supervisors, and employees, and integrate with the employee performance appraisal system, as well as establishes an effective reward and disciplinary system?	V		4. Ablerex has established “Work Rules”, “Directors, Supervisors, and Managers Ethical Behaviors Principles”, “Employee Ethical Behaviors Principles”, and “Ethical Corporate Management Best Practice Principles” to clearly regulate the morale behaviors which Directors, Supervisors, and employees should abide by. The reward/punishment standards have been precisely set. The related advertising and educational training, as well as the performance evaluation system, are continuously progressing.	In accordance with Article 6 and 9 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
2. Fostering a Sustainable Environment (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	V		1. The company is committed to the production and development of energy-saving products. In 2017, Yingzheng Yushun's three main products, including solar inverters, single-phase uninterruptible power systems and three-phase uninterruptible power systems, helped customers save a total of 4,152,634 degrees. Electricity, compared with 2016, the power consumption increased by 58.75%. 2017 electricity consumption can reduce greenhouse gas emissions by about 2,300 tons, equivalent to one year's carbon absorption in 8.7 Da'an Forest Park. From the raw materials procurement to the product sales, the company attaches great importance to the health and safety of customers, continuously improves the production process, and cooperates with market trends and the needs of downstream customers to develop non-toxic, environmentally friendly and green energy products. . (For the specific practices and environmentally friendly products, please refer to the 2017 CSR Report of the Company P.38.~46.)	In accordance with Article 12 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(2) Does the company establish proper environmental management systems based on the characteristics of their industries.	V		2. The company establishes and obtains ISO14000 environmental management system certification according to industry characteristics, strengthens the management of environmental and environmental protection in the plant area, and implements management and treats the environment with actions. In addition, wastes, scraps, and waste generated during the production process are subject to relevant regulations and the competent recyclers are required to recycle the waste. And issue the supplier/outsourcer's social responsibility commitment letter to reply, in order to invite the upstream manufacturers to jointly establish and coordinate the implementation of environmental protection, and move toward the green concept.	In accordance with Article 13 and 14 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(3) Does the company monitor the impact of climate change on its operations and establish company strategies for energy conservation and carbon and greenhouse gas reduction.	V		3. In order to promote the energy conservation and carbon reduction policy, the company has implemented a number of energy conservation and carbon reduction measures. Example: The office controls the air-conditioning temperature, male colleagues do not wear ties, wear short-sleeved breathable clothing in the summer, turn off lights, save water, use energy-saving light tubes, and implement the concept of waste classification to advocate and protect the earth. Based on relevant regulations, specific improvement targets will also be determined based on actual conditions. In 2018, we will conduct greenhouse gas inspections for subsequent calculation and setting of greenhouse gas reduction performance.	No major variation.

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
<p>3. Preserving Public Welfare</p> <p>(1) Does the company comply with relevant labor laws and regulations, protect the legal rights and interests of employees, and have in place appropriate management methods and procedures?</p> <p>(2) Does the company have set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?</p>	V		<p>1. The company establishes rules of work such as "Working Rules" and "Corporate Social Responsibility Codes of Practice" based on the Labor Standards Law and related labor laws, providing management units and employees to follow, and providing stable and preferential treatment and complete educational training. , promote the development system, and create a safe and healthy working environment to protect the legitimate rights and interests of employees. In the "Supplier's Social Responsibility Code", it has been stipulated that suppliers and contractors should abide by the relevant human rights provisions of the Labor Standards Law, include the prohibition of illegal employment of child labor, forced labor, inhuman treatment and discrimination, and follow relevant laws and regulations to formulate relevant management policies.</p> <p>2. The company regularly convenes a labor-management conference and builds a stakeholder communication channel (<a href="http://www.ablerex.com.tw/ch/about_8-4-5-5.php">http://www.ablerex.com.tw/ch/about_8-4-5-5.php</a>) containing employee complaints on the website. If there is an employee complaint message, it will be handed over to the person or person concerned, and follow up the progress of the work to ensure prompt and appropriate handling. (For details, please refer to our website/Corporate Social Responsibility/Corporate Governance/Important Company Internal Rules/Integrity Operation Procedures and Behavior Guidelines. The website is <a href="http://www.ablerex.com.tw/ch/about_8-4.php">http://www.ablerex.com.tw/ch/about_8-4.php</a> )</p>	<p>In accordance with Article 18 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”</p> <p>In accordance with Article 18 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”</p>

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(3) Does the company provide safe and healthy work environments for its employees, and organize training on safety and health for its employees on a regular basis?	V		3. The company has set labor safety and health objectives and implementation plans, regularly organize employee health checks in accordance with regulations, and provide sports and leisure rooms and nursing rooms for employees. The production workshop regularly checks the noise intensity. It involves wearing safety shoes, labor safety propaganda, fire drills and drills in the heavy object area, and places relevant safety guidelines in the work environment, and provides protective equipment and emergency medicine to maintain employees. Safe. (For details, please refer to pages 110-112 of our 2018 Annual Report)	In accordance with Article 20 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(4) Does the company set up a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		4. AblereX holds labor meeting on the regular basis under the regulations to communicate and inform employees in a reasonable method in the event of changes in operations which might make major impact.	In accordance with Article 22 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(5) Does the company have provided its employees with career development and training sessions?	V		5. AblereX provides job training conforming to the requirement of each position and requires employees to attaining external lessons as the regulations demanded to acquire relevant certifications or professional skills in strengthening abilities for career development.	In accordance with Article 21 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating, and services?	V		6. The company has established customer complaint processing procedures to provide transparent and effective consumer complaint procedures for products and services. In addition, the Corporate Social Responsibility Area is set up on the company's website, which includes the establishment of a stakeholder communication channel to facilitate consumer complaints and opinions expressed by various stakeholders. From year 2016 onwards, the English Corporate Social Responsibility Area website is also available for foreign language stakeholders to think of a platform for further understanding of the company's business situation and providing complaints. Each year, we regularly implement customer satisfaction surveys, analyze and improve the results of the investigations, and conduct internal audits on these operations to ensure the implementation of this policy and related operations.	In accordance with Article 23 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		7. The company's marketing and labeling of products are all based on customer needs and are certified in accordance with local quality, performance, and patents. Engineering and technical services also provide customers with customized services such as design, planning, and construction, all complying with relevant regulations and international guidelines.	In accordance with Article 24 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
(8) Does the company evaluate the suppliers’ records of impact on the environment and society before taking on business partnerships?	V		8. AblereX has established “Supplier Social Responsibility Best Practice Principles” based on “Corporate Social Responsibility Best Practice Principles” in 2015. New suppliers will be evaluated their past records of environmental and social impact as the critical reference of business conducts according to the regulations and plan to add ISO-9001 & 14001 and OHSAS18001, etc. to be an important reference for trading.	In accordance with Article 26 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		9. AblereX will emphasize the clause of contracts, including under the violation of corporate social responsibility policy which cause significant impact on environment and society the contract should be terminated or removed.	In accordance with Article 26 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
4. Enhancing Information Disclosure Does the company disclose relevant and reliable information relating to their corporate social responsibility on its website of on Market Observation Post System?	V		Regarding the corporate social responsibilities disclosed in the company's annual report, and the corporate social responsibility report was voluntarily prepared in 2015 to 2017. In addition to completing the disclosure of company information and material information at the public information observatory in accordance with relevant laws, it also cooperated with corporate governance. Assess the relevant indicators of corporate social responsibility, build a corporate social responsibility area on the company's website to expose the implementation of social responsibility.	In accordance with Article 28 of “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.”
5. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the principles and their implementation: AblereX has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and no discrepancy between the principles and their implementation.				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
<p>6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices:</p> <p>(1) Ablerex payout dividends in consecutive 8 years from 2010-2017 in pursuing the maximum interest of shareholders.</p> <p>(2) Ablerex provides employee benefits package including holding and subsidizing domestic and foreign company trips every year, holiday bonus for three traditional Chinese festivals, and offering health examinations for employees every 3 years.</p> <p>(3) The efforts of Ablerex in corporate governance have been ranked as TOP 5% company in 2015, 2016, 2017 and 2018 Corporate Governance Evaluation Results in Taiwan.</p> <p>(4) Ablerex has arranged external consultation and established a team in structuring the relevant system. The CSR report of Ablerex had been disclosed for 3 years from 2015.</p> <p>(5) Formulate and reaffirm the human rights policy. (Note 2)</p> <p>(6) Social participation</p> <p>6.1 Industry-university cooperation</p> <p>In addition to provide quality products and services, the company is actively pursuing various social welfare activities in addition to the global pursuit of better green energy quality. In recent years, through the combination of core technology and social welfare, the company has actively invested human and financial resources in environmental energy education and fostering talents for green energy. In 2017, it invested more than NT\$1 million to support a number of research projects in production and education, and sponsored the research on the application of stacked power converters and micro grid technology in KUAS of Applied Sciences, and related to the solar power generation system of the National Kaohsiung University of Marine Science and Technology. The research of conversion technology has enabled the company's product R&amp;D and university academic practice to develop mutually beneficial and mutually beneficial. Through various studies, it has further driven domestic and foreign industrial upgrading. In addition, rewards will be provided for each individual project, in order to promote the application of the project results for patent implementation of technical achievements. In the above-mentioned cooperation between industry and universities, a total of 3 supervisors joined in 2017, benefiting 11 students and with a total of 3,740 hours.</p> <p>6.2 Sponsored "2018 Taoyuan Agricultural Expo"</p> <p>In order to actively strengthen the corporate social spirit of the company, combined with local life, multiculturalism, wisdom and technology, environmental sustainability, cultural and creative arts, and characteristic agriculture, in 2018, we cooperated with Taoyuan Municipal Government to handle the "2018 Taoyuan Agricultural Expo". Sponsored and assisted in the installation of 880,000 "Grid-connected Wind Turbine" equipment to demonstrate the four major axes of "Circular Economy", "Green Living", "Landscape Art" and "Technology Agriculture" and "Experience" The five major goals of economics, smart cities, international exchanges, environmental education, and sustainable development are related to the important spirit of corporate social responsibility.</p> <p>6.3 Namaxia Vision House is activated</p> <p>On the 9th anniversary of the Eighth Eighth Windstorm, the pace of reconstruction was not mentioned. The company and the three companies assisted by the Anji, the technical staff to guide the tribal residents and foreign volunteers to install an independent solar power system, to help the Taipei Medical University donate to the Nakanowa tribe vision house construction project in Namaxia District. It is not only a tribal industry and cultural heritage base, but also has a green power generation function. It can provide emergency backup power during natural disasters. It also assists in the reconstruction of the "Butterfly Valley" rehabilitated in Sanliuqiao, Liugui District, and assists local Zhongxingli to create "Butterfly Lane." To develop eco-tourism as a goal.</p>				

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
<p>6.4 Indonesian Mulandali Tua District Health Care Support Program</p> <p>The agenda of the 2030 Sustainable Development Goals signed by the United Nations in September 2015 was officially launched on January 1, 2016, and 17 sustainable development goals succeeded the Millennium Development Goals. (MDGs) This project aims to ensure health and promote well-being and goals for all ages. 4. Ensure that there is no education, fairness and high quality education, and that lifelong learning is the goal. Assist in cultivating the basic health care ability of local school teachers and community health care providers, improve the basic equipment of local health education, and improve the basic health awareness of school children in the local community. The company also sponsors more than 800,000 funds to help provide Indonesian Medan. Delitua District Health Care Support Program.</p>				
7. Set up the Corporate Governance Sustainable Development Committee, which has a Corporate Governance Team, a Corporate Social Responsibility Team and a Corporate Integrity Management Team.				
7. If the corporate social responsibility reports have received assurance from external institutions, they should state as below: N/A				

Note 1 : The plan and implement of CSR has been on 2018/2019 Chinese version annual report or on the company web site :

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

## Human rights policy

Date : 2018.03.15

In order to promote the promotion of labor and business ethics policies, the company has adopted the principles and spirit of the Global Reporting Initiative's (GRI) Global Responsibility Report's 4th Generation Program (GRI G4). In addition to the implementation of human rights related policies, and in accordance with the government's "Labor Standards Act" and other related laws and regulations, the "work rules" are established to regulate the company's rights and obligations related to the human rights of employees. In order to protect the basic human rights and related rights and interests of employees, it is believed that every employee should be treated with fair humane treatment and respect, and established "control measures and punitive measures against sexual harassment" and provided a complaints pipeline to safeguard the rights and interests of female employees. This labor force's human rights policy is formulated so that the entire company will follow the principles of social responsibility and labor conditions of the relevant labor human rights. In addition, in order to fulfill its social responsibilities, we work hand-in-hand with our partners and set out the "Code of Supplier Social Responsibility" to expand our influence.

### Comply with relevant local government regulations and international guidelines

The company has a detached ethical standard and must comply with relevant local government regulations and international standards and regulations. When implementing business activities, it should adopt standards that can provide employees with the greatest guarantees.

### Normal employment relationship

The dismissal and disbursement of all employees of the company must comply with the relevant laws or regulations of the local country. No one may be forced to employ, crush, or hire involuntary prisoners, nor may one-sidedly release the employment contract. Before the supplier's employees are hired, they should provide explanations of employment conditions such as salary, and pay details during the payment period. They should not be considered as a means to punish employees. In overseas areas, wage payments should meet or exceed the laws of the local country.

### prohibit overtime work

The company's standard working hours are in accordance with the laws of the local country and the standards set by the industry it belongs to, and employees who are more favorable to the employees are employed. They are not allowed to ask their employees to work overtime regularly. The employees should work overtime should be voluntary and should provide equal value. make up.



#### Child labor

The company must not illegally employ child labor, and it is absolutely prohibited that child workers work from 8 p.m. to 6 a.m. or engage in heavy and dangerous work in order to comply with the norms of the ILO Convention No. 138 and the UN Convention on the Rights of the Child. .

#### No discrimination

The company shall implement equality policies for all employees in accordance with their local laws and regulations, prohibiting any employment due to differences in race, social status, nationality, religion, age, disability, gender, marital status, sexual orientation, union, or political party for differences in salary, training, promotion, reappointment, or retirement.

#### Inhuman treatment is prohibited

The company prohibits personal injury, improper physical punishment, threats of physical, sexual and other harassment, verbal violence, or any other form of intimidation.

#### Respect employees' freedom of association and right of collective bargaining

The company respects the freedom of assembly and association of employees and the right to collective bargaining. According to China's trade union law, employees have the right to organize and join trade unions.

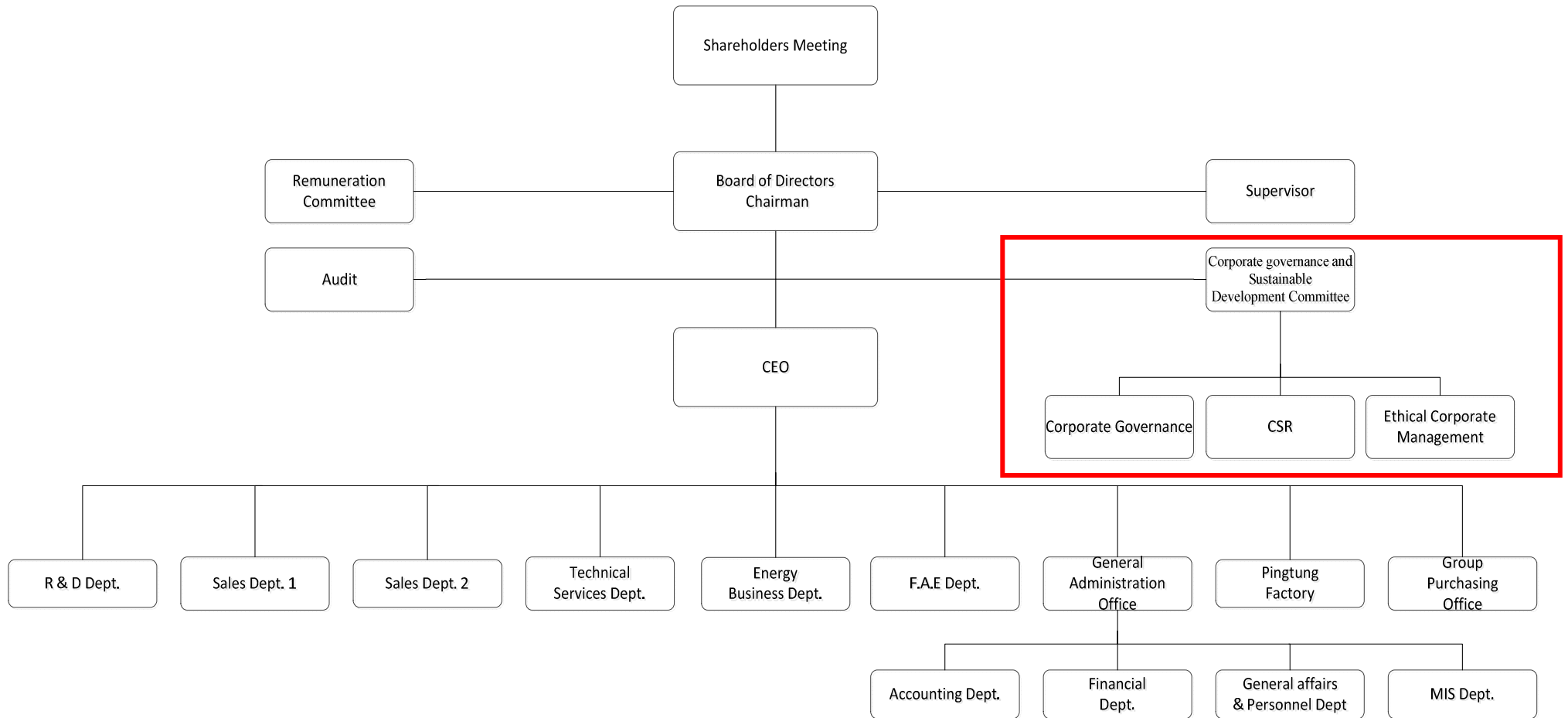
Note 3:

In order to improve and implement the company's management functions for environmental, social and corporate governance, the company has established the “Corporate Governance Perpetual Development Committee”, which includes the “Corporate Governance Group”, “Corporate Social Responsibility Group” and “Corporate Integrity Management Team”.

committee	member	requirements	Functional team	Primary authority	Implementation Plan in 2019
Corporate Governance and Sustainable Development Committee  (The organization Chart of the Committee as note.)	Chairman: Chairman	The Corporate Governance and Sustainable Development Committee is supervised by the board of directors and the chairman of the board of directors. The internal audit periodically reviews the implementation of each business year and issues a report to the board of directors. The Corporate Governance and Sustainable Development Committee plans, coordinates, and tracks the execution status of each task according to the government decrees, the announcement of the competent	Corporate Governance team	Ensure the enhancement of shareholders' rights, assistant directors and supervisors' functions, and protect the interests of stakeholders, and timely and fully improve information transparency. Strengthen colleagues' compliance with laws and regulations, continue to improve corporate governance and internal control systems, and conduct regular and irregular self-inspections. The contents of corporate governance evaluation indicators for the year are the key points for implementation. Based on the implementation schedule of each indicator, continuous progress tracking and management are conducted.	Executive board performance evaluation operations. Gradually improve the establishment of the English version of the corporate governance rules. The ranking of the fifth corporate governance appraisal was maintained at 5% of the top company. Prepare for setting up audit committee
	convener: Special Assistant to Chairman  Members: Each department head of the company is an ex officio member		Corporate Social Responsibility team	According to the relevant indicators of corporate social responsibility in corporate governance evaluation, related operations and activities are executed, and the implementation status is continuously improved and tracked. We will do our best to fulfill corporate social responsibilities and promote the balance between economic, social and environmental ecology and sustainable development, and effectively manage environmental social risks and impacts. Identification, statistics, and compilation of corporate social responsibility report.	The corporate governance evaluation index "implemented corporate social responsibility" was used as the index, and the self-evaluation score will be over 17 points. Assist the relevant departments of renowned domestic universities in understanding the company's operating industry and promote the cooperation between industry and education. Prepare and upload 2018 Corporate Social Responsibility Reports to public information observatories or company websites. Enhance the linkage between the company's core business activities and the United Nations Sustainable Development Goals (SDGs). Enhance the synergy of socially weak care or active development activities

committee	member	requirements	Functional team	Primary authority	Implementation Plan in 2019
		<p>authority, and the relevant internal management rules of the company. According to the nature of the function, each task of the relevant department is assigned. The Corporate Governance and Sustainable Development Committee regularly report the implementation results of the annual plan to the board of directors before the end of the year, and sets the implementation plan for the next year.</p>	<p>Ethical Corporate Management team</p>	<p>According to the relevant indicators of the integrity management in the corporate governance evaluation, relevant operations and activities are executed, and the implementation status is continuously improved and tracked.</p> <p>Integrity management policy and prevention plan formulation and supervision.</p> <p>Assist the board of directors and management to check and evaluate the effective operation of the preventive measures established by the implementation of the integrity management, and to evaluate the relevant business processes and follow the conditions to create a report</p>	<p>Continuously or irregularly conduct advocacy and education training with colleagues.</p> <p>Statistics and analysis of dishonest conduct, number of reported cases, and case status, and improvement of internal control related operations.</p> <p>Fixed at the end of the year to check and evaluate the implementation of the integrity of the business, and report to the board of directors on the relevant content.</p> <p>Encourage colleagues to use the annual leave of the year and implement the agent system.</p> <p>Strengthen the supervision and verification frequency of overseas subsidiaries</p>

Note : Organization Chart of Corporate Governance and Sustainable development Committee



### 3.4.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p>	V		<p>1. The first version of the Ethical Corporate Management Principles of Alerex has been approved by the Board of Directors in 2014.5.12. during which time the relevant provisions have been amended in accordance with the changes in the regulations of the competent authorities, and the Corporate Governance and Development Committee has been evaluated in accordance with the Corporate Governance Evaluation in 2018.12.1. It is responsible for coordinating relevant indicators to reveal the implementation situation in the company's webpage corporate governance zone, annual report and report in the board of directors. It is implemented in internal management and external business activities in a transparent and fully exposed manner, in line with the operation of the company's integrity management code. The website of the Corporate Governance Zone in English will be continuously improved to fully expose the company's operating conditions, so that overseas stakeholders can understand the company's implementation strategies and specific measures.</p>	<p>In accordance with Article 4, 5, 8, 18, and 21 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p>
<p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p>	V		<p>2. Alerex stipulated “Procedures for Ethical Management and Guidelines for Conduct”, “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managers”, and ” Guidelines for the Adoption of Codes of Ethical Conduct for Employees” based on “Ethical Corporate Management Principles” and the related regulations. The guidelines define the behavior of being unethical and regulate the items should be noticed, prohibited, and managed in daily operations. These guidelines are also included in the auditing plans and will be regularly audited and reported since 2016.</p> <p>In order to implement the above-mentioned normative content, the company's website is equipped with an investor connection platform, stakeholder contact information, and customer service webpage for various information demanders and information feedback personnel to contact the relevant rights and responsibilities of the company.</p>	<p>In accordance with Article 2, 6, and 10-14 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p>

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?	V		<p>3. The Company has established the “Integrity Operation Procedures and Behavior Guidelines”. The Corporate Governance Development Committee is responsible for coordinating and preventing any illegal situations in accordance with the Corporate Governance Evaluation Indicators in 2018.12.1, and through the internal audit personnel's sustainability. Check, and external stakeholders communicate channels and other mechanisms to prevent the occurrence of dishonest behavior.</p> <p>The procurement of raw materials adopts a multi-certification policy and operates in accordance with the procurement procedures to avoid untrustworthy situations. Strengthen employee propaganda, in addition to propaganda when the norms are set or revised, and also conduct relevant regulations on the integrity management of new recruits.</p> <p>Before trading with new suppliers, it is also required to sign the "Supplier/Subcontractor Social Responsibility Commitment", requesting to refer to the company's "Integrity Operation Procedures and Behavior Guidelines" and other specifications to ensure the implementation of the operation.</p>	In accordance with Article 7 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
2. Fulfill operations integrity policy (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		<p>1. When the company conducts business activities, it is always observing trades in the industry and paying attention to the necessary objects in financial and other aspects to assess whether there is a record of dishonesty and to establish as much as possible integrity in the signed contracts. Penalties related provisions to avoid losses due to dishonest conduct and to ensure the integrity of the company's claims and transaction process. Although it has not yet been fully incorporated into the two parties' sales contracts, it has since 2016 urged new supplier suppliers to sign the “Supplier/Subcontractor's Social Responsibilities Letter of Commitment” and announced “Operational Procedures and Conduct Guidelines for Honest Business Operation”. "The Code of Conduct for Employees and Ethics," and other specifications to assist with compliance.</p>	In accordance with Article 9 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the	V		<p>2. Under the supervision of the Board of Directors, the Company established the “Corporate Governance Development Committee” in accordance with the Corporate Governance Evaluation Indicators at 2018.5.2, and set up a full-time staff to undertake</p>	In accordance with Article 17 of “the Ethical Corporate Management Best-Practice

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>Board to be in charge of corporate integrity and report the implementation to the Board on the regular basis?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p>	V		<p>the revision of the Code of Integrity Code after 2018.12.1, and the promotion of related business. After the implementation of the announcement, it will continue to arrange education training or publicity operations for the previous tasks, so as to promote the implementation of the integrity management policy for all employees and related parties, and continue to report the results in the board of directors every year to ensure the implementation of corporate integrity.</p> <p>3. To avoid conflicts of interest, AblereX has stipulating “Procedures for Ethical Management and Guidelines for Conduct”, “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managers”, “Guidelines for the Adoption of Codes of Ethical Conduct for Employees”, and “Rules of Procedure for Board of Directors Meetings and Management Procedures for the Operation of Board Directors Meetings”, which clearly stated the managerial procedures and communication channels. The website provides the stakeholder area, the investor area, etc., and also informs the stakeholders of the presentation and communication in the Corporate Social Responsibility Report (page 22 of the 2017 CSR Report). The Directors, Supervisors, and Managers are also highly self-discipline that they express opinions and answer questions while absent in discussion and voting when the discussion issues are related to their own interests.</p>	<p>Principles for TWSE/TPEX Listed Companies”</p> <p>In accordance with Article 19 and 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p>
<p>(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?</p>	V		<p>4. The implementation of the accounting system and internal control system established by the company is checked by the internal auditors according to the plan, and the operation status of the integrity management is confirmed in particular. The internal control self-assessment operation is performed regularly every year, and the external accountant is entrusted at least twice. Internal control and information environment check and confirmation. If necessary, the situation and timeliness will be reviewed and adjusted to ensure the design and implementation of the system is effective.</p>	<p>In accordance with Article 20 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p>
<p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>5. The company actively sends personnel to participate in external education training and advocacy meetings related to external related integrity operations. Internally, it promotes and guides the annual newcomers education with totally 30 people and people-hours training, and actively promotes employees in various meetings (labor-management conferences, etc.) from time to time. Foster a clean, honest, fair and responsible attitude.</p>	<p>In accordance with Article 22 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”</p>

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
3. Operation of the impeachment channel				
(1) Does the company establish both a reward system and an impeachment hotline, as well as pointing an appropriate person to follow-up for the accused?	V		1. The Company has stipulated in the "Guidelines for Operational Procedures and Conduct in Honest Business Operations" that the reporting and reward system and special personnel are responsible. The Company's website also discloses corporate liaisons, spokespersons, and internal auditors' contact information and e-mail addresses. (Path: <a href="http://www.ablerex.com.tw/en/about_8-4-5-5.php">http://www.ablerex.com.tw/en/about_8-4-5-5.php</a> ) If anyone found that the company's personnel violated the integrity of the act, it can be reported.	In accordance with Article 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		2. AblereX has established a reporting system in Article 21 of the “Guidelines for the Operational Procedures and Conduct of Honest Business Conduct”, which describes the prosecution channels, information that should be provided, and the handling procedures after receiving the reports. Upon receipt of the report, the designated personnel will follow the prescribed procedures. Processing, written statements keep the identity of the prosecutor and the contents of the prosecution confidential. If the investigation is true, the prosecutor is immediately required to stop the relevant actions, and after the confirmation, it is appropriate to dispose of articles 21 to 23 of the code, and if necessary, seek compensation for damages through legal proceedings. Will be punished according to relevant company regulations	In accordance with Article 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
(3) Does the company provide proper whistleblower protection?	V		3. The “Code of Conduct for the Employee's Ethical Behavior” stipulates that Tongren has the reporting responsibilities and obligations. If any violation of laws, regulations, or the Code is discovered, it should be reported and reported to the supervisor. During the investigation of the company’s handling of the report, it will Full confidentiality and protection of the parties' privacy rights and their personal interests, and promised to protect the prosecutors from improper treatment due to the prosecution. The personnel participating in the investigation shall be responsible for the confidentiality of the content of the complaint. Violators shall be transferred by the competent authority to the Personnel Supervisor for discussion.	In accordance with Article 23 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”



Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and Market Observation Post System?	V		Ablerex discloses the status of Ethical Corporate Management and the related measures in the “Corporate Governance” session on the website and in their annual report. (web site: <a href="http://www.ablerex.com.tw/ch/about_8-4.php">http://www.ablerex.com.tw/ch/about_8-4.php</a> ) The company’s chapters on “Corporate Governance” under the “Corporate Social Responsibilities” section of the company’s website and the section on corporate governance of annual reports disclose the implementation of credit management and related measures. The efforts of Ablerex in corporate governance have been ranked as TOP 5% company in 2015 to 2018 Corporate Governance Evaluation Results in Taiwan.	In accordance with Article 25 of “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. Ablerex stipulated “Procedures for Ethical Management and Guidelines for Conduct”, “Guidelines for the Adoption of Codes of Ethical Conduct for Directors, Supervisors and Managers” based on “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”, the related regulations, and the mission statement of honesty, transparency, and responsibility as the regulations of daily operations for all employees. There is no discrepancy between regulations and implementations.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies Ablerex stipulated “Operational Procedures for Handling Material Inside Information and Preventing Insider Trading” which stated the directors, managers, employees, and consultants to exercise the due care of a good administrator and signed the confidential agreements as the requests of the Ethical Corporate Management Best-Practice Principles. Directors, managers, employees, and consultants, who are aware of the inside information, shall not reveal the inside information. Directors, managers, employees, and consultants shall not ask or collect the undisclosed inside information which is not relevant to their duties.				

3.4.7 Corporate Governance Guidelines and Regulations : Please refer to Ablerex’s website: [http://www.ablerex.com.tw/ch/about\\_8-4.php](http://www.ablerex.com.tw/ch/about_8-4.php)

3.4.8 Other Important Information Regarding Corporate Governance : N/A

3.4.9 Enforcement of internal control shall reveal the following items:

1. Declaration of Internal Control: Please refer to Page 142.

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

3.4.10 The punishment delivered to the company and the staff of the company, or, the punishment delivered by the company to the staff for a violation of internal control system, the major nonconformity, and the corrective action in the most recent years and up to the date of the annual report printed:

None.

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

A. Major Resolutions of Shareholders' Meeting

Date	Shareholders' Meeting	Major Resolutions	Follow up
2018/6/21	Shareholders' Meeting	<ol style="list-style-type: none"> <li>1. Important resolutions profit distribution/deficit compensation: Adopted the Proposal for Distribution of 2017 Profits.</li> <li>2. Adopted the 2017 Business Report and Financial Statements.</li> <li>3. Important resolutions other proposals: Approved the distribution of cash dividend from Capital Surplus.</li> <li>4. Any other matters that need to be specified : None.</li> </ol>	<ol style="list-style-type: none"> <li>1. The resolutions of the 2017 shareholders' meeting of the Company have been fully executed.</li> <li>2. The profit distribution that the shareholders of the company acknowledged was resolved by the board of directors on 2018/6/29 and the industry completed the distribution of cash dividends to shareholders at 2018/8/30.</li> </ol>

B. Major Resolutions of Board Meetings

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
1	2018.1.29	Board Meeting	<p><b>【the 6<sup>th</sup> meeting of the 7<sup>th</sup> term 】</b></p> <ol style="list-style-type: none"> <li>1. Date of occurrence of the event:2018/01/29</li> <li>2. Company name: Ablrex Electronics Co., Ltd.</li> <li>3. Relationship to the Company (please enter "head office" or "subsidiaries"):Head Office.</li> <li>4. Reciprocal shareholding ratios: Non-application of provisions.</li> <li>5. Cause of occurrence: The following are the major resolutions approved by the 6th meeting of the 7th term board of directors held on Dec. 25, 2017. (1)Approved the assessment of the independence of the auditors. (2)Approved the motion on the application for the renewal of credit limits. (3)Approved the proposal for providing guarantee for Ablrex International Corp. Ltd.</li> <li>6. Countermeasures: Non-application of provisions.</li> <li>7. Any other matters that need to be specified: None.</li> </ol>
2	2018.3.22	Board Meeting	<p><b>【the 7<sup>th</sup> meeting of the 7<sup>th</sup> term 】</b></p> <ol style="list-style-type: none"> <li>1. Date of the board of directors resolution:2017/03/27</li> <li>2. Date for convening the shareholders' meeting:2017/06/19</li> <li>3. Location for convening the shareholders' meeting: 219-2,Zhong Xing Rd. Sec.3,Xin-Dian Dist.,New Taipei City (Chinatrust Executive House)</li> <li>4. Cause or subjects for convening the meeting Report Items: Business Report Supervisor's Review Report on the 2016 Financial Statements</li> </ol>

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
			<p>Implementation of Investments in PRC  The 2016 directors, supervisors and employees' compensation  Other Reports  The Status of Endorsement and Guarantee  Proposed Matters from Eligible Shareholders  5. Cause or subjects for convening the meeting Matters for Ratification:  Adoption of the 2016 Business Report and Financial Statement  Adoption of the Proposal for Distribution of 2016 Profits  6. Cause or subjects for convening the meeting Matters for Discussion:  To review and approve the distribution of cash dividend from Capital Surplus.  To review and approve the amendment to the "Operational Procedures for the acquisition or disposal of assets "of the Company.  7. Cause or subjects for convening the meeting Elections:  To elect new Directors and Supervisors of the Company  8. Cause or subjects for convening the meeting Other Proposals:  To release the non-competition restriction on Directors in accordance with Article 209 of the Company Act  9. Cause or subjects for convening the meeting Extemporaneous Motions: None  10. Book closure starting date:2017/04/21  11. Book closure ending date:2017/06/19  12. Any other matters that need to be specified:  Shareholders may exercise electronic voting at this AGM. The details will be elaborated on the Meeting Notice, with execution based on related regulations.</p>
3	2018.5.7	Board Meeting	<p><b>【the 8<sup>th</sup> meeting of the 7<sup>th</sup> term 】</b></p> <ol style="list-style-type: none"> <li>1. Date of occurrence of the event:2018/05/07</li> <li>2. Company name: Alerex Electronics Co., Ltd.</li> <li>3. Relationship to the Company (please enter "head office" or "subsidiaries"): Head Office</li> <li>4. Reciprocal shareholding ratios: Non-application of provisions.</li> <li>5. Cause of occurrence:  The following are the major resolutions approved by the 8<sup>th</sup> meeting of the 7<sup>th</sup> term board of directors held on May 7, 2018. <ol style="list-style-type: none"> <li>(1) Acknowledged the Q1 consolidated financial statements of Year 2018.</li> <li>(2) Approved the motion on the application for the renewal of credit limits.</li> </ol> </li> </ol>
4	2018.6.29	Board Meeting	<p><b>【the 9<sup>th</sup> meeting of the 7<sup>th</sup> term 】</b></p> <ol style="list-style-type: none"> <li>1. Date of the resolution by the board of directors or shareholders' meeting or decision by the Company:2018/06/29</li> </ol>

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
			<ol style="list-style-type: none"> <li>2. Type of ex-rights or ex-dividend (please enter: "Ex-dividend", or "Ex-rights and dividend"): Ex-dividend</li> <li>3. Type and monetary amount of dividend distribution: NT\$2.5 per share in cash with aggregate cash dividends of NT\$112,500,000</li> <li>4. Ex-rights (ex-dividend) trading date:2018/07/25</li> <li>5. Last date before book closure:2018/07/26</li> <li>6. Book closure starting date:2018/07/27</li> <li>7. Book closure ending date:2018/07/31</li> <li>8. Ex-rights (ex-dividend) record date:2018/07/31</li> <li>9. Any other matters that need to be specified: The cash dividend will be paid on 2018/08/30.</li> </ol>
5	2018.8.6	Board Meeting	<p><b>【the 10<sup>th</sup> meeting of the 7<sup>th</sup> term 】</b></p> <ol style="list-style-type: none"> <li>1. Date the resolution by the board of directors or shareholders' meeting or decision by the Company: 2018/08/06</li> <li>2. Name of the company who receive the monetary loans, its relationship to the Company who extend the loans, ceiling amount on the monetary loans extended, amount of loans originally extended, amount of the current additional loans, whether or not the board of directors authorize the chairperson to give loans for the borrowing counterparty; total extended amount of loans and the reason for loans as of the date of occurrence of the event: (1)Ablerex Electronics (Suzhou) Co., Ltd., (2)Trading partner/Affiliated company; (3)NTD299,957,000; (4)0; (5)NTD92,250,000; (6)Yes; (7)NTD92,250,000; (8)Short-term financing needs</li> <li>3. Content and value of collaterals provided by the loan recipient, if any: Nil.</li> <li>4. Capital and Accumulated profit/loss of the loan recipient according to its latest financial report: TD166,039,000/NTD252,281,000</li> <li>5. Method of calculation of interest: Interest calculates on a monthly basis but paid with repayment of principal.</li> <li>6. Terms/conditions and date for repayment: (1)Revolving credit expires on Aug. 5th,2019, and the loan term is one year. (2)Bullet repayment on the maturity date.</li> <li>7. The Company's total amount of monetary loans extended as of the date of occurrence of the event:NTD92,250,000</li> <li>8. The ratio of the total amount of monetary loans extended to the Company's net worth on its most recent financial statements as of the date of occurrence of the event:6.15%</li> <li>9. Sources of funds to extend monetary loans to others: Ablerex International Corp. Ltd's working capital and bank loan.</li> </ol>
6	2018.11.5	Board Meeting	<p><b>【the 11<sup>th</sup> meeting of the 7<sup>th</sup> term 】</b></p>

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
			<ol style="list-style-type: none"> <li>1. Date the resolution by the board of directors or shareholders' meeting or decision by the Company: 2018/11/05</li> <li>2. Company name: Ablere Electronics Co., Ltd.</li> <li>3. Relationship to the Company (please enter "head office" or "subsidiaries"): Head Office</li> <li>4. Reciprocal shareholding ratios: Non-application of provisions.</li> <li>5. Cause of occurrence: The following are the major resolutions approved by the 11th meeting of the 7th term board of directors held on Nov. 5, 2018.               <ol style="list-style-type: none"> <li>(1) Acknowledged the Q3 consolidated financial statements of Year 2018.</li> <li>(2) Discussed and approved the Year 2019 Audit Plan.</li> <li>(3) Approved the motion on the application for the renewal of credit limits.</li> <li>(4) Approved the proposal for providing guarantee for Ablere International Corp. Ltd.</li> <li>(5) Approved the USD 500,000 investment to set up the second US subsidiary.</li> </ol> </li> <li>6. Countermeasures: Non-application of provisions.</li> <li>7. Any other matters that need to be specified: The Company's Q3 of Year 2018 financial results will be available for download, after the public announcement of the Q3 consolidated financial statements of Year 2018, on TWSE's MOPS <a href="http://emops.twse.com.tw">http://emops.twse.com.tw</a></li> </ol>
7	2018.12.24	Board Meeting	<p><b>【the 12<sup>th</sup> meeting of the 7<sup>th</sup> term 】</b></p> <ol style="list-style-type: none"> <li>1. Date of occurrence of the event: 2018/12/24</li> <li>2. Company name: Ablere Electronics Co., Ltd.</li> <li>3. Relationship to the Company (please enter "head office" or "subsidiaries"): Head Office</li> <li>4. Reciprocal shareholding ratios: Non-application of provisions.</li> <li>5. Cause of occurrence: The following are the major resolutions approved by the 12th meeting of the 7th term board of directors held on Dec. 24, 2018.               <ol style="list-style-type: none"> <li>(1) Acknowledged the statement of the Company's fulfillment of the CSR in Year 2018.</li> <li>(2) Acknowledged the statement of the Company's fulfillment of the principle of ethical management in Year 2018.</li> <li>(3) Approved the company's budget and business plan of 2019.</li> <li>(4) Approved the 2018 manager performance bonus determination proposed by the Remuneration Committee.</li> <li>(5) Approved the amendments to the "Regulations Governing the Acquisition and Disposal of Assets" of the Company.</li> </ol> </li> </ol>

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
			(6) Approved the motion on the application for the renewal of credit limits. 6. Countermeasures: Non-application of provisions.
8	2019.1.21	Board Meeting	<p><b>【the 13<sup>th</sup> meeting of the 7<sup>th</sup> term】</b>  1.Date of occurrence of the event:2019/01/21  2.Company name:Ablerex Electronics Co., Ltd.  3.Relationship to the Company (please enter "head office" or "subsidiaries"):Head Office  4.Reciprocal shareholding ratios:Non-application of provisions.  5.Cause of occurrence:  The following are the major resolutions approved by the 13th meeting of the 7th term board of directors held on Jan. 21, 2019.  (1) Approved the assessment of the independence of the auditors.  (2) Discussed and approved the amendments to "Corporate Governance Best Practice Principles" of the Company.  (3) Discussed and approved the amendments to "Self-Evaluation of the Board of Directors" of the Company.  (4) Approved the motion on the application for the renewal of credit limits.  (5) Approved the proposal for providing guarantee for Ablerex International Corp. Ltd.  6.Countermeasures:Non-application of provisions.  7.Any other matters that need to be specified:None.</p>
9	2019.3.21	Board Meeting	<p><b>【the 14<sup>th</sup> meeting of the 7<sup>th</sup> term】</b>  1.Date of occurrence of the event:2019/03/21  2.Company name:Ablerex Electronics Co., Ltd.  3.Relationship to the Company (please enter "head office" or "subsidiaries"):Head Office.  4.Reciprocal shareholding ratios:Non-application of provisions.  5.Cause of occurrence:  The following are the major resolutions approved by the 14th meeting of the 7th term board of directors held on March 21, 2019.  (1)Approved annual financial statements,consolidated financial statements and the business report of the Year 2018.  (2)Approved the declaration of internal control system of Year 2018.  (3)Approved the directors', supervisors' and employees' compensation of Year 2018.  (4)Approved the earning distribution of the Year 2018.  (5)Approved the amendments to the "Articles of Incorporation" of the Company.  (6)Approved the amendments to the "Procedures for</p>

Item	Date	Shareholders' Meeting and Board Meetings	Major Resolutions
			<p>Election of Directors” of the Company.</p> <p>(7)Approved the date and agenda of the Year 2019 Annual Shareholders' Meeting.</p> <p>(8)Approved the proposal of taking out D&amp;O liability insurance.</p> <p>6.Countermeasures:Non-application of provisions.</p> <p>7.Any other matters that need to be specified:The Company's full-year 2018 financial results will be available for download, after the public announcement of the full-year 2018 financial report, on TWSE's MOPS <a href="http://emops.twse.com.tw">http://emops.twse.com.tw</a></p>

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor or Dissenting to Important Resolutions Passed by the Board of Directors: As per Page 22-24

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D Manager in the most recent years and up to the date of the annual report printed: None

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

#### 3.5.1 CPAs Fee

Unit : NTD in thousand

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
PwC	Zoe Chou	Philine Lee	fiscal year 2018	Financial statements Audits and Tax Return Certification

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

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

Unit: NTD thousand

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others (Note)	total		
PwC	Zoe Chou Philine Lee	4,630	0	0	0	0	0	2018.1.1~ 2018.12.31	
	Zoe Chou	0	0	0	0	120	120	2018.1.1~ 2018.12.31	Translation of Document
	Lily Hsu	0	0	0	0	550	550	2018.1.1~ 2018.12.31	TP Project
	Eliza Li	0	0	0	0	300	300	2018.1.1~ 2018.12.31	CSR Report

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

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

3.6 CPA's information :

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

3.6.2 Latest CPAs of the company:

Year	CPA Firm	CPAs
2010 ~ 2013	PwC Taiwan	Zoe Chou, Jenny Yeh
2014 ~ 2015	PwC Taiwan	Philine Lee, Jenny Yeh
2016 ~ 2018	PwC Taiwan	Zoe Chou, Philine Lee

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

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



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

Unit : Share

Title	Name	2,018		As of Apr. 30, 2019	
		Net Change in Shareholding	Net Change in Share Pledged	Net Change in Shareholding	Net Change in Share Pledged
Director/Chairman	Steven Hsu	9,000	0	74,000	0
Director and over10%	UIS Co., Ltd	0	0	0	0
UIS Co., Ltd-Legal Rep.	C.S. Chen	0	0	0	0
UIS Co., Ltd-Legal Rep.	B.C. Chen	0	0	0	0
Director	Y.A. Chen	0	0	0	0
Director	Tim Sung	(2,000)	0		0
Supervisor	James Ho	0	0	0	0
Supervisor	Z.M. Yen	0	0	0	0
Supervisor	S.H. Chen	0	300,000	0	0
V.P.(Group Purchasing)	Hank Xiao	(9,000)	0	0	0
Manager of Sales Dept I.	Odin Huang	3,000	0		0
Manager of Sales Dept II	Jake Ho	0	0	0	0
Manager of Technical Service	Wesley Wu	0	0	2,000	0
Financial Manager	Jeff Lin	0	0	0	0
Accounting Manager	Emma Liao	0	0	0	0

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

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

Name	Reason	Change date	Deal relative person	The relationship between the counterparty and the company, directors, supervisors and shareholders holding more than 10 percent of the shares	Share	Shareholding ratio	Pledge ratio
Y.A. Chen	Pledge	2016.5.24	Hua Nan Bank	None	2,485,763	5.52%	64.36%
S.H. Chen	Unpledge	2017.8.25	Yuanta Bank	None	700,482	1.56%	0

### 3.9 Relationship among the Top Ten Shareholders

As of 2019.4.30 / Unit : share : %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationshi	
UIS Co.,Ltd. Legal person : C.S. Chen	14,986,502	33.30%	0	0	0	0	C.S. Chen	Chairman	
C.S. Chen	0	0	0	0	0	0	UIS Co.,Ltd	Rep of major	
Wen Hsu	9,616,177	21.37%	333,973	0.74%	0	0	S.J. Du	Spouse	
Y.A. Chen	2,485,763	5.52%	0	0	0	0	None	None	
S.H. Chen	700,482	1.56%	0	0	0	0	None	None	
Emma Liao	665,800	1.48%	31,000	0.07%	0	0	None	None	
FuJui F.M.Co./Rep. S.J. Ho	317,000	0.70%	0	0	0	0	None	None	
S.J. Ho	0	0	0	0	0	0	FuJui F.M.Co.	Rep of major shareholde	
Tim Sung	242,921	0.54%	0	0	0	0	None	None	
S.J. Du	219,973	0.49%	9,730,177	21.62%	0	0	Wen Hsu	Spouse	
C.J. Yen	214,000	0.48%	0	0	0	0	None	None	
S.J. Hsu	203,000	0.45%	0	0	0	0	None	None	

### 3.10 Ownership of Shares in Affiliated Enterprises

2018.12.31 Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Joint Rewards Trading Corporation	3,000	100	-	-	3,000	100
Ablerex Electronics (Samoa) Co. Ltd	6,635,000	100	-	-	6,635,000	100
Ablerex Corporation	250,000	100	-	-	250,000	100
Ablerex International Corporation Limited	10,000	100	-	-	10,000	100
Ablerex Electronics (S) Pte. Ltd	2,140,763	100	-	-	2,140,763	100
Ablerex Electronics UK Limited	100,000	100	-	-	100,000	100
Wada Denki Co., Ltd.	3,000	100			3,000	100
Ablerex Electronics Italy S.R.L	100,000	100	-	-	100,000	100
Ablerex Electronics (Suzhou) Co. Ltd	5,460,000	100	-	-	5,460,000	100
Ablerex Electronics (Beijing) Co. Ltd	1,175,000	80	-	-	1,175,000	80
Ablerex Overseas Corporation Limited	6,635,000	100	-	-	6,635,000	100
Ablerex Electronics (Thailand) Co., Ltd.	280,000	70			280,000	70
Ablerex Latam Corporation	3,650	100			3,650	100

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

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 History of capitalization

##### A. Capital formation

Month/ Year	Par value (NT\$)	Authorized shares		Issued shares		Remarks		
		Shares (1,000)	Amount (\$1,000)	Shares (1,000)	Amount (\$1,000)	Source of capital	Non- monetary Capital	other
05/1998	10	20,000,000	200,000,000	20,000,000	200,000,000	established and paid in capital	N/A	N/A
08/2001	10	14,080,000	140,800,000	14,080,000	140,800,000	NTD 59,200,000 capital reduction to offset company losses	N/A	N/A
05/2002	10	25,680,000	256,800,000	25,680,000	256,800,000	UIS Abler issued NTD116,000,000 common stock to merge PEC	N/A	N/A
07/2004	10	45,000,000	450,000,000	31,000,000	310,000,000	NTD53,200,000 common stock issued by cash	N/A	N/A
06/2007	13	80,000,000	800,000,000	38,000,000	380,000,000	NTD56,000,000 common stock issued by cash and NTD14,000,000 issued through capitalization of earnings	N/A	N/A
06/2009	10	80,000,000	800,000,000	40,609,666	406,096,660	NTD21,660,000 new share issued through capitalization of earnings and NTD4,436,660 through employee bonus	N/A	N/A
09/2010	185	80,000,000	800,000,000	45,000,000	450,000,000	NTD43,903,340 common stock issued by cash	N/A	N/A

##### B. Type of shares

Apr. 30, 2019 / Unit: share

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

Note: Listed on TSE at Sep 9, 2010.

##### C. Self-registration system: None

#### 4.1.2 Status of shareholders

##### Status of shareholders

Apr. 30, 2019 / Unit: share

Status of shareholders Quantity	Government Agencies	Financial Institutions	Other Juridical persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	0	14	3,103	5	3,122
Shareholding	0	0	15,700,502	29,271,498	28,000	45,000,000
Shareholding ratio (%)	0	0	34.89%	65.05%	0.06%	100%

Note: No shareholdings by the fund from Mainland China.

#### 4.1.3 Status of shareholding Distributed

Apr 30, 2019 / Unit : Persons ; Share ; %

Classification	Number of Shareholders	Shareholding	Shareholding Ratio (%)
1 ~ 999	289	32,851	0.073
1,000 ~ 5,000	2,285	4,278,148	9.507
5,001 ~ 10,000	270	2,181,178	4.847
10,001 ~ 15,000	92	1,169,325	2.599
15,001 ~ 20,000	45	835,748	1.857
20,001 ~ 30,000	48	1,221,917	2.715
30,001 ~ 50,000	38	1,534,015	3.409
50,001 ~ 100,000	33	2,504,438	5.565
100,001 ~ 200,000	12	1,590,762	3.535
200,001 ~ 400,000	5	1,196,894	2.660
400,001 ~ 600,000	0	0	0.000
600,001 ~ 800,000	2	1,366,282	3.036
800,001 ~ 1,000,000	0	0	0.000
Over 1,000,001	3	27,088,442	60.197
Total	3,122	45,000,000	100.000

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

2019.4.30 / Unit: Share, %

Shareholders' Name	Shareholding under their name	
	Shares	Holding percentage
UIS Co., Ltd. (Rep. C.S.Chen)	14,986,502	33.30%
C.S.Chen	0	0.00%
Steven Hsu	9,616,177	21.37%
Y.A. Chen	2,485,763	5.52%
S.H. Chen	700,482	1.56%
Emma Liao	665,800	1.48%
FuJui Financial Management Consultant Co., Ltd.	317,000	0.70%
S.J.Ho	0	0.00%
Tim Sung	242,921	0.54%
S.J.Du	219,973	0.49%
C.J. Yen	214,000	0.48%
S.J. Hsu	203,000	0.45%

4.1.5 Market Price, Net Worth, Earnings & Dividend per Share for last 2 years :

Unit : NTD Thousand, Thousand share

Item		Year	2017	2018	2019.3.31 (Note 2)
Market Price per Share	Highest		47.10	62.80	39.80
	Lowest		37.70	31.00	32.25
	Average		42.02	51.96	36.82
Net Worth per Share	Before Distribution		34.69	33.73	33.65
	After Distribution		32.19	Note 1	-
Earning per Share	Weighted Average Shares		45,000	45,000	45,000
	Diluted Earning per share	Before Adjustment	1.77	1.63	(0.29)
		After Adjustment	1.77	Note 1	-
Stock Dividends	Cash Dividend		1.60	Note 1	-
	stock grants	Dividends from Retained Earnings	-	-	-
		Dividens from Capital Surplus	0.90	-	-
	Accumulated Undistributed		-	-	-
Return on Investment	PE ratio (Note 1)		23.74	31.88	-
	Price/Dividens Ratio (Note 2)		16.81	Note 1	-
	Cash Dividend Yield Rate(Note 3)		5.95	Note 1	-

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

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

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

Note 1: Earnings distribution of 2018 has been approved by Board of Directors, and proposed to be approved by the shareholders' meeting.

Note 2: Reviewed by CPAs.

#### 4.1.6 Dividend Policy and Implementation Status

##### A. Dividend Policy stated in the Articles of Incorporation:

- (1) As regulated in Article 25-1 of Articles of Incorporation in operation, when the annual final accounting statement shows earnings, the Company shall contribute 6-10% of earning as employee compensation and not more than 2% of earning as compensation as remuneration to directors and supervisors. But the company still has accumulated losses, should be made up. The remuneration to directors shall be Cash. Employees' compensation shall be made by stock or cash. It shall be held by the board of directors by attending more than two-thirds of the directors and attending a majority of the directors 'consent, and report to the shareholders' meeting. In addition to the employees of the Company, the employees of the Company shall pay the employees of the Company who meet certain conditions.

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

The distribution proposal proposed by the Board of Directors shall, under the consideration of no other special occasion, be no less than 65% of the after-tax earnings of current year in principles. As regulated in Article 26-1 of Articles of Incorporation in operation, distribution of shareholders' dividend could be in the form of cash or shares, which the cash distribution proportion to shareholders shall no less than 20% of shareholders' dividend.

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

(2) Proposed Distribution of Dividend for this meeting of shareholders

Items	Amount	Description
2018 Net income	73,156,133	
Less: provision of legal reserve (10%)	-7,315,613	
Less: Special surplus reserve	-4,907,495	Negative number of other shareholders' equity
Add: 2018 Retain earnings adjustments	801,541	Old-version pension actuarial difference
Add: 2017 undistributed earnings	61,919,718	
2018 Distributable earnings	123,654,284	
Less: cash dividend to shareholders	67,500,000	NTD 1.5 cash dividend per share
Undistributed earnings	56,154,284	

Note: This earning distribution has been approved by Board of Directors on Mar 21, 2019 and is proposed for the admission by the shareholders' meeting.

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

4.1.7 Impact of the proposed stock dividend in shareholders meeting on business performances and EPS:

Board of Directors decided to distribute NT\$ 1.5 cash dividend per share from profit in 2018 and no stock dividend. The Company did not have financial forecast, so this clause is not applicable.

4.1.8 Compensation to employees, directors and supervisors

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

As stated in Article 25-1 of the Articles of Incorporation, the Company shall contribute not less than 6% of its annual earning as employees' compensation and not more the 2% as remuneration to directors and supervisors. But the Company shall compensate its accumulated losses first. In addition to the employees of the Company, the distribution of employees' bonus could include the employees of subsidiaries who meet certain conditions.

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

Compensation to employees estimated to be NTD 6,262 thousands and to Directors and Supervisors to be NTD 2,087 thousands is estimated 6% and 2% of annual earning in 2018, accordingly. The differences between actual distribution amount resolved by Board of Directors and the estimated amount will be adjusted as changes in accounting estimates.



3. Dividend distribution of employees resolved by the board of directors

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

Board of Directors has approved to distribute NTD 6,260 thousands as employees' remuneration in 2018 and NTD 2,080 thousands as remuneration to directors and supervisors. The distribution amount aforementioned is NTD 9 thousands more than the estimated amount reported in 2018. The main consideration is the need of adjustments in actual distribution operation. The differences between actual distribution and estimated amount reported will be regarded as changes in accounting estimates and be calculated in profit or loss in 2019.

- b. Proposed stock dividend to employees and its ratio to total net income of individual financial report and to total employees' remuneration:

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

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

The actual earning distribution of 2017 is as stated aforementioned. The differences NTD 7 thousands more than the recognized employees' compensation is mainly due to the distribution changes with profit, which has been adjusted in the profit or loss of 2018.

2017 Earnings Distribution

Item	Shareholders' Meeting approved on Dec. 31, 2017	Board of Directors approved on Mar. 22, 2018	Difference	Cause of Difference
Remuneration of Directors and Supervisors	\$1,983	\$1,980	-\$3.	Distribute practice tolerance
Employees' cash compensation	\$5,950	\$5,960	\$10.	Distribute practice tolerance

4.1.9 Buyback of Treasury Stock : None

4.2 Bonds : None

4.3 Preferred Shares : None

4.4 Global Depository Receipts : None

4.5 Employee Stock Options : None

4.6 Restricted Employee Shares : None

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

4.8 Financing Plans and Implementation : None

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### (1) Main areas of business operations

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

##### (2) Revenue distribution

Unit : NT\$ thousands; %

Major Divisions \ Year	2017		2018	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
UPS	1,006,204	42.02%	935,361	36.96%
APF	134,199	5.60%	156,369	6.18%
PV	19,389	0.81%	27,170	1.07%
Project	930,745	38.86%	1,060,839	41.92%
Others	304,301	12.71%	350,874	13.87%
Total	2,394,838	100.00%	2,530,613	100.00%

##### (3) Main Products and Services

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

##### (4) New Products Planned for Development

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

- (4) Hybrid system PV Inverter
- (5) Power management software technology
- (6) SmartGrids application related PDU
- (7) Wireless BMS
- (8) Energy storage system

## 5.1.2 Industry Overview

### (1) Macroeconomic Environment

#### ① Uninterruptible Power Supply (UPS)

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

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

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

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

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

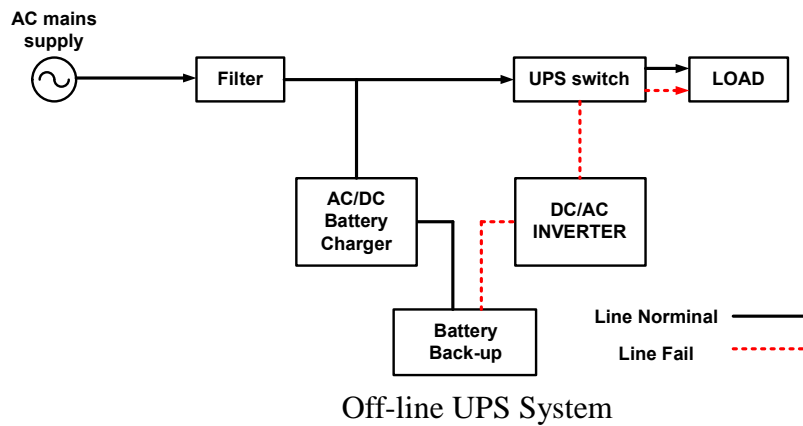
Table 1 Strengths and Weaknesses of the three UPS System Architectures

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

#### A. Off-line

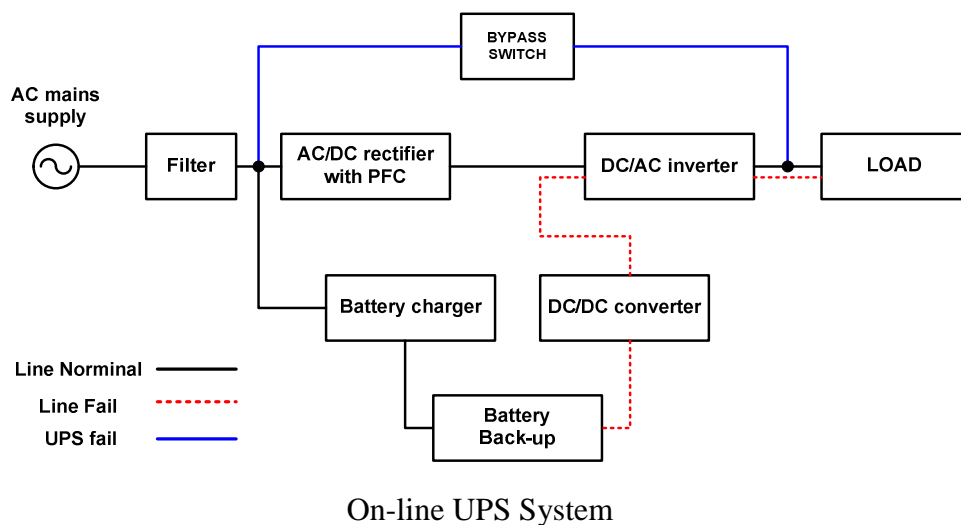
The architecture of an off-line UPS system primarily features an AC/DC charger, a battery, and a DC/AC inverter. When the line is normal, the required power comes directly from AC mains supply while a portion of the power goes through the AC/DC battery charger to charge the battery. Since the inverter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

mostly used in smaller systems or for equipment that are less important.



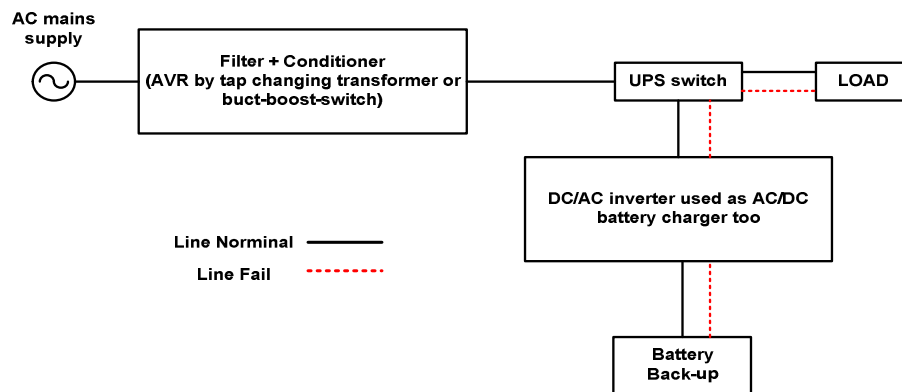
### B. On-line

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



### C. Line-interactive

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



Line-Interactive UPS System

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

engaging in a price war with other manufacturers in the low-end offline UPS product market.

## ② Active Power Filter (APF)

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

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

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

### A. Passive Power Filter

Traditionally, passive power filter (PPF) comprises passive components including capacitors, reactors, and resistors. However, due to the characteristics of specific passive components, PPFs do suffer from inherent drawbacks. For example, the result of harmonic absorption of a PPF may change along with any change in the system's impedance. In addition, when unknown external harmonic current enter the



system or any change of the systems' load/additional harmonic load could cause the existing PPF to overload or resonate, thereby leading to accidents. In addition, power capacitors and inductors in PPFs have error margins. Increases in usage duration and temperature changes could cause the values of the power capacitor or inductor to shift and thereby impede its filtering capabilities. Not only those, the passive components are heavy and bulky, making PPFs requiring more physical space.

## B. Active Power Filter

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

## C. Hybrid Power Filter

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

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

bring positive boost to the company's operational growth in the near future.

### ③ PV Inverter

#### A. Current status of the global solar power market:

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

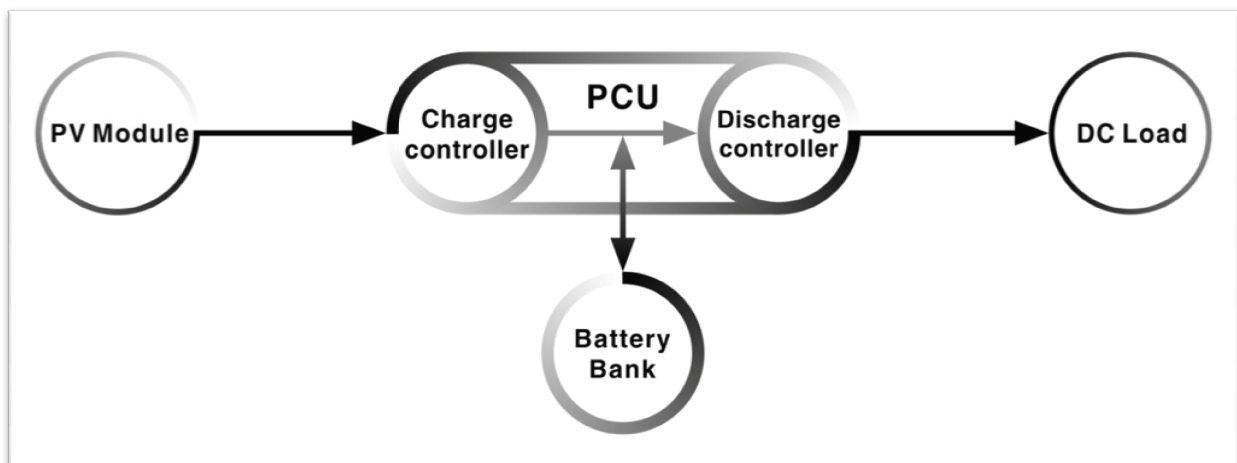
According to IMS Research's prediction, the market for PV inverter will continue to grow, with more noticeable growth in demand in 2017. The demands for small business building PV system (usually between 10~100kW) and PV stations (typical installation of 500kW or higher) are expected to grow more significantly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

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

#### B. Types of solar PV systems

##### 1. Stand-Alone System

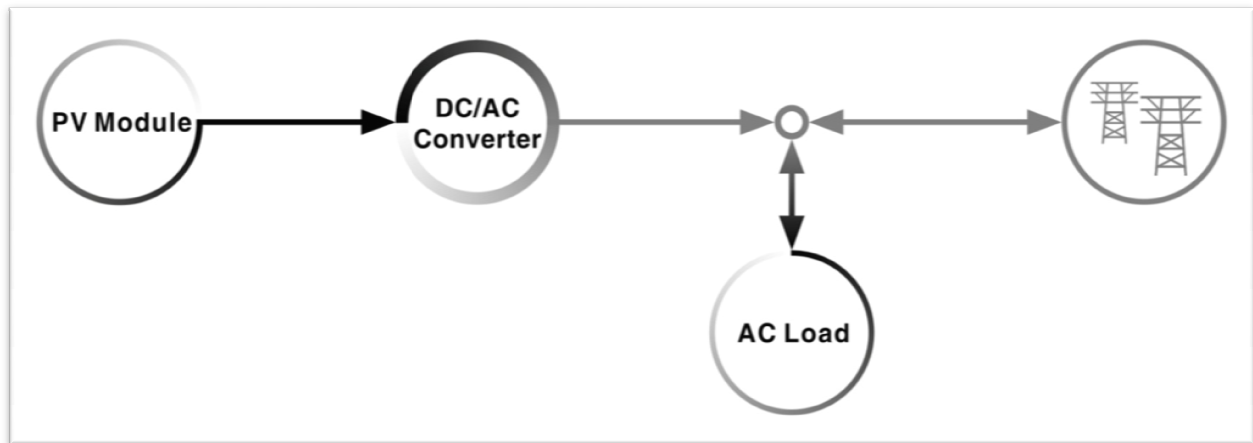
As its name implies, a stand-alone PV system is capable of generating the power that is required without having to be connected to the power distribution grid of the power company. Since the system will not be able to generate electricity in the absence of sunlight at night or in poor weather, stand-alone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



Architecture of Stand-Alone System

## 2. Grid-Connected System

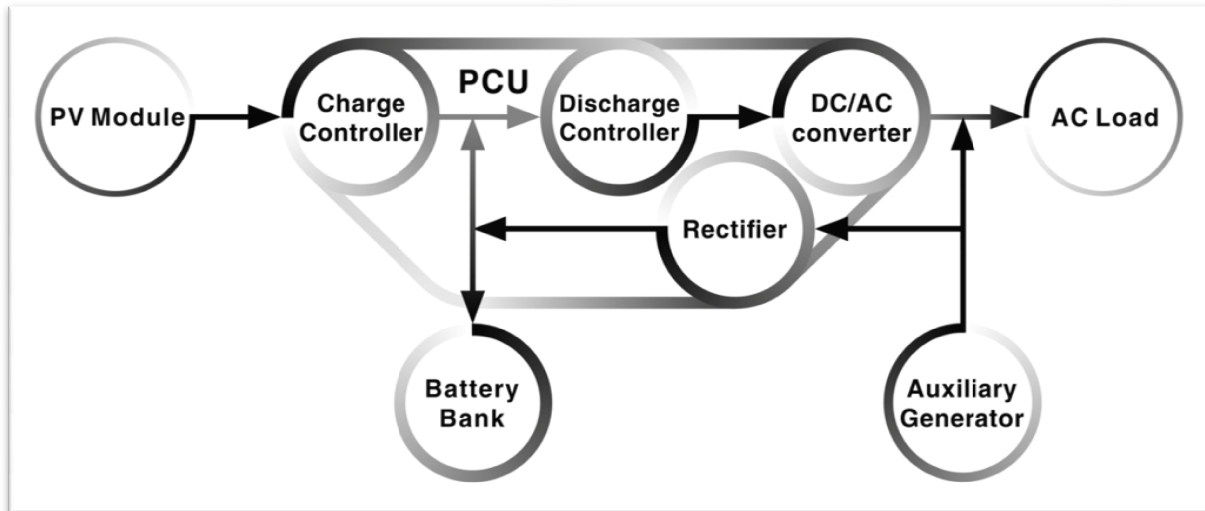
A Grid-connected system generates power in a parallel connection with the city power grid. The system would generate power for the load and the power company will cover the insufficient part of power. With such system, the city power grid can be perceived as an infinitely large and everlasting free battery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



Architecture of Grid-Connected System

## 3. Hybrid System

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



Architecture of Hybrid System

## Current Status and Future Development of PV

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

### (1) Anti-islanding technologies

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

### (2) Maximum Power Point Tracking

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

### (3) Grid Connection Control Technology

As solar PV generation system takes the energy generated by the solar panels

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

④ Residential Energy Storage System

As sources of intermittent energy, solar energy is not continuously available and can be easily affected by numerous environmental factors. Thus the output power of solar energy can be described as unstable and unpredictable power source. When a large quantity of grid connected PV systems are installed on the electrical grid, the intermittency characteristics of solar energy will have given a serious impact on the electrical grid such as the fluctuation of voltage and frequency, safety, stability, and electrical power quality. Therefore, the development of grid connected PV system has been limited. In order to deduct intermittency characteristics of solar energy cause impact on the power grid, the transmittance of solar PV system must be developed. At the same time, the battery storage system can solve the fluctuation of voltage and poor electrical power quality caused by over capacities of grid connected renewable energy system. Since the Smart Grid was established, liberalization of the electricity market has rapidly accelerated the business from various sectors have been selling electricity by time-of-use pricing. Users allow to purchase the lowest price of electricity at the off-peak period and storage into the battery bank. and discharge the saved energy at the peak period, which the electricity price is extremely high, to avoid the consumption of electricity or even sell back to the utility. Other than fuctions mentioned above, if the utility grid is ordinary condition, users can operate charging/ discharging the power from our battery module during the night. When the utility grid has unpredictable problem occurred, our system would disconnect with the utility automatically and continuously provide power to loads by using storage energy.

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

① UPS manufacturing process (up, mid and downstream)

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

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

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

② APF

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

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

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

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

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

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

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

④ESS for home manufacturing process (up, mid-, and downstream)

Upstream	Mid-stream	Downstream
<b>Raw material</b>	<b>Manufacturing</b>	<b>End user</b>
Silicon material Silicon wafer Solar cell cutting Solar cell Software design Battery cell	Residential Energy Storage System	Construction industry Telecommunication industry Public infrastructure High-tech fabrication plant PC equipment Household power supply Other

In the Energy Storage industry, Ablerex specializes in the area of system and inverter technologies and assumes the role of a designer and manufacturer of inverter for ESS. Distributed through our network channels, our products are sold to end users in different sectors for system integration, including construction industry, telecommunication industry, public infrastructure, high-tech fabrication plants, and so on.

Energy Storage industry promises vast business opportunities in the foreseeable future. Due to the high technological threshold, there are only few competitors seen in the domestic market. Our inverter for ESS definitely have competitive advantages

in quality and pricing of the product. In fact, Ablerex has become a leading manufacturer in domestic industry and has been designated as an ODM partner by several major domestic companies. Our ESS has already brought substantial revenues for Ablerex.

### (3) Product Trends

#### ① For UPS

##### A. Trend for modular design to prevent over allocation

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

##### B. Diversification of product design and electronic consumption

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

##### C. Heading towards intelligent and network development

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

##### D. High reliability and safety

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

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

#### ② APF

Harmonics suppression has always been a vital issue when it comes to power quality improvement. Following the rapid growth of non-linear load that has resulted in deteriorating power quality, the power company had no alternatives but to establish harmonics control standards in order to limit the amount of harmonics generated by users so as to maintain the quality of power for the whole system. Therefore, in



addition to the development of high power APFs, the product will also have multiple functions such as virtual work compensation and voltage suppression. At present, APFs are more expensive than PPFs and the discrepancy is even greater when the load exceeds 500KW, at which point APF becomes no longer economical. And as such, hybrid filters have been created with an architecture that combines the advantages of both the active and passive types. In the future, hybrid power filters will become a trend in the domain of harmonics improvement technology.

### ③ PV Inverter

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

### ④ Residential Energy Storage System

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

## (4) Product Competition

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

### ① UPS

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

### ② APF

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

### ③ PV Inverter

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

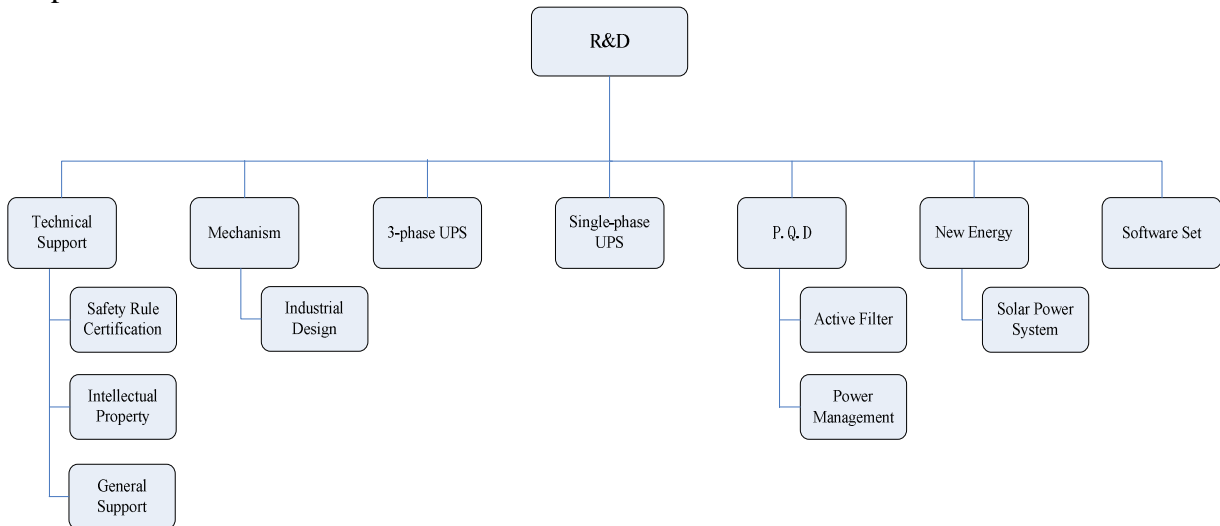
④ Residential Energy Storage System

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

5.1.3 Research and Development

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

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



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

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

#### Status of trademark application

Unit: No. of case

Region	Trademark			Total
	Pending	Approval announced	Certificate collected	
Taiwan	0	0	6	6
China	0-Ablerex 0-Suzhou	0-Ablerex 0-Suzhou	6-Ablerex 2-Suzhou	6-Ablerex 2-Suzhou
USA	0	0	3	3
EU	0	0	5	5
Total	0	0	22	22

Status of trademark application as of Mar 20, 2019.

Status of patent application: including patents received and on processing

At present, Ablerex has acquired a total of 128 patents, and 124 of which are patents of invention. These patents have been utilized on our main products and aptly reflect Ablerex's capacity for research and innovation.

Region	Application Status	UPS	APF	SOLAR	BMS	ESS	Total
Taiwan	Patent received	13	13	13	4	2	45
	Under review	0	0	0	0	1	1
	certificate processing	0	0	0	1	1	2
<b>Taiwan Total</b>		<b>13</b>	<b>13</b>	<b>13</b>	<b>5</b>	<b>4</b>	<b>48</b>
China	Patent received	11	13	10	6	2	42
	Under review	1	0	3	1	2	7
	certificate processing	1	0	0	0	0	1
<b>China Total</b>		<b>13</b>	<b>13</b>	<b>13</b>	<b>7</b>	<b>4</b>	<b>50</b>
USA	Patent received	13	13	11	2	2	41
	Under review	0	0	1	1	0	2
	certificate processing	0	0	0	0	0	0
<b>USA Total</b>		<b>13</b>	<b>13</b>	<b>12</b>	<b>3</b>	<b>2</b>	<b>43</b>
<b>Total</b>		<b>39</b>	<b>39</b>	<b>38</b>	<b>15</b>	<b>10</b>	<b>141</b>

Number of patent applications as of Mar 20, 2019

#### Paper

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

Looking towards the future with numerous competitors in the global market, given our existing resources, we ought to dedicate more attention to innovation so as to propel business growth. Through commitment of resources to patent and paper strategies and deployment, we shall gradually accumulate Ablerex's IP asset, which will no doubt prove invaluable to the company's overall competitiveness in the future.

Journal Paper:

Unit: Article

Document Type		No. published	Total
Periodical articles	Local	16	37
	Overseas	21	
Conference paper	Local	18	29
	Overseas	11	
Total		66	

Papers published as of Mar 20, 2019

(2) R&D staffs and their academic credentials

As of Mar 20, 2019, we have a total of 117 employees on our R&D staff, with their academic credential distribution as shown in the table below:

As of Mar 20, 2019 / Unit: Person

Academic credentials	PhD	Masters	Bachelor	College	Senior High School	Total
No. of employees	2	67	43	3	2	117
Percentage	1.71	57.27	36.75	2.56	1.71	100.00%

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

Item \ Year	2014	2015	2016	2017	2018	2019Q1
R&D Expense	119,779	125,720	139,208	144,289	151,895	35,566
Revenue	2,827,996	2,737,210	2,421,044	2,394,838	2,530,613	525,138
Rate of Revenue	4.24%	4.59%	5.75%	6.03%	6.00%	6.77%

All the financial data stated above and 2019Q1 has been reviewed by CPAs

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

Year	Product Category	Successfully developed technology or product	Description of characteristics/purpose
2018	UPS	Line-interactive UPS PSA4 500VA~1500VA	Featuring new full-bridge architecture, the new model offers the following advantages: 1. Improved efficiency. 2. Compact PCB 3. Low cost 4. Higher power wattage 5. Autonomy time longer than Glamor 6. Support dual channel of communication Simultaneously (Wife, RS232 and USB)
		Line-interactive UPS PST4 350VA~850VA	Power strip form factor 1. higher efficiency 2. Compact size 3. Low cost
		On-line UPS ARES 1K~3K RT / Tower Model for 230Vac System	1. Increased product capacity (power factor increased from 0.9 to 1.0) 2. Wifi Adopted for friendly interface 3. Versatile battery bank configurations (1K: 2-3 batteries; 2K: 4-6 batteries; 3K: 6-8 batteries)
		Line-interactive UPS Clumbus 750VA~3kVA For 230Vac system	1. Increased product capacity (power factor increased from 0.6 to 0.7) 2. New added SNMP and DryContact Card 3. LCD panel display function

Year	Product Category	Successfully developed technology or product	Description of characteristics/purpose
		Three-phase UPS TAURUS 10K~100K	<ol style="list-style-type: none"> <li>Adopted a new three-level architecture to significantly improve the unit's overall operating performance</li> <li>Input power factor increased to PF=1.0</li> <li>New accelerated ECO operation mode with transferring speed &lt; 3ms</li> </ol>
		Three-phase UPS Kronos 10K~20K	<ol style="list-style-type: none"> <li>Adopted a new three-level architecture to significantly improve the unit's overall operating performance</li> <li>Input power factor decreased to PF=0.9 to be highly competitive</li> <li>New accelerated ECO operation mode with transferring speed &lt; 3ms</li> </ol>
		Three-phase UPS Voltage Sag	<ol style="list-style-type: none"> <li>Adopted a new three-level architecture to significantly improve the unit's overall operating performance.</li> <li>Adopted a long lifecycle capacitor bank to replace the battery. Backup loads from utility voltage problems.</li> <li>Capacity can be extended up to 6 units of total 360kVA/360kW</li> </ol>
	Power Management Development	Battery Management System BMSIII plus RF Receiver	In addition to the wireless transmission functionality that is also featured in the previous generation, the product has also been designed with battery voltage equalizer technology to prevent battery overvoltage with greater precision. We have designed with additional function that allows determine battery condition, remaining discharging time, and diagnosing life cycle of deteriorated battery.
		Raspberry Pi Intelligent HMI	Adding an wifi function; moreover, to strengthen the development of Green Product related application software.
		AC PDU2.0 Power System Management	According to the market demand for DC current communication server, we have developed AC PDU power management systems with applications similar to our previous AC PDU, but The main difference is the improvement of measurement accuracy, and its monitoring interface is upgraded from the 7-inch touch panel to the Raspberry Pi intelligent interface.
	APF	APF ESD34 150/100A	Features immediate response control that delivers outstanding transient response for the APF by enabling immediate compensation at any point during each current cycle. We have also increased product compensation capacity and catered to the demands for IP00/IP20.
		APF 480V UL	In addition to the breakthrough of existing product architecture and technology utilization, the product is more compliant with existing international safety regulations, making its distribution more extensive.
		APF 80A Rack Module	<p>Next-gen product that offers significant improvement in power density to reduce spatial requirement for installation.</p> <p>Next-gen hot swapping technology.</p> <p>New controller that adds all-level harmonics compensation and load balancing mechanism. Adopting a multi-level switching structure, the product reduces IGBT switching loss while increasing the number of harmonics compensation while correcting power factor..</p>
		APF 80A Wall Mount	Next-gen wall mounted product that offers significant improvement in power density to reduce spatial

Year	Product Category	Successfully developed technology or product	Description of characteristics/purpose
			requirement for installation.
		APF 60A/100A	In addition to improving the current product architecture and technology, adding different capacity parallel applications makes this product portfolio more flexible.
	ESS	Single Phase Residential ESS	The ESS includes smart meter(ESS-MET), inverter (ESS-INV), and battery module(ESS-BAT).
		Energy Storage System ESS5000/4000/3300	Through the smart meter interface, the user can command the Self-consumption function based on the calculation of voltage, current, and power factor through out the controller. The controller will automatically order the command to the rectifier to adjust power generation from solar panel and battery discharge/ charge power. This system also fits to time-of-use pricing program users that throughout the setting of smart meter, users will be able to control discharging or charging electricity by adjusting the setting of off peak and on peak time-of-use periods. Users can buy electricity in the off peak period to storage into the system and sell these storage electricity in the on peak period to accomplish the goal of saving energy resource and the most efficiency way of use. Our ESS inverter can use any batteries as long as the voltage of inverter matches the voltage of battery bank within the range of 40~60V. The customer can consider choosing our ESS Li-ion battery module option which includes the Battery Management System in it. Our system is suitable for the Lead-acid, Lit-ion, LiFePO4, SiC, Seawater battery, etc.
	GPS	Three-phase PV inverter ES52000	This three-phase 52kW PV product can be used with solar modules, and the number of parallel units can reach the best operating point to achieve the best cost of the solar power system; intelligent MPPT tracking can effectively increase the overall power generation of the solar system. Products will be higher competitive.
		Three-phase PV inverter ES 60000	This three-phase 60kW PV product is used in the 480Vac system, and further provides PV inverter energy density to make the product more competitive.
		Single-phase PV inverter ESJ5500 For Japan market	This single-phase 5.5kW PV product is to comply with JET certification in Japan; in addition, it has installed with the output voltage circuit for the disaster prevention usage. This product can be widely applicable in numerous areas that it will possibly be developing our sigle-phase ESS in the foreseeable future.
		Single-phase PV inverter ES5500H	To modify a existing product of ES5000H, we select the outer case made of aluminum material, in order to improve its heat dissipation performance. The capacity of the machine increases 10% with the same material cost as the previous model, and we are hoping this modification will help increasing our product's profit margin.

Year	Product Category	Successfully developed technology or product	Description of characteristics/purpose
		Single-phase PV inverter ES7200HC	As the solar panel production improves year after year, panel efficiencies continue to improve as well. To apply to the improvement of solar panel and market's needs, we have developed a new inverter of 7.2kW model. This new inverter is designed with single MPPT function and 1000V DC input, in order to rise power density and to make the product lighter.
		Taiwan CNS15382 Grid regulation	In response to Taiwan's enactment of national grid-connected regulations, the full range of PV inverter models sold in Taiwan are about to reach the requirements of the standard.

#### 5.1.4 Long-Term and Short-Term Business Development Plans

##### (1) Short-term business development plan

###### ① Product strategy

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

###### ② Production strategy

Adjust procurement policies, pursue cost rationalization, control from the source, closely review supplier qualifications and product materials, master raw material quality and delivery period, implement on-the-job training, strengthen production SOP, improve manual assembly skills, and stabilize product quality. , And continue to improve production efficiency and quality, control product costs.

###### ③ Marketing strategy

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

###### ④ Financial coordination

Based on the principle of steady operation, the company uses its own funds and operating surplus as the main working capital, but it will also use bank financing in a timely manner in order to seek ROE optimization.

##### (2) Long-term business development plan

###### (A) Product strategies and goals

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

- ① Making our existing product lines more comprehensive so as to offer more choices to our customers while attracting more potential customers to improve sales and raise our market share.
- ② To refine and deepen our ODM/OEM collaboration models with leading manufacturers around the world and jointly development mainstream products so that we could become the main supplier or partner of strategic alliance with leading manufacturers. This will allow us to expand our scale of production,



improve product quality, lower our costs and in turn make the company more competitive as a whole.

- ③ Close integration between new product development, our core technologies, and patented technologies to boost our products' competitive edges and enhance our lead against other competitors in terms of technical capabilities.
- ④ Close coordination with the development of new energy technologies and foray into the research and development of relevant products for green and renewable energies such as solar PV and fuel cells so as to enhance their applications in "smart power grid".

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

(B) Production strategies

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

(C) Marketing strategies

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

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

(D) Financial strategies

- ① To strengthen exchange management and make appropriate use of financial hedging tools to ensure our costs and revenues, thereby reducing the risks and losses from foreign exchanges.
- ② To make appropriate use of financial leveraging to lower operating costs.
- ③ To expand our fundraising channels into the capital market so that we can obtain funding at lower costs and facilitate relevant expansion plans.

(E) R&D strategies:

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

## 5.2 Market and Sales Overview

### 5.2.1 Market analysis

#### (1) Sales (Service) regions

Unit: NT\$ thousand, %

Item	Year	2018	
		Amount	%
Domestic operating income		1,162,703	45.95%
International operating income	Asia	767,566	30.33%
	America	107,031	4.23%
	Europe	489,273	19.33%
	Other	4,040	0.16%
Total		2,530,613	100.00%

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

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

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

##### ① UPS

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

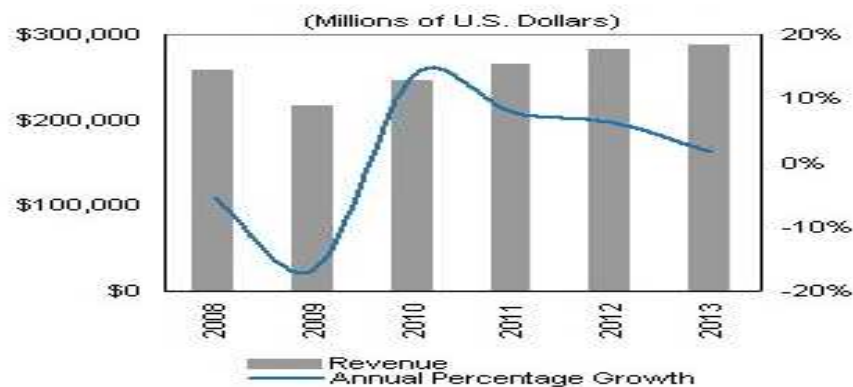
##### ② APF

With the rapid development of high-tech industries, literally all of their precision instruments require high quality power systems in order to maintain normal operation. However, as most of the high-tech instruments run non-linear load (such as the semiconductor industry), they generate substantial amount of harmonics current

pollution that has adverse impact on power quality, leading to issues such as voltage distortion, overvoltage, and even equipment failure. Consequently, APFs have been installed to mitigate the harmonic currents generated by the load and have therefore been perceived as valuable investments.

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

Fig. 1: Global Semiconductor Revenue Forecast



Source : iSuppli , 2009年09月

### ③ PV Inverter

According to IMS Research’s prediction, the market for PV inverter will continue to grow, with more noticeable growth in demand in 2019. The demands for small business building PV system (usually between 10~100kW) and PV stations (typical installation of 500kW or higher) are expected to grow more significantly while the demand for residential PV system will be less apparent.

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

### ④ Residential Energy Storage System

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

## (4) Competitive niche

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

### ① Marketing

The company has been actively taking part in major local and international electronics fairs in recent years and has achieved significant exposure in the global

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

② Product development

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

③ Manufacturing process

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

(5) Favorable and Unfavorable Factors in the Long Term

① UPS and APF

Favorable factors

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

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

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

After accumulating years of experience and expertise from independent research, Ablerex has obtained 128 patents, and 124 of which are invention patents that have been featured on our key products. Not only that, we have also been accredited to ISO 9001 and ISO14001 standards that speak for our high product quality. At the same time, we have also improved our productivity and expanded our production capacity to satisfy the needs of our customers.

### Unfavorable factors

#### A. Product diversification may impede the improvement of production efficiency

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

#### Counter-strategy:

We shall improve our production-distribution coordination to achieve precise control of product delivery schedules and monitor changes in market demand at all times through information systems. The manufacturing department will also make flexible adjustments to its production plan in order to better manage the delivery schedule and satisfy our customers' needs without compromising the benefits of concentrated batch production.

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

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

#### Counter-strategy:

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

### ② PV Inverter

#### Favorable factors

#### A. Continual demand for energy keeps international oil prices up

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

#### B. Growing awareness for environmental protection

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

#### C. Government subsidies to reduce installation costs

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

Unfavorable factors

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

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

Counter-strategy:

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

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

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

Counter-strategy:

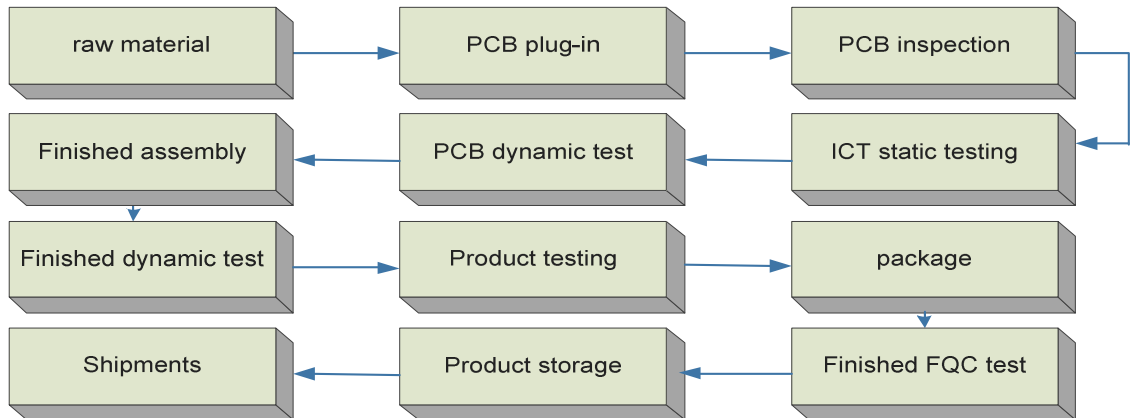
We will continue to develop new customers and cultivate new customer base in different countries to better understand the needs of our future clients. In addition, we will foray into the respective markets to lower the risks of being overly dependent on the distribution in specific regions.

5.2.2 Production Procedures of Main Products

(1) Primary purpose of main products

Main product categories	Purpose & Functions
UPS	At the moment of power failure, the UPS will temporarily supply power from its battery bank to prevent damages on PC, communication device, consumer electronics, high tech products medical equipment and so forth due to power disruption or power surge.
APF	Generates a compensatory current that is of the opposite phase of the harmonics at the load to effectively improve power quality while preventing excessive harmonic currents from causing interferences or damages on power equipment or production processes.
PV Inverter	Utilizes DC current from solar PV cell and converts it to AC currents similar to the power from city power grid for direct usage or parallel connection to the power grid. PV inverter is a key component in solar PV generation systems.
ESS	The ESS includes smart meter (ESS-MET), inverter (ESS-INV), and battery module (ESS-BAT).

(2) Major Products and Their Production Processes



(3) Supply Status of Main Materials

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

(4) Major Suppliers and Clients

A. Major Suppliers (10%) in the Last Two Calendar Years

Unit: NT\$ Thousand; %

Year	2017				2018					2019Q1				
Item	Name	Amount	%	Relation with issuer	Item	Name	Amount	%	Relation with issuer	Item	Name	Amount	%	Relation with issuer
1	Nanjing Leoch power tech.	83,484	6.10%	None	1	SOCOMEK	87,149	5.50%	None	1	Jilong Engineering	22,692	7.95%	None
2	Other	1,284,299	93.90%	-	2	Other	1,497,808	94.50%	-	2	Other	262,624	92.05%	-
	Total	1,367,783	100.00%	-		Total	1,584,957	100.00%	-		Total	285,316	100.00%	-

Cause of change: Due to increasing of domestic projects, increased supplying of Socomec product.

B. Major Clients (10%) in the Last Two Calendar Years

Unit: NT\$ Thousand; %

Year	2017				2018					2019Q1				
Item	Name	Amount	%	Relation with issuer	Item	Name	Amount	%	Relation with issuer	Item	Name	Amount	%	Relation with issuer
1	(A)	332,020	13.86%	None	1	(F)	331,103	13.08%	None	1	(A)	58,991	11.23%	None
2	(K)	127,917	5.34%	-	2	(A)	282,672	11.17%	-	2			0.00%	
	Other	1,934,901	80.79%	-		Other	1,916,838	75.75%	-		Other	466,147	88.77%	-
	Total	2,394,838	100.00%	-		Total	2,530,613	100.00%	-		Total	525,138	100.00%	-

Cause of change: Due to active participation in domestic projects, Co.F was changed to major clients.



(5) Production in the Last Two Years

Unit: piece; NT\$ Thousand

Major Products \ Year	2017		2018	
	Capacity	Capacity	Capacity	Amount
UPS	249,918	855,740	251,849	948,464
APF	2,458	78,187	2,753	103,889
PV inverter	5,492	190,016	8,424	250,804
Project	Note	748,527	Note	813,945
Other	Note	1,340,719	Note	1,526,928
Total	257,868	3,213,189	263,026	3,644,030

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

(6) Shipments and Sales in the Last Two Years

Shipments & Sales \ Major Products (or by departments) \ Year	2017				2018			
	Local		Export		Local		Local	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
UPS	484	2,314	242,412	1,003,890	198	2,977	220,791	932,384
APF	8	517	1,799	133,682	-	-	1,880	156,369
PV	653	18,862	10	527	1,023	26,294	29	876
Project		925,986		4,759		1,055,356		5,483
Other		75,1124		229,177		78,076		272,798
Total	-	1,022,803	-	1,372,035	-	1,162,703	-	1,367,910

### 5.3 Human Resources Analysis

Number of employees, average seniority of service, average age and education distribution ratio for the last two years and as of April 30, 2019

Apr. 30, 2019, Unit: people, age, %

Year		2017	2018	2019/4/30
Number of Employees	Direct Labor	178	160	129
	Indirect Labor	74	95	84
	Administrative staff	417	406	432
	Total	669	661	645
Average age		34.58	35.38	35.9
Average seniority of service		6.00	6.54	7.03
Education (%)	Ph. D.	0.30%	0.30%	0.31%
	Masters	12.71%	13.16%	12.87%
	Bachelor's Degree	27.84%	27.08%	27.13%
	College	19.67%	18.46%	21.24%
	Senior High School	26.48%	24.96%	23.10%
	Junior High School and below	14.22%	16.04%	15.35%

Note : The numbers are for all group

### 5.4 Environmental protection Expenditure

#### 5.4.1 Total Losses and Penalties

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

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

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

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

5.4.5 The current pollution situation and its improvement on the company's earnings, competitive position and capital expenditure and the expected impact of the next two years of major environmental capital expenditure: None.

## 5.5 Labor Relations

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

#### (1) Employee's welfare package:

In addition to following the Labor Standards Act and the relevant regulations, AblereX provides group insurances covering healthcare, accidents, and health examinations for employees. AblereX also established the Employees' Welfare Committee which is in charge of employees' welfares including subsidies of weddings, funerals, in hospitals, and birthing, and holds activities regularly, such as birthday parties and domestic/foreign trips, to take care the life of employees.

#### (2) Education and training:

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

Item	Courses	Trainees	Hours	Costs
1. Training for New employees	7	129	477.5	0
2. Specialist training	72	230	1,074.5	152,217
Total amount	79	359	1,552	152,217

#### (3) Retirement plan and the implementation:

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

Since the implementation of Labor Pension Act in 2005.7.1, for the employees, adopting the defined contribution plan of pension, the pension fund will be paid and deposited in the personal pension fund account for no less than 6% of monthly salary by AblereX.

#### (4) Employee rights:

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

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

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

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

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

No.	Target	Solution	Status	Execution
1	Change to lead-free product	10% leaded product change to lead-free product	There are still very few leaded products in the Company, although it still complied with international standard, but also as a goal to go.	Lead-free raw materials and lead-free electrical product development test, the production line has been fully changed accordingly.
2	10% recycling of Office total used	program for A4 paper and laser printer cartridge recycling	Recycling	Set A4 recycling paper dedicated machine, toner cartridges are re-transfer manufacturers to use
3	Energy saving and carbon reduction and improvement	Saving water saving measures	The company set the energy policy in 2019, electricity consumption decreased by 2% compared with 2018, water consumption than the 2018 years by 5% °	<ol style="list-style-type: none"> <li>1. Implement energy conservation and reduce electricity expenses.</li> <li>2. Central air-conditioning use period control.</li> <li>3. master the various units of electricity, to review the possible loss of power.</li> <li>4. Analyze the rationality of electricity and set the optimal contract capacity.</li> <li>5. The faucet is equipped with a water-saving device to reduce the amount of water.</li> <li>6. Use water-saving equipment when replacement.</li> </ol>

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

**A. Harmful substances limit (ROHS)**

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

**B. Plan for Occupational Disaster Prevention**

In order to achieve the goal of zero disaster, the Company plans to prepare the annual occupational disaster prevention plan at the end of each year, and then formulate detailed implementation plans according to the contents of the occupational disaster prevention plan, and will be implemented by the institution according to the planned time and content. The system explores the lack of implementation, at every three months of the safety and health committee or the labor meeting, to fix the occupational disaster prevention plan. In accordance with the resolution of the Safety and Health Committee during the year, we will set down the occupational disaster prevention plan, re-implementation, re-audit, review and revise the plan for the next year. We will continue to reduce the risk of harm to the public through the PDCA The ultimate goal of the disaster. Once an accident occurs, it will require countermeasure. There were 7 accidents for work safety in 2018 and 4 of them are traffic accidents involving employees on the way to and from work. The team is required to understand and improve the working conditions of the employees. Employees are required be careful on the way to and from work. At the same time, Work safety's inspections will also be implemented from time to time, and a total of 16 improvements proposed.

C. Implement the automatic check

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

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

In the implementation of the operating environment of the Company, the operating environment measurement plan containing the sampling strategy is prepared, and the project is collected from the basic data collection, the process flow and the hazard record. Through the observation, interview record, survey, (CO<sub>2</sub>), noise, ... and so on.

Site workplace planning safety line, the protection part of the necessary equipment, such as the protection of protective equipment, earplugs, etc., on the part of the staff assigned to the safety shoes to strengthen the protection. Regular health check every three years, the most recent implementation date 2018.07.27.

E. Strengthen corporate social responsibility to take care of employees

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

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

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

## 5.6 Important Contracts

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

Agreement	Counterparty	Period	Major Contents	Restrictions
Financing contracts	Chang Hwa Commercial Bank	2018.06.30~2019.06.30	Comprehensive credit line	None
Financing contracts	China Trust Commercial Bank	2018.09.01~2019.08.31	Comprehensive credit line	None
Financing contracts	Taipei Fubon Bank	2018.11.20~2019.11.13	Comprehensive credit line	None
Financing contracts	E.Sun Commercial Bank	2018.11.27~2019.11.27	Comprehensive credit line	None

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet/Income Statement

##### A. Consolidated Condensed Balance Sheet – Based on IFRS

Unit : NTD in Thousand

Item	Year	Summarized Balance Sheets of Latest 5 years					03-31-2019 (Note 4)
		2014	2015	2016	2017	2018	
Current assets		2,066,442	2,009,612	1,856,317	1,778,637	1,763,345	1,603,846
Real estate, plant and equipment		749,190	820,705	924,197	868,528	835,870	836,103
Right-of-use asset		0	0	0	0	0	23,273
Intangible assets		43,920	45,696	48,394	45,238	44,326	43,983
Deferred income tax assets		26,821	28,915	30,755	31,762	37,154	36,653
Other non-current assets		22,059	27,900	23,956	25,151	31,182	30,716
Total assets		2,908,432	2,932,828	2,883,619	2,749,316	2,711,877	2,574,574
Current liabilities	Before	1,077,235	1,101,551	1,141,517	1,080,485	1,078,347	934,018
	After distribution	1,257,235	1,247,801	1,276,517	1,192,985	Note 3	-
Deferred income tax liabilities		74,462	78,612	78,574	76,392	83,030	80,506
non-current lease liabilities		0	0	0	0	0	10,883
Other non-current liabilities		23,373	21,077	22,034	21,793	21,761	23,658
Total liabilities	Before	1,175,070	1,201,240	1,242,125	1,178,670	1,183,138	1,049,065
	After distribution	1,355,070	1,347,490	1,377,125	1,291,170	Note 3	-
Shareholders' equity		1,724,268	1,722,150	1,632,863	1,561,092	1,517,642	1,514,358
	After distribution	1,544,268	1,575,900	1,497,863	1,448,592	Note 3	-
		450,000	450,000	450,000	450,000	450,000	450,000
Additional paid-in capital	Before	819,878	819,878	819,878	774,878	734,378	734,378
	After distribution	819,878	819,878	774,878	734,378	Note 3	-
Retained earnings		423,975	422,197	375,942	365,749	367,706	354,525
	After distribution	243,975	275,947	285,942	293,749	Note 3	-
Other equities		30,415	30,075	(12,957)	(29,535)	(34,442)	(24,545)
Minority		9,094	9,438	8,631	9,554	11,097	11,151
Total	Before	1,733,362	1,731,588	1,641,494	1,570,646	1,528,739	1,525,509
	After distribution	1,553,362	1,585,338	1,506,494	1,458,146	Note 3	-

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

Note 2: The company adopted IFRSs since 2013.

Note 3: Earnings distribution of 2018 has been approved by Board of Directors, and proposed to be approved by the shareholders' meeting.

Note 4: Reviewed by CPAs.

B. Consolidated Condensed Income Statement – Based on IFRS

Unit : NTD Thousands

Item \ Year	Financial Summary for The Last Five Years					03-31-2019 (Note 3)
	2014	2015	2016	2017	2018	
Operating revenue	2,827,996	2,737,210	2,421,044	2,394,838	2,530,613	525,138
Gross profit	657,509	639,113	580,672	561,775	611,560	109,500
Income from operations	225,488	186,002	123,374	96,738	84,632	23,766
Non-operating income/expenses	40,432	35,729	16,612	(65)	19,402	7,088
Income before tax	265,920	221,731	139,986	96,673	104,034	(16,678)
Income from operations of continued segments - after	211,866	176,735	101,503	80,539	74,916	(13,992)
Income from discontinued operations	-	-	-	-	-	-
Net income (Loss)	211,866	176,735	101,503	80,539	74,916	(13,392)
Other comprehensive income	14,927	1,491	(45,347)	(16,387)	(5,124)	10,162
Total comprehensive income	226,793	178,226	56,156	64,152	70,593	(3,230)
Net income attributable to shareholders	212,026	176,310	101,536	79,610	73,156	(13,181)
Net income attributable to non-controlling interest	(160)	425	(33)	929	1,760	(211)
Comprehensive income attributable to Shareholders	226,636	177,882	56,963	63,229	69,050	(3,284)
Comprehensive income attributable to non-	157	344	(807)	923	1,543	54
Earnings per share (NTD)	4.71	3.92	2.26	1.77	1.63	(0.29)

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

Note 2: The company adopted IFRSs since 2013.

Note 3: Reviewed by CPAs.



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

### A. Stand Alone Condensed Balance Sheet – Based on IFRSs

Unit : NTD Thousands

Item \ Year		Summarized Balance Sheets of Latest 5 years (Note 1)					03-31-2019 (Note 4)
		2014	2015	2016	2017	2018	
Current assets		1,524,690	1,495,974	1,373,045	1,305,054	1,197,732	N/A
Investment by equities		684,030	714,782	723,797	712,703	670,139	
Real estate, plant and equipment		368,415	463,920	610,200	573,660	551,597	
Intangible assets		27,514	29,352	32,084	28,954	28,053	
Deferred income tax assets		26,821	28,915	30,755	31,762	37,154	
Other non-current assets		19,774	25,648	13,113	15,544	20,802	
Total assets		2,651,244	2,758,591	2,782,994	2,667,677	2,505,477	
Current liabilities	Before	829,141	936,752	1,049,523	1,008,400	883,044	
	After	1,009,141	1,083,002	1,184,523	1,120,900	Note 3	
Deferred income tax liabilities		74,462	78,612	78,574	76,392	83,030	
Other non-current liabilities		23,373	21,077	22,034	21,793	21,761	
Total liabilities	Before distribution	926,976	1,036,441	1,150,131	1,106,585	987,835	
	After distribution	1,106,976	1,182,691	1,285,131	1,219,085	Note 3	
Capital		450,000	450,000	450,000	450,000	450,000	
Additional paid-in capital	Before	819,878	819,878	819,878	774,878	734,378	
	After distribution	819,878	819,878	774,878	734,378	Note 3	
Retained earnings	Before distribution	423,975	422,197	375,942	365,749	367,706	
	After	243,975	275,947	285,942	293,749	Note 3	
Other equities		30,415	30,075	(12,957)	(29,535)	(34,442)	
Total shareholders' equities	Before distribution	1,724,268	1,722,150	1,632,863	1,561,092	1,517,642	
	After distribution	1,544,268	1,575,900	1,497,863	1,448,592	Note 3	

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

Note 2: The company adopted IFRSs since 2013.

Note 3: Earnings distribution of 2018 has been approved by Board of Directors, and proposed to be the shareholders' meeting.

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

### B. Stand Alone Condensed Income Statement – Based on IFRSs

Unit: NTD Thousands

Item	Year	Financial Summary for The Last Five Years					03-31-2019 (Note 3)
		2014	2015	2016	2017	2018	
Operating revenue		2,695,165	2,609,108	2,189,098	2,224,269	2,313,012	N/A
Gross profit		458,631	441,630	370,493	385,707	448,521	
Income from operations		187,342	161,772	71,271	78,153	121,373	
Non-operating income/expenses		66,330	47,760	51,416	13,089	(25,488)	
Income before tax		253,672	209,532	122,687	91,242	95,885	
Income from operations of continued segments - after tax		212,026	176,310	101,536	79,610	73,156	
Income from discontinued operations		-	-	-	-	-	
Net income (Loss)		212,026	176,310	101,536	79,610	73,156	
Other comprehensive income		14,610	1,572	(44,573)	(16,381)	(4,106)	
Total comprehensive income		226,636	177,882	56,963	63,229	69,050	
Earnings per share		4.71	3.92	2.26	1.77	1.63	

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

Note 2: The company adopted IFRSs since 2013.

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

### 6.1.3 Auditors' Opinions from 2014 to 2018

CPAs and their auditing opinions in the past 5 years

Year	Accounting Firms	CPAs	Audit Opinions
2014	PwC	Philine Lee 、 Jenny Yeh	unqualified opinion
2015	PwC	Philine Lee 、 Jenny Yeh	unqualified opinion
2016	PwC	Zoe Chou 、 Philine Lee	unqualified opinion
2017	PwC	Zoe Chou 、 Philine Lee	unqualified opinion
2018	PwC	Zoe Chou 、 Philine Lee	unqualified opinion

## 6.2 Five-Year Financial Analysis

### A. Consolidated Condensed Financial Analysis - Based on IFRS

		Year	Financial Summary for The Last Five Years (Note 1&2&3)					03-31-2019 (Note 3)	
			2014	2015	2016	2017	2018		
Financial structure (%)	Ratio of liabilities to assets (%)		40.40	40.95	43.07	42.87	43.62	40.74	
	Ratio of long-term capital to fixed assets (%)		244.42	223.13	188.49	192.14	195.42	196.21	
Solvency (%)	Current ratio (%)		191.82	182.43	162.61	164.61	163.52	171.71	
	Quick ratio (%)		103.84	95.55	77.91	79.62	71.55	68.47	
	Times interest earned ratio		138.10	79.99	69.08	42.46	43.48	(14.60)	
Operating ability	Account receivable turnover		5.21	4.39	4.15	4.11	4.24	3.95	
	Days sales in accounts receivable		70.05	83.14	87.95	88.80	86.08	92.40	
	Inventory turnover (times)		2.39	2.03	1.74	1.77	1.83	1.53	
	Account payable turnover (times)		4.40	4.20	3.78	3.66	4.55	4.69	
	Average days in sales		152.71	179.80	209.77	206.21	199.45	238.56	
	Fixed assets turnover (times)		3.98	3.48	2.77	2.67	2.96	2.51	
	Total assets turnover (times)		1.03	0.93	0.83	0.85	0.92	0.79	
Profitability	Ratio of return on total assets (%)		7.83	6.13	3.55	2.93	2.82	(0.47)	
	Ratio of return on shareholders' equity (%)		12.63	10.20	6.02	5.01	4.83	(0.88)	
	Ratio to issued capital stock (%)	Operating income		50.10	41.33	27.42	21.50	18.81	(5.28)
		Income before tax		59.09	49.27	31.11	21.48	23.12	(3.71)
	Profit ratio (%)		7.49	6.45	4.19	3.36	2.96	(2.55)	
	Earnings per share (NT\$)		4.71	3.92	2.26	1.77	1.63	(0.29)	
Cash flow (%)	Cash flow ratio (%)		5.78	21.81	16.59	4.79	10.17	(2.05)	
	Cash flow adequacy ratio (%)		N/A	N/A	55.37	48.65	44.09	53.45	
	Cash reinvestment ratio (%)		0.00	2.92	2.19	0.00	0.00	0.00	
Leverage	Degree of operating leverage		2.13	2.49	3.39	3.68	4.69	(2.21)	
	Degree of financial leverage		1.00	1.01	1.01	1.02	1.02	0.95	

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

Note 2: The company adopted IFRSs since 2013.

Note 3: Reviewed by CPAs.

### Financial Analysis – Under IFRSs

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

1. Operating ability : Due to Account payable decreased, the Account payable turnover (times) increased 24.32% over 2017.
2. Cash flow: Cash flow ratio increase 110.86% in 2018 comparing to the ratio in 2017 mainly due to the increase of net cash inflow from operating activities.
3. Leverage : Leverage ratio increased 27.45% in 2018 comparing to the ratio in 2017 mainly due to the decreasing of operating profit.

## B. Stand Alone Condensed Financial Analysis – Based on IFRSs

		Financial Summary for The Last Five Years (Note 1)					03-31-2019 (Note 3)	
		2014	2015	2016	2017	2018		
Financial structure (%)	Ratio of liabilities to assets (%)	34.96	37.57	41.32	41.48	39.42	N/A	
	Ratio of long-term capital to fixed assets (%)	494.57	392.70	284.08	289.24	294.13		
Solvency (%)	Current ratio (%)	183.88	159.69	130.82	129.41	135.63		
	Quick ratio (%)	117.92	92.93	66.81	69.32	71.82		
	Times interest earned ratio	1,933.80	474.24	114.50	41.03	57.40		
Operating ability	Account receivable turnover (times)	5.10	4.38	3.93	4.04	4.19		
	Days sales in accounts receivable	71.00	83.00	92.00	90.00	87.00		
	Inventory turnover (times)	4.16	3.42	2.56	2.62	2.86		
	Account payable turnover (times)	5.35	4.74	5.34	7.99	9.84		
	Average days in sales	87.00	106.00	142.00	139.00	127.00		
	Fixed assets turnover (times)	7.63	6.26	4.07	3.75	4.11		
	Total assets turnover (times)	1.07	0.96	0.79	0.81	0.89		
Profitability	Ratio of return on total assets (%)	8.47	6.53	3.69	2.99	2.88		
	Ratio of return on shareholders	12.71	10.23	6.05	4.98	4.75		
	Ratio to issued capital stock (%)	Operating income	41.63	35.94	15.83	17.36		26.97
		Income before tax	56.37	46.56	27.26	20.27		21.30
	Profit ratio (%)	7.86	6.75	4.63	3.57	3.16		
	Earnings per share (NT\$)	4.71	3.92	2.26	1.77	1.63		
Cash flow (%)	Cash flow ratio (%)	13.58	16.81	1.59	9.34	18.73		
	Cash flow adequacy ratio (%)	N/A	N/A	37.49	37.65	42.45		
	Cash reinvestment ratio (%)	0.00	0.00	0.00	0.00	3.14		
Leverage	Degree of operating leverage	1.97	2.16	4.12	3.83	2.90		
	Degree of financial leverage	1.00	1.00	1.01	1.03	1.01		

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

Note 2: The company adopted IFRSs since 2013.

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

### Financial Analysis – Stand Alone - Under IFRSs

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

1. Solvency :  
Due to bank interest decreased, the Times interest earned ratio increased 39.9% over 2017.
2. Operating ability :  
Due to Account payable increased, the Account payable turnover (times) increased 23.15% over 2017.
3. Profitability :  
Due to profit increased, the Income before tax to capital increased 55.36% over 2017.
4. Cash flow :  
Due to the net Cash Flows from Operating Activities increased, the Cash flow ratio increased 100.54% over 2017.  
Due to the net Cash Flows from Operating Activities increased, the Cash reinvestment ratio increased over 2017.
5. Leverage :  
Due to net operating income increased, the Degree of Operating leverage decreased 24.28% over 2017.

## Note : Financial Analysis Formula

### 1. Financial structure

- (1) Ratio of Liabilities to assets = total liabilities / total assets.
- (2) Ratio of long-term capital to fixed assets = (net of shareholders' equity + long-term liabilities) / net fixed assets.

### 2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Times interest earned ratio = before the income tax and interest expense net interest / current interest expense.

### 3. Operating ability

- (1) Account Receivable Turnover (including accounts receivable and bills due from operations) = Net Sales/Avg. Accounts Receivable (Including Receivables and Receivables due to Operation ) Balance.
- (2) Days sales in accounts receivable = 365/receivables turnover.
- (3) Inventory turnover = cost of goods sold/average stock.
- (4) Account Payable Turnover (including accounts payable and bills payable as a result of operations) = balance of cost of goods sold / average payables for each period (including accounts payable and bills payable as a result of operations).
- (5) Average days in sales = 365/inventory turnover.
- (6) Fixed assets turnover = net sales/average net fixed assets.
- (7) Total assets turnover = net sales/average total assets.

### 4. Profitability

- (1) Ratio of Return on assets = [after tax loss + interest expense × (1-tax rate)] / average total assets.
- (2) Ratio of Return on shareholders' equity = post-tax profit/loss/average shareholder's equity.
- (3) Profit ratio = after-tax profit/loss/net sales.
- (4) Earnings per share = (net profit after tax - special share dividend) / weighted average number of shares outstanding.

### 5. Cash Flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities in the last five years / recent five years (capital expenditure + inventory increase + cash dividend).
- (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross fixed assets + long-term investments + other assets + working capital).

### 6. Leverage :

- (1) Degree of Operating leverage = (net operating income - variable operating costs and expenses) / operating profit.
- (2) Degree of Financial leverage = operating interest / (operating interest - interest expense).



- 6.3 Supervisors' /Audit Committee's Report for the Most Recent Year : Please refer to Page 121 to 123 of the Chinese annual report.
- 6.4 Financial Statements for the Most Recent Years: Please refer to Page 143 to 205 for the details
- 6.5 Independent Auditors' Report for the Most Recent Years: Please refer to Page 120 for the details.
- 6.6 Impact of financial difficulties of the Company and related party on the Company's financial position: None

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Condensed Financial Position – Under IFRSs

NTD Thousands; %

	Year	2017	2018	Difference	
				Amount	%
Current assets		1,778,637	1,763,345	( 15,292.00)	( 0.86)
Real estate, plant, and equipment		868,528	835,870	( 32,658.00)	( 3.76)
Intangible assets		45,238	44,326	( 912.00)	( 2.02)
Deferred tax assets		31,761	37,154	5,393.00	16.98
Other non-current assets		25,152	31,182	6,030.00	23.97
Total assets		2,749,316	2,711,877	( 37,439.00)	( 1.36)
Current liabilities		1,080,485	1,078,347	( 2,138.00)	( 0.20)
Deferred tax liabilities		76,392	83,030	6,638.00	8.69
Other non-current liabilities		21,793	21,761	( 32.00)	( 0.15)
Total liabilities		1,178,670	1,183,138	4,468.00	0.38
Shareholders' equity, attributable to owners of		1,561,092	1,517,642	( 43,450.00)	( 2.78)
Capital stock		450,000	450,000	0	0.00
Additional paid-in capital		774,878	734,378	( 40,500.00)	( 5.23)
Retained earnings		365,749	367,706	1,957.00	0.54
Other equities		(29,535)	(34,442)	( 4,907.00)	16.61
Non-controlling equities		9,554	11,097	1,543.00	16.15
Total shareholders' equity		1,570,646	1,528,739	( 41,907.00)	( 2.67)

Effect of Changes in the last two years to more than 20%, and the amount of change of NT \$ 10 million or more: None

## 7.2 Financial Performance

### A. Condensed Consolidated Financial Performance Analysis – Under IFRSs

NTD Thousands; %

Year	2017	2018	Difference	
			Amount	%
Net Sales	2,394,838	2,530,613	135,775	5.67
Cost of Good Sold	1,833,063	1,919,053	85,990	4.69
Gross Profit	561,775	611,560	49,785	8.86
Operating Expense	465,037	526,928	61,891	13.31
Operating Income	96,738	84,632	(12,106)	(12.51)
Non-operating Income and Expense	(65)	19,402	19,467	(29,949.23)
Income Before Tax	96,673	104,034	7,361	7.61
Income Tax	16,134	29,118	12,984	80.48
Net Income	80,539	74,916	(5,623)	(6.98)

Analysis of changes in financial ratios, which changes more than 20% and the changed amount is over NT\$10 million:

1. Operating profit and loss : mainly due to the profit from foreign currency exchange.
2. Income Tax : Mainly due to the increase of operating income and income tax increased from 17% to 20%.

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

With the booming development of global communication products, Internet, cable TV, wireless base stations, smart grids and cloud demand, the aging of existing global power infrastructure and power grids has led to end-use applications such as personal desktops. PCs, large-scale data centers for enterprises, large-scale computer equipment for public infrastructure, and other types of electronic digital devices all have stable power supply protection requirements, which makes UPS products almost indispensable standard equipment, so the world The UPS industry has shown a steady growth trend in recent years. According to a report published by the industry research company Global Industry Analysts, Inc. in 2019, the global UPS market is expected to reach 15.0 billion U.S. dollars by 2024.

The report also pointed out that if observed by the market, the Asian Pacific region will be the world's largest and fastest growing UPS market. It is estimated that by 2024, the region will have a compound annual growth rate of 6.9% (CAGR) Expansion; if differentiated by product size, the product market below 5KVA is the largest, while the product market above 500KVA is the strongest growth force.

PV Inverter is a part of the solar energy industry. According to the research of EnergyTrend, Global demand is expected to continue to grow in 2019. It is expected that the new grid connection will reach 111.3GW, with a growth of 7.7%, once again hitting a record high; while the GW market will increase to 15 and the market will continue to be decentralized. China, the United States It will continue to be the world's top two markets, and

India will become the third largest demand country from 2017, followed by Japan. Emerging markets such as Southeast Asia, North Africa, the Middle East, and Latin America have emerged since 2018. The global market size will stabilize from 2019, and India is most likely to have a large demand growth.

Facing the era of power shortage, the Taiwan government is undergoing energy transformation. It plans to reach 20 GW of PV devices by 2025. It ranks one of the 15 GW-class markets in 2019, and not only attracts Swiss private equity partners to come to Taiwan. Australian investment bank Macquarie Capital is also working with local system vendors to develop wind power and PV, and even Google is buying solar green power in Taiwan. The estimated direct production value is about 850 billion NT Dollars. The output value under the benefit can reach 2 trillion NT Dollars, but the research unit also believes that the progress of the solar power plant installation is not only the investment incentive rate, but also the integration of land, the policy restrictions of the land law, and the difficulty of changing the land. These obstacles need to be broken again in order to have the opportunity to reach the 20GW target in 2025.

In considering the market development situation and the company's own conditions, the company will continue to technological innovation as the core, to play the customer's technical advisers and support partners, and actively strive for international manufacturers and important distributors or systems manufacturers UPS main products ODM / OEM, trying to stabilize the existing market position; As for the PV Inverter is focused on the domestic market expansion, actively participate in VPC (high-efficiency module is in line with voluntary product verification), and with cloud monitoring system to enhance product added value, continue to deepen and expand domestic market share, and plan to provide services across the solar photovoltaic system.

### 7.3 Analysis of Cash Flow

#### 7.3.1 Liquidity analysis of the recent years

Item \ Year	2017	2018	Financial ratio change
Current ratio	4.79	10.17	112.32%
Cash Flow adequacy ratio	48.65	44.09	-9.37%
Cash reinvestment ratio	0.00	0.00	0.00%

Analysis of financial ratio change:

- (1) Current ratio : The net cash inflows from operating activities increased by approximately 111.86% over the previous year, and the current liabilities for the year 2018 decreased from the previous year due to the Company's 2018 annual revenue and pre-tax net profit growth, together with the appropriate payment and purchase policies and inventory policies. . Therefore, the ratio has increased significantly.
- (2) Cash Flow adequacy ratio : The net cash inflow from the Company's business activities in the past five years is not sufficient to cover the capital expenditure, inventory increase and cash dividends in the corresponding period, so the ratio is less than 1. Since the net cash inflow from operating activities in the year 2018 is still insufficient to cover the annual

capital expenditure and the increase in inventory and cash dividends, and the gap is larger than that in the year of 2013, the proportion has declined.

- (3) Cash reinvestment ratio : The net cash inflow from operating activities for 2018 was less than the amount after cash dividends were paid, so the ratio was zero.

7.3.2 Remedy for cash deficit and liquidity insufficient: Operating profits of the company has been stable, still get full support from financial institutions and no liquidity insufficient up to the date of the report printed.

### 7.3.3 Analysis of cash liquidity in 1 year

Unit: NT\$ thousand

Beginning cash balance (1)	Expected net cash flow from operating activity of the year (2)	Expected cash outflow of the year (3)	Expected cash surplus (deficit) (1)+(2)-(3)	Remedial measures for the expected insufficient cash	
				Investing plan	Financing plan
201,285	81,975	107,369	175,891	-	-

#### 1. Analysis of cash flow change in one year:

- (1) Operating activity : It is expected that the profit will be maintained in 2019. With the A/P and A/R conditions and the control of inventory, it is expected that the business activities will continue to show a net inflow of cash.
- (2) Investing activity : Mainly for research and development equipment purchase and production line equipment updates and upgrades.
- (3) Financing activity : It is expected to repay loans from financial institutions and distribute cash dividends. It is expected that the financing activities will be net cash outflows.

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

7.4 Impact of major capital expenditure on finance and business : None

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

#### 7.5.1 Investment Policies:

In response to the need to strengthen the company's business development and upstream and downstream integration, the company will be prepared to assess the implementation of the investment plan after the investment.

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

Dec. 31, 2018; Unit: thousand

Invested Company	Invested Amount	Investment Policy	Recognition of the investment gain or loss in the latest year	Main reason of gain or loss	Improvement plan
Joint Rewards Trading Corp.	US\$ 3	Trading Company between AblereX and AblereX-SZ.	NT\$(38)	Annual expenditure	
AblereX Electronics (SAMOA) Co. LTD.	US\$ 6,635	To set up AblereX-SZ and Holding company of AblereX-BJ.	NT\$(46,924)	mainly recognized profit loss from ABLEREX-SZ	Increase sales and reduce cost
AblereX Corporation	US\$ 250	To promote and sales for America territory.	NT\$1,851	Expand sales territory	
AblereX International Corp. LTD.	HK\$ 10	Trading Company between AblereX and AblereX-SZ.	NT\$487	Support to expand sales	
AblereX Electronics(s) PTE. LTD	US\$ 1,480	To promote and sales for EMEA.	NT\$5,584	Expand sales territory	
AblereX Electronics UK LTD.	GBP 100	To set up Holding company of AblereX-IT.	NT\$2,715	recognized profit gain from ABLEREX-IT	
WADA DENKI CO., LTD.	JPY 30,000	To promote and sales for Japan territory.	(NTD112)	initial stage of establishment	Increase sales

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

## 7.5.3 Investment Plan in the next year: None

## 7.6 Risk Management and Evaluation until the report printed

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

#### 1. The impact of interest rate change:

The financial costs of the Group for 2018 and 2017 were NTD2,448 thousands and NTD2,331 thousands respectively, and the financial cost expenses accounted for 0.10% and 0.10% of the net operating income for the current period. The financial cost expenses accounted for a very small proportion of the net operating income of the Group, and the Group's borrowings are fixed-rate loans due within one year, so no significant fair value interest rate risk is expected to occur. The Group will maintain a close relationship with the

correspondent banks based on the principle of sound and conservative financial management, so as to immediately grasp relevant information on interest rate changes and reduce the impact of interest rate fluctuations on the Group.

2. The impact of exchange rate fluctuation:

The business of the Group involves a number of non-functional currencies (the functional currency of the Company is NT and the functional currency of some subsidiaries is US \$ and RMB). Therefore, the foreign currency assets affected by the exchange rate fluctuation And liability information and foreign currency market risk analysis as Chinese version of 2018 annual report.

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

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

4. The impact of inflation

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

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

- a. The company has dedicated to the core business since established. No high-risk nor high-leveraged investment has been implemented.
- b. The company conducts loaning funds according to “Regulations Governing Loaning of

Funds and Making of Endorsements/Guarantees”. The information of the company and the subsidiaries loaning funds to others up to the date of the report printed is disclosed as the following:

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

Date of loan funds	Date approved by BoD	Company Name	Approved loan	Loan balance	Rate	Collateral	Due date	Date approved by BoD
2018/11/30	2018/8/6	Ablerex Electronics Italy Srl	US\$800,000	USD350,000	3.80%	Due for repayment	Credit	2019/11/30

(2) Subsidiary of the company, The Company's subsidiary company funds loans and other information:

A. AblereX Corporation (AblereX-US), a subsidiary of the Company, is funded with AblereX Electronics Italy Srl (abbreviation AblereX-IT) for the development of its operations. The status of loaning is listed below

Date of loan funds	Date approved by BoD	Company Name	Approved loan	Loan balance	Rate	Repayment	Collateral	Due date
2017/8/24	2017/8/7	AblereX Electronics Italy Sr	US\$300,000	USD250,000	1.75%	Repayable on a yearly basis	Credit	2020.8.24

Note: On 2017.8.7, the Board of Directors approved that AblereX-US offer AblereX-IT the short-term loan amount of US \$ 0.3 million; 2017/8/15 AblereX-US Board of Directors Submission of the Company's Resolution on Financing

B. AblereX International Corporation Limited (AblereX-HK), a subsidiary of the Company, is funded with AblereX Electronics (Suzhou) Co., Ltd. (abbreviation AblereX-SZ) for the development of its operations. The status of loaning is listed below

Date of loan funds	Date approved by BoD	Company Name	Amount	Rate	Repayment	Collateral	Due date	Date approved by BoD
2018/8/23	2018/8/6	AblereX Electronics (Suzhou) Co., Ltd.	US\$3,000,000	USD2,000,000	3.20%	Due for repayment	Credit	2019/8/22



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

Unit: US\$

Date of Endorsement/ Guarantee	Date approved by BoD	Guaranteed Company	Relationship with AblereX	Collateral	Guarantee Items	Undertaking Bank	Endorsement/ Guarantee Amount
2018/9/18	2018/8/6	AblereX-HK	Subsidiary	N/A	Bank financing	China Trust	USD 2,000,000
2018/11/28	2018/11/15	AblereX-HK	Subsidiary	N/A	Bank financing	Taipei Fubon	USD 2,500,000
2019/4/3	2019/1/21	AblereX-HK	Subsidiary	N/A	Bank financing	Mega Bank	USD 3,000,000
Total							USD 7,500,000

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

#### 7.6.3 Future R&D projects and corresponding budget:

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

The Company's research and development philosophy is:

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

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

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

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

Unit : NTD in Thousands

Item / Year	2016	2017	2018	Expected in 2019
R&D invested	139,208	144,289	151,895	160,170
Growth	10.73%	3.65%	5.27%	5.45%

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

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

As the company is a manufacturer and seller of solar power converters and energy storage systems, the recent domestic energy policy decisions have a considerable impact on the promotion of the company's business. Therefore, the company is responsible for the development of green energy market by dedicated business units. Operating, actively expand the company's product market share and revenue growth.

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

UPS is the technology-intensive industry, so the development of light-weight, thin, short, small, along with Wisdom, modular, web-based products will be powerful to gain a competitive advantage in the market. In addition to strengthening the Company to enhance UPS equipment, but also committed to the development of high value-added systems improve power quality and green energy systems and related power electronics products. Every year, the company has invested a large amount of research and development manpower and funds to engage in theoretical and applied research and design and development of new products, in order to respond to the trend of future electronic products, and maintain a competitive advantage. Therefore, technological changes and industrial changes have no significant impact on the company.

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

measures:

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

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

The company's did not have any merger conducted in 2018 and up to the date of the annual report printed.

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

The company's did not have any plant expansion in 2018 and up to the date of the annual report printed.

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

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

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

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

The company's main sales target are branded customers and agency distributors all over the world. However, under the trend of global corporate mergers and acquisitions, there is indeed a trend of centralized sales; this trend will make the company face production and revenue vulnerable to a small number of customers. And face greater price pressure. Faced with these challenges, the Company has adopted product diversification and actively expanded its response to emerging markets. It will tend to diversify the products, customers, and regional combinations that are shipped to prevent the risk of excessive sales concentration.

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

There was not any massive stock transfer or change by directors, supervisors, and shareholders with over 10% shareholding in 2018 and up to the date of the annual report printed.

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

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

7.6.12 Legal and non-legal events:

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

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

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

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

On October 11, 2017, the company and Alltek company reached an agreement through the mediation of the Taiwan High Court. The both parties agreed to fulfill the order with US\$375,000 in US dollars plus US\$18,750 in sales tax. On October 23, 2017, Alltek company delivered the goods that should be delivered to the company. The company's experience in the revenue library was paid on October 25, 2017.

- (2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by Directors,

Supervisors, President, Person in charge, and shareholders with over 10% holdings of the company and subsidiaries in the last 2 years up to the date of the report printed. The result could cause significant impact on shareholders' equity or security price of the company: None.

(3) Anything listed in Article 157 of Securities and Exchange Act had been implemented by Directors, Supervisors, managers, and shareholders with over 10% holdings of the company and the response of the company in the last 2 years up to the date of the report reprinted: None

7.6.13 Other significant risks and responsive measures: None

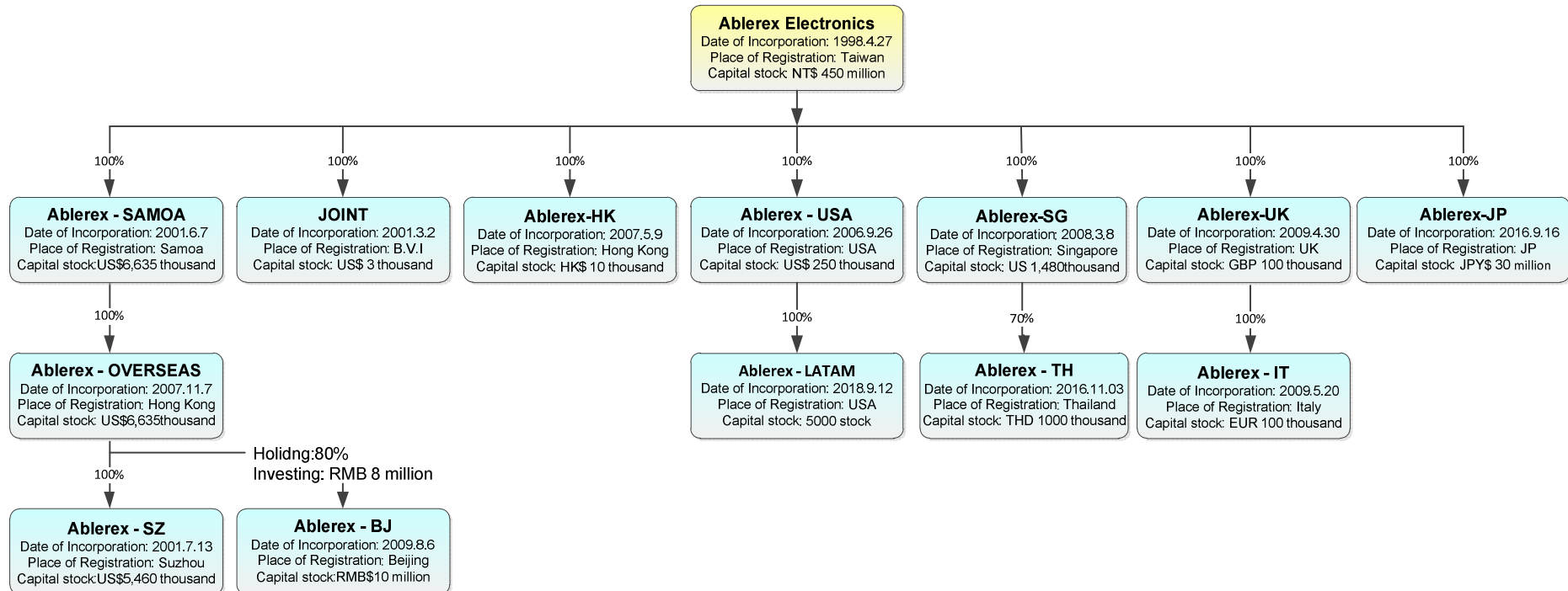
7.7 Other important matters: None

## VIII. Special Disclosure

### 8.1 Consolidated financial statements of the related party

#### 8.1.1 Organization structure of related party:

Date : 2018.12.31



### 8.1.2 Company profile of related party:

2018.12.31, Unit : NTD Thousand

Company Name	Date of Setup	Address	Paid-Up Capital	Business
Ablerex Electronics (Samoa) Co. Ltd. (Ablerex-Samoa)	2001.06.07	Offshore Chambers, P.O.Box 217, Apia, Samoa.	213,979	Holding and reinvestment
Ablerex Overseas Corporation Limited (Ablerex-Overseas)	2007.11.07	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong.	213,979	Holding and reinvestment
Ablerex Electronics (Suzhou) Co. Ltd. (Ablerex-SZ)	2001.07.13	NO.36 WANGWU ROAD SUZHOU, 215128	200,817	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
Ablerex Electronics (Beijing) Co. Ltd. (Ablerex-BJ)	2009.08.06	21 St. Thomas Street BRISTOL BS1 6JS	46,406	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
Ablerex Corporation (Ablerex-USA)	2006.09.26	1175 South Grove Ave. unit 103 Ontario CA 91761, USA	8,063	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
Ablerex International Corporation Limited (Ablerex-HK)	2007.05.09	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong.	41	International Trading
Joint Rewards Trading Corp. (Joint)	2001.03.02	P.O. Box 3152, Road Town, Tortola, British Virgin Islands.	97	Provide Management Services
Ablerex Electronics (S) PTE. LTD. (Ablerex-SG)	2002.04.17	23 New Industrial Road #05-03 Solstice Business Center Singapore 536209	53,623	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
Ablerex Electronics UK Limited (Ablerex-UK)	2009.04.30	21 St. Thomas Street BRISTOL BS1 6JS	3,961	Holding and reinvestment
Ablerex Electronics Italy S.R.L (Ablerex-IT)	2009.5.20	Via Ponte San Michele, 6, 36100 Vicenza, Italy	3,390	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
WADA DENKI CO., LTD. (Ablerex-JP)	2016.09.16	No. 10Nihonbashi Ningyocho 1-chome No. 7, Chuo-ku, Tokyo	8,268	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
Ablerex Electronics (Thailand) Co. Ltd.	2017.6.15	No.99/237, Sukhaphiban 5 Road,O-ngoen Sub-district, Sai Mai District, Bangkok	1,000,000	Production and Sales for UPS system, PV equipment and relative Power Electronics products.
Ablerex Latam Corporation	2018.9.12	7142 SW 65th Ave, South Miami, FL33143, USA	15,250	Production and Sales for UPS system, PV equipment and relative Power Electronics products.

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

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

1. The Company produced Electronic products via the following relationship branches:

(1) Ablerex Electronics (Suzhou) Co. Ltd.

2. The Company sold Electronic products via the following relationship branches:

(1) Ablerex Corporation

(2) Ablerex Electronics (S) PTE. LTD.

(3) Ablerex Electronics Italy S.R.L

(4) Ablerex Electronics (Suzhou) Co. Ltd.

(5) Ablerex Electronics (Beijing) Co. Ltd.

(6) WADA DENKI CO., LTD

(7) Ablerex Electronics (Thailand) Co. Ltd.

(8) Ablerex Latam Corporation

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

(1) Joint Rewards Trading Corp

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

Company Name	Title	Name	Share	Share Rate
Ablerex Electronics (Samoa) Co. Ltd. (Ablerex-Samoa)	director	Y.A. Chen	6,635,000	100%
Ablerex Corporation (Ablerex-USA)	director	Wen Hsu	250,000	100%
	director	YI FANG Chang		
Ablerex International Corporation Limited(Ablerex-HK)	director	Wen Hsu	10,000	100%
Joint Rewards Trading Corp. (Joint)	director	Wen Hsu	3,000	100%
Ablerex Electronics (S) PTE. LTD.(Ablerex-SG)	director	Wen Hsu	2,140,763	100%
Ablerex Electronics UK Limited (Ablerex-UK)	director	Wen Hsu	100,000	100%
Ablerex Overseas Corporation Limited(Ablerex-Overseas)	director	Y.A. Chen	6,635,000	100%
Ablerex Electronics Italy S.R.L (Ablerex-IT)	director	Roberto	NA*	100%
Ablerex Electronics (Suzhou) Co. Ltd. (Ablerex-SZ)	Chairman	Y.A. Chen	NA*	100%
	director	Wen Hsu		
	director	L.Wang		
	Supervisor	Jeff Lin		
Ablerex Electronics (Beijing) Co. Ltd. (Ablerex-BJ)	Chairman	Wen Hsu	NA*	80%
	director	Y.A. Chen		
	director	Y.P. Chu		
Wada Denki Co., Ltd.	Supervisor	Hank Xiao	3,000	100%
	Chairman	Wen Hsu		
	Chairman	Wada		
	director	Joseph Hwang		
Ablerex Electronics (Thailand) Co. Ltd. (Ablerex (Thailand))	Supervisor	Jeff Lin	280,000	70%
	director	Tan Kok Peng		
	director	Suthiphat Jenphiphatkun		
Ablerex Latam Corporation (Ablerex-LATAM)	director	Wen Hsu	3,650	100%



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

### 8.1.6 Overview of the relationship branch

2018.12.31 ; Unit : NT thousands ( EPS in NTD )

Company Name	Capital	Asset	Liabilities	Net	Revenue	Profit and loss	Profit and loss (after tax)	EPS (NTD) after Tax
Joint Rewards Trading Corporation	92	77	0	77	9,045	(38)	(38)	(12.69)
Ablerex Corporation	7,679	71,666	19,199	52,468	86,214	3,994	1,850	7.40
Ablerex International Corporation Limited	15,358	13,624	0	13,624	0	(1,702)	(1,702)	(466.28)
Ablerex Electronics (S) Pte. Ltd.	39	209,745	179,395	30,350	1,191,713	(70)	487	48.66
Ablerex Electronics (Thailand) Co Ltd.	51,071	149,264	77,563	71,700	225,532	7,707	7,617	3.56
Ablerex Electronics U.K Limined..	381	11,920	10,312	1,608	28,033	750	787	1.97
Ablerex Electronics Italy S.R.L.	3,888	8,206	0	8,206	0	0	3,362	33.62
Wada Denki	3,520	72,668	64,462	8,206	154,454	6,408	3,362	NA(Note 2)
Ablerex Electronics (Samoa) Co., Ltd.	8,346	11,281	6,424	4,857	8,940	(81)	(81)	(26.91)
Ablerex Overseas Corporation Limited	203,794	496,291	92	496,199	0	(35)	(46,676)	(7.03)
Ablerex Electronics (Suzhou) Co., Ltd.	203,794	496,073	0	496,073	0	(59)	(46,642)	(7.03)
Ablerex Electronics (Beijing) Co., Ltd.	193,520	760,199	306,669	453,530	1,223,222	(60,944)	(52,677)	NA(Note 2)
Ablerex Electronics (Beijing) Co., Ltd.	44,720	94,987	41,915	53,072	155,617	9,978	7,618	NA(Note 2)

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

Currency	sight	Average
USD	30.715	30.1492
EUR	35.2	35.6055
RMB	4.4720	4.5601
GBP	38.88	40.25
JPY	0.2782	0.2730
ThaiBaht	0.9532	0.9377

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

8.1.7 Related Business Consolidated Financial Statements: Please refer to the consolidated financial statements on pages 143 to 205 of this booklet.

8.1.8 Relationship Report : N/A

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

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

8.4 Supplementary disclosures: Commitment matters and handling situation for OTC as :

Commitment for OTC	Situation
<p>2. Committed to add "the Company shall not give up the Capital Increasing of ABLEREX ELECTRONICS (SAMOA) CO., LTD. (ABLEREX-SAMOA) 、 JOINT REWARDS CORP. 、 ABLEREX INTERNATIONAL 、 ABLEREX CORPORATION 、 ABLEREX ELECTRONICS (S) PTE LTD. and ABLEREX ELECTRONICS U.K. LIMITED " in “acquisition or disposal of assets processing procedures". ABLEREX-SAMOA will not give up the Capital Increasing of ABLEREX-OVERSEAS. ABLEREX-UK will not give up the Capital Increasing of ABLEREX-ITALY S.R.L. ABLEREX-OVERSEAS will not give up the Capital Increasing of ABLEREX-Suzhou and ABLEREX-BEIJING. ; In the future, if the Company is due to agree by the strategic alliance or other consortium of the Securities and Exchange Commission of the Republic of China, the Company shall waive the capital increase or divestment of the Company. The resolution was adopted. And if the amendment is to be amended, it should be disclosed by the public information observatory and disclosed to the Securities and Futures Department of the Republic of China.</p>	<p>This clause has been updated and has not been amended to date</p>
<p>4. Committed to carried out annual internal audit by the person in AblereX-SZ after the company registered in OTC.</p>	<p>Has executed the application as per the company committed. AblereX-SZ has already set up the Audit dept. and auditor Lu Jin in charge of Internal audit job.</p>

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

**Ablerex Electronics Company Limited**  
**Statement of Internal Control System**

Date: March 21, 2019

Based on the findings of a self-assessment, Ablerex Electronics Company Limited (Ablerex) states the following with regard to its internal control system during the year 2018:

1. Ablerex's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Ablerex takes immediate remedial actions in response to any identified deficiencies.
3. Ablerex evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.
4. Ablerex has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Ablerex believes that on December 31, 2018, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of Ablerex's Annual Report for the year 2018 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on March 21, 2019, with none of the six attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Ablerex Electronics Company Limited

Steven Hsu  
Chairman and President

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

**ABLEREX ELECTRONICS CO., LTD. AND  
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS**

**DECEMBER 31, 2018 AND 2017**

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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**

##### Description

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 losses 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

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

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

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

ASSETS		Notes	December 31, 2018		December 31, 2017	
			AMOUNT	%	AMOUNT	%
<b>Current assets</b>						
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	<b>Total current assets</b>		<u>1,763,345</u>	<u>65</u>	<u>1,778,637</u>	<u>65</u>
<b>Non-current assets</b>						
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	<b>Total non-current assets</b>		<u>948,532</u>	<u>35</u>	<u>970,679</u>	<u>35</u>
1XXX	<b>Total assets</b>		<u>\$ 2,711,877</u>	<u>100</u>	<u>\$ 2,749,316</u>	<u>100</u>

(Continued)

**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		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
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	<b>Total current liabilities</b>		<u>1,078,347</u>	<u>40</u>	<u>1,080,485</u>	<u>39</u>
<b>Non-current liabilities</b>						
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	<b>Total non-current liabilities</b>		<u>104,791</u>	<u>4</u>	<u>98,185</u>	<u>4</u>
2XXX	<b>Total liabilities</b>		<u>1,183,138</u>	<u>44</u>	<u>1,178,670</u>	<u>43</u>
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Common stock	6(10)	450,000	17	450,000	17
<b>Capital surplus</b>						
3200	Capital surplus	6(11)	734,378	27	774,878	28
<b>Retained earnings</b>						
3310	Legal reserve	6(12)	202,294	7	194,334	7
3320	Special reserve		29,535	1	-	-
3350	Unappropriated retained earnings		135,877	5	171,415	6
<b>Other equity interest</b>						
3400	Other equity interest		(34,442)	(1)	(29,535)	(1)
31XX	<b>Total equity attributable to owners of parent</b>		<u>1,517,642</u>	<u>56</u>	<u>1,561,092</u>	<u>57</u>
36XX	<b>Non-controlling interests</b>		<u>11,097</u>	<u>-</u>	<u>9,554</u>	<u>-</u>
3XXX	<b>Total equity</b>		<u>1,528,739</u>	<u>56</u>	<u>1,570,646</u>	<u>57</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
<b>Significant events after the balance sheet date</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,711,877</u>	<u>100</u>	<u>\$ 2,749,316</u>	<u>100</u>

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)

Items	Notes	2018		2017		
		AMOUNT	%	AMOUNT	%	
4000	<b>Sales revenue</b>	6(13) and 7	\$ 2,530,613	100	\$ 2,394,838	100
5000	<b>Operating costs</b>	6(13)(16)(17)	( 1,919,053)	( 76)	( 1,833,063)	( 77)
5950	<b>Gross profit from operations</b>		<u>611,560</u>	<u>24</u>	<u>561,775</u>	<u>23</u>
	<b>Operating expenses</b>	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		<u>3,618</u>	-	<u>-</u>	<u>-</u>
6000	<b>Total operating expenses</b>		( <u>526,928</u> )	( <u>21</u> )	( <u>465,037</u> )	( <u>19</u> )
6900	<b>Net operating income</b>		<u>84,632</u>	<u>3</u>	<u>96,738</u>	<u>4</u>
	<b>Non-operating income and expenses</b>					
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		( <u>2,448</u> )	-	( <u>2,331</u> )	-
7000	<b>Total non-operating income and expenses</b>		<u>19,402</u>	<u>1</u>	( <u>65</u> )	<u>-</u>
7900	<b>Profit before income tax</b>		104,034	4	96,673	4
7950	Income tax expense	6(18)	( <u>29,118</u> )	( <u>1</u> )	( <u>16,134</u> )	<u>-</u>
8200	<b>Profit for the year</b>		<u>\$ 74,916</u>	<u>3</u>	<u>\$ 80,539</u>	<u>4</u>

(Continued)

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		2017	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
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	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		<u>801</u>	-	<u>197</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Financial statements translation differences of foreign operations		( 6,344)	-	( 19,967)
8399	Income tax relating to the components of other comprehensive income	6(18)			( 1)
			<u>1,220</u>	-	<u>3,383</u>
8360	<b>Components of other comprehensive loss that will be reclassified to profit or loss</b>		<u>( 5,124)</u>	-	<u>( 16,584)</u>
8500	<b>Total comprehensive income</b>		<u>\$ 70,593</u>	<u>3</u>	<u>\$ 64,152</u>
<b>Profit attributable to:</b>					
8610	Owners of the parent		\$ 73,156	3	\$ 79,610
8620	Non-controlling interest		<u>1,760</u>	-	<u>929</u>
			<u>\$ 74,916</u>	<u>3</u>	<u>\$ 80,539</u>
<b>Comprehensive income attributable to:</b>					
8710	Owners of the parent		\$ 69,050	3	\$ 63,229
8720	Non-controlling interest		<u>1,543</u>	-	<u>923</u>
			<u>\$ 70,593</u>	<u>3</u>	<u>\$ 64,152</u>
<b>Earnings per share (in dollars)</b>					
9750	<b>Basic earnings per share</b>	6(19)	<u>\$ 1.63</u>		<u>\$ 1.77</u>
9850	<b>Diluted earnings per share</b>	6(19)	<u>\$ 1.62</u>		<u>\$ 1.76</u>

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								Non-controlling interests	Total equity
	Notes	Common stock	Capital surplus, additional paid-in capital	Retained earnings			Financial statements translation differences of foreign operations	Total		
Legal reserve				Special reserve	Unappropriated retained earnings					
<b>2017</b>										
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
<b>2018</b>										
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
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
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		<u>109,689</u>	<u>51,775</u>

(Continued)

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

**2. THE DATE OF 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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
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 (%)		Description
			December 31, 2018	December 31, 2017	
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) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;

- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to 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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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
	<u>201,479</u>	<u>255,533</u>
Transferred to 'Other current assets'	( 194)	( 194)
	<u>\$ 201,285</u>	<u>\$ 255,339</u>

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

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

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

	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
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	-
	<u>\$ 527,246</u>	<u>\$ 43,758</u>	<u>\$ 594,528</u>	<u>\$ 15,841</u>

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
	<u>\$ 1,096,185</u>	<u>(\$ 124,144)</u>	<u>\$ 972,041</u>

	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
	<u>\$ 994,163</u>	<u>(\$ 117,308)</u>	<u>\$ 876,855</u>

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
	<u>\$ 1,919,053</u>	<u>\$ 1,833,063</u>

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
<u>At January 1, 2018</u>								
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)
	<u>\$ 169,678</u>	<u>\$ 584,883</u>	<u>\$ 82,101</u>	<u>\$ 5,321</u>	<u>\$ 18,102</u>	<u>\$ 8,402</u>	<u>\$ 41</u>	<u>\$ 868,528</u>

#### 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	<u>\$ 169,794</u>	<u>\$ 552,279</u>	<u>\$ 81,722</u>	<u>\$ 4,289</u>	<u>\$ 20,992</u>	<u>\$ 6,751</u>	<u>\$ 43</u>	<u>\$ 835,870</u>

#### 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)
	<u>\$ 169,794</u>	<u>\$ 552,279</u>	<u>\$ 81,722</u>	<u>\$ 4,289</u>	<u>\$ 20,992</u>	<u>\$ 6,751</u>	<u>\$ 43</u>	<u>\$ 835,870</u>

	Land	Buildings	Machinery	Transportation equipment	Office equipment	Leasehold improvements	Others	Total
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#### 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)
	<u>\$ 169,980</u>	<u>\$ 620,750</u>	<u>\$ 99,989</u>	<u>\$ 5,331</u>	<u>\$ 17,964</u>	<u>\$ 10,138</u>	<u>\$ 45</u>	<u>\$ 924,197</u>

#### 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	<u>\$ 169,678</u>	<u>\$ 584,883</u>	<u>\$ 82,101</u>	<u>\$ 5,321</u>	<u>\$ 18,102</u>	<u>\$ 8,402</u>	<u>\$ 41</u>	<u>\$ 868,528</u>

#### 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)
	<u>\$ 169,678</u>	<u>\$ 584,883</u>	<u>\$ 82,101</u>	<u>\$ 5,321</u>	<u>\$ 18,102</u>	<u>\$ 8,402</u>	<u>\$ 41</u>	<u>\$ 868,528</u>

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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
	<u>\$ 31,182</u>	<u>\$ 25,151</u>

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

(6) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 252,298</u>	0.99% ~ 2.79%	None
<u>Type of borrowings</u>	<u>December 31, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 255,000</u>	0.99% ~ 1.02%	None

Unused line of credits is as follow:

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

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

(7) Other payables

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

(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	<u>\$ 31,959</u>	<u>\$ 45,791</u>

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

(9) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards 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:

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



(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
<u>Year ended December 31, 2018</u>			
Balance at January 1	(\$ 51,310)	\$ 29,517	(\$ 21,793)
Current service cost	( 75)	-	( 75)
Interest (expense) income	( 638)	374	( 264)
	<u>( 52,023)</u>	<u>29,891</u>	<u>( 22,132)</u>
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
	<u>( 784)</u>	<u>816</u>	<u>32</u>
Pension fund contribution	-	339	339
Balance at December 31	<u><u>(\$ 52,807)</u></u>	<u><u>\$ 31,046</u></u>	<u><u>(\$ 21,761)</u></u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2017</u>			
Balance at January 1	(\$ 50,923)	\$ 28,889	(\$ 22,034)
Current service cost	( 75)	-	( 75)
Interest (expense) income	( 635)	368	( 267)
	<u>( 51,633)</u>	<u>29,257</u>	<u>( 22,376)</u>
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
	<u>323</u>	<u>( 85)</u>	<u>238</u>
Pension fund contribution	-	345	345
Balance at December 31	<u><u>(\$ 51,310)</u></u>	<u><u>\$ 29,517</u></u>	<u><u>(\$ 21,793)</u></u>

(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

	<u>2018</u>	<u>2017</u>
Discount rate	<u>1.00%</u>	<u>1.25%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

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:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ <u>1,509</u> )	<u>\$ 1,571</u>	<u>\$ 1,552</u>	(\$ <u>1,498</u> )
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ <u>1,538</u> )	<u>\$ 1,604</u>	<u>\$ 1,588</u>	(\$ <u>1,530</u> )

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
	<u>\$</u>	<u>57,946</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labour Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s mainland 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:

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

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
	<u>\$ 2,530,613</u>

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	<u>\$ 992,370</u>	<u>\$ 3,917,445</u>	<u>\$ 259,410</u>	<u>\$ 226,555</u>	<u>(\$ 2,865,167)</u>	<u>\$ 2,530,613</u>
Segment income/(loss)	<u>\$ 123,038</u>	<u>\$ 103,182</u>	<u>\$ 92,119</u>	<u>\$ 14,497</u>	<u>(\$ 248,204)</u>	<u>\$ 84,632</u>
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
	<u>\$ 861,498</u>	<u>\$ 1,192,195</u>	<u>\$ 250,365</u>	<u>\$ 226,555</u>	<u>\$ -</u>	<u>\$ 2,530,613</u>

## B. Contract liabilities

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

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

### (a) Significant changes in contract liabilities

None.

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

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

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

### (14) Other income

	<u>2018</u>	<u>2017</u>
Interest income	\$ 1,311	\$ 1,127
Others	<u>12,988</u>	<u>18,409</u>
	<u>\$ 14,299</u>	<u>\$ 19,536</u>

### (15) Other gains and losses

	<u>2018</u>	<u>2017</u>
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)
	<u>\$ 7,551</u>	<u>(\$ 17,270)</u>

### (16) Expenses by nature

By nature \ By function	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

	<u>2018</u>	<u>2017</u>
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	<u>17,146</u>	<u>16,444</u>
	<u>\$ 531,107</u>	<u>\$ 481,930</u>

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:

	<u>2018</u>	<u>2017</u>
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	<u>17,237</u>	<u>15,981</u>
Deferred tax:		
Origination and reversal of temporary differences	3,235	153
Impact of change in tax rate	8,646	-
Income tax expense	<u>\$ 29,118</u>	<u>\$ 16,134</u>

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

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

B. Reconciliation between income tax expense and accounting profit:

	<u>2018</u>	<u>2017</u>
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	<u>\$ 29,118</u>	<u>\$ 16,134</u>

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



	At January 1, 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
	<u>31,762</u>	<u>3,431</u>	<u>1,961</u>	<u>37,154</u>
–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)
	<u>( 76,392)</u>	<u>( 6,666)</u>	<u>28</u>	<u>( 83,030)</u>
	<u>(\$ 44,630)</u>	<u>(\$ 3,235)</u>	<u>\$ 1,989</u>	<u>(\$ 45,876)</u>

	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
	<u>30,755</u>	<u>1,048</u>	<u>( 41)</u>	<u>31,762</u>
–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)
	<u>( 78,574)</u>	<u>( 1,201)</u>	<u>3,383</u>	<u>( 76,392)</u>
	<u>(\$ 47,819)</u>	<u>(\$ 153)</u>	<u>\$ 3,342</u>	<u>(\$ 44,630)</u>

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)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company	\$ 73,156	45,000	\$ 1.63
<u>Diluted earnings per share</u>			
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)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent company	\$ 79,610	45,000	\$ 1.77
<u>Diluted earnings per share</u>			
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:

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

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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

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

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

B. Use of assets (rent expenses)

	<u>2018</u>	<u>2017</u>
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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Entities with significant influence to the Group	\$ 1,220	\$ 1,577

#### (3) Key management compensation

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

### 8. PLEDGED ASSETS

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

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

### 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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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:

	<u>2018</u>	
	<u>Amount</u>	<u>Dividends per share</u>
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:

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
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
	<u>\$ 779,996</u>	<u>\$ 866,709</u>
<u>Financial liabilities</u>		
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
	<u>\$ 759,431</u>	<u>\$ 848,813</u>

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 adopted 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:

(Foreign currency: Functional currency)	December 31, 2018			2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss before tax	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
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	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
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	-

	December 31, 2017			2017		
	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
(Foreign currency: <u>Functional currency</u> )						
<u>Financial assets</u>						
<u>Monetary items</u>						
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	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
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
<u>At December 31, 2018</u>						
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:

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

- 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	Between 3			Book value
	Less than 3 months	months and 1 year	Over 1 year	
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	Between 3			Book value
	Less than 3 months	months and 1 year	Over 1 year	
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) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

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:

	<u>December 31, 2017</u>
Up to 45 days	\$ 35,641
46 to 90 days	1,710
	<u>\$ 37,351</u>

The above ageing analysis was based on past due date.

- (d) Movement analysis of financial assets that were impaired both provision is as follows:
- As of December 31, 2017, the impairment of accounts receivable amounted to \$19,129.
  - Movement in the provision for impairment of accounts receivable for the year ended December 31, 2017 is as follows:

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

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 uninterrupted 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
	<u>\$ 2,394,838</u>

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
	<u>\$ 171,639</u>

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 changes 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	<u>\$ 992,370</u>	<u>\$ 3,917,445</u>	<u>\$ 259,410</u>	<u>\$ 226,555</u>	<u>(\$ 2,865,167)</u>	<u>\$ 2,530,613</u>
Segment income/(loss)	<u>\$ 123,038</u>	<u>\$ 103,182</u>	<u>\$ 92,119</u>	<u>\$ 14,497</u>	<u>(\$ 248,204)</u>	<u>\$ 84,632</u>
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	<u>\$ 875,007</u>	<u>\$ 3,760,373</u>	<u>\$ 201,370</u>	<u>\$ 179,602</u>	<u>(\$ 2,621,514)</u>	<u>\$ 2,394,838</u>
Segment income/(loss)	<u>\$ 67,450</u>	<u>\$ 177,597</u>	<u>\$ 82,922</u>	<u>\$ 21,708</u>	<u>(\$ 252,939)</u>	<u>\$ 96,738</u>



(4) Reconciliation for segment income (loss)

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

Reconciliations of reportable segment income to the income before tax from continuing operations for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
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	<u>\$ 104,034</u>	<u>\$ 96,673</u>

The Company did not provide the total assets and total liabilities amounts to the Chief Operating Decision-Maker.

(5) Information on products and services

Detailed breakdown of the Group's net sales for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
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
	<u>\$ 2,530,613</u>	<u>\$ 2,394,838</u>

(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	-
	<u>\$ 2,530,613</u>	<u>\$ 902,976</u>	<u>\$ 2,394,838</u>	<u>\$ 932,525</u>

(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

