Fortune Electric Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies that are required to be included in the consolidated financial statements of affiliates as of and for the year ended December 31, 2019, under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard 10 “Consolidated Financial Statements”. In addition, 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. Hence, we did not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

FORTUNE ELECTRIC CO., LTD.

By

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March 23, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Fortune Electric Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Fortune Electric Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and the 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 of December 31, 2019 and 2018, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Fortune Electric Co., Ltd. and its subsidiaries for the year ended December 31, 2019. 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 matter of the Group's consolidated financial statements for the year ended December 31, 2019 is stated as follows:

<u>Cut-off of Revenue Recognition</u>

According to IFRS 15 "Revenue from Contracts with Customers", an enterprise meets the criteria for revenue recognition only when the performance obligations are satisfied. The Group's revenue is mainly generated under the terms of contracts which are mostly non-standard. Such non-standard contracts caused the timing of revenue recognition to become much more complex and therefore, the cut-off of revenue recognition was deemed as a key audit matter. Refer to Note 4 to the consolidated financial statements for the accounting policies and details of revenue recognition.

In respect of this key audit matter, the following procedures were performed:

1. We understood the design and implementation of internal controls and tested the operating effectiveness of the key controls over the timing of revenue recognition.

2. We tested revenue recognized before and after the end of the year on a sample basis to confirm that proper cut-off procedures were performed.

3. We reviewed external cargo receipts and documents signed by clients to verify that revenue was properly recognized in an appropriate period.

Other Matter

The financial statements of Fortune Electric Extra High Voltage Co., Ltd. (formerly known as the "Hitachi Fortune Transformer, Inc.") which was accounted for using the equity method were audited by other auditors. Therefore, our opinion regarding the investment accounted for using the equity method, the related share of profit and losses recognized and relevant information of the invested company disclosed in the consolidated financial statements is based solely on the report of the other auditors. The investment in associates accounted for using the equity method not audited by us amounted to $10,152 thousand, representing 4.57% of the consolidated total assets as of December 31, 2018. The related share of comprehensive loss from associates accounted for using the equity method not audited by us amounted to $408 thousand, representing (25.06%) of the consolidated comprehensive income for the years ended December 31, 2018.

We have also audited the parent company only financial statements of Fortune Electric Co., Ltd., as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion with other matter paragraph.

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 International Financial Reporting Standards, International Accounting Standards, Interpretations by the International Financial Reporting Interpretations Committee and Standing Interpretations Committee endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, 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 the audit committee, are responsible for overseeing the financial reporting process of the Group.

Auditors' 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 auditors' 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 auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group.

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 ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and 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 for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Tung-Feng Lee and Tza-Li Gung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of NT$ and US$)

	2019		2018
ASSETS	**NT$**	**US$ (Note)**	**NT$**
CURRENT ASSETS			
Cash (Notes 4 and 6)	$ 147,896	$ 4,933	$ 97,983
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 34)	68	2	4,364
Financial assets at amortized cost - current (Notes 4, 10 and 36)	4,459	149	-
Contract assets (Notes 4, 24 and 26)	536,077	17,881	597,067
Notes receivable (Note 26)	85,591	2,855	30,382
Trade receivables from unrelated parties (Notes 4, 11 and 26)	2,702,852	90,155	2,102,158
Current tax assets (Notes 4 and 28)	8,567	286	9,310
Inventories, net (Notes 4 and 12)	2,499,361	83,368	2,004,575
Prepayments	172,238	5,745	72,246
Other current assets (Notes 18 and 24)	79,752	2,660	121,082
Total current assets	6,236,861	208,034	5,039,167
NON-CURRENT ASSETS			
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	54,982	1,834	43,707
Financial assets at amortized cost - non-current (Notes 4, 10 and 36)	1,272	42	1,272
Investments accounted for using the equity method (Notes 4 and 14)	1,153	38	313,162
Property, plant and equipment (Notes 4, 15 and 36)	2,049,431	68,360	1,317,950
Right-of-use assets (Notes 3, 4, 16, 35 and 36)	150,722	5,027	-
Intangible assets (Notes 4 and 17)	28,528	952	20,716
Deferred tax assets (Notes 4 and 28)	55,749	1,860	58,529
Prepayments for equipment	4,108	137	5,680
Refundable deposits (Note 36)	3,825	128	4,166
Long-term prepayments for leases (Notes 18 and 36)	-	-	22,509
Total non-current assets	2,349,770	78,378	1,787,691
TOTAL	$ 8,586,631	$ 286,412	$ 6,826,858
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings (Notes 19, 34 and 36)	$ 253,312	$ 8,449	$ 361,114
Short-term bills payable (Notes 19, 32 and 34)	199,447	6,653	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 34)	1,401	47	107
Derivative financial liabilities for hedging (Notes 4, 9 and 34)	674	22	-
Contract liabilities (Notes 4, 24 and 26)	940,926	31,385	542,592
Trade payables to unrelated parties (Notes 20 and 24)	2,181,134	72,753	1,587,175
Trade payables to related parties (Note 35)	12	1	32,340
Other payables (Notes 21 and 34)	327,425	10,921	148,080
Current tax liabilities (Notes 4 and 28)	76,050	2,537	131
Provisions (Notes 4 and 22)	6,178	206	9,834
Lease liabilities - current (Notes 3, 4, 16 and 35)	10,127	338	-
Other current liabilities	72,950	2,433	34,854
Total current liabilities	4,069,636	135,745	2,716,227
NON-CURRENT LIABILITIES			
Long-term borrowings (Notes 19, 32, 34 and 36)	741,800	24,743	741,800
Deferred tax liabilities (Notes 4 and 28)	64,606	2,155	67,728
Lease liabilities - non-current (Notes 3, 4, 16 and 35)	119,361	3,982	-
Net defined benefit liabilities (Notes 4 and 23)	208,070	6,940	222,775
Guarantee deposit received (Notes 32 and 34)	4,253	142	15,132
Total non-current liabilities	1,138,090	37,962	1,047,435
Total liabilities	5,207,726	173,707	3,763,662
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	2,610,585	87,077	2,610,585
Capital surplus	1,251	42	1,251
Retained earnings			
Legal reserve	360,334	12,019	354,326
Special reserve	11,273	376	15,251
Unappropriated earnings	404,437	13,490	97,442
Total retained earnings	776,044	25,885	467,019
Other equity			
Exchange differences on translating foreign operations	(27,751)	(926)	(19,448)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	19,450	649	8,175
Cash flow hedges	(674)	(22)	-
Total other equity	(8,975)	(299)	(11,273)
Total equity attributable to owners of the Company	3,378,905	112,705	3,067,582
NON-CONTROLLING INTERESTS	-	-	(4,386)
Total equity	3,378,905	112,705	3,063,196
TOTAL	$ 8,586,631	$ 286,412	$ 6,826,858

Note: The accompanying consolidated financial statements are stated in the New Taiwan dollar, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts was included solely for the convenience of the readers outside the Republic of China and had been made at the rate of NT$29.98 to US$1.00 as of December 31, 2019, at the base rate announced by Bank of Taiwan. Such translation should not be construed as representation that the New Taiwan dollar amounts could be converted at that or any other rate.

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

(With Deloitte and Touche auditors' report dated March 23, 2020)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of NT$ and US$, Except Earnings Per Share)

	2019		2018
	NT$	**US$ (Note)**	**NT$**
OPERATING REVENUE (Notes 4, 26, 35, 37 and 41)			
Sales	$ 6,165,398	$ 205,651	$ 5,387,348
Construction revenue	1,011,200	33,729	609,215
Total operating revenue	7,176,598	239,380	5,996,563
OPERATING COSTS (Notes 4, 12, 23, 27 and 37)			
Cost of goods sold	5,050,215	168,453	4,444,018
Construction costs	999,683	33,345	928,297
Total operating costs	6,049,898	201,798	5,372,315
GROSS PROFIT	1,126,700	37,582	624,248
OPERATING EXPENSES (Notes 23, 27, 35, 37 and 41)			
Selling and marketing expenses	475,064	15,846	386,140
General and administrative expenses	173,924	5,801	127,444
Research and development expenses	146,657	4,892	97,517
Total operating expenses	795,645	26,539	611,101
PROFIT FROM OPERATIONS	331,055	11,043	13,147
NON-OPERATING INCOME AND EXPENSES			
Other income (Notes 27 and 35)	144,873	4,832	74,347
Other gains and losses (Note 27)	(131,287)	(4,379)	9,526
Finance costs (Notes 27 and 35)	(33,045)	(1,102)	(29,819)
Share of loss of associates (Note 14)	(29,554)	(986)	(12,297)
Gain from bargain purchase - acquisition of subsidiaries (Notes 4, 14, and 30)	209,682	6,994	-
Government grants (Note 4)	9,716	324	20,315
Total non-operating income and expenses	170,385	5,683	62,072
PROFIT BEFORE INCOME TAX	501,440	16,726	75,219
INCOME TAX EXPENSE (Notes 4 and 28)	86,291	2,878	22,006
NET PROFIT FOR THE YEAR	415,149	13,848	53,213

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of NT$ and US$, Except Earnings Per Share)

	2019		2018
	NT$	**US$ (Note)**	**NT$**
OTHER COMPREHENSIVE INCOME AND LOSS			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans (Note 23)	$ (29,137)	$ (972)	$ (10,726)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	11,275	376	5,750
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	5,828	194	4,889
	(12,034)	(402)	(87)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(8,414)	(281)	(3,131)
Cash flow hedges (Note 9)	(674)	(22)	17
Share of the other comprehensive income of associates accounted for using the equity method	-	-	59
	(9,088)	(303)	(3,055)
Total other comprehensive income and loss	(21,122)	(705)	(3,142)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 394,027	$ 13,143	$ 50,071
NET PROFIT (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	$ 410,652	$ 13,698	$ 60,082
Non-controlling interests	4,497	150	(6,869)
	$ 415,149	$ 13,848	$ 53,213
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	$ 389,641	$ 12,997	$ 55,798
Non-controlling interests	4,386	146	(5,727)
	$ 394,027	$ 13,143	$ 50,071

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of NT$ and US$, Except Earnings Per Share)

	2019		2018
	NT$	**US$ (Note)**	**NT$**
EARNINGS PER SHARE (Note 29)			
From continuing operations			
Basic	$1.57	$0.05	$0.23
Diluted	$1.57	$0.05	$0.23

Note: The accompanying consolidated financial statements are stated in the New Taiwan dollar, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts was included solely for the convenience of the readers outside the Republic of China and had been made at the rate of NT$29.98 to US$1.00 as of December 31, 2019, at the base rate announced by Bank of Taiwan. Such translation should not be construed as representation that the New Taiwan dollar amounts could be converted at that or any other rate.

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

(With Deloitte and Touche auditors' report dated March 23, 2020) (Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												
			Retained Earnings (Notes 23, 25 and 28)				Other Equity (Notes 4, 9 and 25)						
	Share Capital (Note 25)	Capital Surplus (Note 25)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Total	Controlling Interests	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 2,610,585	$ 1,179	$ 345,050	$ 11,231	$ 160,916	$ 517,180	$ (15,234)	$ -	$ (17)	$ (15,234)	$ 3,113,710	$ 1,341	$ 3,115,051
Effect of retrospective application	-	-	-	-	-	-	-	2,425	-	2,425	2,425	-	2,425
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,610,585	1,179	345,050	11,231	160,916	517,180	(15,234)	2,425	(17)	(12,809)	3,116,135	1,341	3,117,476
Appropriation of 2017 earnings													
Legal reserve	-	-	9,276	-	(9,276)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	4,020	(4,020)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT$0.4 per share	-	-	-	-	(104,423)	(104,423)	-	-	-	-	(104,423)	-	(104,423)
	-	-	9,276	4,020	(117,719)	(104,423)	-	-	-	-	(104,423)	-	(104,423)
Unclaimed cash dividends	-	72	-	-	-	-	-	-	-	-	72	-	72
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(5,837)	(5,820)	(4,214)	5,750	17	1,536	(4,284)	1,142	(3,142)
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	60,082	60,082	-	-	-	-	60,082	(6,869)	53,213
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	54,245	54,262	(4,214)	5,750	17	1,536	55,798	(5,727)	50,071
BALANCE AT DECEMBER 31, 2018	2,610,585	1,251	354,326	15,251	97,442	467,019	(19,448)	8,175	-	(11,273)	3,067,582	(4,386)	3,063,196
Appropriation of 2018 earnings													
Legal reserve	-	-	6,008	-	(6,008)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(3,978)	3,978	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT$1 per share	-	-	-	-	(78,318)	(78,318)	-	-	-	-	(78,318)	-	(78,318)
	-	-	6,008	(3,978)	(80,348)	(78,318)	-	-	-	-	(78,318)	-	(78,318)
Net profit for the year ended December 31, 2019	-	-	-	-	410,652	410,652	-	-	-	-	410,652	4,497	415,149
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(23,309)	(23,983)	(8,303)	11,275	(674)	2,972	(21,011)	(111)	(21,122)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	387,343	386,669	(8,303)	11,275	(674)	2,972	389,641	4,386	394,027
BALANCE AT DECEMBER 31, 2019	$ 2,610,585	$ 1,251	$ 360,334	$ 11,273	$ 404,437	$ 775,370	$ (27,751)	$ 19,450	$ (674)	$ (8,301)	$ 3,378,905	$ -	$ 3,378,905
BALANCE AT DECEMBER 31, 2019 (IN U.S. DOLLARS)	$ 87,077	$ 42	$ 12,019	$ 376	$ 13,490	$ 25,885	$ (926)	$ 649	$ -	$ (277)	$ 112,727	$ -	$ 112,727

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

(With Deloitte & Touche auditors' report dated March 23, 2020)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of NT$ and US$)

	2019		2018
	NT$	US$ (Note)	NT$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	$ 501,440	$ 16,726	$ 75,219
Adjustments for:			
Depreciation expenses	111,026	3,703	84,158
Amortization expenses	9,863	329	6,401
Expected credit loss recognized/impairment loss reversed on trade receivables	16,043	535	1,134
Net (gain) or loss on financial instruments at fair value through profit or loss	1,333	44	(4,257)
Finance costs	33,045	1,102	29,819
Interest income	(820)	(27)	(1,040)
Share of loss of associate	29,554	986	12,297
(Gain) or loss on disposal of property, plant and equipment	109	4	(2,442)
Loss on disposal of associates	142,667	4,759	-
(Reversal) write-down of inventories	(1,167)	(39)	3,869
Unrealized net loss on foreign currency exchange	3,419	114	4,349
Gain on disposal of investment	(2,587)	(87)	-
Gain from bargain purchase	(209,682)	(6,994)	-
Prepayment for leases	-	-	680
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	4,257	142	(185)
Contract assets	60,990	2,034	(54,430)
Notes receivable	(55,209)	(1,842)	51,660
Trade receivables	(502,884)	(16,774)	530,953
Trade receivables from related parties	2,042	68	2,292
Inventories	(450,461)	(15,025)	(230,610)
Prepayments	(93,201)	(3,109)	(1,667)
Other current assets	41,888	1,397	(71,751)
Contract liabilities	398,859	13,304	248,801
Notes payable	-	-	(3,261)
Trade payables	580,646	19,368	79,766
Trade payables to related parties	(34,370)	(1,146)	32,115
Other payables	156,467	5,219	(46,764)
Provisions	(3,656)	(122)	(34,561)
Other current liabilities	38,034	1,269	(3,361)
Net defined benefit liabilities	(43,842)	(1,462)	(32,693)
Cash generated from operations	733,803	24,476	676,491
Interest received	820	27	1,040
Interest paid	(34,284)	(1,143)	(27,643)
Income tax paid	(4,315)	(144)	(19,780)
Net cash generated from operating activities	696,024	23,216	630,108

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of NT$ and US$)

	2019		2018
	NT$	**US$ (Note)**	**NT$**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at amortized cost	$ (4,459)	$ (149)	$ -
Proceeds from sale of financial assets at amortized cost	-	-	5,165
Net cash inflow on acquisition of subsidiaries	167,758	5,596	-
Payments for property, plant and equipment	(41,873)	(1,397)	(27,388)
Proceeds from disposal of property, plant and equipment	153	5	2,877
Decrease in refundable deposits	3,916	130	373
Payments for intangible assets	(9,987)	(333)	(14,966)
Increase in prepayments for equipment	(7,227)	(241)	(4,555)
Net cash generated from (used in) investing activities	108,281	3,611	(38,494)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayments of) proceeds from short-term borrowings	(847,401)	(28,266)	(507,082)
Proceeds from short-term bills payable	199,447	6,653	-
Proceeds from guarantee deposits received	-	-	11,815
Refund of guarantee deposits received	(10,879)	(363)	-
Repayment of the principal portion of lease liabilities	(6,180)	(206)	-
Issue of cash dividends	(78,318)	(2,612)	(104,423)
Unclaimed cash dividends	-	-	72
Net cash used in financing activities	(743,331)	(24,794)	(599,618)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(11,061)	(368)	(4,663)
NET INCREASE (DECREASE) IN CASH	49,913	1,665	(12,667)
CASH AT THE BEGINNING OF THE YEAR	97,983	3,268	110,650
CASH AT THE END OF THE YEAR	$ 147,896	$ 4,933	$ 97,983

Note: The accompanying consolidated financial statements are stated in the New Taiwan dollar, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts was included solely for the convenience of the readers outside the Republic of China and had been made at the rate of NT$29.98 to US$1.00 as of December 31, 2019, at the base rate announced by Bank of Taiwan. Such translation should not be construed as representation that the New Taiwan dollar amounts could be converted at that or any other rate.

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

(With Deloitte and Touche auditors’ report dated March 23, 2020) (Concluded)

1. GENERAL INFORMATION

Fortune Electric Co., Ltd. (the "Company") was incorporated in the Republic of China ("ROC") in August 1969. The Company mainly manufactures, processes and trades transformers, distribution panels, low voltage switches and substation equipment.

The Company's shares have been listed on the Taiwan Stock Exchange ("TWSE") since April 1997.

For greater comparability and consistency of financial reporting, the Chinese edition of the consolidated financial statements are presented in the New Taiwan dollars since the Company's shares are listed on the TWSE.

The translation of New Taiwan dollar amounts into U.S. dollar amounts was included solely for the convenience of the readers outside the Republic of China and had been made at the rate of NT$29.98 and NT$30.715 to US$1.00 as of December 31, 2019 and 2018, respectively. The base rates were announced by Bank of Taiwan. Such translation should not be construed as representation that the New Taiwan dollar amounts could be converted at that or any other rate.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 23, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the company and the entities controlled by the company's (the "Group") accounting policies:

   1) IFRS 16 "Leases"

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 1.26%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

	US$
The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 216
Undiscounted amounts on January 1, 2019	$ 216
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 206
Lease liabilities recognized on January 1, 2019	$ 206

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019 (US$)	Adjustments Arising from Initial Application (US$)	Restated on January 1, 2019 (US$)
Prepayments for leases - current (included in other current assets)	$ 23	$ (23)	$ -
Prepayments for leases - non-current	751	(751)	-
Right-of-use assets	-	980	980
Total effect on assets	$ 774	$ 206	$ 980
Lease liabilities - current	$ -	$ 113	$ 113
Lease liabilities - non-current	-	93	93
Total effect on liabilities	$ -	$ 206	$ 206

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority has full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

3) Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarified that IFRS 9 "Financial Instruments" shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the Group's net investment in an associate or joint venture.

For long-term interests that, in substance, form part of the Group's net investment in an associate or joint venture and are governed by IFRS 9 "Financial Instruments", the Group, based on the facts and circumstances that exist on January 1, 2019, performed an assessment of the classification under IFRS 9 applied retrospectively.

4) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 stipulates that if a contractual term of a financial asset permits the issuer (i.e., the debtor) to prepay a debt instrument or permits the holder (i.e., the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of the principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explain that reasonable compensation may be paid or received by either of the parties, i.e., a party may receive reasonable compensation when it chooses to terminate the contract early.

5) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

6) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group applied the above amendments prospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed that the amendments of other standards and interpretations will not have a significant impact on the Group’s financial position and financial performance.

b. The IFRSs endorsed by the FSC for application starting from 2020

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 3 “Definition of a Business”

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Group would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
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 IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as non-current.

The Group is engaged in the business of electrical equipment works contracting services, which has an operating cycle of over one year. Thus, the normal operating cycle is applied when considering the classification of the Group’s engineering contracts - related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 13, Tables 3 and 4 for the detailed information of subsidiaries including the percentage of ownership and main business.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer’s previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, and the fair value of the acquirer’s previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and attributed to the owners of the Company and non-controlling interests as appropriate.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, work in process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

h. Investments in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 34.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, trade receivables at amortized cost and trade receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 34.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

m. Hedge accounting

The Group designates certain hedging instruments as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

n. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

<u>Onerous contracts</u>

Onerous contracts are those in which the Group’s unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

o. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods

   Revenue from the sale of goods comes from sales of transformers, distribution panels, low voltage switches and substation equipment. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location, FOB and on shipping because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

2) Construction contract revenue

   Customers control properties while they are construction in progress, and thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

p. Leasing

<u>2019</u>

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

   Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

   When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

   Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

   The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except when the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH

	December 31	
	2019	**2018**
Cash on hand	$ 24	$ 23
Checking accounts and demand deposits	4,909	3,167
	$ 4,933	$ 3,190

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2019	2018
Bank balance	0.001%-0.380%	0.001%-0.48%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets at FVTPL - current		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 2	$ 142
Financial liabilities at FVTPL - current		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ (47)	$ (4)

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2019			
Buy	NTD/USD	2020.01.10-2020.10.15	NTD62,329/USD2,047
Buy	NTD/CNY	2020.01.09	NTD964/CNY222
Buy	NTD/EUR	2020.05.13-2020.09.01	NTD16,473/EUR489
December 31, 2018			
Buy	NTD/USD	2019.01.02-2019.11.01	NTD204,385/USD6,858
Buy	NTD/JPY	2019.01.22	NTD20,331/JPY75,328

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness; therefore, they were not accounted for by using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Non-current		
Domestic investments		
Unlisted shares		
Ordinary shares - Raynergy Tek Incorporation	$ 1,834	$ 1,423

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In January 2018, the Group converted receivables in the amount of $174 thousand from ProMOSTech Co., Ltd. into its ordinary shares in the form of a debt for equity swap, which were recognized as financial assets at FVTOCI, and the shareholding ratio after the swap was 0.12%. However, the Group's management assessed that the fair value was very low, and recognized the full amount as an impairment loss, with a carrying amount of zero as of December 31, 2019.

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2019	**2018**
Derivative financial liabilities under hedge accounting - current		
Cash flow hedges		
Foreign exchange forward contracts	$ (22)	$ -

The Group's hedging strategy is to enter into foreign exchange forward contracts to avoid exchange rate exposure of its foreign currency receipts and payments. When forecasted sales and purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

For the hedges of highly probable forecasted sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the forward foreign exchange contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

The source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward exchange contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. No other sources of ineffectiveness is expected to emerge from these hedging relationships.

The following tables summarize the information relating to the hedges of foreign currency risk：

December 31, 2020

Hedging Instrument	Notional Amount	Maturity	Change in Value Used for Calculating Hedge Ineffectiveness
USD	NTD20,001/USD645	2020.04.22	$(22)

Hedged Items	Increase in Value Used for Calculating Hedge Ineffectiveness	Accumulated Gains or Losses on Hedging Instruments in Other Equity - Continuing Hedges
Cash flow hedges		
Forecast transaction (capital expenditure)	$22	$(22)

The Group sold transformers to clients in the United States and signed material purchase contracts with suppliers. All the transactions between two parties were under foreign exchange forward contracts to avoid excessive exchange rate exposure to forecasted sales and purchases. Those foreign exchange forward contracts were designated as cash flow hedges. During 2019 and 2018, fair value gain (loss) of $(22) thousand and $1 thousand from exchange rate changes of forecasted sales and purchases were recognized respectively in other comprehensive income. The forecasted sales and purchases were expected to occur by that time the amounts originally deferred and recognized in equity will be reclassified to profit or loss.

10. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	2018
Pledged time deposits		
Current	$ 149	$ -
Non-current	42	41
	$ 191	$ 41

Refer to Note 36 for information relating to investments in financial assets at amortized cost pledged as security.

11. TRADE RECEIVABLES

	December 31	
	2019	2018
Trade receivables		
At amortized cost		
Gross carrying amount	$ 91,447	$ 69,186
Less: Allowance for impairment loss	(1,292)	(745)
	$ 90,155	$ 68,441

The average credit period for sales of goods was 90-180 days. Impairment of trade receivables was assessed by reference to the collectability of receivables on an individual account basis, and by account aging analysis, historical experience and current financial condition of customers.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for general economic conditions of the industry. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group’s different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2019

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 275 Days	276 to 640 Days	Over 641 Days	Total
Expected credit loss rate	0.00%	0.03%	0.57%	0.65%	1.91%	13.47%	
Gross carrying amount	$ 55,623	$ 8,842	$ 715	$ 3,954	$ 15,110	$ 7,203	$ 91,447
Loss allowance (Lifetime ECLs)	-	(3)	(4)	(26)	(289)	(970)	(1,292)
Amortized cost	$ 55,623	$ 8,839	$ 711	$ 3,928	$ 14,821	$ 6,233	$ 90,155

December 31, 2018

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 275 Days	276 to 640 Days	Over 641 Days	Total
Expected credit loss rate	0.00%	0.07%	0.43%	0.62%	2.33%	7.96%	
Gross carrying amount	$ 43,631	$ 4,276	$ 1,253	$ 4,098	$ 9,875	$ 6,053	$ 69,186
Loss allowance (Lifetime ECLs)	-	(3)	(5)	(25)	(230)	(482)	(745)
Amortized cost	$ 43,631	$ 4,273	$ 1,248	$ 4,073	$ 9,645	$ 5,571	$ 68,441

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 745	$ 736
Add: Net remeasurement of loss allowance	535	37
Less: Amounts written off	-	(1)
Foreign exchange gains and losses	12	(27)
Balance at December 31	$ 1,292	$ 745

12. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 13,224	$ 7,948
Work in progress	56,705	45,043
Raw materials	13,439	12,273
	$ 83,368	$ 65,264

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $168,063 thousand and $144,285 thousand, respectively.

The cost of goods sold for the years ended December 31, 2019 and 2018 included write-down of inventories (reversal of write-down of inventories) of $(39) thousand and $126 thousand, respectively. Previous write-downs were reversed as a result of inventory devaluation.

13. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2019	2018	Remark
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Trade business, Investment Holding, Agents business	100	100	
	Fortune Electric America Inc.	Agents business	100	100	
	Fortune Electric Extra High Voltage Co., Ltd.	Transformers manufacturing, machining and trading	100	40	a.
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	100	100	
Fortune Electric (Wuhan) Ltd.	Wuhan Huarong Co., Ltd.	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	-	60	b.
	Wuhan Fortune Trade Co., Ltd.	Trade business	100	100	

Remarks:

a. The Company originally owned 40% shares of Hitachi Fortune Transformer, Inc. (Hitachi Fortune Company). On March 28, 2019, the board of directors signed the termination of joint venture agreement with Hitachi, Ltd., which transferred its total of 84,720 thousand shares (60% shares) of Hitachi Fortune Transformer, Inc. to the Company without compensation on March 31, 2019. After completing the transfer, Hitachi Fortune Transformer, Inc. was renamed as Fortune Electric Extra High Voltage Co., Ltd. (Fortune High Voltage Company) on June 24, 2019.

b. The deregistration of Wuhan Huarong Co., Ltd. had been completed on August 5, 2019.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31 2019	2018
Material associates		
Fortune High Voltage Company (Notes 13 and 30)	$ -	$ 10,152
Associates that are not individually material		
E-Total Link	38	44
	$ 38	$ 10,196

a. Material associates

	Proportion of Ownership and Voting Rights December 31 2019	2018
Fortune High Voltage Company	-	40.00%

The Group and Hitachi, Ltd. jointly established Hitachi Fortune Transformer, Inc. with authorized shares in the amount of $47,098 thousand. The Group invested $18,839 thousand and acquired 40% ownership, which was then renamed as Fortune Electric Extra High Voltage Co., Ltd. (Fortune High Voltage Company) on June 24, 2019.

In March 31, 2019, the Group received 84,720 thousand shares for free; after the transaction, the Group's ownership in Fortune High Voltage Company increased from 40% to 100% and the Group acquired control of Fortune High Voltage Company. As a result, it was included as subsidiary of the Group since March 31, 2019. A bargain purchase gain of $6,994 thousand on the acquisition of Fortune High Voltage Company was recognized separately in the consolidated statements of comprehensive income.

The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

	December 31, 2018
Current assets	$ 14,131
Non-current assets	38,984
Current liabilities	(27,735)
Equity	$ 25,380
Proportion of the Group's ownership	40.00%
Carrying amount	$ 10,152

	For the Year Ended December 31	
	2019	2018
Revenue	$ 3,349	$ 19,843
Net loss for the year	$ (2,448)	$ (1,021)
Total comprehensive loss for the year	$ (2,448)	$ (1,021)

Note: The information was from January 1 to March 31, 2019.

b. Aggregate information of associates that are not individually material

The Group, Hamadenk Co., Ltd. and other companies jointly established E-Total Link in 2017. The Group invested $45 thousand and acquired 25% ownership of E-Total Link.

	For the Year Ended December 31	
	2019	2018
The Group's share of:		
Net profit (loss) for the year	$ (7)	$ 8
Other comprehensive income (loss)	-	2
Total comprehensive income (loss) for the year	$ (7)	$ 10

For the main business and products, location and registration information of the above associate, refer to Table 3.

Except for E-Total Link, the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments was based on the associate's financial statements audited by auditors for the same years. Management believed there was no material impact on the financial statements of E-Total Link which had not been audited.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
Assets used by the Group	$ 68,356
Assets leased under operating leases	4
	$ 68,360

a. Assets used by the Group - 2019

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
Cost						
Balance at January 1, 2019	$ 20,701	$ 23,701	$ 37,438	$ 4,935	$ 5,189	$ 91,964
Additions	-	156	838	4	399	1,397
Disposals	-	-	(477)	-	(174)	(651)
Transfer (Note 1)	-	-	36	-	-	36
Transfer (Note 2)	-	-	11	-	33	44
Transfers from assets leased under operating leases	-	(13)	-	-	-	(13)
Acquisitions through business combinations	-	29,392	16,458	-	813	46,663
Reclassified	-	-	(44)	-	44	-
Effect of foreign currency exchange differences	507	581	761	121	114	2,084
Balance at December 31, 2019	$ 21,208	$ 53,817	$ 55,021	$ 5,060	$ 6,418	$ 141,524
Accumulated depreciation						
Balance at January 1, 2019	$ -	$ 12,505	$ 31,779	$ 1,718	$ 3,053	$ 49,055
Depreciation expense	-	1,082	1,706	257	393	3,438
Disposals	-	-	(469)	-	(173)	(642)
Transfers from assets leased under operating leases	-	(9)	-	-	-	(9)
Acquisitions through business combinations	-	6,077	13,940	-	813	20,830
Reclassified	-	-	(31)	-	31	-
Effect of foreign currency exchange differences	-	254	648	42	(448)	496
Balance at December 31, 2019	$ -	$ 19,909	$ 47,573	$ 2,017	$ 3,669	$ 73,168
Carrying amounts at December 31, 2019	$ 21,208	$ 33,908	$ 7,448	$ 3,043	$ 2,749	$ 68,356

Note 1: Transferred from inventories to equipment.

Note 2: Transferred from prepayments for equipment to equipment.

No impairment assessment was performed for the years ended December 31, 2019 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Main buildings	55 years
Electromechanical power equipment	3 years
Equipment	2-15 years
Photovoltaic solar equipment	8-20 years
Other equipment	3-15 years

Refer to Note 36 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings.

b. Assets leased under operating leases - 2019

	Buildings
Cost	
Balance at January 1, 2019	$ -
Transfers from assets used by the Group	13
Balance at December 31, 2019	$ 13
Accumulated depreciation	
Balance at January 1, 2019	$ -
Transfers from assets used by the Group	9
Balance at December 31, 2019	$ 9
Carrying amounts at December 31, 2019	$ 4

Operating leases relate to lease of the building with lease terms 1 year. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31, 2019
Year 1	$ 2

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives of 55 years.

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 36.

c. 2018

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
Cost						
Balance at January 1, 2018	$ 21,365	$ 24,258	$ 39,272	$ 5,094	$ 5,345	$ 95,334
Additions	-	96	700	-	96	892
Disposals	-	(15)	(1,348)	-	(79)	(1,442)
Transfer (Note 1)	-	-	134	-	-	134
Transfer (Note 2)	-	154	-	-	-	154
Effect of foreign currency exchange differences	(664)	(792)	(1,320)	(159)	(173)	(3,108)
Balance at December 31, 2018	$ 20,701	$ 23,701	$ 37,438	$ 4,935	$ 5,189	$ 91,964
Accumulated depreciation						
Balance at January 1, 2018	$ -	$ 12,216	$ 32,766	$ 1,515	$ 2,897	$ 49,394
Depreciation expense	-	712	1,447	251	330	2,740
Disposals	-	(14)	(1,336)	-	(78)	(1,428)
Effect of foreign currency exchange differences	-	(409)	(1,098)	(48)	(96)	(1,651)
Balance at December 31, 2018	$ -	$ 12,505	$ 31,779	$ 1,718	$ 3,053	$ 49,055
Carrying amounts at December 31, 2018	$ 20,701	$ 11,196	$ 5,659	$ 3,217	$ 2,136	$ 42,909

Note 1: Transferred from inventories to equipment.

Note 2: Transferred from prepayments for equipment to buildings.

Operating leases relate to lease of the building with lease terms 1 year. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31, 2018
Year 1	$ 2

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives of 55 years.

No impairment assessment was performed for the years ended December 31, 2018 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Main buildings	55 years
Electromechanical power equipment	3 years
Equipment	2-15 years
Photovoltaic solar equipment	8-20 years
Other equipment	3-15 years

Refer to Note 36 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings.

16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 4,192
Buildings	534
Transportation equipment	301
	$ 5,027

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 815
Right-of-use assets acquisitions through business combinations	$ 3,498
Depreciation charge for right-of-use assets	
Land	$ 108
Buildings	35
Transportation equipment	122
	$ 265

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 338
Non-current	$ 3,982

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.24%-1.26%
Buildings	1.26%
Transportation equipment	1.24%-1.26%

c. Material lease-in activities and terms

The Group leases land and buildings for the use of plants, offices and charging station for the use of operating with lease terms of 1 to 50 years. The Group does no has bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

The Group leases land from Port of Taichung, Taiwan International Ports Corporation, Ltd. since March 20, 2014, covering a total area of 40,600 square meters. Except for the land use fee, the management fee is $2.45 per square meter according to the lease agreement. The lease payments will be adjusted each year on the basis of the changes in the Wholesale Price Index in Taiwan, but the maximum annual adjustment is limited to 2% each year.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment are set out in Notes 15.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 348
Expenses relating to low-value asset leases	$ 191
Total cash outflow for leases	$ (43)

The Group leases certain which qualify as short-term leases and certain which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2018	$ 1,396
Additions	487
Reclassifications	79
Disposals	(116)
Net exchange differences	(43)
Balance at December 31, 2018	$ 1,803

(Continued)

	Computer Software
Accumulated depreciation	
Balance at January 1, 2018	$ 1,069
Amortization expenses	208
Disposals	(116)
Net exchange differences	(32)
Balance at December 31, 2018	$ 1,129
Carrying amount at December 31, 2018	$ 674
Cost	
Balance at January 1, 2019	$ 1,803
Additions	333
Reclassifications	256
Disposals	(119)
Net exchange differences	45
Balance at December 31, 2019	$ 2,318
Accumulated depreciation	
Balance at January 1, 2019	$ 1,069
Amortization expenses	329
Disposals	(119)
Net exchange differences	87
Balance at December 31, 2019	$ 1,366
Carrying amount at December 31, 2019	$ 952

(Concluded)

Except for amortization expenses, there were no significant additions, disposal, and impairment for the Group's intangible assets at December 31, 2018 and 2019. The above computer software is amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

18. PREPAYMENTS FOR LEASE

	December 31, 2018
Current (included in other current assets)	$ 22
Non-current	733
	$ 755

Prepaid lease payments include the land use rights for land in mainland China.

Refer to Note 36 for the carrying amounts of prepayments for leases that had been pledged by the Group to secure borrowings.

19. BORROWINGS

a. Short-term borrowings

	December 31 2019	December 31 2018
Secured borrowings (Note 36)		
Bank loans	$ 4,145	$ 5,384
Usance letters of credit	19	2,447
	4,164	7,831
Unsecured borrowings		
Line of credit borrowings	3,335	-
Usance letters of credit	950	3,926
	4,285	3,926
	$ 8,449	$ 11,757

The ranges of weighted average effective interest rate on bank loans were 0.53%-4.79% and 0.45%-4.79% per annum as of December 31, 2019 and 2018, respectively.

b. Short-term bills payable

	December 31 2019	December 31 2018
Commercial paper	$ 6,671	$ -
Less: Unamortized discounts on bills payable	18	-
	$ 6,653	$ -

Outstanding short-term bills payable were as follows:

December 31, 2019

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
Commercial paper					
Dah Chung Bills	$ 1,667	$ 3	$ 1,664	1.18%	N/A
Taiwan Cooperative Bills	1,668	5	1,663	1.20%	N/A
Ta Ching Bills	1,668	5	1,663	1.20%	N/A
Grand Bills	1,668	5	1,663	0.90%	N/A
	$ 6,671	$ 18	$ 6,653		

c. Long-term borrowings

	December 31	
	2019	2018
Secured borrowings (Note 36)		
Bank of Taiwan	$ 16,678	$ 16,279
Mega International Commercial Bank	8,065	7,872
	$ 24,743	$ 24,151

The original term of the borrowings from Bank of Taiwan was from December 4, 2013 to March 28, 2019. In April 2019, the Company negotiated the new loan period from April 19, 2019 to April 19, 2022 with the bank. The weighted average effective interest rate of the borrowings was both 1.26% per annum for the years ended December 31, 2019 and 2018, respectively.

The original term of the borrowings from Mega International Commercial Bank was from October 7, 2014 to October 7, 2019. In September 2018, the Company negotiated the new loan period from September 14, 2018 to October 11, 2021 with the bank. The weighted average effective interest rate of the borrowings was 1.57% and 1.47% per annum for the years ended December 31, 2019 and 2018, respectively.

20. TRADE PAYABLES

	December 31	
	2019	2018
Operating	$ 72,753	$ 51,674

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

21. OTHER PAYABLES

	December 31	
	2019	2018
Accrued payroll	$ 4,335	$ 1,606
Design fees payable	950	431
Payable for employee’s compensation and remuneration of directors’	560	266
Export payable	492	224
Commission payable	1,443	500
Interest payable	60	100
Others	3,081	1,694
	$ 10,921	$ 4,821

22. PROVISIONS

	December 31	
	2019	2018
Onerous contracts	$ 206	$ 320

The provision for onerous contracts represents the present value of the future payments that the Group was presently obligated to make under non-cancellable onerous operating contracts less revenue expected to be earned on the contracts.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Group's subsidiaries in the United States and China are members of state-managed retirement benefit plans operated by the local governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 14,515	$ 13,314
Fair value of plan assets	(7,575)	(6,061)
Net defined benefit liabilities	$ 6,940	$ 7,253

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2018	$ 13,278	$ (5,054)	$ 8,224
Current service cost	186	-	186
Net interest expense (income)	147	(59)	88
Recognized in profit or loss	333	(59)	274
Remeasurement			
Return on plan assets	-	(134)	(134)
Actuarial loss - changes in demographic assumptions	139	-	139
Actuarial loss - experience adjustments	344	-	344
Recognized in other comprehensive income	483	(134)	349
Contributions from the employer	-	(1,338)	(1,338)
Benefits paid	(336)	336	-
Effects of foreign currency exchange differences	(444)	188	(256)
Balance at December 31, 2018	$ 13,314	$ (6,061)	$ 7,253
Balance at January 1, 2019	$ 13,314	$ (6,061)	$ 7,253
Current service cost	186	-	186
Net interest expense (income)	141	(67)	74
Recognized in profit or loss	327	(67)	260
Remeasurement			
Return on plan assets	-	(212)	(212)
Actuarial loss - changes in demographic assumptions	494	-	494
Actuarial loss - experience adjustments	690	-	690
Recognized in other comprehensive income	1,184	(212)	972
Contributions from the employer	-	(1,723)	(1,723)
Benefits paid	(637)	637	-
Effects of foreign currency exchange differences	327	(149)	178
Balance at December 31, 2019	$ 14,515	$ (7,575)	$ 6,940

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2019	2018
Operating costs	$ 166	$ 175
Selling and marketing expenses	36	37
General and administrative expenses	36	38
Research and development expenses	22	24
	$ 260	$ 274

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	**2018**
Discount rate	0.70%	1.05%
Expected return rate of plan assets	0.70%	1.05%
Expected rate of salary increase	1.50%	1.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would decrease (increase) as follows:

	December 31	
	2019	**2018**
Discount rate		
0.25% increase	$ (355)	$ (343)
0.25% decrease	$ 368	$ 356
Expected rate of salary increase		
0.25% increase	$ 357	$ 347
0.25% decrease	$ (347)	$ (337)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	**2018**
The expected contributions to the plan for the next year	$ 683	$ 661
The average duration of the defined benefit obligation	10 years	10 years

24. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The current and non-current classification of the Group's assets and liabilities relating to the construction business was based on its operating cycle. The amounts expected to be recovered or settled within 1 year after the reporting period and more than 1 year after the reporting period for related assets and liabilities are as follows:

	December 31, 2019		
	Within 1 Year	More Than 1 Year	Total
Assets			
Refundable deposits (included in other current assets)	$ 13	$ 2	$ 15
Contract assets	$ 17,081	$ 800	$ 17,881
Liabilities			
Contract liabilities	$ 18,734	$ 892	$ 19,626

	December 31, 2018		
	Within 1 Year	More Than 1 Year	Total
Assets			
Refundable deposits (included in other current assets)	$ 5	$ 1	$ 6
Contract assets	$ 18,085	$ 1,354	$ 19,439
Liabilities			
Contract liabilities	$ 6,564	$ 1,010	$ 7,574

25. EQUITY

a. Share capital - ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	275,000	275,000
Shares authorized	$ 9,173	$ 89,533
Number of shares issued and fully paid (in thousands)	261,059	261,059
Shares issued	$ 87,078	$ 84,994

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from treasury share transactions	$ 34	$ 34
Unclaimed cash dividends	7	7
	$ 41	$ 41

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, subject to a limit within a certain percentage of the Company's capital surplus per year.

c. Retained earnings and dividend policy

The shareholders of the Company held their regular meeting on June 13, 2019 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit, the board of directors is authorized to adopt a special resolution, the legal reserve that has exceeded 25% of the Company's paid-in capital and all or part of the capital reserve that complies with the Company Act may be transferred to capital or distributed in cash. A report of such distribution should be submitted in the shareholders' meeting.

Under the dividend policy as set forth Articles before the amendments, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 27(5)

The Company is currently in the growth stage. The Company distributes stock dividends and cash dividends after taking into account its future business needs and long term financial plan. In addition, the appropriation for cash dividend should not be less than 25% of the total annual dividends distributed.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 which have been approved in the shareholders' meetings on June 13, 2019 and June 12, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Legal reserve	$ 200	$ 311
Special reserve	$ (133)	$ 135
Cash dividends	$ 2,612	$ 3,509
Cash dividends per share	$ 0.01	$ 0.01

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 23, 2020. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2019
Legal reserve	$ 1,349
Special reserve	$ (77)
Cash dividends	$ 8,708
Cash dividends per share (NT$)	$ 0.03

The appropriations of earnings for 2019 are subject to the resolution in the shareholders' meeting expected to be held on June 12, 2020.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ (633)	$ (512)
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(293)	(121)
Balance at December 31	$ (926)	$ (633)

2) Unrealized valuation gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 266	$ 79
Recognized for the year		
Unrealized gain - equity instruments	383	187
Balance at December 31	$ 649	$ 266

3) Gain (loss) on hedging instruments - cash flow hedges

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ -	$ (1)
Recognized for the year		
Gain (loss) on changes in the fair value of hedging instruments		
Foreign currency risk - foreign exchange forward contracts	(22)	1
Balance at December 31	$ (22)	$ -

26. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods		
Transformers	$ 139,907	$ 109,788
Distribution panels	36,526	33,779
Distribution equipment	2,013	4,734
Sale of power	418	403
Others	26,787	26,694
Construction contracts	33,729	19,834
	$ 239,380	$ 195,232

a. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes receivable	$ 2,855	$ 989	$ 2,763
Trade receivables (Note 11)	$ 90,155	$ 68,441	$ 88,817
Contract assets			
Retentions receivable	$ 4,183	$ 4,680	$ 5,510
Amounts due from customers for construction contracts	13,698	14,759	12,724
	$ 17,881	$ 19,439	$ 18,234
Contract liabilities			
Retentions payable	$ 19,017	$ 7,574	$ 1,982
Amounts due to customers for construction contracts	609	-	1
Advance receipts	11,759	10,091	7,898
	$ 31,385	$ 17,665	$ 9,881

The Group applies the same risk characteristics as the trade receivables for the same types of contracts. Refer to Note 11 for the details.

b. Disaggregation of revenue

Refer to Note 41 for information about the disaggregation of revenue.

27. NET PROFIT

a. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Loss on disposal of associates	$ (4,759)	$ -
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	(185)	146
Net foreign exchange gains (losses)	93	(391)
Gain (loss) on disposal of property, plant and equipment	(4)	80
Others	476	475
	$ (4,379)	$ 310

b. Other income

	For the Year Ended December 31	
	2019	2018
Export tax rebate income	$ 527	$ 650
Rental income		
Operating lease rental income	2	2
Interest income		
Bank deposits	13	17
Others	14	17
Claims income	4,276	1,735
	$ 4,832	$ 2,421

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank overdrafts and loans	$ 1,016	$ 740
Interest on lease liabilities	37	-
Other finance costs	49	231
	$ 1,102	$ 971

d. Depreciation, amortization and employee benefits expense

	2019			2018		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit expenses						
Salary	$ 14,269	$ 9,138	$ 23,407	$ 10,851	$ 6,817	$ 17,668
Labor insurance	1,143	626	1,769	963	576	1,539
Retirement expenses						
Defined contribution plans	522	293	815	467	265	732
Defined benefit plans	166	94	260	175	99	274
Remuneration of directors	-	633	633	-	440	440
	$ 16,100	$ 10,784	$ 26,884	$ 12,456	$ 8,197	$ 20,653
Depreciation expense	$ 3,255	$ 448	$ 3,703	$ 2,450	$ 290	$ 2,740
Amortization expense	$ 100	$ 229	$ 329	$ 41	$ 167	$ 208

e. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2019 and 2018 which have been approved by the Company's board of directors on March 23, 2020 and March 22, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	4.39%	7.71%
Remuneration of directors	1.03%	1.40%

Amount

	For the Year Ended December 31	
	2019	**2018**
	Cash	**Cash**
Employees' compensation	$ 770	$ 225
Remuneration of directors	180	41

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2019	**2018**
Foreign exchange gain	$ 1,043	$ 925
Foreign exchange loss	(950)	(1,316)
Net (loss) gain	$ 93	$ (391)

28. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	$ 2,671	$ 173
Income tax on unappropriated earnings	-	-
Adjustments for prior periods	24	180
	2,695	353
Deferred tax		
In respect of the current year	183	388
Adjustments for prior periods	-	(158)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	134
	183	364
Income tax expense recognized in profit or loss	$ 2,878	$ 717

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 16,726	$ 2,449
Income tax expense calculated at the statutory rate	$ 3,319	$ 484
Nondeductible expenses in determining taxable income	-	147
Tax-exempt income	(300)	-
Deductible investment credits of current period	(165)	(70)
Effect of tax rate changes	-	134
Adjustments to prior years' tax	24	22
Income tax expense recognized in profit or loss	$ 2,878	$ 717

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Effect of change in tax rate	$ -	$ 89
In respect of the current period		
Remeasurement of defined benefit plans	194	70
Total income tax recognized in other comprehensive income	$ 194	$ 159

c. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 286	$ 303
Current tax liabilities		
Income tax payable	$ 2,537	$ 4

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Right-of-use assets	$ -	$ 3	$ -	$ -	$ 3
Defined benefit plans	1,451	(292)	194	35	1,388
Inventory write-downs	151	(8)	-	(1)	142
Allowance for impaired receivables	46	39	-	(1)	84
Deferred revenue	158	-	-	4	162
Unrealized exchange loss	36	(5)	-	-	31
Others	64	(16)	-	2	50
	$ 1,906	$ (279)	$ 194	$ 39	$ 1,860
Deferred tax liabilities					
Land value increment tax	$ 1,323	$ -	$ -	$ 32	$ 1,355
Share of profit of subsidiaries	821	(74)	-	20	767
Unrealized exchange gains	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Others	61	(29)	-	1	33
	$ 2,205	$ (103)	$ -	$ 53	$ 2,155

For the year ended December 31, 2018

Deferred tax assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Effect of Change in Tax Rate	Closing Balance
Defined benefit plans	$ 1,391	$ (205)	$ 70	$ (43)	$ 238	$ 1,451
Provisions over limit	7	(8)	-	-	1	-
Inventory write-downs	124	33	-	(8)	2	151
Allowance for impaired receivables	44	4	-	(2)	-	46
Deferred revenue	-	158	-	-	-	158
Unrealized exchange loss	-	36	-	-	-	36
Others	266	(237)	-	(9)	44	64
	$ 1,832	$ (219)	$ 70	$ (62)	$ 285	$ 1,906
Deferred tax liabilities						
Land value increment tax	$ 1,160	$ -	$ -	$ (35)	$ 198	$ 1,323
Share of profit of subsidiaries	764	(49)	-	(25)	131	821
Unrealized exchange gains	5	(6)	-	-	1	-
Deferred revenue	1	(1)	-	-	-	-
Others	-	63	-	(2)	-	61
	$ 1,930	$ 7	$ -	$ (62)	$ 330	$ 2,205

e. Income tax assessments

The Company's tax returns through 2016 have been assessed by the tax authorities.
The tax of Fortune High Voltage Company returns through 2017 have been assessed by the tax authorities.

29. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2019	**2018**
Profit for the period attributable to owners of the Company	$ 13,698	$ 1,956

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic earnings per share	261,059	261,059
Effect of potentially dilutive ordinary shares:		
Employees' compensation	966	472
Weighted average number of ordinary shares used in the computation of diluted earnings per share	262,025	261,531

If the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

30. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Fortune High Voltage Company	Transformers manufacturing, machining and trading	March 31, 2019	100.00%	$ -

Note: The equity comprised of 40% originally owned and 60% acquired this year.

In March 31, 2019, Hitachi Fortune Company (renamed as Fortune High Voltage Company on June 24, 2019) was acquired in order to continue the expansion of the Group's activities in transformer manufacturing and trading business.

b. Assets acquired and liabilities assumed at the date of acquisition

	Fortune Electric Extra High Voltage Co., Ltd.
Current assets	
Cash	$ 5,596
Trade receivables	4,159
Inventories	1,454
Prepayments	258
Other current assets	44
Non-current assets	
Property, plant and equipment	26,345
Right-of-use assets	3,498
Refundable deposits	120
Prepayments for equipment	7
Current liabilities	
Short-term borrowings	(24,850)
Trade payables	(630)
Other payables	(867)
Lease liabilities - current	(70)
Other current liabilities	(2)
Non-current liabilities	
Lease liabilities - non-current	(3,405)
	$ 11,657

c. Gain from bargain purchase recognized on acquisitions

	Fortune Electric Extra High Voltage Co., Ltd.
Consideration transferred	$ -
Plus: Non-controlling interests (the Company had previously held 40% interest in fair value at acquisition date)	4,663
Less: Fair value of identifiable net assets acquired	11,657
Gain from bargain purchase recognized on acquisitions	$ (6,994)

d. Net cash outflow on the acquisition of subsidiaries

	Fortune Electric Extra High Voltage Co., Ltd.
Consideration paid in cash	$ -
Less: Cash and cash equivalent balances acquired	5,596
	$ 5,596

31. DISPOSAL OF SUBSIDIARIES

On March 31, 2019, the Group reported that Wuhan Huarong Co., Ltd. went out of business on the board of directors' meeting. The board of directors had passed a resolution for the disposal of Wuhan Huarong Co., Ltd. on May 13, 2019. The disposal was completed on August 5, 2019, which was the date of losing control over Wuhan Huarong Co., Ltd.

a. Analysis of assets and liabilities on the date control was lost

	Wuhan Huarong Co., Ltd.
Current assets	
Other receivables	$ 1
Current liabilities	
Other payables	(88)
Net liabilities disposed of	$ (87)

b. Gain on disposals of subsidiaries

	Wuhan Huarong Co., Ltd.
Consideration received	$ -
Net assets disposed of	(87)
Gain on disposals	$ (87)

32. CASH FLOW INFORMATION

a. Non-cash transactions

In January 2018, the Group converted the receivables of ProMOSTech Co., Ltd. into its ordinary shares in a debt for equity swap, with a shareholding ratio of 0.12% after the swap.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2019

			Non-cash Changes				
	Opening Balance	Cash Flows	New Leases	Acquisition of Subsidiaries	Changes in Foreign Exchange Adjustments	Others	Closing Balance
Short-term borrowings	$ 11,757	$ (28,266)	$ -	$ 24,850	$ 108	$ -	$ 8,449
Short-term bills payable	-	6,653	-	-	-	-	6,653
Guarantee deposits received	493	(363)	-	-	11	-	141
Lease liabilities	206	(206)	898	3,475	1	(54)	4,320
	$ 12,456	$ (22,182)	$ 898	$ 28,325	$ 120	$ (54)	$ 19,563

For the year ended December 31, 2018

			Non-cash Changes	
	Opening Balance	Cash Flows	Changes in Foreign Currency Exchange	Closing Balance
Short-term borrowings	$ 29,142	$ (16,509)	$ (876)	$ 11,757
Guarantee deposits received	112	385	(4)	493
	$ 29,254	$ (16,124)	$ (880)	$ 12,250

33. CAPITAL MANAGEMENT

The Group's capital management strategy is to maintain adequate capital to be able to operate according to the industrial scale and support the industry's future growth and development prospects of the Group's business; to set the appropriate market share; and make a plan of the required capacity and the requirement of the plant and equipment to achieve production and the corresponding capital expenditure. The Group calculates the required working capital and cash for the long-term development of the required asset size of the Group, and makes overall planning according to the industry characteristics.

The Group's management regularly reviews the capital structure, and considers the costs and risks of different capital structure. In general, the Group adopted a prudent risk management strategy.

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018 approximate their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	$	$ 2	$	$ 2
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$	$ 1,834	$	$ 1,834
Financial liabilities at FVTPL				
Derivatives	$	$ (47)	$	$ (47)
Derivative financial liabilities for hedging				
Derivatives	$	$ (22)	$	$ (22)

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivatives	$ -	$ 142	$ -	$ 142
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$ -	$ 1,423	$ -	$ 1,423
Financial liabilities at FVTPL				
Derivatives	$ -	$ (4)	$ -	$ (4)

There were no transfers between Level 1 and Level 2 in the current and prior period.

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 2	$ 142
Financial assets at amortized cost (1)	98,262	72,797
Financial assets at FVTOCI		
Equity instruments	1,834	1,423
Financial liabilities		
FVTPL		
Held for trading	47	4
Financial liabilities for hedging	22	-
Amortized cost (2)	123,661	92,896

1) The balances include financial assets at amortized cost, which comprise cash, notes receivable and trade receivables, and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, trade and other payables, and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments included cash, equity investments, trade receivables, trade payables, lease liabilities and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group manages exchange rate risk by using appropriate hedging tools. The Group does not trade financial instruments for speculative purposes. Foreign currency risk management strategy is to regularly review the net position of assets and liabilities in foreign currencies and manage accordingly. The choice of the tools to manage exchange rate risk takes into consideration the costs and duration of the hedge, exchange contract is used to manage risks.

The carrying amounts of the Group's nonfunctional-currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 39.

<u>Sensitivity analysis</u>

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the USD. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax profit and other equity assuming the New Taiwan dollar weakened (strengthened) 1% against the USD.

	USD Impact	
	For the Year Ended December 31	
	2019	**2018**
Profit or loss (Note)	$ 72	$ 21

Note: This was mainly attributable to the exposure outstanding on bank balances, receivables, payables and borrowings in USD, which were not hedged at the end of the reporting period.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 191	$ 41
Financial liabilities	15,276	6,373
Cash flow interest rate risk		
Financial assets	4,127	3,117
Financial liabilities	28,888	29,535

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by $248 thousand and $264 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank cash and borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. The Group does not actively trade these investments. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $18 thousand and $14 thousand, respectively, as a result of the changes in fair value of financial assets at FVOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management believes that the Group's credit risk was significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized overdraft and bank loan facilities of approximately $189,842 thousand and $164,209 thousand, respectively.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2019

	Weighted Average Effective Interest Rate (%)	**On Demand or Less Than 1 Month**	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**Over 5 Years**
Non-derivative financial liabilities						
Non-interest bearing liabilities		$ 17,868	$ 64,233	$ 26,722	$ 892	$ -
Lease liabilities		34	68	287	1,027	3,985
Variable interest rate liabilities	1.31	-	-	4,186	24,810	-
Fixed interest rate liabilities	1.14	9,998	7	970	-	-
		$ 27,900	$ 64,308	$ 32,165	$ 26,729	$ 3,985

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 389	$ 1,027	$ 491	$ 491	$ 491	$ 2,512

December 31, 2018

	Weighted Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Non-derivative financial liabilities					
Non-interest bearing liabilities		$ 2,123	$ 56,047	$ 12,688	$ 1,010
Variable interest rate liabilities	1.82	587	-	4,863	24,277
Fixed interest rate liabilities	2.50	1,250	1,977	3,218	-
		$ 3,960	$ 58,024	$ 20,769	$ 25,287

Bank loans with a repayment on demand clause were included in the “on demand or less than 1 month” time band in the above maturity analysis. As of December 31, 2019 and 2018, the aggregate undiscounted principal amounts of these bank loans amounted to $9,988 thousand and $1,931 thousand, respectively.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table details the Group’s liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

December 31, 2019

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Net settled				
Foreign exchange forward contracts	$ (2)	$ -	$ (65)	$ -

December 31, 2018

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Net settled				
Foreign exchange forward contracts	$ 61	$ 51	$ 26	$ -

35. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The Company is the ultimate parent of the Group. In addition to those disclosed elsewhere in other notes, summary of transactions between the Group and other related parties are disclosed below.

a. Related party name and the relationship

Related Party Name	Relationship With The Group
Fortune Electric Extra High Voltage Co., Ltd. (Fortune High Voltage Company)	Associates (Note)
E-Total Link	Associates
Hua Cheng Investment Co., Ltd.	Others

Note: Fortune High Voltage Company became a subsidiary from March 31, 2019

b. Sales of goods

		For the Year Ended December 31	
Line Item	Related Party Category/Name	2019	2018
Sales	Associates	$ -	$ 181

For other transactions with related parties, the prices and collection terms were similar to those transactions with third parties.

c. Purchase of goods

	For the Year Ended December 31	
Related Party Category/Name	2019	2018
Associates	$ 114	$ 1,541

The purchase price and payment terms are the same as those of unrelated parties.

d. Payables to related parties (excluding loans from related parties)

		December 31	
Line Items	Related Party Category/Name	2019	2018
Accounts payable	Associates		
	Fortune High Voltage Company	$ -	$ 1,053
	E-Total Link	1	-
		$ 1	$ 1,053

The outstanding trade payables from related parties are unsecured.

e. Lease arrangements - Group is lessee

Acquisition of right-of-use assets

Related Party Category/Name	For the Year Ended December 31 2019	2018
Other related party	$ 17	$ -

Line Item	Related Party Category/Name	December 31 2019	2018
Lease liabilities - current	Other related party	$ 5	$ -
Lease liabilities - non-current	Other related party	6	-
		$ 11	$ -

Related Party Category/Name	For the Year Ended December 31 2019	2018
Cost of goods sold - manufacturing expense		
Other related party	$ 1	$ 1
Operating expense		
Other related party	4	4

f. Lease arrangements - Group is lessor

Lease arrangements - Group is lessor under operating leases

The Group leases out office to its associate - Hua Cheng Investment Co., Ltd. under operating leases with lease terms of 1 year. As of December 31, 2019 and 2018, the balance of operating lease receivables was both $2 thousand. Lease income recognized for the years ended December 31, 2019 and 2018 was both $2 thousand.

g. Compensation of key management personnel

	For the Year Ended December 31 2019	2018
Short-term employee benefits	$ 2,047	$ 1,338
Termination benefits	80	61
	$ 2,127	$ 1,399

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

36. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bid bonds of sales, performance bonds and bank borrowings:

	December 31	
	2019	2018
Refundable deposits (current portion is included in other current assets)	$ 389	$ 173
Pledged deposits (classified as financial assets at amortized cost)	191	41
Property, plant and equipment	32,566	32,257
Right-of-use assets	723	-
Prepayments for leases	-	755
	$ 33,869	$ 33,226

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2019 were as follows:

a. As of December 31, 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to $2,870 thousand, ￥7,853 thousand, €479 thousand and Kč106 thousand.

b. As of December 31, 2019, promissory note of $43,968 thousand was made for bank financing, endorsements and the investee company’s sales performance guarantee.

c. The Company signed a technical cooperation agreement with SIEMENS AG, with effective term from February 2014 to February 24, 2019. According to the contract, the Company will design, produce and sell goods in the Republic of China. On the Company’s production and marketing of products covered by the technical cooperation agreement, the Company agreed to pay €55 for each unit of product sold as technical remuneration. The remuneration paid was $5 thousand and $29 thousand for the years ended December 31, 2019 and 2018, respectively, included in operating expenses.

d. The Company signed a technical cooperation agreement with LANDIS+GYR Inc., with effective term from June 2013 to June 17, 2019. According to the contract, the Company will design, produce and sell goods only in the Republic of China. On the Company’s production and marketing of products covered by the technical cooperation agreement, the Company agreed to pay 6% of net sales as technical remuneration. The remuneration paid was $15 thousand and $30 thousand for the years ended December 31, 2019 and 2018, respectively, included in operating expenses.

e. The Ministry of Economic Affairs offered government grant for establishing solar power system at the land subsidence in Pingtung County and Morakot disaster area. Regarding the solar energy project, Taiwan Power Company has signed a purchase and sale of electricity contract with the Company. The contract stated that Taiwan Power Company will purchase electricity from the Company for 20 years based on the ground-based solar power purchase rates announced by the Ministry of Economic Affairs. The power selling revenue for the years ended December 31, 2019 and 2018 was $418 thousand and $403 thousand, respectively. The rent of the land used for solar power plant is based on 9.7%, 11.5%, 12.3% of the sales of electricity for the first to tenth years, eleventh to fifteenth years, and sixteenth to twentieth years, respectively.

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus pneumonia in January 2020 caused the temporary suspension of operations of the factories of Subsidiary Fortune Electric (Wuhan) Co., Ltd. and Wuhan Fortune Trade Co., Ltd. located in Wuhan City, Hubei Province, People's Republic of China. The local authorities issued a notice of delay in resumption of business operations due to epidemic prevention measures, and required domestic enterprises to cooperate with the local authorities for epidemic prevention. The resumption of business operations of its subsidiaries was delayed from the original schedule of January 31 to February 14; the original expected date of work resumption was February 14 but had not yet been approved by the local authorities due to severe epidemic situations. Hence, the resumption date is postponed and the actual resumption date is according to the date approved by the local authorities. As of the date the consolidated financial statements were issued, the Company evaluated that the above event had no significant impact on its overall operations.

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount (NTD)
Financial assets			
Monetary items			
USD	$ 11,011	29.9800 (USD:NTD)	$ 330,110
Financial liabilities			
Monetary items			
USD	3,834	29.9800 (USD:NTD)	$ 114,943

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount (NTD)
Financial assets			
Monetary items			
USD	$ 5,546	30.7150 (USD:NTD)	$ 170,345
USD	3,058	6.8683 (USD:CNY)	93,926
			$ 264,271
Financial liabilities			
Monetary items			
USD	6,075	30.7150 (USD:NTD)	$ 186,594
USD	380	6.8683 (USD:CNY)	11,672
			$ 198,266

The Group is mainly exposed to the USD. The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant (realized and unrealized) foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currency	**Exchange Rate**	**Net Foreign Exchange Gain (Loss)**	**Exchange Rate**	**Net Foreign Exchange Gain (Loss)**
NTD	1 (NTD:NTD)	$ 174	1 (NTD:NTD)	$ (257)
RMB	4.3050 (RMB:NTD)	(81)	4.5600 (RMB:NTD)	(134)
		$ 93		$ (391)

40. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (Table 1)

3) Marketable securities held at the end of the year (excluding investment in subsidiaries, associates and joint ventures). (Table 2)

4) Marketable securities acquired or disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

9) Trading in derivative instruments. (Notes 7 and 9)

10) Intercompany relationships and significant intercompany transactions. (Table 5)

11) Information on investees. (Table 3)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 4)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1, 3-5)

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.

   e) The highest balance, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds.

   f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services.

41. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods and services delivered or provided. The Group has disclosed its electrical department and turnkey department as its reporting segments. The electrical department manufactures, processes and trades transformers, distributors, low pressure switches and substation equipment; and the turnkey department mainly engages in engineering contracts.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment Revenue for the Year Ended December 31		**Segment Profit for the Year Ended December 31**	
	2019	**2018**	**2019**	**2018**
Electrical department	$ 205,651	$ 175,398	$ 16,460	$ 14,966
Construction department	33,729	19,834	384	(10,389)
Segment revenues	$ 239,380	$ 195,232	16,844	4,577
Government grant			324	661
Other income			4,832	2,421
Share of the loss of associate			(986)	(400)
Gain from bargain purchase			6,994	-
Other gains and losses			(4,379)	310
Finance costs			(1,102)	(971)
General and administrative expense			(5,801)	(4,149)
Profit before tax			$ 16,726	$ 2,449

Segment revenues reported above represent revenues generated from external customers. There were no inter-segment sales during the years ended December 31, 2019 and 2018.

Segment profit represented the profit before tax earned by each segment without allocation of other income, gain from bargain purchase, share of the loss of associates, other gains and losses, finance costs, general and administrative expense and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group's measure of assets and liabilities was not provided to the chief operating decision maker. Therefore, no assets and liabilities were presented under operating segments.

c. Other segment information

	Depreciation and Amortization	
	2019	**2018**
Electrical department	$ 4,032	$ 2,948
Construction department	-	-
	$ 4,032	$ 2,948

d. Revenue from major products and services

For the analysis of the Group's revenue from continuing operations from its major products and services, refer to Note 26.

e. Information about major customers

Included in the total revenues of electrical and turnkey departments of $239,380 thousand and $195,232 thousand in 2019 and 2018, respectively, were revenues of $74,071 thousand and $44,976 thousand from sales to the Group's largest customer, respectively. No other single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

TABLE 1

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Co., Ltd.	Subsidiary	$ 56,353	$ 13,000	$ 13,000	$ 4,068 ¥ 7,928	$ -	11.53	$ 67,623	Y	N	Y	
		Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	56,353	39,860	21,681	10,007	-	19.24	67,623	Y	N	N	

Note 1: The limit on the total maximum endorsement for each guaranteed party is equal to 50% of the Company's net equity: $112,705 x 50% = $56,353

Note 2: The maximum limit is equal to 60% of the Company's net equity: $112,705 x 60% = $67,623

TABLE 2

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Fortune Electric Co., Ltd.	Stock							
	Raynergy Tek Incorporation	-	Financial assets at fair value through other comprehensive income	3,031	$ 1,834	10.80	$ 1,834	
	ProMOSTech Co., Ltd.	-	Financial assets at fair value through other comprehensive income	26	-	0.06	-	

Note: The information of investments in subsidiaries and associates is provided in Tables 3 and 4.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 1)	Note
				December 31, 2019	December 31, 2018	Shares (Thousand)	%	Carrying Value			
Fortune Electric Co., Ltd.	Power Energy International Ltd.	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	Trade business, investment holding, agent business	$ 4,220	$ 4,119	3,800	100	$ 7,111	$ (447)	$ (447)	Investee is a subsidiary
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Agents business	98	96	1	100	449	81	81	Investee is a subsidiary
	Fortune Electric Extra High Voltage Co., Ltd.	No. 500, Nanheng 1st Rd, Wuqi District, Taichung City 435, Taiwan	Transformers manufacturing, machining and trading	18,839	18,388	141,200	100	11,944	(14,058)	(692)	Investee is a subsidiary (Note 3)
	E-Total Link	Shin Osaka SONE Building No. 1204, Nish-Nakajima 7-chome No. 29, Yodogawa-ku, Osaka Prefecture	Transformers manufacturing, machining and trading	46	45	100	25	38	26	7	Associates
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Wuhan, China	Transformers, capacitors, power distribution equipment manufacturing	6,500	6,500		100	7,111	(432)	(432)	Subsidiary
Fortune Electric (Wuhan) Ltd.	Wuhan Huarong Co., Ltd.	Wuhan, China	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	-	RMB 1,274 thousand		-	-	RMB 1,887 thousand	RMB 1,132 thousand	Investee is a subsidiary
	Wuhan Fortune Trade Co., Ltd.	Wuhan, China	Trade business	RMB 500 thousand	RMB 500 thousand		100	RMB 2,131 thousand	RMB 231 thousand	RMB 231 thousand	Investee is a subsidiary

Note 1: Except for E-Total Link, net asset values were based on audited financial statements of the investees and calculated at the investor’s holding proportion.

Note 2: The listed amounts above were eliminated upon consolidation except for E-Total-Link.

Note 3: On March 31, 2019, the Group acquired 60% shares of Fortune Electric Extra High Voltage Co., Ltd., the Group’s percentage of ownership was increased from 40% to 100%, as a result, Fortune Electric Extra High Voltage Co., Ltd. was included in the Group since March 31, 2019.

Note 4: On August 5, 2019, Wuhan Huarong Co., Ltd had been liquidated and the annulment of registration was completed.

TABLE 4

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019 (Note 3)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	$ 6,500	Indirect	$ 6,000	$ -	$ -	$ (6,000)	$ (432)	100	$ (432)	$ (7,111)	$ -	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$6,000	$6,000	$67,623

Note 1: Net asset values were based on audited financial statements of the investees and calculated at the investor’s holding proportion.

Note 2: The investment income/loss was recognized based on average exchange rate from January 1, 2019 to December 31, 2019; the other accounts were all based on prevailing exchange rate as of December 31, 2019.

Note 3: The difference between the accumulated investment of $6,000 thousand from Taiwan and the paid-in capital balance of $6,500 thousand, of Fortune Electric (Wuhan) Ltd. was due to the direct investment of $500 thousand by Power Energy International Ltd., which is 100% owned by the Company.

Note 4: The listed amounts above were eliminated upon consolidation.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

No	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Transaction Terms	% to Total Sales or Assets
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Co., Ltd.	a	Purchases	$ 834	With non-related parties	0.37
		Fortune Electric (Wuhan) Co., Ltd.	a	Sales	1,740	With non-related parties	0.73
		Fortune Electric (Wuhan) Co., Ltd.	a	Accounts receivable	44	With non-related parties	0.02
		Fortune Electric America Inc.	a	Operating expenses	1,553	Under arm's length terms	0.65
		Fortune Electric America Inc.	a	Other receivables	357	With non-related parties	0.12
		Fortune Electric Extra High Voltage Co., Ltd.	a	Purchases	2,938	With non-related parties	1.23
		Fortune Electric Extra High Voltage Co., Ltd.	a	Prepaid expense	11,515	With non-related parties	4.02
		Fortune Electric Extra High Voltage Co., Ltd.	a	Other receivables	1	With non-related parties	.-
		Fortune Electric Extra High Voltage Co., Ltd.	a	Accounts payables	283	With non-related parties	0.10
		Wuhan Fortune Trade Co., Ltd.	a	Purchases	592	With non-related parties	0.25
		Wuhan Fortune Trade Co., Ltd.	a	Accounts receivables	24	With non-related parties	0.01
		Wuhan Fortune Trade Co., Ltd.	a	Accounts payables	77	With non-related parties	0.03
1	Fortune Electric (Wuhan) Co., Ltd.	Wuhan Huarong Co., Ltd.	c	Purchases	309	With non-related parties	0.13
		Wuhan Huarong Co., Ltd.	c	Rental income	-	Under arm's length terms	.-
		Wuhan Fortune Trade Co., Ltd.	c	Sales	40	With non-related parties	0.02
2	Wuhan Huarong Co., Ltd.	Wuhan Fortune Trade Co., Ltd.	c	Purchases	138	With non-related parties	0.06

Note 1: The types of relationship between the transaction parties are as follows:

a. The Company to the subsidiary.
c. The subsidiary to another subsidiary.

Note 2: The listed amounts above were eliminated upon consolidation.