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Fortune Electric Co., Ltd.

2020 Annual Report

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1. Spokesperson and Deputy Spokesperson:

Item	Spokesperson	Deputy Spokesperson
Name:	Hsu, I-Te	Chiu, Hsu-Lan
Title	General Manager	Accounting Manager
Tel:	(02)2704-7001	(02)2704-7001
Email:	ted@fortune.com.tw	fion@fortune.com.tw

2. The contact information of Headquarters and Plant:

Name	Address	Tel.
Headquarters	No. 10, Jilin Rd., Zhongli Dist., Taoyuan City, Taiwan (R.O.C.)	(03)452-6111
Chung Li Plant	No. 10, Jilin Rd., Zhongli Dist., Taoyuan City, Taiwan (R.O.C.)	(03)452-6111
Guan Yin Plant II	No. 33, Jingjian 2nd Rd., Guanyin Dist., Taoyuan City, Taiwan (R.O.C.)	(03)483-6155
Guan Yin Plant III	No. 55, Zhongzheng Rd., Guanyin Dist., Taoyuan City, Taiwan (R.O.C.)	(03)473-6957
Taipei Office	10F., No. 370, Sec. 1, Fuxing S. Rd., Da’ an Dist., Taipei City, Taiwan (R.O.C.)	(02)2704-7001
Kaohsiung Business Station	No. 8, Jiaoren Rd., Sanmin Dist., Kaohsiung City, Taiwan (R.O.C.)	(07)384-7001

3. Stock Transfer Agent:

Name：Stock Agency Department, Taishin International Bank

Address：B1, No. 96, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)

Tel.：(02)2504-8125

Website：http://www.taishinbank.com.tw

4. Contact Information of the CPA for the Latest Financial Report

Name：Lee, Tung-Feng、Gung, Tza-Li CPA

Firm name：Deloitte & Touche

Address：20F., No. 100, Songren Rd., Xinyi Dist., Taipei City, Taiwan (R.O.C.)

Tel.：(02)2725-9988

Website：http://www.deloitte.com.tw

5. Overseas trade places for listed negotiable securities: None.

6. Company website:

Website：http://www.fortune.com.tw

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1. 2020 Business Report

1. Business Results and Budget Implementation

Consolidated operating Revenue of the year 2020 was NT$ 8,471,592 thousand, among the products, transformers were NT$ 4,606,691 thousand, accounting for 54.38%, distribution switchboards were NT$ 1,291,088 thousand, accounting for 15.24%, and electrical distribution equipment were NT$ 298,085 thousand, accounting for 3.52%, contracting revenue was NT$ 1,152,273 thousand, accounting for 13.60%, electricity sales revenue was NT$ 12,309 thousand, accounting for 0.15%, and others were NT$ 1,111,146 thousand, accounting for 13.11%, net income was NT$ 457,514 thousand, and exceeding budget is mainly due to revenue growth.

2. Financial revenue and expenditure and profitability analysis

Unit: NT$ Thousands

ITEM		2020	2019	Increase (decrease) ratio (%)
Financial Revenue and Expenditure	Operating net profit	474,093	331,055	43.21
	Non-operating income and expenses	74,527	170,385	(56.26)
	Net Profit Before Tax	548,620	501,440	9.41
	Net Profit	457,514	415,149	10.20
Profitability Analysis	Return on assets (%)	5.55	5.73	(3.14)
	Return on equity (%)	13.21	12.89	2.48
	Pre-tax net profit to paid-in capital ratio (%)	21.02	19.21	9.42
	Net profit ratio (%)	5.40	5.78	(6.57)
	Earnings per share (NT$) (Note 1)	1.75	1.57	11.46

Note 1: Calculated based on Current Year weighted average number of ordinary shares outstanding for earnings per share.

3. Research & Development status

For year 2020, the Company invested NT$127,381,000, accounting for 1.5% of business turnover, to dedicate in Research and Development (R&D) field and its results were in line with the Company's assumption. For details of new product successfully developed in 2020, please refer to page 46 of this Annual Report.

2. 2021 Business Plan Summary

1. Operating policy

(1) Increasing the competitiveness of core business, the staff innovated and integrated to steady and grow constantly, and the Company becomes a worldwide electric company.

(2) Enhancing green energy and energy service, kept pace with the times to expand the business opportunity of the energy industry, and became the leader of green energy in Taiwan.

(3) Optimizing human resource and operating constitution, molded into an excellent corporate image for the sustainable development, and became the virtual and happiest industry.

2. Sales estimation of Transformer and Distribution Boards and important sales and marketing strategies

Main product / estimated quantity	2021		
	Domestic sales	Export sales	Total
Transformer (unit)	10,800	200	11,000
Distribution Board (pcs)	2,450	80	2,530

Electronic products are widely applied in our daily lives, commercial activities and manufacturing production; with the advancement of technology, the application of electricity is growing larger, and we may consider it the foundation of modern civilization. For the time being, in addition to plant building and/or factory expansion, domestic and overseas alike, or reinforcing sales and marketing activities for existing product portfolio, we are expecting to replace products to meet the market demands, as 69kV and above power Transformers and their related Distribution Boards system have been in use for over 4 decades. Major export sales product will mainly be Distribution Transformers, Electric Transformers, and Solar PV Box Modules, in line with overseas customer's needs, and continue expanding direct and indirect customer's cooperation to grow steadily with stable quality.

3. Impact of the Company's development strategy, affected by external competition, regulatory environment, and overall business operating situation in the future

In the beginning of the year 2021, following extensively started injection of COVID-19, it was expectable that the whole world can walk through the dark of the epidemic, and march toward the way of recovery. Domestic and overseas major forecasting institutions all optimistically viewed the global economic forecast, in addition, the factor of low base period, the performance of the global growth rate of the year 2021 will be apparently better than the year 2020. IMF raised the global growth rate to 5.5%, World bank's forecast was 4%, OECD forecasted that the annual growth rate achieved 4.2%, the majority of institutions deemed that following introduction and stared injections of vaccines, in addition, under the support of various countries' economic policies, investment activities of various businesses gradually initiated, it will infuse the new kinetic energy into the global economic growth, the forecasting global economic growth will be within reach. Taiwan's economic performance also kept up with the trend of global economic recovery, the majority of domestic institutions agreed on the constant growth of Taiwan's economy in 2021, the estimation of Directorate-General of Budget, Accounting and Statistics was 4.64%, Academia Sinica was 4.24%, and Taiwan Research Institute was 3.5%, etc., therein, all revealing that Taiwan's overall economy steadily grows.
FORTUNE ELECTRIC CO., LTD. has specialized in the original industry, has accumulated key technologies of professional customization for nearly fifty years, has firmly rooted, and the whole group owns five modernize plants, has the most complete domestic product lines, maximum product capacity of transformers, the highest voltage, the most certifications of Taiwan Power Company, the largest professional heavy electricity plants, and was the winner of Awards for Excellent Trading Businesses being the number one of export amount of equipment for power transmission and distribution. The Company also set a performance of domestic and overseas sales for 530kV-775MVA transformers having the highest voltage, the maximum capacity, and domestically initiated ultralow noise transformers, and it is the first company passing 230 kV short-circuit test of KEMA, received Taiwan Excellence Award for three consecutive years, completed the building of power supply equipment and mechanical and electrical system engineering for the program of 150 MWp domestic largest solar photovoltaic plant in Tainan Yantian, had the performance of only domestic, was the only company who has the performance of power system engineering in the land area of offshore wind power, and had the heavy electricity plant of equipment manufacturing in the fan tower, and had the brilliant performance of completing energy storage system building of only domestic largest single system with battery capacity 2.964 MWh, etc. Through the remote system, intellectualized plants and financial management, last year the Company overcame the epidemic and exchange rate fluctuations, constantly delivered to America, Australia, Japan and southeast Asia region, provided instant services with no time difference for customers, satisfied customers' various demands, and reduced the relevant influences to the minimum.
The strategy of FORTUNE ELECTRIC CO., LTD. focused on power transformers, expanded toward up-end and down-end systems, provided from traditional electric equipment, strode across the fields of renewable energy, energy storage, energy management, and charging service of electric vehicles, etc. And the key factors of brand success were as follows: strong abilities, such as technology, manufacturing process, quality, delivery time, suppliers management, transport and installation, before and after services, and languages, etc., and successful linking cooperation, and it brought a huge benefit for enhanced market competitiveness, diversified development, and deepened original industry of heavy electricity.

Short-term operating objectives of this year is increasing the competitiveness of core businesses, the staff innovate and integrate to steady and grow constantly, and marching toward the objective of a worldwide electric company; enhancing green energy and services of various sources, keeping pace with the times to expand the business opportunity of the energy industry, and retaining the leading position of green energy in Taiwan; and optimizing human resource and operating constitution, molding into an excellent corporate image for the sustainable development, and becoming the virtual and happiest industry, meanwhile, carrying out the upgrade of industrial 4.0 intelligent manufacturing, included design standardization, manufacturing process optimization, purchase intellectualization, and quality optimization, etc., and ensuring the Company's competitive advantage.

Except enhanced current market and customers, and the Company expansively invest in green energy of industrial development, arrange and construct solar energy and wind force, power plant, renewable/alternative energy, energy storage system, intelligent grid, intelligent electric meter, electric vehicles' charging equipment, and operating management, etc., new customers, new markets, new products, and service teams of professional technologies. In the part of products' research and development, the Company also emphasizes to integrate the international trend through the aspects of renewable energy, energy saving, electric vehicles, intelligent grid, and intelligent internet of things, etc. Currently except the investments in the developments, such as offshore wind power, solar power plants, and large energy storage system, etc., the Company actively strives for large renewable energy power plants, in addition, successfully researches and develops equipment, like intelligent booster stations, and low noise transformers, etc. In the aspect of export, except the hold of America market, and positively striving for orders, also arranges the government's new southbound policy, Japan market, and the business opportunities brought from the supply chain and the value chain of and green energy at sea.

The Company, through comprehensive innovation and improvement, and the work efficiency increased by elaborated manufacturing/process, implements industrial 4.0 technique, takes account of efficiency and quality, and intellectually manages enterprise upgrade; constantly implements design and manufacturing cycle, intelligent product lines, intelligent maintenance, constructs intelligent production model to expect the optimization of production quality, and decrease poor costs. Meanwhile, the technology standard brings into KM comprehensive effects and the results of technology and development, all-around improves competitiveness, constantly drives the activities of Six Sigma production and marketing, implements ISO9001, 9002, 14000, OHSAS 18001 and manufacturing process JIT, management of TPM, CRM systems, and molds the Company's risk management culture to let the risk management actually implement in the Company's systems, and every employee's daily life and living for improving the quality, decreasing poor costs, increasing, increasing the market ratio, and increasing profits.

The Company will focus on the group's recourses, information sharing, and full utilized cooperation, brings into the group's internal and external maximum benefits, increase the competitive difference advantages of core businesses, expand domestic and export markets, and actively research and develop new products and new products met the market demand; drive life-extending and optimization of power systems, develop intelligent power monitoring systems, expansively develop green energy markets, invest in the operation of electric vehicles' charging stations, enhance automated system engineering of intelligent electric grid feeder, operate emergent recovery system and renewable energy system, strengthen energy storage and energy management system, and by means of the group's labor division, the Company vertically integrates to improve key components for decreasing costs. Meanwhile, the Company focuses on electric peripheral energy-saving and intelligent equipment, such as ultralow noise transformers, maintenance-free respirators, and amorphous energy-saving eco-transformers, etc., to maintain the Company's industrial competitive advantages, and create excellent operating results.

The Company actively invests in ESG, upholds FORTUNE ELECTRIC CO., LTD. missions of safe employees, safe customers, safe shareholders and safe society, except valued operating income, and concerns about the issues of human rights, environmental protection, health and safety, and community involvement etc., strives for corporate governance and ethical operation, expands green energy business, takes corporate social responsibility, and does its duty of environmental sustainable coexistence. The Company considers regulation compliance and corporate governance as a primary core value, ensures sustainable operation and steady growth of FORTUNE ELECTRIC CO., LTD., creates a happy work environment, implements the diversification of board of directors members, and protects shareholders' equity. In conclusion, the Company will constantly root the core strength, develop intelligent manufacturing, seize the market opportunity, and invest in ESG to practice corporate sustainability as a purpose for satisfying the expectation of FORTUNE ELECTRIC CO., LTD. from all walks of life.

We look forward to all your continued support and encouragement.

Best regards,

Wish everyone good health and good fortunes!

Chairman Hsu, Bang-Fu

CEO Hsu, I-Sheng General Manager Hsu, I-Te

II. Company Profile

2.1 Date of Incorporation: August 26th, 1969

2.2 Company History

Time	Milestone
1969	● Fortune Electric was founded in Tu Cheng, Taiwan, manufacturing distribution transformers
1973	● Qualified as a Class A manufacturer of distribution transformers by IDB
1976	● Purchased land in Chung-Li Industrial Area for plant expansion use
1980	● Construction of the Chung Li Plant (Phase I & II) completed. Started manufacturing various types of transformers and electrical panels
	● Licensed with McGraw-Edison Company to produce power transformers up to 230 kV, 120 MVA
	● Qualified as a Class A manufacturer of 69 kV power transformers, 24 kV and 15 kV distribution transformers and switchgears by IDB
1981	● Rated as an "Excellent Quality Control Manufacturer" of transformers and switchgears by the Bureau of Commodity Inspection and Quarantine in Taiwan.
1982	● Became the 1st manufacturer of arresters and fuse cutouts in Taiwan.
	● To expand production lines, increased capital to NT$50,000,000
1983	● Implemented Company-wide Quality Control (CWQC) and factory-wide automation and rationalization
1984	● To manufacture new product, expand factory and manufacturing equipment, increased capital to NT$80,000,000
	● Completed the Phase III, IV and V factory expansion project of Chung Li Plant
1986	● Successfully lead the development of Metal Oxide Arresters in Taiwan's transmission and distribution market
	● Successfully developed Current Transformer and started producing
	● Cooperated with Meidensha Corp. in technology and introduced MCSG & VCB products to provide for Taiwan local market
1987	● Completed Phase VI factory expansion project of Chung Li Plant
	● Licensed with Takaoka Electric Manufacturing Ltd. to produce 69 kV and 161 kV Air Break Switch (ABS) and purchased manufacturing and testing equipment for 161 kV power transformer
1988	● Successfully developed Three-Phase Pad-Mounted Transformers and Stainless Steel pad-mounted transformers and started production
	● Expand factory to manufacture 161kV transformer, increased capital to NT$167,750,000
	● Licensed with Togami Electric Manufacturing Co., Ltd. of Japan to produce SF6 Gas sealed Load Break Switches
1989	● Successfully developed and started producing the following products: Exchangeable Fuse Cutout Switch, Cast Resin Dry Type Transformer and Heat-Shrinkable Salt-Proof Lightning Arrester
1990	● Adjusted the Company's internal organization to include 3 divisions: management, manufacturing and business development
	● Licensed with Hitachi Corp. Japan to produce power transformers up to 345 kV
1991	● Completed the 7th and 8th stage of expansion project of Chung Li plant; enhance production workflow and product lines to optimize production output
	● Acquired office building in Taipei and employee dormitories in Ta Yuan
	● Adjusted the Company's internal organization to include 4 divisions: management, manufacturing, business development and R&D
	● Licensed with ENCO, Austria to produce Cast Resin Transformers
1992	● To expand manufacturing capacity, purchased and constructed Kuan Yi Plant and increased capital to NT$400,000,000; obtained approval from Taiwan Securities and Exchange Commission (SEC) to complete supplementary procedures for classification as a public company
	● Promoted 6S (Sort, Set in Order, Shine, Standardize, Sustain, and Safety)
	● Promoted International Organization for Standardization (ISO) 9001 Quality Assurance system
	● Licensed with G&W Electric Co. of U.S.A. to supply SF6 Switches to Taiwan's market.
1993	● Further licensed with Takaoka Electric Manufacturing Ltd. to produce 69 kV

Time	Milestone
	1200A and 161 kV 2000A ABS and power transformer ● President of Fortune Electric, was honored with the Excellent Business Executive Award
1994	● Authenticated and approved by Bureau of Standards, Metrology and Inspection (BSMI), Ministry of Economic Affairs (MOEA), for ISO 9001 ● Completed construction of Guan Yin Plant, launched the manufacturing of up to 500 MVA 345 kV power transformers and successfully delivered these products to customer by end of year ● Successfully developed Three-Phase 2000kVA Model Cast Transformer; qualified for Tai Power standardization test and start production
1995	● Licensed with AlliedSignal Inc., U.S.A., to produce Amorphous Metal Core Transformer
1996	● Successfully developed the Gas Insulated Switch, the Amorphous Metal Core Transformer and Moulding Series Reactor; qualified for Tai Power standardization test and start production
1997	● The Company, approved by the Security Exchange Committee, started public stock offering from April ● Awarded the Trade Technology Development Award by the Ministry of Economic Affairs; awarded by Taiwan Association for Magnetic Technology for Contribution to Magnetic Technology Industry
1998	● Successfully developed Medium Pressure GIS; qualified for Tai Power standardization test and start production ● Granted registration of ISO14001 by BSMI, MOEA
1999	● Expanded Guan Yin Plant II, and completed the construction of Guan Yin Plant III for Switchgear production
2000	● Successfully developed High Pressure GIS; qualified for Tai Power standardization test and start production
2001	● Successfully developed Underground Automatic Line Switch; qualified for Tai Power standardization test and start production
2002	● Invested in Power Energy International Co., Ltd and re-invested Fortune Electric (Wuhan) Ltd. ● Successfully developed the 1st 161kV, SF6 Gas Insulated Transformer in Taiwan; qualified for Tai Power standardization test and start production
2003	● Successfully developed the 1st 161kV Series Reactor in Taiwan; qualified for Tai Power standardization test and start production
2004	● The Company was awarded of OHSAS18001 by BSMI, MOEA in September 2014Taiwan National Standard Bureau
2005	● To cope with new business needs and organization operational efficiency, Engineering Division (renamed as New Energy Engineering Division in 2011 to demonstrate the Company's aspiration) and Incubation Center ● Invested in and developed 161kV 80MVAR Reactor manufacturing ● Granted the subsidy with honor, through MOEA's special science project – Heavy Electric Project Engineering joint design & plan ● Developed the highest capacity Cast Resin Transformers 7500/9375 kVA in Taiwan
2006	● Established volunteer team (renamed as Volunteer Commission) to practice "Comfort the Society", part of Fortune Electric spirits, and to be in line with corporate governance by fulfilling corporate social responsibility
2007	● Developed the extra-large capacity Transformers 650MV, 1st of its kind in Taiwan ● Awarded the 1st Taoyuan County Evergreen Enterprise Excellence Award ● Awarded the Environment-Friendly medal for Amorphous Metal Core Transformers ● Awarded the 8th Industrial Sustainable Excellence Award, by MOEA, for dedication in Sustainable Evergreen Enterprise
2008	● Won the 9th place in export growth rate of Awards for Excellent Trading Businesses as well as import and export performance ● Ranked as the 380th in the import and export performance with certificate of Award for International Trade Outstanding Export/Import Business ● Awarded the "National Sustainable Development Award" of the Executive Yuan, demonstrating that the Company has been constantly operating the business with our management philosophy of "Quality, Participation, Welfare, and Continuity," and was exceedingly recognized by our government ● "Amorphous Alloy Multilevel Iron Core Bonded Construction" patent granted by Taiwan

Time	Milestone
	Intellectual Property Office (TIPO), MOEA ● Direct Sales of Sub-contract unit Non Yi of New Energy Construction Division won "Public Construction" Excellence Award by MOEA
2009	● Signed "Benevolent Enterprise Engagement Declaration", in response to the government policy, and joined Benevolent Enterprise task force ● Granted by TIPO, MOEA for "Amorphous Alloy Multilevel Iron Core Transformer", "High-Temperature Resistant Transformer Loop", "Three-Phase Five-Foot Iron Core Structure", and "Bent Plier" patents ● Direct Sales of Sub-contract unit Nan Hsin of New Energy Construction Division won "Public Construction Quality" Excellence Award by MOEA ● Expanded Corporate Social Responsibility in good faith, be neighborly, promoted "Fortune Electric Benevolent Bank" (giving away without returning) campaign ● Awarded by MOEA in appreciation of the 40th anniversary ● Built the largest Solar Photovoltaic Plant 4.6MW in Taiwan at Yong An Salt Wetland
2010	● Established Risk Management Department (later renamed as Risk and Legal management Department) to implement risk management related policy ● Developed and marketed exporting the 1st 345kV450MVA extra-large transformer ● Established Research & Development (R&D) center to deep plough technology, continue to innovate in new product development and technology ● Awarded 2010 Taiwan Magnetic Technology Industry Contribution Award ● Launched new product "Transformer Remote Monitor System" and was recognized with fame internationally
2011	● Aimed to "building a nest to attract phoenix", Fortune Electric University was founded ● In response to Pin Tung Country government calling for "Raise Water and Plant Power (to stop fish farming business to protect seawater and used the land for solar photovoltaic generation)", acquired plant building license from Pin Tung County government had completed it by end of 2011. Started to sell reusable energy to Tai Power from 2012 which best demonstrated the leading position in the market of power management integration ● Officially launched Yong Ang Salt Wetland Solar Photovoltaic Plant and total annual power generation was around 600 million kWh ● Established "Electric Vehicle R&D unit" to develop new business and research for new product ● Set up "Remuneration Committee", in accordance with relevant codes and regulations, to strengthen remuneration system for the Company's Directors, Supervisors and Managerial Officers
2012	● Successfully passed short circuit test of Three-Phase 230kV240MVA large-scale transformer, independently developed, designed, and manufactured by the Company, in the Netherlands ● Participated in the MOU signing press conference held at "Green Energy Taipei Technology City" of Taipei Technology University, demonstrating the R&D results in electric vehicle's charging and swapping power technology ● Established "Repair and Maintenance Agency Department" to unite Agent and repair and maintenance team ● Passed CESI 2500kVA short circuit test in the Italian laboratory which paved the way to march into Middle East and South African export markets ● Established "Skill & Legacy Center", to fully integrate and utilize retired executives' experience in management, technology, knowledge, and experience, and assisted cross-function units in management and all sorts of projects ● Verified and approved by third-party verification of carbon footprint and became the first company in the industry to have passed the carbon footprint verification ● Awarded with "Carbon Footprint Verification Statement of oil filled amorphous metal cord transformer" and became the 1st verified company in domestic Heavy Electric industry ● Selected as one of the key institutions for counseling in 1st "Mittelstand Leap Project", by Executive Yuan
2013	● To expand export business, Fortune Electric America Inc., was set up in California, US ● The Company's sub-subsidiary Fortune Electric (Wuhan) acquired Wu Han Hwa Rong Machinery Co. on Jan 2013, taking up 60% of the shareholding ● Became the 1st Electrical Heavy-duty company to obtain ISO50001 energy management

Time	Milestone
	system certification ● Established "Hitachi Fortune Transformer, Inc." jointly with Hitachi of Japan, with 40% shareholding. Built up factory in Taichung Harbor manufacturing 200MVA above or 500kV super high-voltage transformer, and marched into international market together ● Acquired "underground four-way automatic line switch" certification qualified manufacturer, 1st of its kind in Electrical heavy-duty industry ● Successfully developed a complete set of Electric Vehicle charging equipment including, DC speed charger, AC32A wall-hung and shaft charging boards, large size charging battery swap system…, etc., and already joined Taiwan International Electric Vehicle Exhibition
2014	● Passed ISO27001 certification (ISMS, Information Security Management System). Information security intelligence would be enhanced as well as the ability to cope with contingency whereby, breach of information security would be lower so that business operation could be continued ● Established "Smart Electricity Transmission Network Research Center" to cope with development trend of smart electricity network as well as actively keep up with relevant policies so that the Company still maintained competitiveness in the market while strengthening existing technical forces with advanced development ● Fortune Electric (Wuhan), Sub-subsidiary of the Company, setup "Wuhan Fortune Trade Co., Ltd.." ● Established "Raynergy Tek Inc." jointly with Polyera Co. in the U.S. and owned shareholding of 11.23% as financial investment ● Renamed "Risk Management Department", established in 2000, to be "Risk and Legal Management Department", on account of incorporating legal affairs into Risk Management Department's area of responsibilities
2015	● Fortune Electric America Inc. set up a Representative Office in Pennsylvania ● Established "Hitachi Fortune Transformer, Inc.", jointly with Hitachi of Japan, in Taichung Free Trade Port Area. Inauguration ceremony for new plant was held on May 28th, 2015, being the only factory manufacturing 500kV ultra-high level transformer and all products manufactured would be for export only, and was awarded the 69th Outstanding Foreign Merchant of 2015 ● Awarded the 1st Small Giant in the 2015 of "CommonWealth Magazine" CSR Corporate Citizen Award ● The "Talent Development Quality Management System" was certified as bronze award ● The Company has completed all sorts of charging piles equipment and software upgrade whereby through the intelligent cloud platform, provided charging station operators with different user experience as well as actively involved in intelligent electric vehicle carpool service associated plans, to realize the goal of an Intelligent City
2016	● The Company was recognized in Corporate Governance, Enterprise Commitment, Social Participation, and Environmental Protection and was awarded the 15th place in the 2016 of CommonWealth Magazine CSR Corporate Citizen Award ● The Company, jointly with Japan Yorokonde Co., and three other Japanese companies, established E-Total Link Co., Ltd (E トータリンク), with shareholding of 25%, mainly to acquire large solar photovoltaic plant "Power Construction" (110kV level) and expand export markets to Japan ● The Company was awarded "10th Service Quality Excellence Award" by Taoyuan City, for the Company's effort in continuously promoting corporate identity
2017	● Elected Director Hsu, Bang-Fu to be the Chairman, Director Hsu, Shou-Hsiung to be Vice Chairman in 2017 Board Meeting, conducted after Shareholders' Meeting ● The Company appointed Independent Directors and formed Audit Committee according to relevant codes to replace Supervisors' responsibility ● The Company employed one General Manager and one CEO to carry out the Board of Directors' resolution directives and governing the company's business individually ● Granted ISO45001 counseling by Bureau of Industry, MOEA, in June 2017 ● The 1st company ever in Taiwan to successfully develop ultra-low noise transformer 132kV-45MVA, a Noise-loading 45dB(A) (lower than NEMA standard: 3dB(A)) ● The Company was recognized in Corporate Governance, Enterprise Commitment, Social Participation, and Environmental Protection and was once again awarded the 13th place in the 2017 of CommonWealth Magazine CSR Corporate Citizen Award ● To develop Green Energy industry, the Company acquired Tai Power Solar Photovoltaic

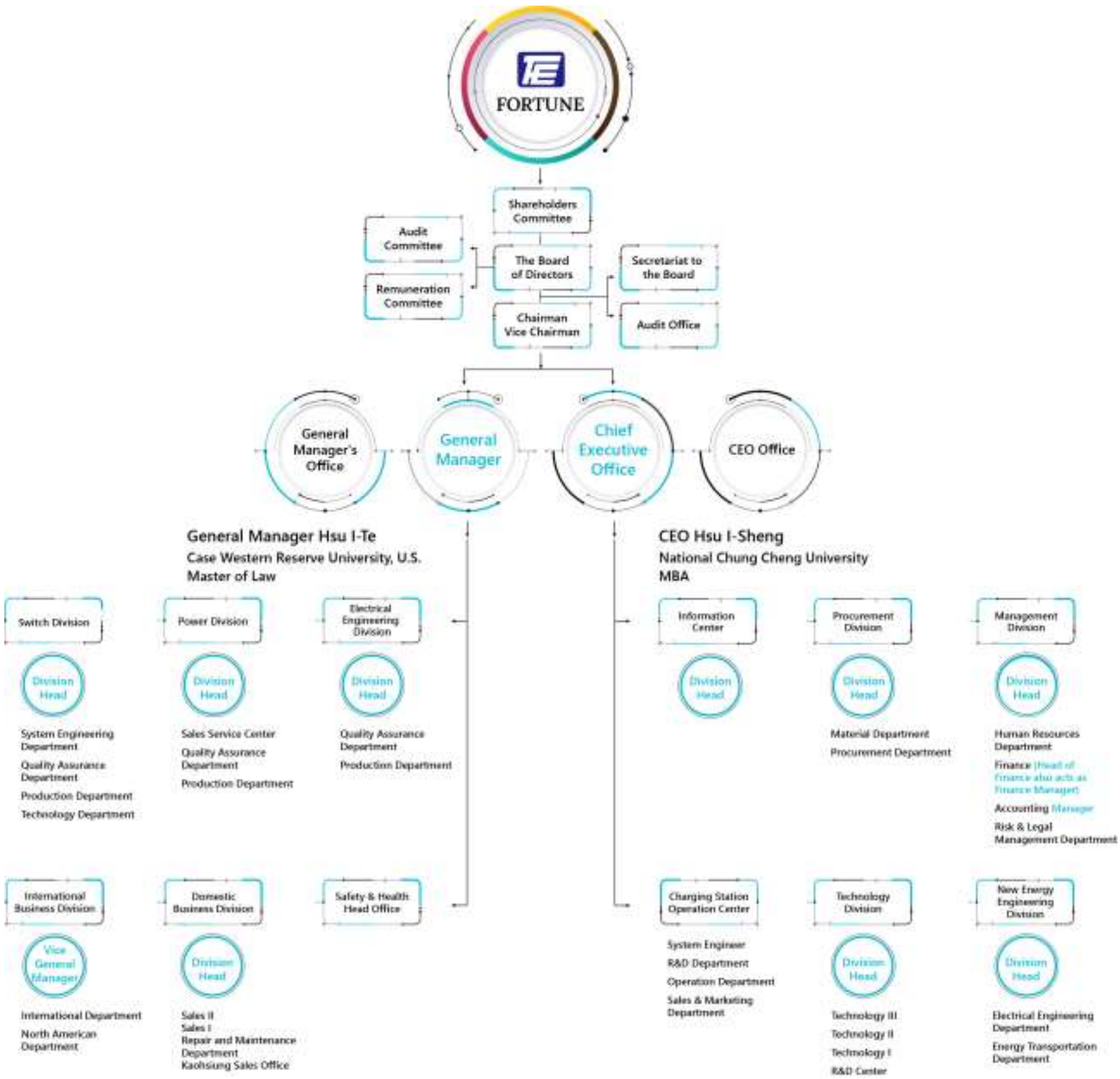
Time	Milestone
	Equipment Project in Zhangbin Industrial Park, Zhanghua. This projected was led by Chunghwa Telecom and would be the largest scale Solar Photovoltaic Plant in Taiwan with total power generation to be 100MW ● The Company won the 26th Taiwan Excellence Awards for newly developed products like, maintenance-free breathers, Smart Electricity Surveillance System, and super low-noise transformers ● Completed 1st set and Phase I of demonstrative set of offshore wind power generation pressure booster module for Formosa I Wind Power Co., Ltd
2018	● The Company's re-invested company, Hitachi Fortune Electric Co., produced 500kV super ultra-high voltage transformer has been certified by short-circuit test of KEMA of the Netherlands, which aided in expanding export markets ● Government promoted Electricity Transmission Network for energy storage system; the Company's EVI Center has established 1MW/1MWh grid-connected energy storage facility, the largest in Taiwan, to act in accordance with the demonstrative certification project of solar photovoltaic plant energy storage, and was the largest Photovoltaic grid-connected network ● The Company's EVI Center passed qualification of "The Smart City Taiwan" subsidy program by Bureau of Industry, MOEA, and proposed to integration IoT charging piles, city parking spaces, parking lots and charging operation as well as related service, to utilize service mode of diversified charging operation with Big Data analysis to solve lack of charging station issue ● In 2018, the Company was recognized in Corporate Governance, Enterprise Commitment, Social Participation, and Environmental Protection and was once more awarded the 15th place in the 2018 of CommonWealth Magazine CSR Corporate Citizen Award, and had been ranked top 15 for four consecutive years ● Awarded the highest honor award, Platinum Award for "2018 Multinational Innovative Technology Exposition" by noise reduction power distribution transformer ● Completed the project of setting up 50 sets of pressure booster stations Tai 100MW Power Solar Power Photovoltaic Equipment Project in Zhangbin Industrial Park
2019	● Joint Venture contract, between the Company and Hitachi Japan, of the company, Hitachi Fortune Transformer Co., Ltd., has ended. Hitachi Japan transferred equity stock shareholding and the Company now owned 100% shareholding ● Phase II of offshore wind power generation onshore transmission and transformation system construction has been completed in June 2019 and completed high voltage 161kV substation connected to grid ● Registration of Wu Han Hwa Rong Machinery Co., reinvested company of Fortune Electric (Wuhan) Co. has been cancelled in August 2019 ● Successfully transformed OHSAS 18001 to brand new ISO 45001 certification at Zhongli Plant, Guan Yin Plant II, and Guan Yin Plant III ● Continued keeping abreast of the trend, the Company actively developed Green Energy and acquired again the power generation onshore transmission and transformation system of Formosa I Wind Power Co., Ltd and Tai Power Phase VI Tainan Yen-Tien 69 sets of 150MWp Solar Photovoltaic pressure booster station ● Acquired Tai Power Phase I (109MW) offshore wind power construction project of 21 sets of transformers embedded in Hitachi Wind Power Tower, and power modules. By far, the Company was the only electric heavy-duty manufacturer to have achievements in offshore wind power system engineering, onshore electricity system engineering and wind power tower internal equipment building experience ● Completed Tai Power Optical Phase III (Zhang Kuang G/S) solar photovoltaic generation construction 100MWp, a good demonstrative index project with the highest capacity of Ground–mounted PV Systems ● Recognized by Taoyuan/Hsinchu/Miaoli branch of Workforce Development Agency, Ministry of Labor as outstanding enterprise for "2019 Power Up Plan (talent development training program within big corporation)" ● Produced and exported ultra-high voltage 530kV power transformers to the U.S., became the first transformer manufacturer in Taiwan with the technical capability to produce 530kV transformers and acclaimed itself as world-class electric heavy-duty company ● "Distribution Breathers" as well as "Smart Cooling system with transformers", and "Variable-frequency fan cooling energy saving system" won "Taiwan Excellence Award" and "2019 International Invention" Bronze Award, respectively

Time	Milestone
	● 2019 was the 50th anniversary of the Company. A celebration party was held in Pu-Hsin Farm in Yang Mei. Chairman inspired all employee to keep charging from 50 years to centennial
2020	● To set foot in regional small renewable energy electricity retailing industry market, the Company has reinvested by 100% and established Fortune Energy Co., Ltd.
	● The Company built up EValue charging station to tackle electricity transmission network operation with its 1st flagship station in Nehu. Fortune Electric demonstrated “Green Energy Charging Station” operating model by realizing one-stop charging of electricity generation, storing and consumption and got fully prepared for energy modulation in advance
	● To get localized for Australian market operation and to get to know customers better, the Company reinvested by 100% and set up Fortune Electric Australia PTY Ltd.
	● The Company participated in the largest solar photovoltaic power plant, Tainan150MW solar power plant 161kV transformation station system engineering construction and related equipment project and brought forward to start earlier with trial run by Apr 10th, 2020 of 40MW grid-connected network. Better yet, floating photovoltaic vehicle 5.6MWp gri-connected network was also ready earlier than expected on June 30th, 2020 and started into operation on March 31st, 2021
	● To assist Tai Power to stabilize power supply quality to Matsu, Outlying Islands of Taiwan, the Company participated Zhushan Oil Tank expansion construction and completed ahead of time on May 22nd, 2020 and started in operation on July 15th, 2020
	● The Company continued to participate relevant Technology Development Programs by MOEA, covering associated projects as product design technology, smart manufacturing applied in decision management, connected supply chain in manufacturing workflow. Awarded “1st Digital Transformation Model Award”
	● Awarded again in the “2020 Multinational Innovative Technology Exposition” of Gold Award by constantly innovate, research, and develop new product as well as improving and upgrading existing producs
	● The Company was awarded again the “2020 Taoyuan City Gold Enterprise Excellence Award – Mastermind Award” for the Company’s dedicated efforts in Taoyuan industry creativity as well as prospering jointly with Taoyuan, and further enhanced competitiveness and branding internationally
	● The Company joined Sin Jhong Solar Power Co., Ltd. of Da Ya Group for the 1st private large land modified Ground–mounted PV 76MW Solar Plant installing ultra-high voltage 69kV system booster station construction and provided relevant equipment. Grid-connected network power generation was initiated on December 8th, 2020
	● To set foot in renewable energy power generation business, the company invested in Xin He Energy Development Co., Ltd. And appointed General Manager Hsu, I-Te as corporate representative to serve as Director
2021	● Environment Health and Safety (EHS) team has been established on 2021 and started promoting EV100 Electric Vehicle and EP100 Energy Management System to promote corporate identity by encouraging energy waste reduction, optimization of energy usage and reduction of carbon waste

III. Corporate Governance Report

3.1 Organization

(1) Organization Chart



(2) Major Corporate Functions

General Manager's Office / CEO Office:

assisted General Manager / CEO in planning, execution of company business and development strategy, re-investment management, investment evaluation investigation & planning, and cross-departmental communication, and coordination

Audit Office:

company-wide overall business operation audit; exception analysis; recommendation for improvement

Information Center:

in charge of all operations' computerization and digitization; internal and external network system installation and maintenance; ISO27001 management system promoting unit meeting, internal audit, assessment execution and follow-up

Management Division

Accounting Department:

accounting & taxation management; accounting system execution; prepare financial statements and announcement; input data in Market Observation Post System website; monthly closing and annual final accounts

Finance Department:

capital management and control; payment tele-transfer, cash & check payment, cashier, bonds, land certificates, cash, and checks management

Human Resources Department:

staff recruitment, orientation, and human resources planning; remuneration, performance appraisal and employee training; Labor Insurance, National Health Insurance operation & handling

Risk & Legal Department:

legal contract review and consultation; established and implement effective risk management mechanism; continuously improving to create high-quality enterprise and assisted to fulfill operational targets

Domestic Business Division:

Business Unit I, Business Unit II, Repair and Maintenance Agency Department and Kaohsiung Business Station (including Kaohsiung and Taichung business sites):

domestic market development, maintenance & warranty and distributor of product, business goal fulfillment, order management, and payment collection

New Energy Engineering Division:

Engineering Audit Department, Electrical Engineering Department, and Energy Transportation Department:

coordination, planning, and execution of three system engineering system projects such as, electrical engineering, railway (MRT, Taiwan Railway, and High Speed Railway), and Green Energy (Solar Photovoltaic, wind power, energy storage, and SCADA); EVI power charging market management

International Business Division: divided into North America and International Department, in charge of export market development and import/export business management

Charging Station Operation Center:

Marketing Department, Operation Department, System Engineering Department, and Research & Development Department:

Electric Vehicle Charging station operation management related technology development and business goals fulfillment; research for new product, and new technology introduction; pre-sales and after sales service management

Technology Division:

Technology Unit I, and Technology Unit II:

design all power transformer, distribution board, and Cast Resin Transformers

Research and Development Center:

develop and research in product improvement, rationalization, automation, and production technique and integrate innovative capability

Electrical Engineering Division:

Production Department: manufacturing and production process inspection of all power transformer, distribution board, and Cast Resin Transformers

Quality Assurance Department: quality control & guarantee, inspection & testing, after sales service and quality-control education of all power transformer, distribution board, Cast Resin Transformers, and power distribution equipment

Power Division:

Production Department: manufacturing and production process inspection of all transformers, and manufacturing progress control

Quality Assurance Department: quality control & guarantee, inspection & testing, after sales service and quality-control education of all transformers

International Sales Service Center: assisted in installation of export products, providing solution and responses to customers' queries to satisfy customer needs

Switch Division:

Production Department: manufacturing and production process inspection of all power distribution boards, and gas insulated switchgear, and manufacturing progress control; equipment engineering project (offshore wind power integration project, outlaying islands' small-size power generator integration project and power distribution board equipment construction project) execution and management

Technology Department: design, development, improvement of product research, rationalization, automation, and production technique improvement of all power distribution boards, and gas insulated switchgear

Quality Assurance Department: quality control & guarantee, inspection & testing, after sales service and quality-control education of all power distribution boards and gas insulated switchgear

Equipment Engineering Department: execute and manage of equipment engineering projects (offshore wind power integration project, outlaying islands' small-size power generator integration project and power distribution board equipment construction project)

Procurement Division: coordinated procurement of raw materials, components and equipment as well as sourcing for new suppliers

Safety & Health Head Office: assisted in preparing, initiating and promoting all environmental, safety and health management affairs of all plants

3.2 Information on the company's directors, supervisors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units

(1) Directors of the Board

April 13th, 2021

Title	Nationality / Place of Incorporation	Name	Gender (M / F)	Date Elected / Representative Elected Date	Term (x Year)	Date First Elected / Representative First Elected Date	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Key Experience (Education)	Other Position in the Company and/or other companies	Executives, Directors or Supervisors Who are Spouses or within Two degrees of Kinship			Remarks (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	ROC	Hsu, Bang-Fu	M	109.6.12	3Y	68.7.27	19,631,986	7.52	19,030,782	7.29	13,511,221	5.18	0	0.00	Kyoto University, Japan Master of Civil Engineering	Fortune Electric Co., Ltd. Chairman Fortune Electric Extra High Voltage Co., Ltd. Chairman Fortune Energy CO., LTD Chairman Raynergy Tek Inc.Supervisor	Vice Chairman General Manager	Hsu, Shou-Hsiung Hsu, I-Te	Brothers Father & Son	Operational consideration
Vice Chairman	ROC	Hsu, Shou-Hsiung	M	109.6.12	3Y	58.8.26	23,047,720	8.83	22,903,419	8.77	9,617,034	3.68	0	0.00	Sungkyunkwan University, Korea Master	Fortune Electric Co., Ltd. Vice Chairman Hua Cheng Investment Corp. Chairman	Chairman CEO	Hsu, Bang-Fu Hsu, I-Sheng	Brothers Father & Son	Operational consideration
Director	ROC	Shu, Yi-Cheun	M	109.6.12	3Y	106.6.14	1,057,892	0.41	1,057,892	0.41	0	0.00	0	0.00	University of Southern California MBA	Formosa Oilseed Processing Co., Ltd. corporate representative Chairman & General Manager Central Union Oil Corp. corporate representative Director Lucky Eggs Co., Ltd. & Chung Hsiang International Co., Ltd. corporate representative Chairman	NONE	NONE	NONE	-
Director	ROC	Hsu, I-Sheng	M	109.6.12	3Y	100.6.10	2,804,169	1.07	2,948,470	1.13	10,000	0.00	0	0.00	National Chung Cheng University MBA	Fortune Electric Co., Ltd. CEO	Vice Chairman	Hsu, Shou-Hsiung	Father & Son	Operational consideration
Director	ROC	Hsu, I-Te	M	109.6.12	3Y	106.6.14	1,751,455	0.67	2,953,863	1.13	0	0.00	0	0.00	Case Western Reserve University, U.S. Master of Law	Fortune Electric Co., Ltd. General Manager Xin He Energy Development Co., Ltd.Director Fortune Electric Australia Pty Ltd Director	Chairman	Hsu, Bang-Fu	Father & Son	Operational consideration
Director	ROC	Weng, Jen-Pei	M	109.6.12	3Y	106.6.14	751,468	0.29	751,468	0.29	130,307	0.05	0	0.00	Sanno University, Japan Department of Sales	NONE	NONE	NONE	NONE	-
Independent Director	ROC	Hu, Len-Kuo	M	109.6.12	3Y	106.6.14	0	0.00	0	0.00	0	0.00	0	0.00	University of California, U.S. PhD and Master of Economics National Taiwan University Bachelor of Business Administration	Chung-Hua International Trade Association Chairman International Trade Department, National Chengchi University Adjunct Professor	NONE	NONE	NONE	-
Independent Director	ROC	Lei, Whey-Min	M	109.6.12	3Y	106.6.14	0	0.00	0	0.00	0	0.00	0	0.00	National Chengchi University Bachelor of International Business	Alumni of International Business, National Chengchi University Honorary Chairman	NONE	NONE	NONE	-
Independent Director	ROC	Liao, Chih-Hsiang	M	109.6.12	3Y	106.6.14	0	0.00	0	0.00	0	0.00	0	0.00	National Chengchi University Master of Accounting	Chainye Accounting Firm Partner Accountant	NONE	NONE	NONE	-

Note: Where the President or person of an equivalent post (the highest-level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, rationality, necessity thereof, and the measures adopted in response thereto must be disclosed.

1. Director, as major shareholders, of the institutional shareholders: NONE

2. Analysis of professional qualifications and independence the Directors

(Established Audit Committee, in accordance with regulations, in lieu of Supervisors)

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Hsu, Bang-Fu			✓	✓					✓	✓	✓	✓		✓	✓	0
Hsu, Shou-Hsiung			✓	✓	✓				✓	✓	✓	✓		✓	✓	0
Shu, Yi-Cheun			✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Hsu, I-Sheng			✓			✓		✓	✓	✓		✓		✓	✓	0
Hsu, I-Te			✓			✓		✓	✓	✓		✓		✓	✓	0
Weng, Jen-Pei			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hu, Len-Kuo	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lei, Whey-Min	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Liao, Chih-Hsiang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

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

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not being a person of any conditions defined in Article 30 of the Company Act.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

(2) **Information on the company's directors, supervisors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units.**

April 13th, 2021

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other positions in companies in which the Individual is concurrently serving	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	ROC	Hsu, I-Te	M	106.06.23	2,953,863	1.13	0	0.00	0	0.00	Case Western Reserve University, U.S. Master of Law	Xin He Energy Development Co., Ltd. Director Fortune Electric Australia Pty Lt Director	International Division Vice General Manager	Hsu, I-Ming	Brothers	Operation consideration
CEO	ROC	Hsu, I-Sheng	M	106.06.23	2,948,470	1.13	10,000	0.00	0	0.00	National Chung Cheng University MBA	NONE	Management Division Division Head	Hsu, I-Yang	Brothers	Operation consideration
International Division Vice General Manager	ROC/US/Canada	Hsu, I-Ming	M	106.11.06	921,968	0.35	0	0.00	0	0.00	University of Toronto, CA Bachelor of Software Engineering	Fortune Electric America Inc. Chairman Fortune Electric Australia Pty Ltd Director	General Manager	Hsu, I-Te	Brothers	-
Procurement Division Division Head	ROC	Sun, Shih-Ming	M	107.04.01	143,500	0.05	8,674	0.00	0	0.00	Chien Hsin University of Science and Technology Department of Electrical Engineering	Fortune Electric (Wuhan) Co., Ltd. Wuhan Fortune Trade Co., Ltd.. Chairman	NONE	NONE	NONE	-
Power Divison Division Head	ROC	Chu, Huei-Long	M	103.01.02	250	0.00	0	0.00	0	0.00	Minghsin University of Science and Technology Department of Machinery	NONE	NONE	NONE	NONE	-
Electrical Engineering Division Division Head	ROC	Ku, Fu-Chen	M	105.10.01	27,964	0.01	58,471	0.02	0	0.00	St. Aloysius Technical School Department of Technician	NONE	NONE	NONE	NONE	-
Head of Management Divion / Corporate Governance / Finance (Note 2)	ROC	Hsu, I-Yang	M	106.07.03	2,946,609	1.13	0	0.00	0	0.00	Abilene Christian University Master of Communications	NONE	CEO	Hsu, I-Sheng	Brothers	-
Technology Division Divison Head	ROC	Lee, Hsiao-Li	M	107.06.01	0	0.00	0	0	0	0.00	National Taipei University of Technology Department of Electrical Engineering	NONE	NONE	NONE	NONE	-
New Energy Engineering Division Divison Head	ROC	Wang, Yiao-Fan	M	107.06.01	0	0.00	40,020	0.02	0	0.00	University of Pittsburgh Master of Mechanical Engineering	NONE	NONE	NONE	NONE	-
Switch Division Divison Head	ROC	Tu, Cheng-Fah	M	107.10.01	0	0.00	1,000	0.00	0	0.00	Lunghwa University of Science and Technology Department of Electrical Engineering	NONE	NONE	NONE	NONE	-
Domestic Business Division Divison Head	ROC	Chen, Meng-Yueh	M	107.10.01	253	0.00	0	0.00	0	0.00	Minghsin University of Science and Technology Mechanical Engineering	NONE	NONE	NONE	NONE	-
Information Center Divison Head	ROC	Lin, Cheng-Chin	M	109.04.01	12	0.00	3	0.00	0	0.00	National Jinan University PhD, Business Administration	NONE	NONE	NONE	NONE	-
Accounting Manager	ROC	Chiu, Hsu-Lan	F	92.09.05	0	0.00	0	0.00	0	0.00	Tamkang University Department of Accounting	NONE	NONE	NONE	NONE	-

Note 1: The chairperson of the board of directors and the general manager or person of an equivalent post (the highest-level manager) of the Company are not the same person, nor spouses, nor relatives within the first degree of kinship.

Note 2: Former assistant manager of Finance department resigned on September 9th, 2020; interim deputy was Head of Management Division. Head of Finance department has been approved and appointed by the Board on November 9th, 2020 and would be effective from November 10th, 2020.

3.3 Remuneration paid during the most recent fiscal year to directors, supervisors, the general manager, and assistant general managers

(1) Remuneration of Directors and Supervisors in the Most Recent Year:

1. Remuneration of Directors and Independent Directors

Unit: NT$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note 1)
		Base Compensation (A)		Severance Pay (B)		Director's Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensatio						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company		All companies in the consolidated financial statements		The company	All companies in the consolidate d financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Hsu, Bang-Fu	14,747	14,747		-	8,100	8,100	322	322	5.06%	5.06%	-	-	-	-	-	-	-	-	7.33%	7.33%	NONE
Vice Chairman	Hsu, Shou-Hsiung																					
Independent Director	Hu, Len-Kuo																					
Independent Director	Lei, Whey-Min																					
Independent Director	Liao, Chih-Hsiang																					
Director	Shu, Yi-Cheun																					
Director	Weng, Jen-Pei	-	-																			
Director & CEO	Hsu, I-Sheng											9,953	9,953	0	0	426	-	426	-			
Director & General Manager	Hsu, I-Te																					

Please describe the policy, system, standard, and structure of remuneration to Independent Directors, and the correlation between duties, risk, and time input with the amount of remuneration:
Remuneration of the Independent Directors was construed, as stipulated in the Company's Articles of Incorporation, authorizing the Board of Directors to consider the level of operational involvement and contribution, and taking normal standards adopted by peer companies, that Directors' remuneration would not be more than 2%, as stipulated in the 27th article. within reasonable range.
* In addition to the above-mentioned, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors: NONE

Note: Chairman, General Manager and CEO were all provided with a limousine, with monthly payment paid to the rental car company.

Range of Remuneration for the Company's Directors	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Less than NT$ 1,000,000	Hsu, I-Te, Hsu, I-Sheng, Weng, Jen-Pei, Shu, Yi-Cheun	Hsu, I-Te, Hsu, I-Sheng, Weng, Jen-Pei, Shu, Yi-Cheun	Weng, Jen-Pei, Shu, Yi-Cheun	Weng, Jen-Pei, Shu, Yi-Cheun
NT$1,000,000 ~ NT$1,999,999	Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang
NT$2,000,000 ~ NT$3,499,999	-	-	-	-
NT$3,500,000 ~ NT$4,999,999	-	-	-	-
NT$5,000,000 ~ NT$9,999,999	Hsu, Bang-Fu, Hsu, Shou-Hsiung	Hsu, Bang-Fu, Hsu, Shou-Hsiung	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng
NT$10,000,000 ~ NT$14,999,999	-	-	-	-
NT$15,000,000 ~ NT$29,999,999	-	-	-	-
NT$30,000,000 ~ NT$49,999,999	-	-	-	-
NT$50,000,000 ~ NT$99,999,999	-	-	-	-
Greater than or equal to NT$100,000,000	-	-	-	-
Total	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng, Shu, Yi-Cheun, Weng, Jen-Pei, Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng, Shu, Yi-Cheun, Weng, Jen-Pei, Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng, Shu, Yi-Cheun, Weng, Jen-Pei, Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng, Shu, Yi-Cheun, Weng, Jen-Pei, Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang

(2) Remuneration of CEO and General Manager in the Most Recent Year:

1. Remuneration of General Manager and CEO

Unit: NT$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Hsu, I-Te	7,484	7,484	-	-	2,469	2,469	426	-	426	-	2.27%	2.27 %	NONE
CEO	Hsu, I-Sheng													

Range of Remuneration	Names of General Manager and CEO	
	The company	Companies in the consolidated financial statements
Less than NT$ 1,000,000	-	-
NT$1,000,000 ~ NT$1,999,999		
NT$2,000,000 ~ NT$3,499,999		
NT$3,500,000 ~ NT$4,999,999	Hsu, I-Sheng	Hsu, I-Sheng
NT$5,000,000 ~ NT$9,999,999	Hsu, I-Te	Hsu, I-Te
NT$10,000,000 ~ NT$14,999,999	-	-
NT$15,000,000 ~ NT$29,999,999	-	-
NT$30,000,000 ~ NT$49,999,999	-	-
NT$50,000,000 ~ NT$99,999,999	-	-
Greater than or equal to NT$100,000,000	-	-
Total	Hsu, I-Sheng、Hsu, I-Te	Hsu, I-Sheng、Hsu, I-Te

2. Remuneration of Managerial Officers in detail

December 31st 2020

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income (%)
Managerial Officers	General Manager	Hsu, I-Te	-	NT$1,732,000	NT$1,732,000	0.38 %
	CEO	Hsu, I-Sheng				
	International Division Vice General Manager	Hsu, I-Ming				
	Procurement Division Div. Head	Sun, Shih-Ming				
	Power Division Div. Head	Chu, Huei-Long				
	Electrical Engineering Division Div. Head	Ku, Fu-Chen				
	Head of Management Divion / Corporate Governance / Finance	Hsu, I-Yang				
	Technology Division Division Head	Lee, Hsiao-Li				
	New Energy Engineering Division Division Head	Wang, Yiao-Fan				
	Switch Division Division Head	Tu, Cheng-Fah				
	Domestic Business Division Division Head	Chen, Meng-Yueh				
	Information Center	Lin, Cheng-Chin				
	Accounting Manager	Chiu, Hsu-Lan				

(3) Comparison of Remuneration for Directors, General Manager, CEO and Vice Presidents in the Most Recent Two Fiscal Years and the ratio of the abovementioned total amount to Net Income in Individual Financial Statements, and the Remuneration policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and correlation between with business performance and risks.

1. Remuneration paid to Directors, General Manager, CEO and Vice Presidents were NT$30,530,000 and NT$28,469,000 and ratios of remuneration paid to the abovementioned Managerial Officers to net income were 6.67% and 6.93% in 2020 and 2019, respectively.
2. The compensation to Chairman, Vice Chairman, and the Directors were determined by the Board of the Company, authorized by what were stipulated in the Articles of Incorporation, in accordance with the individual performance and the market trends. The compensation is measured based on the employee’s personal achievements, contribution made to the business operation, and the market averages. The remuneration to General Manager, and CEO were stipulated in the “Remuneration Policy and Performance Appraisal for Managerial Officers.”

3.4 The state of the company's implementation of corporate governance

(1) Operations of the Board of Directors

1. A total of 7 meetings of the Board of Directors were held in 2020. The attendance status of director and supervisor was as follows:

Title	Name	Attendance in Person (times)	By Proxy	Attendance Rate (%)	Remarks
Chairman	Hsu, Bang-Fu	7	0	100%	
Vice Chairman	Hsu, Shou-Hsiung	7	0	100%	
Director	Shu, Yi-Cheun	7	0	100%	
Director	Hsu, I-Sheng	7	0	100%	
Director	Hsu, I-Te	7	0	100%	
Director	Weng, Jen-Pei	7	0	100%	
Independent Director	Hu, Len-Kuo	6	0	86%	
Independent Director	Lei, Whey-Min	7	0	100%	
Independent Director	Liao, Chih-Hsiang	7	0	100%	

2. Other mentionable items:

(1)If any of the following circumstances occur, all Independent Directors' opinions and the status of the Company's responses: NONE

1-1 Matters referred to in Article 14-3 of the Securities and Exchange Act

1-2 Other matters involving objections or reservations expressed by independent directors that were recorded or stated in writing that require a resolution by the board of directors

(2)If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

(3)Implementation Status of Board Evaluations

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	Jan 1st ~ Dec 31st 2020	Board of Directors Individual Directors	Self-evaluation by the Board of Directors Self-assessment by the Directors Peer evaluation	As defined in the "Scope of evaluation: Board of Directors and Individual Directors," evaluation will be conducted in accordance with the 5 aspects, as defined in the appraisal criteria

(4)Evaluation of Implementation Status for enhancing capability of the Board in Current Year and Most Recent Year:

1. The Company continued to enhance information transparency and disclose Corporate Governance related information to protect Shareholders' best interest.
2. To assist the Directors in performing their duties and optimize the efficiency of the Board, the Company has established "Performance Appraisal of the Board of Directors" in 2020. 2020 self-assessment results were summarized as below:

Evaluation Item	Evaluation Description	Result
Board performance evaluation	A. level of participation in company operations B. quality enhancement of Board decisions C. Board composition and structure D. appointment of directors and their continued development E. internal controls	Outstanding
Self-assessment by the individual Directors	A. grasp of company targets and missions B. understanding of the director's role and responsibilities C. level of participation in company operations D. internal relationship management and communication E. director's specialty and continued development F. internal controls	Outstanding
Functional committee performance evaluation	A. participation in company operations B. understanding of the responsibilities of functional committees C. improvement of the decision-making quality of functional committees D. composition of functional committees, and member selection E. internal control	Outstanding

3. To strengthen the functionality of Corporate Governance, the Company has elected 3 Independent Directors and has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties. In the future, other types of functional committees might also be established, if deemed necessary for accommodating business operating needs.

(2) Implementation Status of Audit Committee

The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company. Audit items were in accordance with the 8th Article in "Audit Committee Charter."

1. A total of 6 Audit Committee meetings were held in 2020. The attendance status of the Independent Directors was as follows:

Title	Name	Attendance in Person (times)	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Hu, Len-Kuo	5	0	83%	
Independent Director	Lei, Whey-Min	6	0	100%	
Independent Director	Liao, Chih-Hsiang	6	0	100%	

2. Other mentionable items:

(1) If any of the following circumstances occur, all Audit Committee resolutions and the status of the Company's responses:
1-1 Matters referred to in Article 14-5 of the Securities and Exchange Act

Board Meeting Dates	No	Resolution	Result
March 23rd, 2020	1st	Discussion: 1. 2019 Consolidated Financial Statements, Individual Financial Statements, and Business report 2. Status of buying / selling of Forward Foreign Exchange 3. Proposal for Distribution of 2019s 4. Drafted and initiated 2019 Internal Control System Statement	Proposal was approved upon consent of all members present and would be submitted to Board for further discussion. Proposal was approved upon consent of all members present and would submit to Board for further discussion. Proposal was approved upon consent of all members present and would submit to Board for further discussion. Proposal was approved upon consent of all members present and would submit to Board for further discussion.
May 11th, 2020	2nd	Discussion: 1. 1Q 2019 Consolidated Financial Statements 2. Status of buying / selling of Forward Foreign Exchange 3. Fortune Electric Extra High Voltage Co., Ltd., subsidiary of the Company, proposed to apply bank financing with Hua Nan Commercial Bank and two other financial institutions to accommodate business operational needs, and proposed to cancel application with Taishin Bank. Requested the Company to provide endorsement by company guarantee for bank financing guarantee 4. Fortune Electric (Wuhan) Ltd., sub-subsidiary of the Company, proposed to apply bank financing of RMB 10 million credit lines with Wuhan Branch of Taiwan Business Bank to accommodate business operational turnover needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee	Proposal was approved upon consent of all members present and would submit to Board for further discussion. Proposal was approved upon consent of all members present and would submit to Board for further discussion. Proposal was approved upon consent of all members present and would submit to the Board for further discussion. Proposal was approved upon consent of all members present and would submit to Board for further discussion.
July 24th, 2020	3rd	Discussion: 1. Status of buying / selling of Forward Foreign Exchange 2. Sold all shares of re-invested Fortune Electric (Wuhan) Ltd.,	Proposal was approved upon consent of all members present and would submit to the Board for further discussion. Proposed was approved upon consent of all members present. Suggested to amend purchase frame memorandum: replace all "Party A" with "Party A – the Parent Company" in Article 8.8 and Article 8.10. The rest proposals would be submitted to the Board for further discussion.
August 10th, 2020	4th	Discussion: 1. 2Q 2019 Consolidated Financial Statements 2. Status of buying / selling of Forward Foreign Exchange	Proposal was approved upon consent of all members present and would submit to the Board for further discussion. Proposal was approved upon consent of all members present and would submit to the Board for further discussion.
November 9th, 2020	5th	Discussion: 1. 3Q 2019 Consolidated Financial Statements 2. Status of buying / selling of Forward Foreign Exchange 3. Fortune Electric Extra High Voltage Co., Ltd., subsidiary of the Company, proposed to apply bank financing with Dah Chung Bills Finance Corp. and one other financial institution to accommodate business operational needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee 4. Fortune Electric (Wuhan) Ltd., sub-subsidiary of the Company, proposed to apply short-term bank financing of USD 3 million credit lines with E.SUN Commercial Bank to accommodate business operational turnover needs. Prior to completion of share transfer, requested the Company to provide endorsement by company guarantee for bank financing guarantee 5. Fortune Electric (Wuhan) Ltd., sub-subsidiary of the Company, requested the Company to continue to provide endorsement within USD 13 Million credit line quota and consented to use the credit line within total quota (5) Sold all shares of re-invested Fortune Electric (Wuhan) Ltd., transaction party changed (6) Investment proposal for Joint-Venture with Tai Power	Proposal was approved upon consent of all members present and would submit to the Board for further discussion. Proposal was approved upon consent of all members present and would submit to the Board for further discussion. Proposal was approved upon consent of all members present and would submit to the Board for further discussion. Proposal was approved upon consent of all members present and would submit to the Board for further discussion. Proposal was approved upon consent of all members present and would submit to the Board for further discussion. Proposal was approved upon consent of all members present and would submit to the Board for further discussion. Proposal was approved upon consent of all members present and would submit to the Board for further discussion.
December 7th, 2020	6th	Discussion: 1. Status of buying / selling of Forward Foreign Exchange 2. Fortune Electric Extra High Voltage Co., Ltd., subsidiary of the Company, proposed to apply bank financing with Dah Chung Bills Finance Corp. and one other financial institution to accommodate business operational needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee 3. Fortune Electric (Wuhan) Ltd., sub-subsidiary of the Company, proposed to apply short-term bank financing of RMB 8 million credit lines with Wuhan Branch of Taiwan Business Bank to accommodate business operational turnover needs. Prior to completion of share transfer, requested the Company to provide endorsement by company guarantee for bank financing guarantee 4. Investment proposal for Hsin Ho Energy Development Co., Ltd.	Proposal was approved upon consent of all members present and would submit to the Board for further discussion. Proposal was approved upon consent of all members present and would submit to the Board for further discussion. Proposal was approved upon consent of all members present and would submit to the Board for further discussion. All members present consented to amend the proposal to be as "to invest NT$252,750,000 to participate in this capital increase project" and suggested to the Company to conduct Due Diligence checks to ARK International Development to risk. The rest of the proposal was approved and would be submitted to the Board for further discussion.

1-2 Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

(2) If there are Independent Directors' avoidance of motions in conflict of interest and its status: NONE。

(3) Communication between Independent Directors, Internal Audit (IA) managers and CPA:

IA managers submitted monthly audit report to Independent Directors and would initiate direct communication, if deemed necessary. Participated in the routine quarterly Board Meetings and reported implementation status of audit matters. Internal Control Statement would be reviewed and approved by Audit Committee with onward submitting to the Board.

Communication between Independent Directors and Internal Audit (IA) managers:

Date	Key Points	Results
March 23rd, 2020 (Board Meeting & Audit Committee)	November 2019 to Jan 2020 Internal Audit execution status report 2019 Internal Control System Statement	Agreed for future reference Reviewed and agreed for submission to the Board
May 11th, 2020 (Board Meeting)	February to March 2020 Internal Audit execution status report	Agreed for future reference
July 24th, 2020 (Board Meeting)	April to May 2020 Internal Audit execution status report	Agreed for future reference
November 9th, 2020 (Board Meeting)	June to September 2020 Internal Audit execution status report	Agreed for future reference

Communication between Independent Directors and CPA:

Dates	Key Points	Results
November 9th, 2020 (Audit Committee)	CPA gave out explanation regarding 3Q 2020 financial, profit and loss status and communicated with the Company about 2020 financial statements' key audit findings.	No Comments
March 22nd, 2020 (Audit Committee)	CPA gave out explanation regarding 2020 financial, profit and loss status and communicated with the Company about 2020 financial statements' key audit conclusion report.	No Comments

(3) Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established the Corporate Governance Best-Practice Principles and its information has been disclosed on the Company's website	No deviation
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes, and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	V V V V		The Company has designated Spokesperson or Deputy Spokesperson to be responsible for investors' suggestions or disputes Shareholders' list provided by agent for stock affairs The Company has established "Supervision and Management of Subsidiaries" management procedure The Company has established "Management Procedures for Preventing Insider Trading."	No deviation
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		In the 20th Article in the Company's "Corporate Governance Regulation", it was stipulated that diversification was the key directive in Corporate Governance; the above-mentioned has been disclosed on the Company's website. The Company's current Board Members, Hsu, Bang-Fu, Hsu, Shou-Hsiung, Shu, Yi-Cheun, Hsu, I-Sheng, Hsu, I-Te, and Weng, Jen-Pei are all shrewd business leaders with sound operational judgement and management, crisis handling, and are all equipped with industry knowledge and international market views. Three Independent Directors, Lei, Whey-Min, Hu, Len-Kuo, and Liao, Chih-Hsiang, all elected for the current term, were lecturers at International Trade Department, National Cheng-Chi University, and were all familiar with global trading business and enterprise operation…,etc; amongst them, Lei, Whey-Min was CPA of Chainye Accounting Firm and would be very beneficial to the company when he got involved in terms of business management and corporate governance	No deviation
(2) Does the company, in accordance with the governing law, voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	Established Remuneration Committee in accordance with regulations and all Independent Directors served as committee members.	Will implement accordingly
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	V		The Company has established "Performance Appraisal of the Board of Directors" in 2020. Since then, Board evaluation was assessed every year and has completed declaration of appraisal results by 1Q of the following year.	No deviation
(4) Does the company regularly evaluate the independence of CPAs?	V		The Board of the Company reviewed independence of its certifying CPAs and requested certifying CPAs to provide "Declaration of Independence and Detachment", and do not have any financial interest or business relationship other than financial statement certification fee. Family members of the CPAs will not violate independence. CPAs would be appointed, with the aforementioned criteria being met, and their information would be disclosed on the Company's website. https://www.fortune.com.tw/Investor_governance_05.html#governance	No deviation
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V		In addition to the current Secretary to the Board, the Company also has established Corporate Governance supervisor to be responsible for Corporate Governance matters in 2021.	No deviation
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company provided detailed contact information in the "Stakeholder Area" section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels, such as Special Column, &As, Request-and-Reply…, etc. for all stakeholders to communicate with the Company. http://www.fortune.com.tw/tw/online01.asp	No deviation

6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		Stock Affairs Agency Department of Taishin International Commercial Bank。	No deviation
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company disclose and announce Annual Financial Statements within two months after end of each Fiscal Year and announced Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	 V V	 V	Please go to "Investor Service" on the Company's website. The Company has assigned an appropriate person to handle information collection and disclosure, and Spokesperson procedure has been established and implemented. The Company has established "Management Procedures for Preventing Insider Trading" as the basis for material information handling and the said procedure has been approved by the Board. The Company has reported annual financial statements within three months after the end of each fiscal year and made declaration accordingly. The Company announced and reported its financial statements for Q1, Q2, and Q3 within 45 days and filed monthly operating status 10th on every month.	No deviation No deviation Will implement according to regulations accordingly

8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)? Implemented in accordance with the regulation and no deviation.

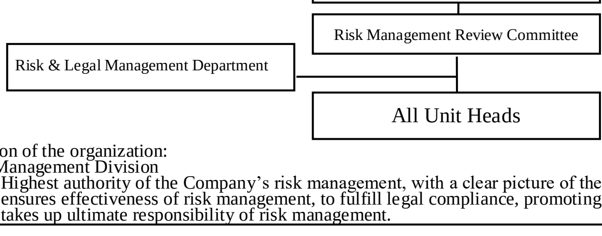
1. The Company has established "Corporate Governance Management Guidelines", **"Corporate Ethical Management" and "Ethical Management Procedure and Behavior Guidelines."** to be strictly in compliance with laws and regulations. To strengthen management system, employee service codes and associated procedures are summarized as below:
   i. Employee should be diligent, loyal, in compliance with the Company's management guidelines and adhere to the reasonable instructions made by supervisors and manages; managers of all levels should guide subordinates in a friendly way.
   ii. Company-wide, public properties should be handled with care to reduce loss or damage. Externally, business secrets as well as job confidentiality should strictly be abided by.
   iii. No taking advantage of position power and authority for your own or other people's personal benefits.
   iv. No taking bribes, gifts, kickbacks, or any unlawful gains.
   v. Be compliant with Labor Safety and Health Codes, maintain safety in worksites, and health and comfort of the environment.
   vi. If there's no written consent from the Company, employee shall not operate for himself/herself or a third party for business similar or same with the Company; nor shall employee be, shareholder with infinite responsibility, executive business shareholder, Director, Manager, or the corporation's named or secret partner, for same type of business as that of the Company.
   vii. No spreading of inappropriate speeches or pictures to result in affecting fulfilling labor contracts which led to tangible or intangible losses to the Company.
   viii. No fabricating, lying about attendance record nor reimburse or claim the expenses falsely.
   ix. No prejudices, namely, races, class of rank, language, thoughts, religion, political parties, origination, gender, marriage, appearance, facial features, disabilities, nor previous union membership will be cast upon when hiring employees/
   x. No hiring of child labor under 15 years old; following government policy and to continue to recruit retired people, middle-aged people, people with disabilities and indigenous residents.
   xi. Implement "Act of Gender Equality in Employment" and "Sexual Harassment Prevention Act" preventive measures.
   xii. Abide by "Work Rules" and committed in enterprise ethics and professional ethics establishment to maintain good labor relations
   xiii. Act in accordance with the 6th Article in New Act of "Occupational Safety and Health Act," that professional health management service system be promoted by the Safety and Health Department to enhance employee health and ensure friendly work environment and prevention of occupational disease from being occurred.
2. Established association and organize strategic alliance of Satellite Plant system to ensure material quality and delivery.
3. 2020 Directors and Managerial Officers' training records:

Name & Title	Sponsoring Organization	Course Names and Hours	Course attended	Total Hours
Hsu, Bang-Fu Chairman	Securities and Futures Institute	1. The 4th Industrial Revolution and how enterprises could navigate, adjust, and innovate (3H) 2. Strategy on Employee Remuneration and discussion on implementation (3H) 3. Fraud cases sharing of enterprise financial statements (3H)	1、2	6H
Hsu, Shou-Hsiung Vice Chairman			1、2	6H
Hsu, I-Te Director & General Manager			1、2 4、5	10H
Hsu, I-Sheng Director & CEO			1、2	6H
Shu, Yi-Cheun Director			1、2	6H
Weng, Jen-Pei Director			1、2	6H
Lei, Whey-Min Independent Director	Taiwan Listed Company Association	4. Post-pandemic Taiwan country governance (2H) 5. Taiwan's Opportunities and Challenges under new international dimension (2H)	1、2	6H
Hu, Len-Kuo Independent Director			1、3	6H
Liao, Chih-Hsiang Independent Director			1、2	6H

4. Risk management's organization framework, policy, and risk measurement standard implementation status:
   The Company established risk management organization and system based its mission statements: "Comfort Employees", "Comfort Customers", "Comfort Shareholders", and "Comfort Society." By way of integrating all potential risk in business management, finance and hazards to operation and profitability, through cost-effective methods, sufficient risk management would be provided to the Company's interested parties, shareholders, and other relevant groups.

■ Risk Management Mission:
Construct and implement effective risk management mechanism and continue to improve to create top-quality substance for enterprise and reach operational goals.

■ Risk Management Organization:
Based on risk management framework, adopted from ISO31000, the Company utilizes PDCA management cycle to set up risk management system. Authorized by the Board of Directors, Head of Management Division will be the chairperson of risk management, who oversees management organization operation and programs promoting. Please refer to the organization chart as below:



● Description of the organization:
(1) Management Division
Highest authority of the Company's risk management, with a clear picture of the risk (including legal risk) that the Company' is facing, that ensures effectiveness of risk management, to fulfill legal compliance, promoting and implementing overall risk management mechanism and takes up ultimate responsibility of risk management.

(2) Risk & Legal Management Department

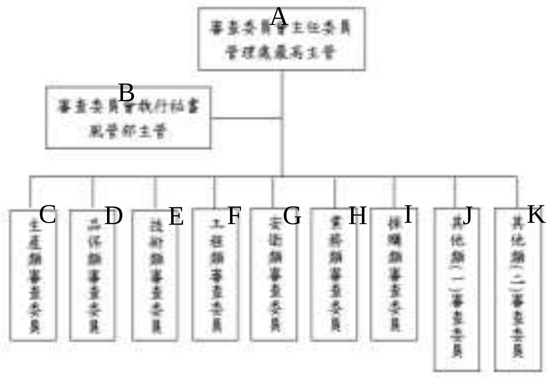
Risk management policy was made by Management division for Risk & Legal Management Department to execute and further assist all departments to set up risk management goals as well as enhancing control over risk management activities, while urging all to reduce legal risk exposures. After periodic supervision all departments' risk exposures, Risk & Legal Management Department will submit evaluation report to all Heads of Divisions and Risk Management Review committee.

(3) Risk Management Review Committee

Risk Management Review Committee was composed by all departments' experts (please find below chart for details.) Risk Review meeting will be held regularly, to implement full involvement of risk management policy and to broaden benefits of risk management system as well as minimize risk of information asymmetry. Risk information and intelligence collecting system has also been set up for the Company to keep abreast of internal and external relevant risk information to benefit from risk prevention.

(4) All Unit Heads

All Unit Heads hold responsible for 1st line of risk management defense, and will identify, analyze, evaluate, assess, handle and supervise concerned unit's internal risk, to ensure risk management mechanism and procedure were effectively implemented.



A	Review Committee Chairperson Head of Management Division
B	Review Committee Executive Secretary Head of Risk Management
C	Production Review Member
D	Quality Assurance Review Member
E	Technology Review Member
F	Engineering Review Member
G	Safety and Health Review Member
H	Sales Review Member
I	Procurement Review Member
J	Other Category (I) Review Member
K	Other Category (II) Review Member

- All operating mechanism of risk management

To engage effectiveness of risk management execution, all roles and responsibilities, have been categorized and defined as below table:

Responsible Authority	Task Items
CEO Office / General Manager Office	Assist cross-unit and all level of risk management communication and coordination
Audit Office	Supervise and audit all units to confirm whether risk management operation is in place
Management Division	Lead the formation of the Company's risk management mechanism Promote and supervise overall risk management plans Assess and evaluate risk profile of the Company and risk appetites of all business groups
Management Division Risk & Legal Management Department	Establish standardize risk management tools Assist in identifying and analyzing all departments' risk Evaluate over company risk (including legal risk) Assist in handling all departments' of extremely risky events and high-risk events Assist in handling all professional risks and company strategy risk
Management Division Human Resources Department	Assist in promoting risk management corporate culture Set up all departments' risk management related performance KPIs
Management Division Finance Department	Assist the Company in financial risk management
Divisional Heads	Establish responsible unit's risk management plans and goals Evaluate responsible unit's applicability of risk management Assist in supervising and controlling all departments' risk
All Units' Head	Evaluate effectiveness and consistency of risk management plan in practice Responsible for identifying, analyzing and supervising responsible unit's risk
Employees	Communicate with supervisor the risk associated with responsible business Clearly understand the importance of responsible business' risk profile
Review Committee Members	Assist Risk Management Department in handling risk management relevant tasks Identify and analyze overall company integrated risk events Evaluate effectiveness of overall company integrated risk events

● Risk Management Matters and management framework

	Major Risk evaluation matters	Risk Management Responsible Authority	Risk Review and Control	Decision and supervision mechanism
1.	Strategic risk: industry, strategy, annual targets, business environment, reputation, and human resources, …, etc.	CEO Office, General Manager Office, Domestic Business Division, International Business Department, New Energy Engineering Business Division, Management Division, Charging Station Operation Center	All Division Heads, CEO Office、General Manager Office、Risk Management Review Committee	The Board of Directors：highest directing unit for giving instruction and making decision Audit Office：Confirm whether corporate risk management mechanism is in place
2.	Operating risk: workflow, job safety, product quality, sales & marketing, suppliers, …, etc.	CEO Office, General Manager Office, Electrical Engineering Division, Power Division, Switch Division, New Energy Engineering Business Division, Safety & Health Department, Procurement Division, Domestic Business Division, International Business Department, Technology Division, Management Division, Charging Station Operation Center		
3.	Financial risk: capital, credit line, inventory, and bad debts, ..., etc.	CEO Office, General Manager Office, Domestic Business Division, International Business Department, New Energy Engineering Business Division, Procurement Division, Management Division, Electrical Engineering Division, Power Division, Switch Division, Charging Station Operation Center		
4.	Information risk: R&D capability, information security, internal/external information communication, knowledge transformation, and legal related, …, etc.	CEO Office, General Manager Office, Technology Division, Domestic Business Division, International Department, Management Division, Information Center, Switch Division, Charging Station Operation Center		

■ Risk Management Policy and measurement criteria:
In 2010, the Company's Board of Directors passed Risk Management Commitment and Risk Management Policy. Management Policy mandates are as below:

● Corporate Value Creation
Prevent possible risk by optimizing customers and shareholders' interests as well as in line with corporate operating directives, whereas seeking balance between risk and reward and created benefits for all.

● Pursuit of Corporate Sustainability
Establish and promote Risk Management System to effectively identify, analyze, evaluate and handle all risks resulting from business engagement, and supervise and review its operating results. Ensure risk lies within the risk appetite of associated stakeholders to fulfill corporate sustainability.

● All-participating Risk Management
Through corporate commitment and risk management mechanism, from top to bottom, to reinforce employee riskawareness. From bottom to top, through employee training, cultivation of employee risk management capability, to create corporate risk management culture as well as implementing risk management in all employee's daily life and work so that risk management is embedded in company operation.

■ All risk management matters and detailed assessment operation description, please refer to page 189 and page 190 for details. The Company has committed to govern all company products, workflow and activities are in accordance with what's stipulated and defined in ISO31000.

■ On December 7th, 2021, risk management implementation progress was reported to the Board of Directors:

● Risk management task were conducted on schedule:
From identified risk matters, pinpoint items with larger impact or needed timely improvement, and provide improvement plans. In addition, continue to exercise control over risk matters not yet submitted improvement plans; for those risk matters with low to middle risk levels, all units will exercise control individually and report to Risk & Legal Management Department.

● Risk Management Training implementation: up to end of October 2020, for newcomer training and to-be-manager training, there were 125 people being trained with accumulated training hours of 185 hrs.

● 2020 risk management results: completed 60 risk handling strategies and after assessment, 95% of risk matters had been reduced with effective controls.

5. The Company has established "Management Procedures for Preventing Insider Trading", in accordance with "Internal Control System Handling Procedure Amendment", which included defining range of internal material information affecting share prices, confidential handling and measures prohibited for selling and buying prior to internal material information affecting share prices made public and such material information's description, time, ways of communication and personnel, in order to prevent violation of insider trading occurrences.

6. For the Company's Directors and Managerial Officers to commit in business management comfortably, we have arranged liability insurance of USD 5 million for the Directors and Managerial Officers.

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures:
1. To reinforce the Board's structure and operation, the Company has established Audit Committee to replace Supervisors' functions.
2. The Company has been rated grade A for TWSE/TPEx Listed Companies in information transparency for many years consecutively. Governance self-assessment criteria included the following four categories: "protect shareholders' best interest and treat them fairly", "reinforce the Board's structure and operation", "enhance information transparency", and "fulfill Corporate Social Responsibility." The Company ranked 21%-35% and 36%-50% in the 4th/5th sessions and 6th/7th sessions, respectively.

(4) Composition, Responsibilities and Operations of the Remuneration Committee

1. Members of Remuneration Committee

Position (Note 1)	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Lei, Whey-Min	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Hu, Len-Kuo	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Resigned from Independent Director post of KGI from June 14th 2019
Independent Director	Liao, Chih-Hsiang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Position: please fill in "Director", "Independent Director" or "Other"

Note 2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Law.

2. Operating information and state of Remuneration Committee

(1) There are 3 members in the Remuneration Committee, composed of by all the Independent Directors.

(2) Current term of the members: June 12th, 2020 ~ June 11th 2023. Two Remuneration Committee meetings were held in the Most Recent Year.

The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Lei, Whey-Min	2	0	100%	Roles & Responsibility were established in accordance with what was stipulated in "The Independent Director's Roles and Responsibility".
Committee Member	Hu, Len-Kuo	1	0	50%	
Committee Member	Liao, Chih-Hsiang	2	0	100%	

3. Other mentionable items:

Remuneration Committee	Motions and follow-up processing	Result	The Company's response regarding Remuneration Committee's opinions
The 6th time of the 3rd Term March 23rd, 2020	Amendment of rules of organization of the Company's Remuneration Committee	Motion was approved upon consent of all members present	To be implemented in accordance with Remuneration Committee's opinion
	The Company's 2019 Distribution of Directors and Employee Remuneration amount and distribution methods	1. All members present agreed unanimously to delete a word "De" in the description and rest would be approved as per proposed. 2. To submit to the Board of Directors for discussion.	To be implemented in accordance with Remuneration Committee's opinion
The 1st time of the 4th Term August 10th, 2020	Bonus distribution to the Managerial Officer who completed and closed the project of the Company's Ocean Phase II offshore wind power Ground–mounted PV Systems	Motion was approved upon consent of all members present	Except for Director, Hsu, I-Te, and Independent Director, Liao, Chih-Hsiang who left the meeting earlier without participation of voting, the rest Directors present approved the proposal as it was. In addition, rewards would not be duplicated and therefore, all related personnel needed to avoid repeated distribution, when calculated the rewards at the end of the year. Meanwhile, rewards proposal for 3W1880 needed to take the following things into consideration: the overall profitability of the company, ratio of goal fulfillment and reward distribution, entitled rewards of executives, and fairness in rewards and punishments. With all these aforementioned taken into account, then, submit the proposal to Remuneration Committee for discussion.
The 2nd time of the 4th Term November 9th, 2020	Amendment of providing other material and allowances of The Company's Managerial Officers	Proposal was approved upon consent of all members present and would be submitted to Board for further discussion.	Execute in accordance with Remuneration Committee member's opinion

(5)Fulfillment of Corporate Social Responsibility:

Item	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Abstract	
(1) Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	V		The Company established risk management organization and system based its mission statements: “Comfort Employees”, “Comfort Customers”, “Comfort Shareholders”, and “Comfort Society.” By way of integrating all potential risk in business management, finance and hazards to operation and profitability, through cost-effective methods, sufficient risk management would be provided to the Company’s interested parties, shareholders, and other relevant groups. From the Company’s annual business plans to identify all business division somewhat integrated risk with greater level and seek for effective countermeasures to prevent occurrence of risk matters.	No deviation
(2) Does the company establish exclusively (or concurrently) dedicated first-line managers, authorized by the Board, to oversee and propose the corporate social responsibility implementation status and reporting to the board?	V		The Board of Directors authorized Management Division to set up a “Volunteer Commission Team” to promote neighborly and charity activities; every quarter, VC Team would report to The Board of Directors, routinely updated activities in the website platform and published in the Company’s periodicals and publications. Annual operating plan fulfilling corporate social responsibility has been tied in with individual KPI performance appraisal and remuneration.	No deviation
(3) Environmental issues 1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		The Company has adopted ISO14001, according to industry characteristics to have environmental management system in place. We execute production waste management, waste reduction and disposal, as well as resource recovery from waste, …, etc., and obtained ISO14001 Environmental Management System certification in 2017.	Implemented in accordance with the regulation and no deviation.
2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		The Company has developed recycling equipment for Green House Gas (GHG) SF6; recycling mechanism is in place for production, inspection and repair and maintenance to reduce the impact of environment overload to the minimum. For the use of insulating oil, some manufacturing of transformer could use recyclable insulating oil, such as plant oil for which the transformer will become more environmentally friendly. Regarding our supply chains, some vendors also cooperated with us and recycle some of their products, which also helped to reduce the impact on the environment.	Implemented in accordance with the regulation and no deviation.
3) Does the company evaluate the potential risks and opportunities in climate change with regards to the present and future of its business, and take appropriate action to counter climate change issues?	V		The Company adopted ISO50001 and emphasized issues’ resolution and responses pertinent to the stakeholders. Potential risk and opportunities have been identified to counteract and improve, projects for power, oil and water consumption have been arranged to manage resources, water recycling, resource recovery from waste and carbon footprint to best demonstrate corporate responsibility execution results.	Implemented in accordance with the regulation and no deviation.
4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	V		The Company promoted ISO14001及ISO50001, with the intention of setting up goals in environment protection, energy reduction, to dutifully fulfill social responsibility. The Company established recycling system of SF6 residual steel bottom, factory paint equipment and method improvement, and conducted inventory checking on Green House Gas, water consumption and waste total weight. Through third party certification as well as management configuration of the system, we have set our target for electricity saving of 1%.	Implemented in accordance with the regulation and no deviation.
(4) Social issues 1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The Company complied with relevant codes of Internal Human Rights, such as Basic Labor Rights, Gender Equality, Right-to-Work and Anti-Discrimination strictly. Implemented recruitment and employment terms, cared for Underprivileged Groups, prohibition on employment of child labor, fair and equal in compensation, benefits, training, and evaluation. An effective and appropriate complaint mechanism has been provided to ensure the fairness and transparency in complaint handling, including setting up of “Work Rule” by relevant codes as well as all sorts of management procedures and further to disclose in communication platform for all to reference to.	Implemented in accordance with the regulation and no deviation.
2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		In accordance with the Company’s “Comfort Employee” and upholding “Quality, Participation, Welfare, and Continuity” management principles, in addition to comply with relevant labor codes and acts, we have established “Welfare Committee” to handle all sorts of employee benefits measures as well as human resources management procedures including employee retention, training and development, promotion, year-end bonus and employee remuneration, which were all reflected in employee compensation and benefits.	Implemented in accordance with the regulation and no deviation.

Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Abstract	
3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		The Company conducted planned environment inspection and equipment maintenance as well as setting up EHS employee health and safety information platform website to promote a safe and healthy working environment by adopting 3 management systems, ISO45005, ISO14001and ISO50001. Budget has been allocated to periodically implement healthy promoting plan and safety and healthy seasonal activities.	Implemented in accordance with the regulation and no deviation.
4) Does the company provide its employees with career development and training sessions?	V		Established a sound training quality management system including, newcomer orientation, pre-service training, on-the-job training, all sorts of career capability trainings. And linked with capability deficiency training and promotion mechanism.	Implemented in accordance with the regulation and no deviation.
5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V		Products were designed according to relevant conformity of countries and would only be ready for market sales after passing related certification. Please contact all branch office's toll-free hotlines. For details, please refer to our website: http://www.fortune.com.tw/tw/about05.html	Implemented in accordance with the regulation and no deviation.
6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights?	V		As stipulated in the procurement operating procedures, suppliers of Fortune Electric must observe relevant regulations of ISO, OHSAS and RoHS, and ensure restricted use or prohibited use of the 6 major hazardous matters, as defined in RoHS. As stipulated in IP2036, "Suppliers' safety and health management procedure", with suppliers' sound work safety and health measures, accidents would be reduced. By doing so, staff, equipment and property were kept safe and occupational hazards would be reduced and further minimize the impact to the environment. By way of counseling system, suppliers over all awareness of all sort of safe and health have been lifted and to maintain safety in our working environment. The Company has signed "Environment and Occupation Safety Cooperation Commitment" of 1W1611, which demonstrated our commitment in reducing and preventing of pollution, our continuity in promoting waste reduction as well as our determination in compliance with relevant environmental codes. For occupational safety, hazard prevention and self and others' protection policy have been in place for all to understand potential risk in all sorts of activities whereby risk would be reduced. To be in line with the requirement of the Company's environment and occupational safety and health procedures, ISO50001 adoption has been adopted to be one of the main criteria in supplier selection. It is clearly stipulated in the contract with suppliers that relevant codes must be observed in environmental health and safety; suppliers should uphold the spirits of corporate social responsibility and reduce operational impact to environment, community as well as humanity. Further, concept of sustainable consumption has been promoted and introduced and the following principles in R&D, procurement, production, operation, and services have to been observed accordingly: 1. Reduce product and service's waste of energy and resources. 2. Decrease emission of contaminated material, toxic matters, and waste and shall handle and dispose of waste properly. 3. Increase material or product's recyclability and reusability. 4. Fully maximize reusable material for sustainability. 5. Extend product durability. 6. Increase product and service effectiveness. Both parties strive to commit in implementing corporate social responsibility. Should Party B involve in violation of corporate social responsibility matters, or created explicit impact against the community and society, the contact may be terminated or cancelled immediately. To reinforce supplier quality management mechanism and further to implement source of supply's impact against environment and society, suppliers and material development roles and responsibilities have been stipulated in 1W1832 (Supplier quality construction management) with the aforementioned relevant operational guidelines, to jointly fulfill corporate social responsibility.	Implemented in accordance with the regulation and no deviation.
(5) Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third-party verification unit		V	The Company has yet to prepare Corporate Social Responsibility Report. Will implement in accordance with relevant codes and acts.	Will implement in accordance with regulation.
(6) Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies: The Company has established "Corporate Social Responsibility Codes of Practice" for all employees to adhere. Volunteer programs were held randomly, aiming to foster employees' awareness of corporate social responsibility. While engaging in business operations, the Company actively fulfills Corporate Social Responsibility to cope with international trend and pay attention to the rights of Interested Parties. The Company is seeking sustainability and profitability as well as high regards for environment, and corporate governance. These are the Company's management directives and operational activities: We uphold "Comfort Employee", Comfort Customer", "Comfort Shareholders" and "Comfort Society" missions and dedicate ourselves in Corporate Governance, rights of stakeholders;				

Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Abstract	

while pursuing sustainable business and profitability, we care about environment and social responsibility and ethical management and incorporate these important ideas into our management directives and operating activities. We expand Green Energy business and dutifully fulfill corporate social responsibility and sustainability. There is no deviation between actual operation and guidelines.

(7) Other useful information for explaining the status of corporate social responsibility practices:

The Company upholds operating concepts of "developing high-quality, and beneficial to human beings' product, supplying to the society with abundant quantity and reasonable prices, to improve society, making profit, benefiting employees, pursuit of happiness, sharing prosperity and peace in harmony." In other words, "Comfort Employees", "Comfort Customers", "Comfort Shareholders", and "Comfort Society" are our mission statements.

The Company solves customer and society problem in power supply with high quality, benefit the society directly and dedicated to power business the most by fulfilling corporate social responsibility, and is in harmony with the environment, by producing Green Electrical Engineering environmentally friendly products.

To understand stakeholders' reasonable expectations and needs, a special section for information asking and opinions for stakeholders has been placed in corporate website: **http://www.fortune.com.tw/tw/online01.asp**

The Company adopted the following measures to fulfill social responsibility as well as be neighborly and care for the society:

i. Major shareholders established a foundation for founder Mr. Hsu, "Mr. Hsien-Liang Hsu Social Welfare Charity Foundation", engaged in scholarships for underprivileged students and social welfare matters.
ii. Join Taoyuan County's harmony plan and renamed the foundation as "Taipei Hsien-Liang Hsu Social Welfare Foundation Fortune Electric Taoyuan Plant Volunteer Committee", to promote for handicapped, juvenile, family, senior citizens, children and composite benefits volunteering service work, as well as participating Taoyuan City's charity donation and all sorts of non-profit charity activities. For details, please refer to our corporate website: http://www.fortune.com.tw/emp/charity/index.asp
iii. Donation to Tunghai Rotary Club and Yoneyama Rotary Club for social charity relief.
iv. Participated in Kuan Yin District neighborly activities, by promoting "Fortune Electric Benevolent Bank" (giving away without returning) campaign, subsidizing middle-to-low income holders, and further dedicated in underprivileged, child care, adoption, community blood-donation, school donation, beach & mountain cleaning, street cleaning and drainage dredging project.
v. In response to government's calling and developed tree plant to counter global warming, environmental earth-loving, …, etc. activities.
vi. Cooperated with Taoyuan City government and executed O3 improvement plan, demonstrating real action to preserve earth.
vii. Joined Taoyuan City factory neighboring river, Kuan Yi Stream's adoption program, and passed down environmental protection and water resources concepts to employees, expecting to fulfill environment protection and earth-loving cultural heritage.
viii. To cooperate with Tai Power necessity-reaction plan, by enhancing Tai Power's operating reserve capacity during summer peaks, to adapt to Industrial Area's power consumption with dexterity.
ix. Collaborating between industry and academia and all sorts of cooperation project, to provide students with on-the-job training, part-time job and internship.
x. Fulfill corporate responsibility and recruited R&D and training reserved Substitute Services, to incubate R&D technology talents with special skillsets.
xi. Participated in government's career promotion fair and reward program, to provide more job opportunities and lower unemployment rate.
xii. In response to government's policy, provide job opportunities to the underprivileged, disabled, indigenous peoples, middle-aged people, and all sorts of training subsidy projects to fulfill social responsibility.
xiii. Set up Emergency power-restoration service system and provided customers with the shortest time to restore power supply in all-year-round.24hrs service, to fulfill "Comfort Society" Fortune Electric spirits
xiv. The Company was awarded the 18th place in the 2015 of CommonWealth Magazine CSR Corporate Citizen Award
xv. The Company was awarded "10th Service Quality Excellence Award" by Taoyuan City
xvi. From 2015 to 2018, the Company was awarded by CommonWealth Magazine for CSR Corporate Citizen Award, best demonstration of the company's operating results in Corporate Governance, Enterprise Commitment, Social Participation, and Environmental Protection.
xvii. The Company was awarded again the "2020 Taoyuan City Gold Enterprise Excellence Award – Mastermind Award" for the Company's dedicated efforts in Taoyuan industry creativity as well as prospering jointly with Taoyuan, and further enhanced competitiveness and branding internationally

(6) Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract	
1. Establishment of ethical corporate management policies and programs				
(1) Does the company have a Board-approved Ethical Corporate Management Policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	V		The Company has established "Ethical Corporate Management Guidelines" and "Ethical Management Operation Procedures and Conduct Guide.", being approved by the Board of Directors, stipulated explicitly in internal rules and external documents about ethical management procedures and methods for all Board Members and management to commit and uphold.	Implemented in accordance with the regulation and no deviation.
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established "Ethical Management Operation Procedures and Conduct Guide.". in accordance with 2nd item of 7th Article in "Ethical Corporate Management Guidelines" to define code of conduct to abide by and routinely make use of all meetings, occasions, and periodicals to strengthen promotion and training to avoid unethical behaviors occurrence.	Implemented in accordance with the regulation and no deviation.
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	V		The Company's "Ethical Corporate Management Guidelines", clearly set forth ethical corporate management practices to prevent unethical behaviors in detail, included procedures, guides and training. "Whistleblower protection and report procedures", including penalty and complaint system, and implementation.	Implemented in accordance with the regulation and no deviation.
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		Established "Business Standard Operating Procedures" to conduct credit checking in JCIC and reputation in the industry on business partners prior to transaction being taken places, filtrate parties with unethical records to lower transaction and payment collection risk. Ethical fulfillment terms have been incorporated in the Company's standard contracts. It is stipulated in the Company's procurement strategy that" Filter out substandard supplier and provide high quality suppliers details to design unit and factory" to avoid doing business with supplier with unethical records.	Implemented in accordance with the regulation and no deviation.
(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?		V	To strengthen ethical corporate management, Human Resources Department and Risk & Legal Management Department oversee establishing ethical corporate management policy and preventive measures whereas Risk & Legal Management Department will cooperate and conform for execution, and report to the Board of Directors in every quarter. https://www.fortune.com.tw/Investor_integrity.html	Will implement in accordance with regulations.
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		The Company has established "Avoidance of Conflict-of-Interest Policy" to identify, supervise and manage potential risk resulting from conflict of interest. Interested parties would be given proper channels to voluntarily explain if there will be potential conflict of interest with the Company whereas the Company's best interest would be prioritized, when conflict occurs, the aforementioned explanation would be brought for discussion for final decision.	Implemented in accordance with the regulation and no deviation.
(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V		Internal Audit plans has scheduled compliance practices, based on the Company's "Ethical Management Operation Procedures and Conduct Guide."	Implemented in accordance with the regulation and no deviation.
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		Periodically conduct internal employee training and promotion; set up "Supplier Cooperation Meeting" and invite all relevant parties of business engagement with the Company to join so that the Company's determination, policy and preventive measures of Ethical Management would be clearly understood by all.	Implemented in accordance with the regulation and no deviation.
3. Operation of the integrity channel				
(1) Does the Company establish both a reward/punishment system and an integrity hotline, for	V		The Company set up "Personnel Assessment Committee" and designated an executive secretary to	Implemented in accordance with the regulation and no

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract	
ease of whistleblowing? Does the Company appoint designated person appropriately to follow up with the person in question?			be contact window for all matters regarding report, investigation, punitive actions, complaint matters as well as rewards and disciplinary system. Since 2021, to boost willingness to report internal inappropriate conducts, the Company has authorized D&T Taiwan to set up Whistle Blowing Platform so that employees have easy access to seek assistance or to report any unfitting actions against company regulations. http://www.fortune.com.tw/contact_whistle.html	deviation.
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		A sound whistle-blowing mechanism, providing a solid "Whistleblower protection and reporting procedure", has been set up completely in 2019, which offered report channel for internal and external whistleblowers, and accepted, investigated, handled, avoidance and confidentiality system, and implemented accordingly.	Implemented in accordance with the regulation and no deviation.
(3) Does the company provide proper whistleblower protection?	V		The aforementioned whistleblowing system, being disclosed internally that, should rules of ethical management been violated, the Company regulations would be handled accordingly. Please find below whistleblowing system summary: (1) Set up internal and external report channels, contact window, handling unit, and complaint and reporting flow. (2) Handled report cases, investigation process, results, punitive actions, and record as well as preserve relevant documentation records. (3) keep informants' identity and accusation content in strict confidence. (4) Whistleblower's protection measure and state witness leniency.	Implemented in accordance with the regulation and no deviation.
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The Company has established "Corporate Governance Management Guidelines", "Corporate Ethical Management" and "Ethical Management Procedure and Behavior Guidelines." which had been disclosed in corporate website. Further, "Employee Moral Character Assessment Guidelines", as behavioral standards, has also been disclosed in communication platform for all employees to research and adhere. For details on Ethical Management promotion results, please refer to our website: https://www.fortune.com.tw/Investor_integrity.html	Implemented in accordance with the regulation and no deviation.
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has established the "Ethical Corporate Management Policies" and "Ethical Corporate Management Procedure and Behavior Guides", based on "ethical policy", upholds "Quality, Participation, Welfare, and Continuity" management principles. Externally, we pay attention to customer with ethical principles and internally, we have reinforced employee moral characters evaluation guidelines and request all employees to be disciplined and obey corporate internal regulations and norms. Effective corporate governance and risk management mechanism has been established to create everlasting operating environment. Accordingly, implemented according to guidelines without any deviation.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). 1. The Company defined relevant professional ethics regulations in the "Work Rules" and further request all employees to put into effect four big career tests of Truth, Fairness, Reputation, Honorable Friendship and Mutual Benefits. Further, spread out these ideas to customers and suppliers to carry out corporate ethical management belief. 2. The Company adheres to Corporate Act, Securities Exchange Act, relevant regulations of TWSE/TPEx Listed Companies and other commercial behavior codes and has been rated grade A for TWSE/TPEx Listed Companies in information transparency for many years consecutively. The Company ranked 21%-35% and 36%-50% in the 4th/5th sessions and 6th/7th sessions, respectively.				

(7) If the Company has established "Corporate Governance Guidelines", please disclose how to search for it:

The Company has established "Corporate Governance Guidelines". Please refer to our Company website, as below path indicated:
"Investor Service" → "Corporate Governance" → "Important Internal Rules"
https://www.fortune.com.tw/Investor_governance_03.html#governance

(8) Any other information facilitating Corporate Governance implementation status should also be disclosed:

The Company has established "Ethical Corporate Management Guidelines", "Ethical Management Operation Procedures and Conduct Guide.", "Work Rules", and "Personnel Assessment Committee Operating Procedures" detailing the Directors, Managerial Officers, Employees, Appointees, or those in actual control, may not directly or indirectly, provide, commit, request, or taking any unlawful interest in the process of building dealings or commit any other unethical, illegitimate obligations in order to gain or main personal interests. These are the evaluation criteria in which employee career ethics and moral appraisal and has been put in communication platform for all employees to look up and adhere.

(9) Internal Control System Implementation Status

1.Internal Control Statement

Fortune Electric Co., Ltd.

Internal Control Statement

Date: March 22nd, 2021

Based on the self-assessment of Company's internal control system for year 2020, we hereby declare that:

1. The establishment, implementation and maintenance of an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system, designed to provide reasonable assurance with respect to the effectiveness and efficiency of business operations (including profitability, performance and safeguarding of assets), reporting that encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the Company's policies and their compliance with relevant rules and regulations.
2. An internal control system, no matter how well designed, has inherent limitations and therefore can provide only reasonable assurance with respect to the accomplishment of the above goals. Furthermore, because of changing conditions and circumstances, the effectiveness of an internal control system may vary over time. Notwithstanding, the internal control system of the Company contains self-oversight mechanisms, and actions are taken to correct deficiencies as they are identified.
3. The Company examined the design and effective implementation of its internal control system according to the criteria prescribed in "Guidelines for Establishment of Internal Control Systems by Securities and Futures Related Organizations" (called the "Guidelines" below) promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. The "Guidelines" divide internal control into five constituents in line with the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each constituent contains several criteria. Please refer to the "Guidelines" for details.
4. The Company has evaluated the design and effectiveness implementation of its internal control system in accordance with the above criteria.
5. Based on the results of assessment, the Company believes on December 31st, 2021, that the design and implementation of its internal control system (inclusive of the governance and control of the Company's subsidiaries), consisting of the effectiveness and efficiency of business operations, reporting that encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the Company's policies and the compliance of relevant rules and regulations, are effective and reasonably assure the achievement of the aforementioned goals
6. This Statement will be the key content in the Company's Annual Report and Prospectus and will be made public externally. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Article 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Statement has been unanimously approved by the Board of Directors at the meeting held on March 22nd, 2021. Among all attending 8 Directors, none held opposing opinion, and all are in favor of the content in this Statement.

Fortune Electric Co., Ltd.

Chairman: Hsu, Bang-Fu Signature

General Manager: Hsu, I-Te Signature

Chief Executive Officer: Hsu, I-Sheng Signature

2. Disclosures Required for the Implementation of the Internal Control System audited by CPA: NONE

(10) If there has been any legal penalty against the company and its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year up to the publication date of the annual report, the penalty, main shortcomings, and condition of improvement: NONE。

(11) Major Resolutions of Shareholders' Meeting and Board Meeting in The Most Recent Year up to the Publication Date of the Annual Report

Major Resolutions of Shareholders' Meeting on June 12$^{\text{tn}}$, 2020 and implementation status and summary:

1. Proposal
   The Company's 2019 Consolidated Financial Statements, Individual Financial Statements and Business report are hereby submitted for ratification
   Explanation:
   (1) The Company's 2019 Consolidated Financial Statements and Individual Financial Statements have been prepared, along with Business Report, and approved by Audit Committee with onward submission to the Board for approval by Board Meeting on March 23$^{\text{rd}}$, 2020; these statements and reports were approved without any objection. Hereby, we are seeking the ratification from the Shareholders' Meeting in accordance with the law.
   (2) The abovementioned statements (omitted) are for your ratification.

   Resolution:
   Ratification votes: 170,078,456 votes, 98.53% of voting rights and hereby the motion carried as it was.

2. Proposal:
   The Company's Profit Distribution for 2019 is hereby submitted for ratification
   Explanation:
   (1) The Company's 2019 net profit after-tax was NT$410,652,167, please refer to 2019 profit distribution table (omitted) for details.
   (2) For your ratification.

   Resolution:
   Ratification votes: 170,071,456 votes, 98.59% of voting rights and hereby the motion carried as it was.

   Execution status:
   Proposed to set August 7$^{\text{th}}$, 2020 as cash dividend Ex-Dividend Date and would start to pay out from August 20$^{\text{th}}$, 2020. (Cash dividend per share would be NT$1.00)
3. Proposal:
   Amend part of the articles of the company's article of Incorporation, is hereby submitted for approval.
   Explanation:
   (1) Propose to amend the Company's Article of Incorporation in accordance with relevant codes amendment and Business Category Codes amendment by MOEA.
   (2) Comparison table of before/after amendment content (omitted)

   Resolution:
   Ratification votes: 170,078,789 votes, 98.53% of voting rights and hereby the motion carried as it was.

   Execution status:
   Change registration has been completed on July 14$^{\text{th}}$, 2020.

Major Resolutions of the Board Meeting on March 22$^{\text{nd}}$, 2021
1. Proposal:
   The Company's 2020 Employee, Directors and Supervisors remuneration distribution is hereby submitted for review and approval.
   Explanation:
   (1) Omitted
   (2) Proposed the total remuneration paid to Employees and the Directors at 3.86% and 1.40% of the cumulative net profit, which will be NT$22,357,000 and NT$8,100,000, respectively.

Resolution:

(1) Remuneration for the Directors have been approved by all members of the Remuneration Committee on March 22nd, 2021.

(2) Proposal has been approved by all Directors present unanimously and has been submitted for ratification by the Shareholders' meeting.

2. Proposal

The Company's 2020 Consolidated Financial Statements, Individual Financial Statements and Business report are hereby submitted for review and approval.

Explanation:

(Omitted)

Resolution:

(1)The Company's 2020 Consolidated Financial Statements and Individual Financial Statements have been prepared and approved by all members present at the Audit Committee on March 22nd, 2021.

(2) The abovementioned statements have been approved by all members present at the Board meeting with onward submission to the Shareholders' meeting for ratification.

3. Proposal:

The Company's 2020 Business report is hereby submitted for review and approval.

Explanation:

(Omitted)

Resolution:

(1) The Company's 2020 Consolidated Financial Statements and Individual Financial Statements have been prepared and approved by all members present at the Audit Committee on March 22nd, 2021.

(2) The abovementioned statements have been approved by all members present at the Board meeting with onward submission to the Shareholders' meeting for ratification.

4. Proposal:

The Company's Profit Distribution for 2020 is hereby submitted for review and approval.

Explanation:

The Company's 2020 net profit after-tax was NT$457,513,546, please refer to 2020 profit distribution table (omitted) for details.

Resolution:

(1) Proposal has been approved by all members present at the Audit Committee on March 22nd, 2021 unanimously.

(2) Proposal was approved by all members present at the Board meeting with onward submission to the Shareholders' meeting for ratification regarding profit distribution and cash dividend distribution.

5. Proposal:

Proposed to release the prohibition on directors from participation in competitive business for review and approval.

Resolution:

(1) Proposal has been approved by all members present at the Audit Committee on March 22nd, 2021 unanimously.

(2) Proposal was approved by all members present, except for avoidance of Director Hsu, I-Te who is an interested party, at the Board meeting with onward submission to the Shareholders' meeting for discussion.

6. Proposal:

Proposed to convene 2021 Annual Meeting of Shareholders for review and approval.

Explanation:

(Omitted)

Resolution:

Proposal was approved by all members present at the Board meeting

(12) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: NONE。

(13) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&, In the Most Recent Year up to the publication date of the Annual Report: NONE

Title	Date	Effective Date	Termination Date	Termination Rationale
Finance Manager	Chin-Fang Liu	1979.06.25	2020.02.29	Retirement
Assistant Finance Manager	Yu-Ying Liu	2020.03.01	2020.09.09	Resignation

3.5 Information on Certified Public Accountant professional fees

Accounting Firm	Name of CPA		Period covered	Remarks
Deloitte & Touche Accounting Firm	Tun-Fang Lee	Tze-Li Kung	2020	

Unit: NT$ thousands

Fee range \ Fee item		Audit Fee	Non-audit Fee	Total
1	Below NT$2,000,000		V	421
2	NT$2,000,000 ~ NT$4,000,000			
3	NT$4,000,000 ~ NT$6,000,000	V		4,260
4	NT$6,000,000 ~ NT$8,000,000			
5	NT$8,000,000 ~ NT$10,000,000			
6	Above NT$10,000,000			

(1) For payment to CPA and CPA affiliated firm and its affiliated enterprises, if non-audit fee stood greater than one fourth of audit fee, content of non-audit fee service should be disclosed:

Unit: NT$ thousands

Accounting Firm	CPA	Audit Fee	Non-audit Fee					Period covered by CPA's Audit	Remarks
			System Design	Company Registration	Human Resources	Other	Subtotal		
Deloitte & Touche Accounting Firm	Tun-Fang Lee Tze-Li Kung	4,260		36		385	421	2020	Other: transfer pricing service fee

(2) If there's been a replacement of CPA firm and its replacement of annual audit fee was less than the previous fiscal year, the reasons and audit fee should be disclosed: NONE

(3) If audit fee was less than the previous fiscal year by 10%, the reasons, amount and ratio should be disclosed: NONE

3.6 Information on replacement of Certified Public Accountant: NONE

3.7 Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed:

None of the company's chairperson, general manager, nor any managerial officer in charge of finance nor accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm.

3.8 Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report disclosed

(1) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: share

Title	Name	2020		As of o April 13th, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Hsu, Bang-Fu	(623,860)	-	(53,204)	-
Vice Chairman	Hsu, Shou-Hsiung	(91,097)	-	(53,204)	-
Director	Shu, Yi-Cheun	-	-	-	-
Director & Managerial officer	Hsu, I-Sheng	91,097	-	53,204	-
Director & Managerial officer	Hsu, I-Te	1,247,720	-	106,408	-
Director	Weng, Jen-Pei	-	-	-	-
Independent Director	Hu, Len-Kuo	-	-		-
Independent Director	Lei, Whey-Min	-	-	-	-
Independent Director	Liao, Chih-Hsiang	-	-	-	-
Managerial Officer	Hsu, I-Ming	-	-	-	-
Managerial Officer & Finance Manager	Hsu, I-Yang	91,097	-	53,204	-
Managerial Officer	Sun, Shih-Ming	-	-	-	-
Managerial Officer	Chu, Huei-Long	-	-	-	-
Managerial Officer	Ku, Fu-Chen	-	-	-	-
Managerial Officer	Lee, Hsiao-Li	-	-	-	-
Managerial Officer	Wang, Yiao-Fan	-	-	-	-
Managerial Officer	Tu, Cheng-Fah	-	-	-	-
Managerial Officer	Chen, Meng-Yueh	-	-	-	-
Managerial Officer	Lin, Cheng-Chin	-	-	-	-
Account Head	Chiu, Hsu-Lan	-	-	-	-

(2) Share Trading information of Directors, Supervisors, Managerial Officers and Major Shareholders with Related parties

Unit: share

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and the Company, Directors, Supervisors, Managers and Major Shareholders holding over 10%	Shares	Transaction Price (NT$)
Hsu, I-Te	Gift (Transfer)	20200227	Chen, Yen-Fang	Mother & Son	75,860	29
Hsu, Bang-Fu	Gift	20200227	Hsu, I-Te	Father & Son	75,860	29
Hsu, I-Te	Gift (Transfer)	20200227	Hsu, Bang-Fu	Father & Son	75,860	29
Hsu, Shou-Hsiung	Gift	20200525	Hsu, I-Sheng	Father & Son	91,097	24.14
Hsu, I-Sheng	Gift (Transfer)	20200525	Hsu, Shou-Hsiung	Father & Son	91,097	24.14
Hsu, I-Yang	Gift (Transfer)	20200525	Huang, Hsiou-Chin	Mother & Son	91,097	24.14
Hsu, I-Te	Gift (Transfer)	20200727	Chen, Yen-Fang	Mother & Son	548,000	27.35
Hsu, Bang-Fu	Gift	20200727	Hsu, I-Te	Father & Son	548,000	27.35
Hsu, I-Te	Gift (Transfer)	20200727	Hsu, Bang-Fu	Father & Son	548,000	27.35
Hsu, Shou-Hsiung	Gift	20210305	Hsu, I-Sheng	Father & Son	53,204	41.34
Hsu, I-Sheng	Gift (Transfer)	20210305	Hsu, Shou-Hsiung	Father & Son	53,204	41.34
Hsu, I-Yang	Gift (Transfer)	20210305	Huang, Hsiou-Chin	Mother & Son	53,204	41.34
Hsu, I-Te	Gift (Transfer)	20210309	Chen, Yen-Fang	Mother & Son	53,204	41.34
Hsu, Bang-Fu	Gift	20210309	Hsu, I-Te	Father & Son	53,204	41.34
Hsu, I-Te	Gift (Transfer)	20210309	Hsu, Bang-Fu	Father & Son	53,204	41.34

(3) Share Pledge information of Directors, Supervisors, Managerial Officers and Major Shareholders with Related parties: NONE

3.9 Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the of kinship within Two Degrees

April 13th 2021 / Unit: share

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the of kinship as defined in Financial Accounting Standards No. 6th Information of Related Party Relationship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hua Cheng Investment Corp.	22,993,936	8.81%	0	0.00%	0	0.00%	Hsu, Shou-Hsiung	Chairman of this corp.	
Hsu, Shou-Hsiung	22,903,419	8.77%	9,617,034	3.68%	0	0.00%	Huang, Hsiou-Chin Hsu, Chung-Ming, Hsu, Bang-Fu Hsu, Mei-Fang	Spouse Brothers Brother & Sister	
Hsu, Bang-Fu	19,030,782	7.29%	13,511,221	5.18%	0	0.00%	Chen, Yen-Fang Hsu, Chung-Ming, Hsu, Shou-Hsiung Hsu, Mei-Fang	Spouse Brothers Brother & Sister	
Chen, Yen-Fang	13,511,221	5.18%	19,030,782	7.29%	0	0.00%	Hsu, Bang-Fu	Spouse	
Chun Sheng Fa Corp.	11,500,000	4.41%	0	0.00%	0	0.00%	Hsu, Chung-Ming	Chairman of this corp. is son ofHsu, Chung-Ming	
Hsu, Mei-Fang	10,157,874	3.89%	0	0.00%	0	0.00%	Hsu, Chung-Ming, Hsu, Bang-Fu Hsu, Shou-Hsiung	Brother & Sister	
Huang, Hsiou-Chin	9,617,034	3.68%	22,903,419	8.77%	0	0.00%	Hsu, Shou-Hsiung	Spouse	
Hsu, Chung-Ming	8,474,677	3.25%	0	0.00%	0	0.00%	Kuan, Eiao-Chan Hsu, Bang-Fu, Hsu, Shou-Hsiung Hsu, Mei-Fang	Spouse Brothers Brother & Sister	
Kuan, Eiao-Chan	8,195,887	3.14%	0	0.00%	0	0.00%	Hsu, Chung-Ming	Spouse	
Hsu, I-Luan	6,400,000	2.45%	0	0.00%	0	0.00%	Hsu, Chung-Ming, Hsu, Bang-Fu Hsu, Shou-Hsiung	Uncle & Nephew	

Note: In accordance with the "Regulations Governing the Preparation of Financial Reports," relationship amongst the abovementioned shareholders, including juridical persons and natural persons, should be disclosed.

3.10 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company

Unit: share; %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managerial Officers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Power Energy International Ltd. (100% re-invested Fortune Electric (Wuhan) Ltd.)	3,800,000	100.00	0	0.00	3,800,000	100.00
Fortune Electric America Inc.	1,000	100.00	0	0.00	1,000	100.00
Fortune Electric Extra High Voltage Co., Ltd.	141,200,000	100.00	0	0.00	141,200,000	100.00
E-Total Link	100	25.00	0	0.00	100	25.00
Fortune Energy Co., Ltd	100,000	100.00	0	0.00	100,000	100.00
Fortune Electric Australia Pty Ltd.	500,000	100.00	0	0.00	500,000	100.00

Note: The Company adopted equity method for investment.

IV. Capital Overview & Financing Plans and Implementation

1. Capital and Shares, Corporate Bonds, Preferred Shares, Overseas Depositary Receipts, Restricted Employee Shares New Issuance, Mergers & Acquisition

(1) Source of Capital

M / Y	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		No. Of Shares	Amount	No. Of Shares	Amount	Source of Fund	Capital by assets other than cash	Other
08/1969	1000	3,000	3,000,000	3,000	3,000,000	Founding Cash	NONE	NONE
01/1975	1000	10,000	10,000,000	10,000	10,000,000	Capital Increase: 7,000,000	NONE	NONE
08/1979	1000	30,000	30,000,000	20,000	20,000,000	Capital Increase: 10,000,000	NONE	NONE
10/1982	1000	60,000	60,000,000	50,000	50,000,000	Capital Increase: 30,000,000	NONE	NONE
02/1984	1000	120,000	120,000,000	80,000	80,000,000	Capital Increase: 18,000,000 Capital surplus transferred: 12,000,000	NONE	NONE
12/1986	10	12,000,000	120,000,000	10,050,000	100,500,000	Capital Increase: 20,500,000	NONE	NONE
08/1987	10	16,000,000	160,000,000	13,100,000	131,000,000	Capital Increase: 30,500,000	NONE	NONE
11/1988	10	19,000,000	190,000,000	16,775,000	167,750,000	capitalization of retained earnings: 36,750,000	NONE	NONE
10/1991	10	19,990,000	199,900,000	19,990,000	199,900,000	capitalization of retained earnings: 32,150,000	NONE	NONE
10/1992	10	40,000,000	400,000,000	40,000,000	400,000,000	capitalization of retained earnings: 126,936,500 Capital surplus transferred: 40,979,500 Capital Increase: 32,184,000 SECAPN19921029 (81)TWFS(I)NO.02805	NONE	NONE
06/1993	10	80,000,000	800,000,000	50,000,000	500,000,000	capitalization of retained earnings: 80,000,000 Capital surplus transferred: 20,000,000 SECAPN1993060 (82)TWFS(I)NO.1591	NONE	NONE
11/1994	10	80,000,000	800,000,000	57,500,000	575,000,000	capitalization of retained earnings: 75,000,000 SECAPN19941118 (83)TWFS(I)NO.46437	NONE	NONE
06/1995	10	80,000,000	800,000,000	66,364,584	663,645,840	capitalization of retained earnings: 88,645,840 SECAPN19950616 (84)TWFS(I)NO.35875	NONE	NONE
06/1996	10	80,000,000	800,000,000	76,558,922	765,589,220	capitalization of retained earnings: 88,670,460 Capital surplus transferred: 13,272,920 SECAPN19960624 (85)TWFS(I)NO.39540	NONE	NONE
05/1997	10	110,000,000	1,100,000,000	88,459,583	884,595,830	capitalization of retained earnings: 111,350,710 Capital surplus transferred: 7,655,900 SECAPN19970528 (86)TWFS(I)NO.42245	NONE	NONE
09/1997	10	110,000,000	1,100,000,000	108,459,583	1,084,595,830	Capital Increase: 200,000,000 SFIAPN19970915 (86)TWFS(I)NO.68049	NONE	NONE
05/1998	10	200,000,000	2,000,000,000	132,911,194	1,329,111,940	capitalization of retained earnings: 157,748,440 Capital surplus transferred: 86,767,670 SFIAPN19980519 (87)TWFS(I)NO.43763	NONE	NONE
06/1999	10	200,000,000	2,000,000,000	162,823,596	1,628,235,960	capitalization of retained earnings: 179,503,950 Capital surplus transferred: 119,620,070 SFIAPN19990601 (88)TWFS(I)NO.50798	NONE	NONE

M / Y	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		No. Of Shares	Amount	No. Of Shares	Amount	Source of Fund	Capital by assets other than cash	Other
06/2000	10	200,000,000	2,000,000,000	199,436,289	1,994,362,890	capitalization of retained earnings: 211,444,520 Capital surplus transferred: 154,682,410 SFIAPN20000607 (89)TWFS(I)NO.48194	NONE	NONE
07/2001	10	275,000,000	2,750,000,000	219,560,444	2,195,604,440	capitalization of retained earnings: 113,745,220 Capital surplus transferred: 87,496,330 SFIAPN20010705 (90)TWFS(I)NO.143343	NONE	NONE
07/2002	10	275,000,000	2,750,000,000	220,119,434	2,201,194,340	capitalization of retained earnings: 5,589,900 SFIAPN20020708 (91)TWFS(I)NO.0910137372	NONE	NONE
12/2003	10	275,000,000	2,750,000,000	215,119,434	2,151,194,340	Treasury Stock Retired: 50,000,000 TWSEAPTWSUP NO.09300011291	NONE	NONE
12/2004	10	275,000,000	2,750,000,000	205,902,434	2,059,024,340	Treasury Stock Retired: 92,170,000 TWSEAPTWSUP NO.09400001802	NONE	NONE
08/2008	10	275,000,000	2,750,000,000	216,197,556	2,161,975,560	capitalization of retained earnings: 102,951,220 FSCDC20080813 FSCINO.0970040948	NONE	NONE
08/2009	10	275,000,000	2,750,000,000	248,627,189	2,486,271,890	capitalization of retained earnings: 324,296,330 FSCDC20090817 FSCFNO.0980040943	NONE	NONE
07/2010	10	275,000,000	2,750,000,000	261,058,548	2,610,585,480	capitalization of retained earnings: 124,313,590 FSCDC20000728 FSCFNO.0990039446	NONE	NONE

Shares / Type	Authorized Capital			Remarks
	Outstanding Shares (Public Listed Company)	Un-issued Shares	Total Shares	
Registered Common Shares	261,058,548	13,941,452	275,000,000	

(2)Status of Shareholders

April 13th, 2021

Structure / Quantity	Government Agency	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders	0	12	50	19,051	78	19,191
Shares	0	443,000	35,296,329	208,200,052	17,119,167	261,058,548
Shareholding ratio	0.00%	0.17%	13.52%	79.75%	6.56%	100.00%

(3) Shareholding distribution

Par Value: NT$10

April 13th 2021

Class of Shareholding	Number of Shareholders	Shareholding (shares)	Percentage
1 ~ 999	4,906	956,783	0.37
1,000 ~ 5,000	11,508	23,169,282	8.88
5,001 ~ 10,000	1,494	11,796,187	4.52
10,001 ~ 15,000	429	5,534,554	2.12
15,001 ~ 20,000	263	4,915,745	1.88
20,001 ~ 30,000	227	5,796,441	2.22
30,001 ~ 40,000	91	3,261,214	1.25
40,000 ~ 50,000	67	3,098,774	1.19
50,001~ 100,000	107	7,583,395	2.90
100,001~ 200,000	44	6,050,425	2.32
200,001~ 400,000	14	4,158,122	1.59
400,001~ 600,000	10	5,100,446	1.95
600,001~ 800,000	4	2,930,946	1.12
800,001~1,000,000	2	1,866,968	0.72
1,000,001 or over	25	174,839,266	66.97
Total	19,191	261,058,548	100.00

(4) List of Major Shareholders (all shareholders with a stake of 5 percent or greater, all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list)

Name of Major Shareholders / Shares	Shares	Percentage
Hua Cheng Investment Corp.	22,993,936	8.81
Hsu, Shou-Hsiung	22,903,419	8.77
Hsu, Bang-Fu	19,030,782	7.29
Chen, Yen-Fang	13,511,221	5.18
Chun Sheng Fa Corp.	11,500,000	4.41
Hsu, Mei-Fang	10,157,874	3.89
Huang, Hsiou-Chin	9,617,034	3.68
Hsu, Chung-Ming	8,474,677	3.25
Kuan, Eiao-Chan	8,195,887	3.14
Hsu, I-Luan	6,400,000	2.45

(5) Market Price, Net Worth, Earnings, and Dividends per share for the Most Two Years

Unit: NT$

Items / Year			2020	2019	As of March 31st, 2021
Market Price per Share (Note 1)	Highest		57.40	30.40	49.65
	Lowest		19.60	18.10	40.75
	Average		42.08	25.63	45.05
Net Worth per Share (Note 2)	Before Distribution		13.59	12.94	-
	After Distribution		-	11.94	12.31
Earnings per Share (Note 3)	Weighted Average Shares		261,058,548	261,058,548	261,058,548
	Earnings per Share	Before Adjustment	1.75	1.57	0.04
		After Adjustment	1.75	1.57	0.04
Dividends per Share (Note 4)	Cash Dividends		1.30	1.00	-
	Stock Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment Analysis	Price / Earnings Ratio (Note 5)		20.58	15.52	-
	Price / Dividend Ratio (Note 6)		27.70	24.37	-
	Cash Dividend Yield Rate (Note 7)		3.61	4.10	-

NOTE 1: Highest Market Price and Lowest Market Price were listed separately for each year; Average Market Price was calculated against transaction value and volume.

NOTE 2: Issued shares, as of each yearend against distribution status approved by the following year's Shareholders' Meeting (Distribution of Cash Dividends has been approved by the Board Meeting on March 22nd, 2021)

NOTE 3: If there are stock dividends being issued and will need to be adjusted retrospectively, Before Adjustment and After Adjustment of Earnings per Share should be listed.

NOTE 4: According to issuing terms of Equity Securities, if there is undistributed earnings, these could be distributed to the year making profit and these information should be disclosed.

NOTE 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

NOTE 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

NOTE 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price 。

(6) Dividend Policy and Implementation Status

1. Dividend Policy

If earnings are available for distribution at the end of a fiscal year, 10% of net earnings – that is, after offsetting any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve and appropriated in accordance with the Securities Exchange Act. The remaining net earnings can be distributed along with prior accumulated unappropriated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. Dividends will be distributed in accordance with the resolution approved by the Board of Directors and at the annual Shareholders' Meeting.

The Company authorized the Board of Directors may, by a resolution adopted by majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the company, have the whole or a part of the surplus profit distributable as dividends and bonuses distributed in cash and submit to the Shareholders' Meeting.

The Company's dividend policy, being in consideration of current and future development, investment environment, capital needs, domestic and overseas competitions and shareholders' interests, would allow no less than 60% of distributable net profit to be allocated as dividends to shareholders, either by way of cash or stock dividends, whereas ratio of cash dividends would be no lower than 25% of total distribution.

2. Implementation Status

The proposal for the distribution of 2020 profits, cash dividend of NT$1.3 per share, was passed at the Board Meeting on March 22nd, 2021.

(7) Impact of proposed distribution of bonus shares on the Company's Operating Performance and Earnings per Share: Not Applicable

Fortune Electric Co., Ltd.

Impact of proposed distribution of bonus shares on the Company's Operating Performance and Earnings per Share: Not Applicable

Unit: NT$1,000, except for Earning per share, NT$

<table>
<tr><td colspan="3">ITEM ＼ YEAR</td><td>2021</td></tr>
<tr><td colspan="3">Beginning Paid-in Capital</td><td rowspan="17">(Not applicable due no distribution of Bonus Shares)</td></tr>
<tr><td rowspan="3">Dividend distribution of Current Year</td><td colspan="2">Cash Dividend per Share</td></tr>
<tr><td colspan="2">Retained earnings transferred Stock Dividend per Share</td></tr>
<tr><td colspan="2">Capital surplus transferred Stock Dividend per Share</td></tr>
<tr><td rowspan="7">Business Result Developments</td><td colspan="2">Operating income</td></tr>
<tr><td colspan="2">Operating income Year-Over-Year increase(decrease) ratio</td></tr>
<tr><td colspan="2">Net Profit After-Tax</td></tr>
<tr><td colspan="2">Net Profit After-Tax Year-Over-Year increase(decrease) ratio</td></tr>
<tr><td colspan="2">Earnings per Share</td></tr>
<tr><td colspan="2">Earnings per Share Year-Over-Year increase(decrease) ratio</td></tr>
<tr><td colspan="2">Annual average return on investment (Price-to-Earnings Ratio reciprocal) (Note 3)</td></tr>
<tr><td rowspan="6">Pro Forma Earnings per Share and Price-to-Earnings Ratio</td><td rowspan="2">If Retained earnings transferred to Cash Dividend per Share (Note 2)</td><td>Pro Forma Earnings per Share</td></tr>
<tr><td>Pro Forma Annual average return on investment</td></tr>
<tr><td rowspan="2">If no Capital surplus transferred</td><td>Pro Forma Earnings per Share</td></tr>
<tr><td>Pro Forma Annual average return on investment</td></tr>
<tr><td rowspan="2">If no Capital surplus transferred but Retained earnings transferred to Cash Dividend per Share</td><td>Pro Forma Earnings per Share</td></tr>
<tr><td>Pro Forma Annual average return on investment</td></tr>
</table>

Note 1: The Company should explain estimated or pro forma data’s basic assumptions.

Note 2: If capitalization of retained earnings were all changed to distribution of cash dividend, pro forma earnings per share would equal to [Net Profit after Tax – imputed interest on cash dividend＊×(1-tax rate)]/[Weighted average number of ordinary shares outstanding for basic earnings per share – profit distributed shares ＊＊] increase shares from remaining distributed stock dividend

Note 3: Annual average Price/Earnings ratio = Annual average price per Share / Annual Earnings per Share in Financial Satatments.

(8) Remuneration of Employees and Directors

1. Remuneration of Employees and Directors' percentage or range:

If the Company has made any profit in a given year (meaning any net profit before tax, minus employee, and directors' compensation), the Company shall reserve a sufficient amount compensating any accumulated deficits (including adjustments to retained earnings), if any; then appropriate from the remaining amount no less than 3% for the employee compensation, and no more than 2% for the Directors' remuneration.

The aforesaid employees' rewards can be in stock or cash and the remuneration of the directors is limited to cash.

The two foregoing paragraphs shall be resolved by the Board of Directors, and reported to the shareholders' meeting.

2. The estimation and recording of the remuneration of Employees and Director were made in accordance with the stipulation of the Company's Articles of Incorporation. After the annual final settlement, if there's any significant changes with the provisioned amount, the designated annual fee would be adjusted appropriately.

3. State of Remuneration distribution approved by The Board Meeting:

2020 Employee Remuneration at Cash NT$22,357,000 and Director's compensation at NT$8,100,000.

4. Distribution of Employee Remuneration and Directors in the Previous Year:

2020 actual pay out to Employee of Cash at NT$23,076,999, and the Directors' compensation at NT$5,400,000, same amount with what has been approved by The Board of Directors.

(9) The Company repurchasing its own shares:

In the Most Recent Year up to the Publication Date of the Annual Report, the Company has not repurchased any of its own shares.

(10) The state of Corporate Bond and Special Shares: NONE

(11) The state of Overseas Depositary Receipts, Employee Stock Option and New Restricted Employee Shares: NONE

(12) The state of issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: NONE

4.2 Financing Plans and Implementation

From Previous quarter up to the Publication Date of the Annual report, capital received from previously-issued corporate bonds has been fully executed or all projects completed projects with benefits being realized in the Most Three Years, according to the required procedures.

V. Operational Highlights

5.1 Business Activities

(1) Business Scope

1. Description of major business

(1) Sales business of manufactured and processed of transformer, inverters, power distribution boards, high-low voltage switches (including segment switch, fuse link switch, vacuum switch, load switch, air break disconnecting switch, oil switch and switch box equipment, …, etc.) , transforming equipment (including lightning arrester, capacitor, comparator, current comparator, reactor, rectifier, circuit breaker, current-limiting fuse, …, etc.), electric vehicle charging equipment, DC charging equipment, electric motorcycle charging equipment. The abovementioned business, being produced internally or with contractor alike, have adopted product standardization design to maintain core technology capability.

(2) Turnkey Projects:

Continued to undertake Tai Power substation turnkey projects and electricity projects and applied relevant engineering experience in civil electric engineering projects (including factory, office, technology plant, …, etc.); in addition, actively dedicated in recent public construction projects promoted by the government, such as, public housing and sports center, …, etc., as well as Taoyuan Aerotropolis. Government has been planning to invest in expanding basic construction, with an aim to initiate and build what the country needs in the next 30 years, " Forward-looking Infrastructure Plan", which included 5 major construction plans: built safe and convenient rail tracks, water environment construction in response to climate-changing, Green Energy construction promoting environment sustainability, Smart Country digital establishment, reinforce balance of urban and rural construction, Tai Railway station reconstruction, South Link Line railway electrification, MRT DC power supply, elimination of old and replacement of new core technology electric engineering construction, environment protection and water resources construction, renewable energy and energy saving/storing constructions, …, etc. To reach "Marching unto Non-nuclear homes by 2025 and promote new energy policy" goal, expanded non-nuclear power plant, solar photovoltaic, offshore wind power generation, electricity transmission network energy storage system, distributed system energy storage system, electric vehicle charging basic construction and power generation new construction.

(3) Automation of power transmission and distribution feeder, and computer software construction:

In response to automatic control, power distribution automation, distribution closed-loop automation, computer calculated billing system, automatic meter-reading system and all information maintenance service after reconstruction, substation, and power plant SCADA system replacement projects.

(4) Power generation and energy storage construction:

In response to Tai Power and private company's dedication of installing ground and offshore wind power generation and energy storage, solar photovoltaic power generation and energy storage and outlaying islands' power generation and energy storage, namely Green Energy storage construction.

(5) General import and export trading business. (except for business requiring licensing)

(6) All electrical engineering installation construction's design, construction, maintenance, and warranty service as well as technology counseling business (except for business requiring licensing)

(7) All electric machinery equipment's design, manufacturing, processing, and sales. (except for business requiring licensing)

(8) Central monitoring system equipment, automatic control system, GPS system's design, manufacturing, processing, assembling, and sales.

(9) High-low voltage electricity, tracks and vehicles' accessory, and power transmission and distribution construction' design, assembling and equipment sales.

(10) DC and AC charging equipment for electric vehicles, area charging fee collecting management system, APP for public charging operating management system,

including but not limited to station checking, navigating, activation, deactivation, and payment functions. Design and establish electric vehicles charging station basic service network for Taiwan.

(11) All business not prohibited or restricted by relevant codes, except for business requiring licensing

2. Current products and business ratio:

Unit: %

Product type \ Year	2020
Transformer	54.38%
Distribution Board	15.24%
Contract construction	13.60%
Devices for power distribution	3.52%
Electricity sales	0.15%
Other	13.11%
Total	100.00%

3. New product planning

B2C model cooperating with car company in smart parking business, customized household charging piles, EVALUE charging APP 2.0, Green Energy power grid-connected to Electricity Network and TTU-LTE distribution transformer surveillance system, …, etc.

(2) Industry overview

1. Industry Status and Development

Industry has always begun with heavy-duty electric industry; the Company's major products, transformer, and distribution board, are also important sectors in heavy-duty electric industry. Currently, business cycle has been climbing up from the slump, resulted from financial crisis and all countries' governments already started to expand public or infrastructure construction to boost consumption and promote economic development. Despite the disruption of COVID-19 pandemic flu in 2020, Taiwan has been recognized by the world for its multi-directional capability. With the vaccines being injected step by step, business cycles are expected to recover and therefore, the demand for heavy-duty electric products will surely increase.

(1) Executive Yuan announced "Marching unto Non-nuclear homes by 2025 and promote new energy policy" on September 17th, 2016, promoting and planning all sorts of tasks such as energy saving, energy creating, energy storing and SMART system integration. Shortly after the announcement, all corresponding policy and planning were sprouting, e.g., Tai Power and Private Power plant expansion from 2017 to 2025, increase gas-lit and coal-lit machinery for 8,896,000,000-Kilowatt and 1,000,000-Kilowatt Renewable energy ratio may reach 20% by 2025, among them, Ground–mounted PV Systems, offshore wind power and Geothermal power generation target to reach 17,000,000-Kilowatt, 5,500,000-Kilowatt and 200,000- Kilowatt by 2025, respectively.

(2) To cope with government planning in investing in expanding basic construction, with an aim to initiate and build what the country needs in the next 30 years, "Forward-looking Infrastructure Plan", which included 5 major construction plans: built safe and convenient rail tracks, water environment construction in response to climate-changing, Green Energy construction promoting environment sustainability, Smart Country digital establishment, reinforce balance of urban and rural construction, …, etc. there will be electric engineering construction needs in the future. As there is steady growth in construction business, we're planning to expand electric engineering design planning services to include factory, office, hotels, hospital and technology factory construction projects.

(3) All constructions, wind power generation and solar photovoltaic power plant development in China would continue to benefit Taiwan.

(4) Resulted from U.S. government's "U.S. First" policy, U.S. enterprises have relocated manufacturing business back to USA, the demand for infrastructure construction increased, and more supportive towards energy industry. In addition to industry plant-building and requests for power equipment needs, power transmission, distribution lines and equipment's replacement and new

increase would continue to progress due to increase in electricity. Meanwhile, Biden government demonstrated great emphasis and subsidy towards to Green Energy, which will aid to the Company's Green Energy product sales in U.S. For new economic bodies in South Eastern Asia, power generation equipment is vital for resources development to uplift economy situation. As transformer sales are expected to look good for the next 5 to 10 years, global concern regarding environment and energy cost has been increased will result in continued development of renewable energy stations. All the above showed positive effects for the Company's export business.

(5) Reproduction Method has been passed and along with government's promoting energy saving and carbon reduction, green energy policy, such as wind power, hydropower, solar power, environment protection construction, electricity transmission network energy storing system, distributed energy storing system, electric vehicle charging basic construction and operating network, …, etc., business opportunities are limitless for heavy-duty electric industry.

(6) Developing countries' construction projects are in full wing; still, as the risk is high, we still have to handle it with caution.

(7) It is a growing concern and emphasis for all countries about environmental pollution issues. Also, for vehicle emission pollution, promoting to upgrade from fuel car to electric vehicle, and with various plans being set up, it is estimated that in the future 10 to 15 years, fuel cars would not be allowed to drive on the road or for sale. Charging operation would be the key to development since electric vehicle era is coming.

2. Connectivity of the upstream, middle stream and downstream in the industry

The Company's products are mainly for public construction, plant-building investment and could be categorized as capital goods. Therefore, these products could be used for infrastructure construction, new-build factory, capacity expanding or equipment elimination and replacement. Bulk material needed for these products are for instance, silicon steel plate, brass wire, brass plate, and insulating oil are categorized as upstream material and their controlling and protective material are considered middle stream and downstream value-added components. Materials supplying for these products are abundant.

3. Product development trends and competition

There are two major development trends of the Company's major products: high efficiency, energy saving and smaller in sizes, and intellectualized. To raise added value and competitiveness, adoption of the highest quality material and excellent quality control and protective devices components are without question.

Since the Company remains committed to highest quality of product, we have maintained certain edge in product competitive advantages. To maintain competitive edge and sustainability, we strive to adhere to product Quality, Cost, and Delivery so that we continued to be trusted by our customers, domestic and overseas alike, and with continued orders.

In addition to manufacture heavy-duty electric products, the Company emphasized in pre-sales and after sales services. Besides implementing the 24-hour power restoration service and expanding repair and maintenance services, we have applied technology special project with Ministry of Economic Affairs with "Advanced service plan for Power Transformer". We have successfully researched and developed "Noise Analysis Modules", "Surveillance Equipment Installation and Data Analysis", "SMART Repair and Maintenance Decision Support Module", and have started our sales and marketing activities. Circumferential noise analysis could provide customer with simulation of installation environment, providing transformer reasonable noise regulated value, and assisted customer in reducing noise and provided suggestion. Real-time transformer surveillance system collects data of temperature, voltage and current when the transformer is in motion. It also provided countermeasures when the system is at fault, by determining the content and increment in the oil of inflammable gas. Determination of the residual life for the transformer is also one of the key functions of this module. Also, weekly, monthly, annual report, annual repair and maintenance suggested items with budget will be provided on a timely basis to offer best economical repair and maintenance recommendation By way of the aforementioned pre-sales and after sales services, and IT technology application to carry out “Servitization of Manufacturing and Technologization of Service” in customer service to bring customers’ needs closer and enhance interaction with the customers, and further to uplift re-purchase rate. In respect to electric vehicle charging field, besides autonomous self-developing capability and the ability to sell product and its turnkey project as well as providing car dealer in electric vehicle charging software and hardware equipment; we also assist car dealer in setting up charging system integration with SMART solution, software services, self-charging stations location checking, navigation, APP activation, and integrate and design for electric vehicle charging station basic infrastructure network to provide service to all electric vehicle owners.

(3) Technology and R&D overview

All the R&D expenses and the technology or product successfully developed in The Most Recent Year up to the Previous Season of the Publication Date of the Annual Report

Unit: NT$ Thousands

Year	Amount	Ratio to Income
2020	127,381	1.50
1Q 2021	26,002	1.63

Product Specification successfully developed	Results
Small-scale Pad-Mounted Transformers_25, 50, 100 and 167kVA	Successfully passed Tai Power Y163(108-01) characteristic requirement and the size of the transformer was shrunk by 10%
Pole-mounted Transformers 25, 50 and 100kVA	Successfully passed Tai Power C033(107-12) characteristic requirement and the noise test value (38dB) was lower than CNS standard noise requirement(58dB)
Charging operating cloud service system	Introducing driver behavior big data application service analysis, expanding operational team and optimize front line and back office system, cross-industry cooperation and aggressively adding services stations in Taiwan and continued to develop system charging equipment

(4) Short-term and long-term business development plans (5 to 10 years) target to divide major businesses into equipment business and new energy engineering business

1. Short-term business development plan

Domestic sales: (equipment business and new energy engineering business)

Electric products are widely used in daily life, commercial activities and manufacturing and production. With the advancement of technology, electric product’s application was broadened, and we may consider electricity the cornerstone in maintaining modern civilization. For the time being, in addition to reinforce existing product marketing and sales of domestic and international plant-building or expansion cases, in domestic markets 69kV and above transformers and related distribution boards have been in sale for over 4 decades, we are expecting a gradual elimination and replacement in market demands. In addition to manufacturing products, we are seeking for international product distribution or wholesaling, to reinforce system equipment integrity and competitiveness. In the meantime, we continue to dedicate in designing, manufacturing, turnkey project’s marketing, construction, and water resources construction, MRT and Taiwan Railway construction, renewable energy, energy saving construction, electric transmission network energy storage system, distributed energy saving system, electric vehicle charging basic infrastructure, electric engineering construction (including firefighting, plumbing and electricity, surveillance system), and refrigeration and air conditioning related fields.

With regards to business development, we have opened up branches in central area, to serve central customers and architects, in advanced planning of equipment and electrical engineering related areas, to fight for more equipment and construction cases.

Electric vehicles industry is on the rise globally and electrification of vehicles is already one of the important policies of Taiwan future development. The Company has deep rooted in electric vehicles field for more than 8 years and had successfully developed and sell electric vehicle charging related hardware and software equipment and had devoted itself in introducing high-power DC charging equipment, and to integrate onto turnkey projects. Fortune Electric is supplier of charging hardware for electric vehicles for international car dealers and also assists car dealers to set up charging system at the plant and set up a goal to become Chinese Petroleum Co., in electric vehicle industry. The Company has completed parking, charging and payment in one go system integration as well as checking charging station locations, navigation, APP activation platform installation and further to expand charging network in Taiwan. We are also business partners of international electric vehicle dealer and besides installing FE's own brand, we are also good partner of international electric vehicle companies in Taiwan, to build household-fit type charging modules and speed charging station. We also have by far the most experience in building middle size and large size charging stations. FE used existing electricity transmission network professionalism, integrating with electric vehicle charging experience and devote in electric vehicle charging station operation. We fulfill social responsibility by providing electric vehicle owners a more friendly driving environment.

Export sales: (equipment business)

By fragmented market, servicing existing customer and providing overall pre-sales and after-sales service, with the rise of Green Energy market, to develop solar power and energy-saving projects.

We target to tackle developed countries first and then, the developing countries. Internally, we committed in enhancing quality and reducing cost, our main products in export sales are distributed transformer, power transformer, and solar PV Box modules. We take orders by overseas customers' needs and requests and continue to expand cooperation relationship with direct and indirect customers to grow our business with steady quality progressively. We also actively look for Electricity company and international turnkey engineering company to fight for export sales, with transformers and solar modules. We integrated all units' resources and with FE Heavy-duty 500kV production capability, to satisfy customers' needs for different service, quality, pricing, and delivery and also fight for China, EPC and South Eastern Asia market orders.

2. Long-term business development plan

Domestic sales: (equipment business and new energy engineering business)

Under the influence of economic growth, climate changing and industry development promotion, the need for electricity will increase year over year. According to the plan by Bureau of Energy, Ministry of Economic Affairs, the target for reserve capacity rate for power generation will be 10.0% in 2018 to be raised to 17.1% in 2025. Renewable power generator modules would be increased over years to reduce air pollution, as well as big bulk gas-lit modules to be installed.

In the future, domestic needs for electrical engineering markets will be increased by large scale due to government big construction projects' being rolled out. At the same time, due to increase of National Income (NI), we have entered and listed as one of the developed countries. All public construction projects will also increase tremendously. To reach "Marching unto Non-nuclear homes by 2025 and promote new energy policy" goal, we are expanding non-nuclear power plants, solar photovoltaic, offshore wind power generation, energy storage system, …, etc. All of these will bring another wave of rising demands for electrical engineering products. For construction business field, we continued to dig further into renewable energy construction, such as: Green Energy, Wind power, Solar photovoltaic, outlaying islands' power generation, electricity transmission energy storing system, distributed energy storage system. The government's non-nuclear home promoting new energy policy including energy saving, energy creating, energy storing and SMART system integration. The Company could provide electrical engineering equipment, electrical engineering construction and operation and maintenance services. Relevant business opportunities counter proposals are:

Energy saving: high efficiency Amorphous Metal Core Transformer, Electrical Vehicle charging piles and construction, and charging station operation

Energy creating: transformers, distribution boards, switches, turnkey electrical engineering project, and repair & maintenance

Energy storing: transformers, distribution boards, switches, turnkey electrical engineering project, and repair & maintenance

SMART system integration: transformers, distribution boards, switches, turnkey electrical engineering project, remote surveillance RTU, and repair & maintenance

In the next 10 years, driven by needs of important energy policy, the abovementioned products and services will increase over 20% of business growth annually.

Electrical engineering products, economic growth and lifting of quality life are closely related; electrical engineering market will be booming if society is advancing. As for product supply, due manufacturing of power transformer, distribution board, high voltage gas-insulted switch and devices for distribution are capital and technology intensive, especially for technology, which takes years and years of accumulation. Therefore, new competition is hardly seen. There was no growth in companies of the same industry in the last 10 years. Among the product lines, there is extremely big room for development in mid voltage 23kV GIS market and we're expecting a substantiated growth in market share in the future.

To cope with future market needs, the Company aggressively started automation and talent cultivating plans, to expand productivity to the fullest, develop new product, new technology and with stable quality. Also, we cooperate with important customers to promote 6S in quality management, aiming to keep abreast of competitiveness advantages and to lay down sustainable operation goal.

Export sales: (equipment business)

Globally, all places are expediting implementing substitute energy policy as well as economy growth plan for developing countries, we are expecting no change for all countries' needs for power equipment. The Company is working diligently towards directions, as described below, to grasp growth trends and competitive niche.

A. Established agency, branch office and sales office in major export countries. Currently, these have been set up in major export countries but more are being developed.

B. Form alliances with world-class direct and indirect customers and make effort for our products to be used in EPC or turnkey projects, to develop direct customers from these cases and obtain qualification review by newly developed countries to gain more customers.

C. For U.S. markets, due to the outstanding quality of our product with short delivery period, punctual and high quality pre-sales and after-sales services, we have succeed in tackling into focused U.S. power companies and customer and orders are growing steadily.

D. We have acquired qualification for major newly developed countries' power company and some business of power companies. We continue to offer products with high quality and reasonable price to expand in export sales. Our competitive niche lies in our Q.C.D. capability enhancement of our own products as well as established service cooperation partners locally. Aided by ISO9001, 14001 and Six Sigma, assorted quality activities, we have obtained qualified reviews from majority of international power companies and EPC customer review factory of large scale. We are recognized by our capability and with deep rooted business management and the establishment of international sales location, partners and network, our export sales grow year by year.

E. 500kV level transformer plant, with 100% shareholding, its space and location edges, not only enabled us to devote in global sales of large transformers, but also gave us an opportunity in striving for domestic offshore wind power vendors' transformer within wind power tower, electrical engineering module and assembly orders.

5.2 Market and Sales Overview

(1) Market Analysis

1. Sales of major products and services, offering location and market share

The Company has always been pursuit of excellent quality, quick and precise service, and fair pricing. Therefore, all transformers, distributed transformers, high-low voltage distribution boards and all sorts of transformers, are widely trusted and loved by domestic institutions of public sectors and private sectors. Export sales market are developing with sales revenue increase year by year.

Major product market shares are as below:

Power transformer: 35% of domestic sales volume and over 70% of export sales volume.

Distributed transformer: 18% of domestic sales volume and over 30% of export sales volume.

High-low voltage distribution boards: 10% of domestic sales volume.

2. Competitive niche and future development pros and cons and countermeasures

Advantages

(1) Government is planning in investing in expanding basic construction, with an aim to initiate and build what the country needs in the next 30 years, "Forward-looking Infrastructure Plan", which included 5 major construction plans: built safe and convenient rail tracks, water environment construction in response to climate-changing, Green Energy construction promoting environment sustainability, Smart Country digital establishment, reinforce balance of urban and rural construction, …, etc. there will be electric engineering construction direct or indirect needs increase in the future.

(2) To reach "Marching unto Non-nuclear homes by 2025 and promote new energy policy" goal, expanded non-nuclear power plant, solar photovoltaic, offshore wind power generation, electricity transmission network energy storage system, distributed system energy storage system, electric vehicle charging basic construction and power generation new construction. Our existing as well as newly developed products and services could satisfy the abovementioned new energy construction and future repair and maintenance needs. As we already have experiences in these projects, we are indeed best partner in terms of providing electrical engineering equipment as well as electrical engineering construction.

Completed projects or on-going projects:

Energy creating:

- · Ocean Phase II offshore wind power terrestrial construction
- · Hai Nan offshore wind power terrestrial construction
- · Tai Power Phase I offshore wind power booster transformer / modules and dock pre-assembling
- · Wo Shu offshore wind power terrestrial main and secondary transformer
- · WPD Yun Nan offshore wind power terrestrial main and secondary transformer
- · Tai Power Zhang Kuang solar power 100MW equipment
- · Tai Power Chi Ku solar power 150MW equipement
- · Luan Wei East solar power 180MW equipment
- · Hsin Chu 9 2MW Bei Tang project equipment
- · Kuo Ruei Car Chungli and Kuan Yin plant roof PV 750kW*2 turnkey project
- · Da Ya Tainan Sin Jhong 76MW equipment and turnkey project
- · Xin He Energy solar power 120MW equipment
- · Zhang Fong, West Island, Chung Nan offshore wind power generator assembly

Energy storing:

- ·Academia Sinica Lung Chin 1MW/1MWH energy storing installation construction
- · Hsin Chu Industrial Park Management Bio-Technology building 741kW/2964kWh energy storage system installation (1st Tesla energy storing case in Taiwan)
- · Set up Green Energy charging station in Neihu that has energy creating, energy saving and charging functions in one go
- · Installation of all electric vehicles' charging stations
- · Tung Lin Yi Tzu substation (P/S) one set of energy storing system equipment

(3) The Company has accumulated over half a century projects and experience and was recognized by customers, domestic and international alike, which helped in business development.

(4) The Company's labor relation is in harmony and employees worked well in a team. The Company's R&D capability is extraordinary and was certified by Tai Power with the most products, which helped us in market competitiveness.

(5) In our product lines, distributed transformer, power transformers, distribution boards,

power center, motor control center, mould0cast transformer won ISO9001 certification with registration. Metal clad switch box, gas-lit switch and capacitor was certified by ISO9002. We are the 1st composite heavy-duty plant to be awarded with such recognition, which helped market competition in the future.

(6) The Company has completed new product development in June 1996 of air-sealed gas switch (2 WAY SW, 4 WAY SW), and was the 1st company to have both products certified. Currently, we have sold billions of them in every year and will continue to develop automatic switches. We were 1st company to have passed certification by Tai Power for manufacturing underground 4W switch, which will increase said product's market shares.

(7) Became the 1st company to be certified for manufacturing of Amorphous Metal Distribution Transformer as well as selling iron core of other companies in the industry. This is quite beneficial for future revenue generation and profit increase.

(8) Obtained Tai Power new middle voltage 23kV GIS manufacturing qualification. As this product is a important index of heavy-duty electric industry, it is quite beneficial for future revenue generation and profit increase with this qualification.

(9) The Company devoted itself in power transmission, distribution and feeder automatic system's research and development, estimating NT$ 1 billion business opportunity per year.

(10) The Company continued to obtain qualification from major international brands which was quite beneficial for future revenue generation and profit increase.

(11) In 2011, we have built the largest Solar Photovoltaic Plant 4.6MW in Taiwan at Yong An Salt Wetland. Turnkey project will continue with Solar power and wind power generator, substation turnkey project, power distribution construction, water resources construction, …, etc. Also, MRT, light rail and railway electrification construction in transportation are rolled out gradually, we have also dedicated in private sector electrical engineering transportation constructions. Majority of the undertaken projects were completed in 2019. We continued to accumulate our experience and ability to further deep plough electrical engineering market.

(12) We have completed the only 230kV 240MVA large capacity transformer short-circuit testing certification. 500kV level transformer plant, with 100% shareholding, with export sales in this product, helped us to expand power transformer business development domestically and internationally.

(13) With oil and electricity prices going up, Amorphous Metal Distribution Transformer, Solar power turnkey project and environmental and energy saving product and services are benefited.

(14) In the development of Green Energy, we continue to promote product and operation innovation, aiming to become leading enterprise of Green Energy field, including: developing several energy saving transmission and distribution equipment, developing renewable energy, built several MW level solar power plants, MW level energy saving installation (completed Hsin Chu Bio-Technology building distributed power system integration; it is considered by far the largest project, 741kW/2964kWH, in Taiwan), SMART electricity transmission installation, undertaking offshore terrestrial electrical engineering construction, and open up electric vehicles power charging field. For electric vehicle charging needs, hardware, software and operation services are provided for, from single charging product to installation of a whole station as well as charging basic infrastructure network operation. The sound service provided could really satisfy customers' needs; we have now become suppliers of many renowned car dealers. Charging poles installation ranked among top 3 in Taiwan, which realized charging station operating goal. In addition to the operation in Green Energy product, we have participated in investing in large scale solar power plant to further aggressively participated in Green Energy business.

Disadvantages

(1) Manufacturing of heavy-duty electrical product requires more experienced skill workers; but with minimum wage being increased constantly, manufacturing cost

has been increased relatively.

(2) Working hours had been reduced in Taiwan whereas manpower cost, workforce training and cost of automation were increased comparatively, which disrupted manufacturing capacity to a certain degree.

(3) Fluctuation of foreign currency rate of exchange somewhat impacted on competitiveness and profitability of export markets.

(4) Solar photovoltaic subsidy program has been decreased which was hampering solar photovoltaic business development domestically.

Countermeasures

(1) Expedite in research and development of new product to widen distance with competitors, with market segmentation, to increase revenue and profitability.

(2) From global viewpoint, through assignment of responsibility, procure components or process semi-finished goods from places with favorable prices to sell.

(3) Fought for export business opportunities by way of our government's joining WTO, as markets would be opened bilaterally.

(4) Reduce cost, enhance competitiveness, and target to provide low cost, high quality, and good service to customers.

(5) Continued to develop new customers and new distributors; those whose performance was below acceptance or no results.

(6) Key materials were paid in USD, with foreign currency risk hedged naturally, plus using forward FX hedging mechanism in financial operations, risk of USD appreciation for imported materials have been lowered to the minimum.

(7) Actively expand cooperation with solar photovoltaic battery modules companies and seek for solar photovoltaic projects appropriately and jointly open up overseas markets.

(8) Actively cooperated with all construction projects at the design phase by providing optimized electrical engineering layout before sales, and fight for more business opportunities of electrical engineering project.

(9) By providing differentiated pre-sales/after-sales services such as: "Emergency power restoration system within 24 hours", "Emergency power restoration system", and "Broaden maintenance and repair services" to implement second and half industry operating strategy.

(10) Intellectualized product lines, reinforce factory facility automation, real-time information, big data analysis, and simulated automation controls to enhance workflow and product competitivity.

(2) Main product applicability and manufacturing process flow:

1. Main product applicability

(1) Transformer:

The power generated by power plant can reach user through transmission. In the process of transmission, high quality transformer has to be the media, by boosting up power pressure through distribution lines to transmit to all areas and decrease pressure as per all users' needed voltage, to be connected to machinery in use.

(2) Distribution Board:

Switch box, electricity board, control board, and power distribution box, with system protection and coordination functions namely, activating, and deactivating devices, surveillance and safety detachment, in power plant, transmission and distribution system's substation, factory, public facilities, office and residential buildings.

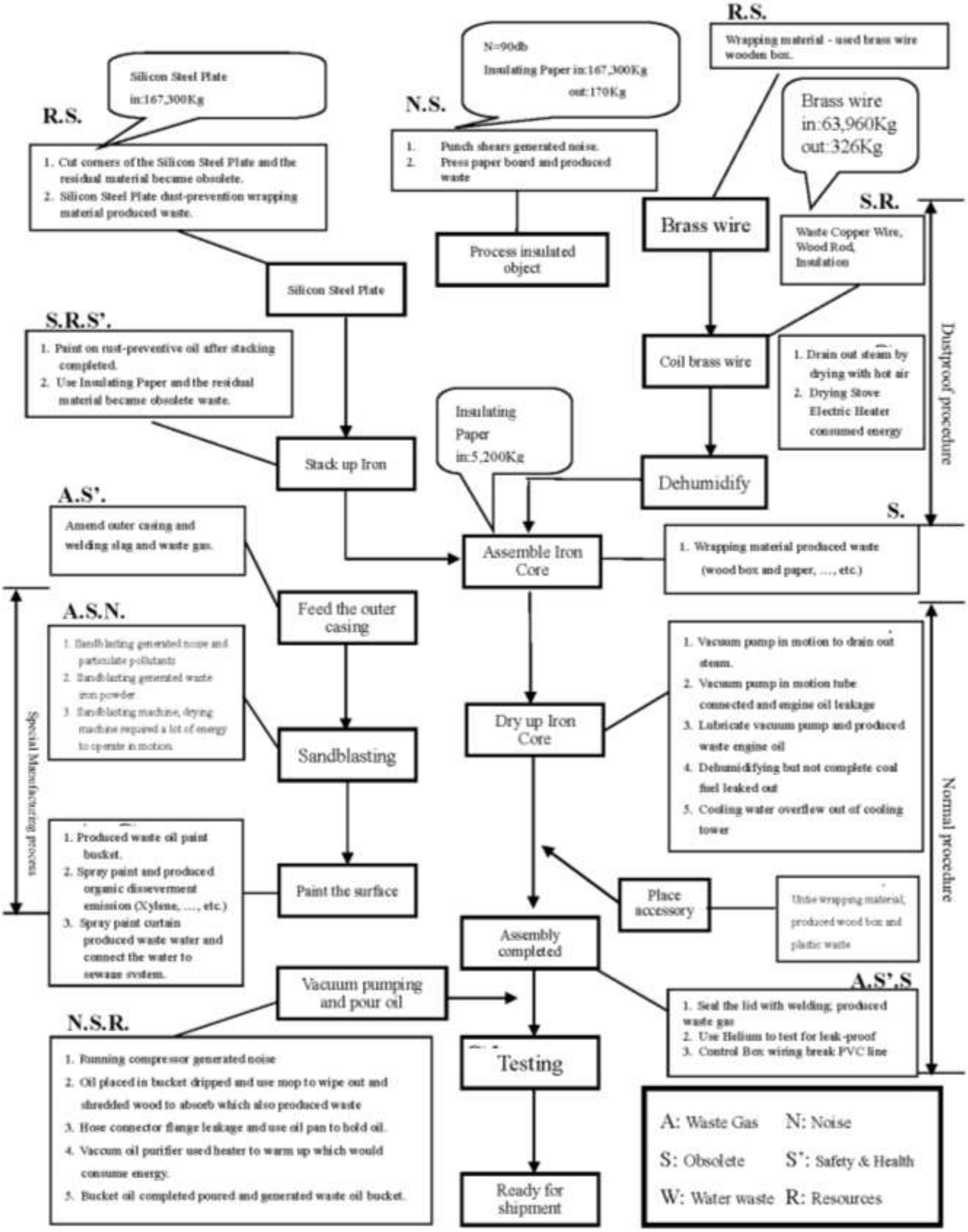
(3) Devices for power distribution:

Devices for power distribution: switch for power transmission and distribution system and circuits, and power consumption enhancement and protective equipment.

2. Key products production workflow

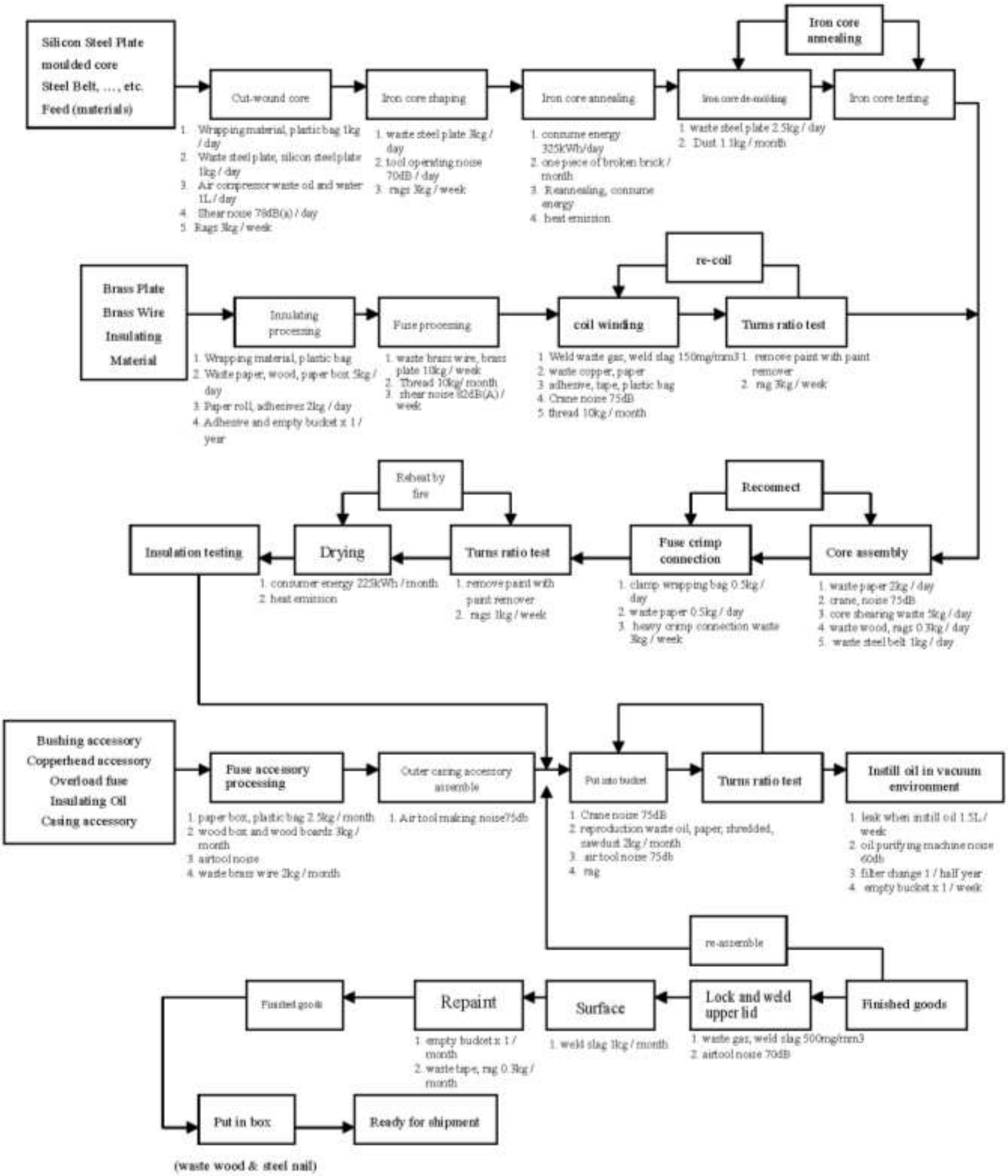
(1) Power Transformer production Diagram:

Power Transformer Production Diagram

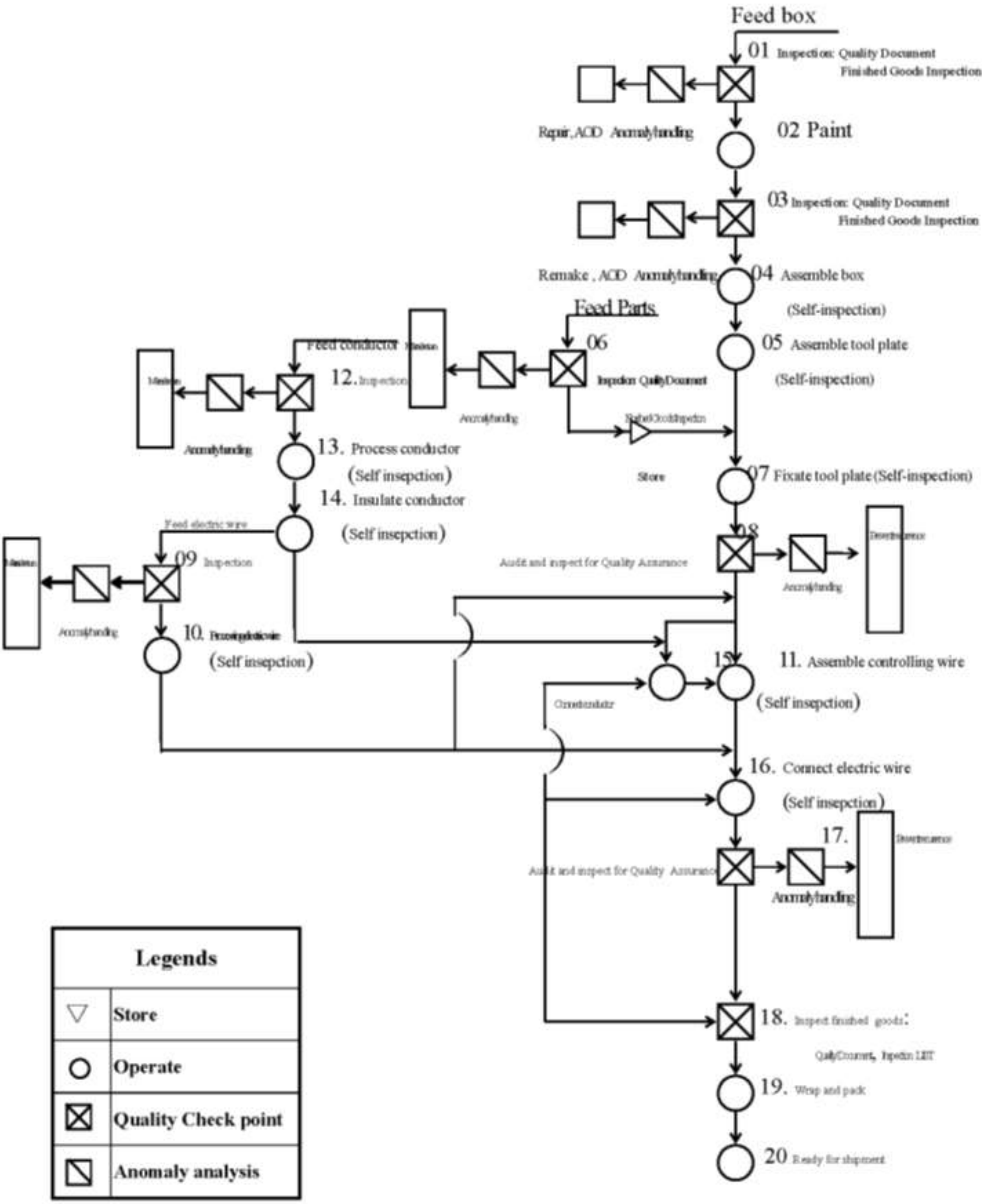


(2) Distributed transformer manufacturing diagram:

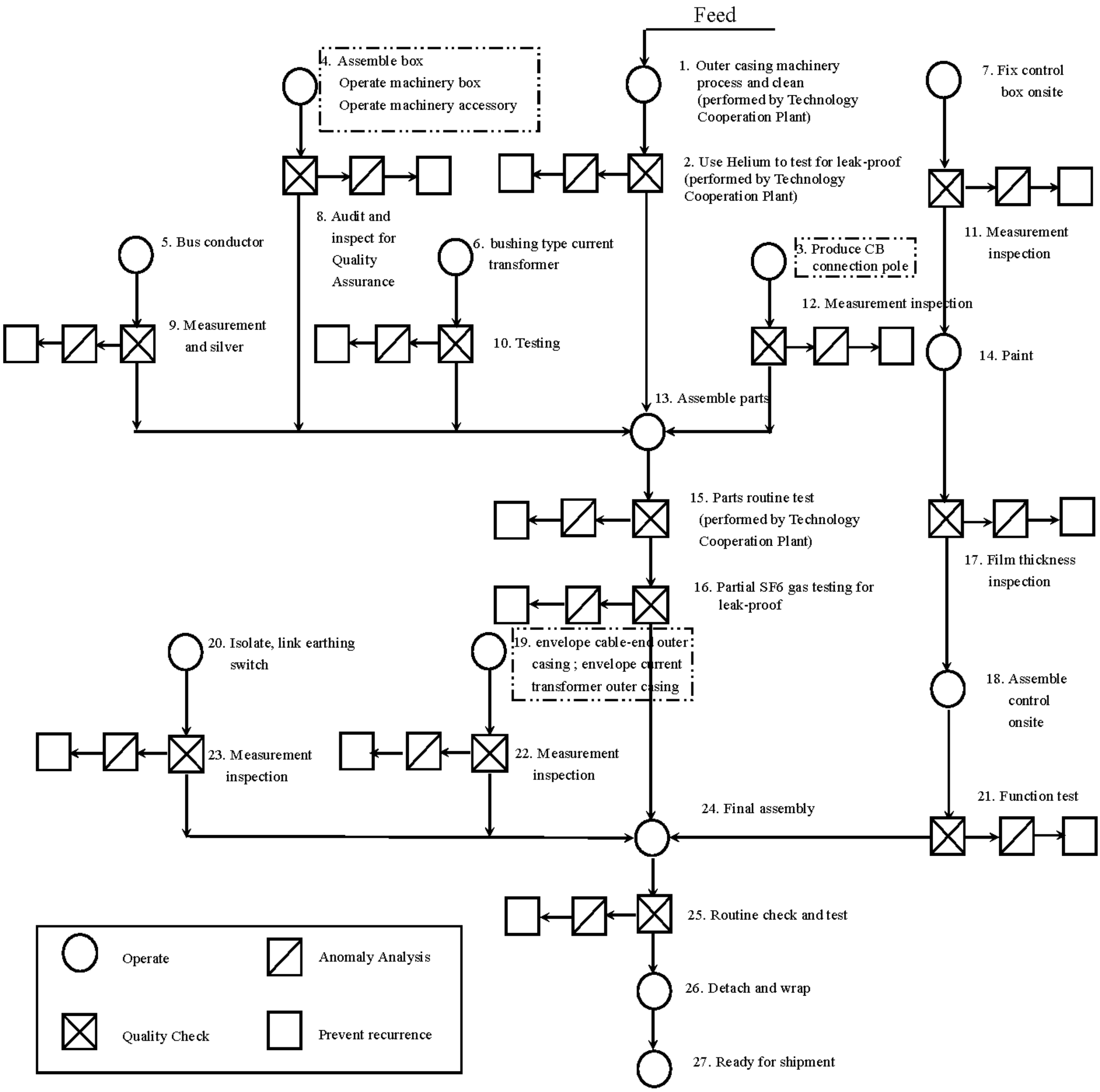
Distributed Transformer Manufacturing Diagram



(3) Distribution Board manufacturing diagram：



(4) SF6 gas-insulated switch equipment quality control workflow diagram:



(3) Supply Status of Main materials

Main material	Application	Source of Supply
Silicon Steel Plate	To manufacture core of transformer	ROC, Asia, Europe, U.S., and Middle East
Brass wire	To manufacture core of transformer	ROC, Korea
Insulting Oil	Insulate transformer	ROC, U.S., Singapore, India, Sweden, Australia and Europe
Switch box	Metal-clad switch box, all sorts of switches	ROC
Iron (outer casing)	To manufacture transformer and distribution board outer casing	ROC and Asia

All abovementioned materials are to be regarded as buyers' market whereas the Company could have full control over source of material, payment and delivery terms.

(4) Any Company commanding 10%-plus share of annual order (sales) volume in the Most Recent Two Years, please disclose name, amount and ratio and the rational for increase or decrease

1. Any Suppliers commanding 10%-plus share of annual order volume: NONE
2. Any Customers commanding 10%-plus share of annual sales volume: please refer to below table for details

Unit: NT$ Thousands

	2020				2019				Up to Previous Quarter in 2021			
NO	Name	Amount	Ratio to Annual Net Sales (%)	Relation with issuer	Name	Amount	Ratio to Annual Net Sales (%)	Relation with issuer	Name	Amount	Ratio to Net sales up to previous quarter (%)	Relationship with issuer
1	A	2,366,657	30	Non-interested party	A	2,220,659	32	Non-interested party	A	282,980	18	Non-interested party
2	B	931,196	12	Non-interested party	B	539,981	8	Non-interested party	B	607,698	38	Non-interested party
	Other	4,698,627	58		Other	4,109,345	60		Other	705,314	44	
	Net of sales	7,996,480	100		Net of sales	6,869,985	100		Consolidated Net of Sales	1,595,992	100	

1. Compared to 2019, current year sales to Company A increased 6.57%, mainly resulted from execution of open contract and will deliver this current progressively.
2. The Company undertook Company B's offshore wind power substation and terrestrial power system engineering construction.

Project has been kicked from 2H 2019 and completion ratio has reached over50%. The project is scheduled to complete in 2021. ◦

(5) Production volume and value in the Past Two Years

Unit: Productivity: kVA, set
volume: kVA, set
value: in NT$1,000

Year / Major Products	2020			2019		
	Productivity	Volume	Value	Productivity	Volume	Value
Transformer (kVA)	21,860,000	8,990,026	3,339,712	21,860,000	11,069,753	3,289,219
Distribution Board (set)	200	189	1,123,623	150	150	980,348
Devices for distribution (set)	31,000	10,964	319,017	31,000	6,032	52,740
Other	-	-	971,983	-	-	637,940
Total	21,860,000 kVA 200 set 31,000 set	8,990,026 kVA 189 set 10,964 set	5,754,335	21,860,000 kVA 150 set 31,000 set	11,069,753 kVA 150 set 6,032 set	4,960,247

(6) Sales Quantity and volume of the Most Recent Two Years

Unit: Sales Volume – kVA, set
Sales Amount – in NT$1,000

Year / Major Product	2020				2019			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Sales Volume	Sales Amount	Sales Volume	Sales Amount	Sales Volume	Sales Amount	Sales Volume	Sales Amount
Transformer (kVA)	4,621,891	2,325,186	6,467,410	1,973,299	4,006,378	2,357,834	5,080,405	1,614,205
Distribution Board (Set)	173	1,251,521	4	39,567	146	1,039,510	5	55,533
Devices for distribution (Set)	10,940	298,085	-	-	6,028	51,545	5	8,803
Other	-	846,679	-	97,560	-	617,063	-	101,747
Construction	-	1,152,273	-	-	-	1,011,200	-	-
Electricity sales	1,758,367	12,309	-	-	1,792,091	12,545	-	-
合計	4,621,891 kVA 173 set 10,940 set 1,758,367 kWh	5,886,053	6,467,410 kVA 4 set -set -	2,110,426	4,006,378 kVA 146 set 6,028 set 1,792,091 kWh	5,089,697	5,080,405 kVA 5 set 5 set -	1,780,288

Note: "Other" meant sales of accessories other the aforementioned and its volume is insignificant.

5.3 Employee Information, including No. Of employees, average service years, average age, and education distribution, for the Past Two Years, up to the publication date of the Annual Report (education distribution including foreign employees)

Item / Year		2020	2019	Up to Publication date of the Annual Report
No. of Staff	Business Management	227	214	243
	Indirect manufacturer	237	223	244
	Direct Manufacturer	309	303	312
	Total	773	740	799
Average Age		40.83	41.26	40.65
Average Seniority		10.97	11.16	10.76
Education Distribution	P.H.D.	0.26	0.27	0.25
	Master Degree	13.32	14.27	14.02
	College	58.73	55.30	58.45
	Senior High School	19.41	20.52	19.40
	Under Senior High School	8.28	9.64	7.88

5.4 Environmental Expenditure Information

(1) The Company introduced ISO 14001 environment management system and ISO 45001 Occupational Safety and Health management system, with the intention of combining safety concern and business operation in one and embed into the manufacturing process to assist in management and improvement of manufacturing technology, to provide better and safer working environment to all employees as well as reducing environment and construction risk, whereas manufacturing efficiency were uplifted, being compliant with Green product, reducing waste production, increase re-use of resources, reduce pollution emission, and committed in protecting earth to fulfill social responsibility. In 2014, participated Taoyuan City government ed O3 improvement plan, demonstrating real action to preserve earth. In 2014, the Company was awarded in US and Canada area by third party ISN, with rating A; in the same year, participated in Tai Power necessity-reaction plan, by enhancing Tai Power's operating reserve capacity during summer peaks, to adapt to Industrial Area's power consumption with dexterity. In 2016, joined Taoyuan City factory neighboring river, Kuan Yi Stream's adoption program, and passed down environmental protection and water resources concepts to employees, expecting to fulfill environment protection and earth-loving cultural heritage. In 2017, obtained ISO 14001 environment management system (version 2015). In 2019, all 3 plants were transformed smoothly from OHSAS 18001 to brand new ISO 45001 certification. The Company kept abreast of newest trend, and effectively continue to improve with system management concepts.

(2) The Company upheld and paid attention to environment protection managerial concepts and cooperated with the government to execute all kinds of environment protection measures. In addition to assigning designated personnel, we have allowed operators to join professional environment protection training and acquired licensing. Expert system is in place, from fixing pipe end progressing to source improvement. We began to promote energy saving and carbon reduction, by setting up a counseling mechanism for suppliers, namely, to do what we could to preserve Green Earth, we have implemented all kinds of improvement procedures and was awarded by Bureau of Industry, MOEA, to be outstanding company in carbon reduction. In 2012, we became the 1st company in heavy-duty electric industry to have passed product carbon foot investigation and we began to establish energy management system from 2013. In January 2014, we became the 1st company in heavy-duty electric industry to have passed ISO50001certification. In 2015, we assisted Bureau of Industry to set up transformer carbon footprint product specification and have published in GEDnet international website for all countries to check and reference.

(3) The Company's products were not under ROHS restricted equipment or products. We only used very few repair parts, under ROHS restrictive material control. Therefore, financial business impact to the Company was of little significance.

5.5 Labor Relations

(1) Summary of Employee Benefits, continued studies, training, retirement…, etc., all sorts of welfare scheme as below:

1. Employee Benefits

To safeguard Employee's rights of Occupational Safety and Health, each Employee was insured with "Employer's Compensation Insurance and Employer Group Insurance"; further, Welfare Committee was established to promote all sort of benefits for Employees to be substantially benefited economically and psychologically.

(1) Sound Welfare System

All sort benefits were arranged such as, scholarship program has been set for Employees and their children, group outing activities, Family Day, Birthday Celebration, Employee injury/sickness consolation, marriage/grievance subsidy, maternity subsidy, yearend parties, and lottery draws.

(2) Employee Daily Care

Food:	Free lunch
Clothing:	Summer and winter uniforms for employees
Housing:	Dormitory provided for single Employee
Transportation:	Shuttle buses vehicles were provided in Taoyuan Plant during getting on/off work periods
Education:	Create corporate culture of a learning organization, establish corporate university, encourage employee for on-the-job further studies, subsidy of tuition fee, promoting study group, and health promotion, …, etc.
Entertainment:	Promoted social clubs and all sorts of gathering activities;

by way of diversified organization and social activities, to enhance employee emotion and motivate employee to cultivate personal interests and learning for life so that goals of learning, from fun activities, could be reached.

2. Sound talent cultivation and employee training system
   (1) Set up employee training committee, to promote TTQS training quality management system, link to corporate vision and goals, and implement company operating plans and training policy, to promote training and talent cultivation results.
   (2) Set up cultivation center, promoting capability development to be linked with promotion, executing all kinds of professional core technology and management of talents, international languages, and master and PhD talent cultivation system.
   (3) To implement A level talent cultivation mechanism, promoted Fortune Electric University, a "building a nest to attract phoenix" approach, to strategically cultivate talents.
   (4) Made good use of government resources to conduct all kinds of employee training and talent cultivation program, including recruiting R&D Substitute Services, and participate in all sorts of enterprise human resources lifting programs and reward plans.
   (5) Think highly of subject experts and licensing system and conducted all types of vocational training and professional skill sets certification.
   (6) According to annual training plan execution, 2019 total people attending trainings were 1,934 people (times), total training hours were circa 11,974 hours and total training expenses were NT$3,570,000.
3. Pension system
   (1) The Company has established sound retirement system. In order to protect employee benefits for those who had elected to adopt old retirement scheme, we have increased allocation ratio every year, and also have allocated employee retirement reserve to be deposited into Taiwan Bank to generate interests to counteract and supply employee retirement reserve in full.
   (2) The Company has complied with relevant codes and withheld Labor Insurance, National Health Insurance for employees. For employees electing to adopt new retirement scheme, 6% of monthly salary will be wired into employee's retirement account in Labor Insurance Bureau.
4. Management of Labor negotiation and all employee rights protective measures: :
   (1) Labor-management meeting
   Labor-management meeting was convened routinely for all labor and management communication matters to construct consensus as well as enhance customer, employee, the Company, shareholders and social public's best interests.
   (2) E-opinion and Management by Walking Around
   Maintain FE family suggestion box and routinely conduct interviews with employees; keep a clear communication channel, dig out issues and solve them.
   (3) Climate investigation of organization
   Routinely conduct organizational climate investigation, count, analyze, and improve accordingly, to uplift employee satisfaction of the Company.
   (4) Labor relation
   The Company's labor relation is harmonious and there was no material labor dispute occurred since 1969, when the Company was founded, nor were there any loss incurred resulting from labor disputes.
   (5) The Company adheres to "Gender Equality Act" and provided personnel (including employee, dispatched worker, technician, and interns) and job seekers to be free from sexual harassment and service environment whereby established "Fortune Electric preventive measures, complaint, and disciplinary procedures of sexual harassment", to appropriately prevent, correct, penalize and handle and protect event party's rights and privacy.

(2) Loss incurred by Labor dispute and disclosure of current and possible future incurred amount and countermeasures in The Most Recent Year and up to the Publication Date of the Annual Report:
1. Labor dispute status: NONE
2. Incurred loss amount: NONE
3. Possible loss amount in the future: NONE

4. Countermeasures:
Harmonious labor relationship is the cornerstone of corporate development. Over the years, the Company's labor relationship has been in the state of harmonious, stable and prosperity-sharing. The Company dedicated in promoting employee compensation and benefits, improving working environment, and understand employee needs and requests, by way of communication channels such as Management and Labor Council, employee opinion box, interview, and questionnaire. These are valued and assisted by managers of all levels and appropriate feedback and handling were given.

5.6 Important Contracts

Type of Contract	Party	Contract Period	Major Content	Restrictive Terms and Conditions
Technical Cooperation	Japan HITACHI	From January 13th, 2019 till January 12th, 2024	Power Transformer: 1. Sulfur hexafluoride gas-insulated：12~69kV and 3~30MVA 2. Sulfur hexafluoride gas-insulated :12 ~161kV, 31~100MVA 3. Oil-immersed: 346~400kV and 32~300MVA 4. Oil-immersed: 345kV and 550~650MVA 5. Oil-immersed: 345kV and 651~1000MVA 6. Oil-immersed: 345kV 1001~1300 MVA 7. Oil-immersed: 346~400kV and 301~400MVA	1. Within valid period of this contract, technology provider agreed for FE to design, manufacture, and sell the technical cooperated product in ROC. Also, FE technical cooperated product needs to have written approval from technology provider before export sales. 2. Technology provider's trademark and commercial name would not be authorized for use. 3. 10 years after this contract's validity, technology provided by the technology provider cannot be disclosed to third party. 4. FE cannot apply for patent in any countries for technology provided while the contract is still binding and even after the contract has matured. 5.If either fails to fulfill its obligation, bankruptcy, operation stopped or operation has material changes resulting from M&A or any other causes which led to changes of shareholding, or if third party gained control over either party, or if either party complied with government's order to stoop, the contract may be terminated before the maturity date. 6. If early termination was caused by FE, FE needed to return all technology data to technology provider. 7. All technology transfer without technology provider's written consent is not valid.
Technical Cooperation	Germany ABB Co., Calor Emag GmbH	From September 23rd, 2002 until termination notification by either party	Gas-insulated distribution Board: below 24kV (inclusive)	1. Manufacturing is limited in Taiwan and could only be sold to Tai Power. For other market to be sold, prior consent has to be obtained. 2. Cooperator has to purchase breaker from technology provider. 3. Cooperator will not disclose to non-related third party about any information obtained from technology provider. 4.Cooperator will not provide technical data provided by technology provider unless such data has been published and already confirmed by both parties in writing. 5. Prior consent of the technology provider has to be sought for the contract's product, component's registration, and distribution

Type of Contract	Party	Contract Period	Major Content	Restrictive Terms and Conditions
				of patent.
Technical Cooperation	Japan Meidensha Corp.	July 10th, 2017 till July 9th, 2022	Resistor: 1. 161kV and 80MVAr 2. 161kV and 40MVAr 3. 3.33kV and 40MVAr 4. (Cooler and Radiator Type)	1. Within valid period of this contract, technology provider agreed for FE to design, manufacture, and sell the technical cooperated product in ROC. Also, FE technical cooperated product needs to have written approval from technology provider before export sales. 2. Technology provider's trademark and commercial name would not be authorized for use. 3. 10 years after this contract's validity, technology provided by the technology provider cannot be disclosed to third party. 4. FE cannot apply for patent in any countries for technology provided while the contract is still binding and even after the contract has matured. 5.If either fails to fulfill its obligation, bankruptcy, operation stopped or operation has material changes resulting from M&A or any other causes which led to changes of shareholding, or if third party gained control over either party, or if either party complied with government's order to stoop, the contract may be terminated before the maturity date. 6. If early termination was caused by FE, FE needed to return all technology data to technology provider. 7. All technology transfer without technology provider's written consent is not valid.
Third model Solar Photovoltaic power generator contract	Tai Power Co., Ltd, Ping Tung Branch	Contract was signed on September 2nd, 2011. Period would be 20 years, starting from 1st time of grid connected.	Pricing was according to announced bulk sale pricing by MOEA of Ground–mounted PV Systems, to be sold to Tai Power	As per stipulation in the contract.
Technical Cooperation	Germany SIEMENS AG	From February 24th, 2014 till February 23rd, 2019	Low-voltage distribution board SIVACON-S8 authorized for production	1. Cooperator has to purchase breaker from technology provider. 2. Cooperator will not disclose to non-related third party about any information obtained from technology provider. 3. Cooperator will not provide technical data provided by technology provider unless such data has been published and already confirmed by both parties in writing.

VI. Financial Highlights

6.1 Condensed Balance Sheet, Consolidated Income Statement and the CPA's name and audit comments; audited financial information in the Most Recent Year up to the publication date of the Annual Report

(1) Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT$ Thousands

Item \ Year		Consolidated Financial Summary for The Last Five Years（Note 1）2020	2019	2018	2017	2016	Financial Data of Current Year up to March 31st (Note 3)
Current Assets		6,453,655	6,236,861	5,039,167	5,244,308	4,917,844	6,290,419
Property, Plant and Equipment		1,982,681	2,049,431	1,317,950	1,367,183	1,412,493	1,975,352
Intangible assets		31,214	28,528	20,716	9,735	12,766	36,196
Other assets		224,802	271,811	449,025	447,529	614,876	475,635
Total assets		8,692,352	8,586,631	6,826,858	7,068,755	6,957,979	8,777,602
Current Liabilities	Before distribution	3,934,794	4,069,636	2,716,227	2,906,408	2,645,790	-
	After distribution	(Note 2)	4,330,695	2,794,545	3,010,831	2,854,637	4,404,720
Non-current Liabilities		1,210,542	1,138,090	1,047,435	1,047,296	1,057,052	1,157,735
Total liabilities	Before distribution	5,145,336	5,207,726	3,763,662	3,953,704	3,702,842	-
	After distribution	(Note 2)	5,468,785	3,841,980	4,058,127	3,911,689	5,562,455
Equity attributable to shareholders of the parent		3,547,016	3,378,905	3,067,582	3,113,710	3,252,312	3,215,147
Capital stock		2,610,585	2,610,585	2,610,585	2,610,585	2,610,585	2,610,585
Capital surplus		1,414	1,251	1,251	1,179	1,033	1,414
Retained earnings	Before distribution	950,364	776,044	467,019	517,197	651,925	-
	After distribution	(Note 2)	514,985	388,701	412,774	443,078	620,132
Other equity interest		(15,347)	(8,975)	(11,273)	(15,251)	(11,231)	(16,984)
Treasury Stock		-	-	-	-	-	-
Non-controlling interest		-	-	(4,386)	1,341	2,825	-
Total equity	Before distribution	3,547,016	3,378,905	3,063,196	3,115,051	3,255,137	-
	After distribution	(Note 2)	3,117,846	2,984,878	3,010,628	3,046,290	3,215,147

Unit: NT$ Thousands

Item \ Year		Individual Financial Summary for The Last Five Years (Note 1) 2020	2019	2018	2017	2016	Financial Data of Current Year up to March 31st
Current Assets		5,647,095	5,841,270	4,586,165	4,765,826	4,416,839	Not Applicable
Property, Plant and Equipment		1,238,263	1,233,572	1,260,530	1,296,913	1,330,218	
Intangible Assets		31,181	28,493	20,679	9,694	12,665	
Other Assets		831,295	725,972	666,129	676,659	828,250	
Total assets		7,747,834	7,829,307	6,533,503	6,749,092	6,587,972	
Current Liabilities	Before distribution	3,191,311	3,414,083	2,419,524	2,588,086	2,278,916	
	After distribution	(Note 2)	3,675,142	2,497,842	2,692,509	2,487,763	
Non-current Liabilities		1,009,507	1,036,319	1,046,397	1,047,296	1,056,744	
Total liabilities	Before distribution	4,200,818	4,450,402	3,465,921	3,635,382	3,335,660	
	After distribution	(Note 2)	4,711,461	3,544,239	3,739,805	3,544,507	
Equity attributable to shareholders of the parent		3,547,016	3,378,905	3,067,582	3,113,710	3,252,312	
Capital stock		2,610,585	2,610,585	2,610,585	2,610,585	2,610,585	
Capital surplus		1,414	1,251	1,251	1,179	1,033	
Retained earnings	Before distribution	950,364	776,044	467,019	517,197	651,925	
	After distribution	(Note 2)	514,985	388,701	412,774	443,078	
Other equity interest		(15,347)	(8,975)	(11,273)	(15,251)	(11,231)	
Treasury Stock		-	-	-	-	-	
Non-controlling interest		-	-	-	-	-	
Total Equity	Before distribution	3,547,016	3,378,905	3,067,582	3,113,710	3,252,312	
	After distribution	(Note 2)	3,117,846	2,989,264	3,009,287	3,043,465	

Note 1: Financial data of the Past 5 Years were all audited and signed by CPAs.
Note 2: Parent company 2020 distribution of cash dividend has been approved by the Board of Directors on March 22nd, 2021, earnings per share is NT$1.3.
Note 3: Financial data Up to March 31st, 2021 have been audited by CPAs

(2) Consolidated Balance Sheet – Based on IFRS

Unit: NT$ Thousands

Item / Year	Consolidated Financial Statement of the Past 5 years (Note 1)					Financial Data of Current Year up to March 31st (Note 3)
	2020	2019	2018	2017	2016	
Operating Revenue	8,471,592	7,176,598	5,996,563	5,869,690	5,726,260	1,595,992
Operating Margin	1,354,050	1,126,700	624,248	738,536	1,016,618	220,803
Operating income	474,093	331,055	13,147	156,783	313,587	18,214
Non-operating income and expenses	74,527	170,385	62,072	(30,815)	(14,861)	(3,232)
Income from continuing operations before income tax	548,620	501,440	75,219	125,968	298,726	14,982
Net income of continuing business units	457,514	415,149	53,213	91,285	247,747	9,144
Loss of suspended business unit	-	-	-	-	-	-
Net income	457,514	415,149	53,213	91,285	247,747	9,144
Other comprehensive income, net of tax	(28,508)	(21,122)	(3,142)	(22,670)	4,831	(1,637)
Total comprehensive income	429,006	394,027	50,071	68,615	252,578	7,507
Net income attributable to stockholders of the parent	457,514	410,652	60,082	92,764	250,555	9,144
Net income attributable to non-controlling interests	-	4,497	(6,869)	(1,479)	(2,808)	-
Total comprehensive income attributable to stockholders of the parent	429,006	389,641	55,798	70,099	255,726	7,507
Total comprehensive income attributable to non-controlling interests	-	4,386	(5,727)	(1,484)	(3,148)	-
Earnings per share (Note 2)	1.75	1.57	0.23	0.36	0.96	0.04

Unit: NT$ Thousands

Item / Year	Individual Financial Data for the Past 5 Years (Note 1)					Financial Data of Current Year up to March 31st
	2020	2019	2018	2017	2016	
Operating Revenue	7,996,479	6,869,985	5,687,135	5,608,014	5,377,817	
Operating Margin	1,188,917	1,049,571	577,248	667,441	964,304	
Operating income	414,928	336,830	24,991	141,550	338,461	
Non-operating income and expenses	133,276	159,963	56,583	(14,163)	(36,295)	
Income from continuing operations before income tax	548,204	496,793	81,574	127,387	302,166	Not Applicable
Net income of continuing business units	457,514	410,652	60,082	92,764	250,555	
Loss of suspended business unit	-	-	-	-	-	
Net income	457,514	410,652	60,082	92,764	250,555	
Other comprehensive income, net of tax	(28,508)	(21,011)	(4,284)	(22,665)	5,171	
Total comprehensive income	429,006	389,641	55,798	70,099	255,726	
Net income attributable to stockholders of the parent	457,514	410,652	60,082	92,764	250,555	
Net income attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to stockholders of the parent	429,006	389,641	55,798	70,099	255,726	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share (Note 2)	1.75	1.57	0.23	0.36	0.96	

Note 1: Financial data of the Past 5 Years were all audited and signed by CPAs.

Note 2: Calculated as per weighted average stock of current year

Note 3: Financial data Up to March 31st, 2021 have been audited by CPAs

(3) Most Recent Five Years CPA names and Audit Comments

Year	Accounting Firm	CPA	Audit comments
2020	Deloitte & Touche	CPA Tun-Fang Lee CPA Tze-Li Kung	No unreserved opinions
2019	Deloitte & Touche	CPA Tun-Fang Lee CPA Tze-Li Kung	No unreserved opinions nor other matter paragraph
2018	Deloitte & Touche	CPA Tun-Fang Lee CPA Tze-Li Kung	No unreserved opinions nor other matter paragraph
2017	Deloitte & Touche	CPA Tun-Fang Lee CPA Tze-Li Kung	No unreserved opinions nor other matter paragraph
2016	Deloitte & Touche	CPA Tun-Fang Lee CPA Tze-Li Kung	No unreserved opinions nor other matter paragraph

6.2 Audited Financial Analysis in the Past Five Years and in the Most Recent Year up to the publication date of the Annual Report

(1)- Consolidated Financial Analysis – Based on IFRS

Items for Analysis (Year)		Consolidated Financial Analysis for The Last Five Years					Current Year up to March 31st (Note)
		2020	2019	2018	2017	2016	
Financial Structure %	Debt to asset ratio	59.19	60.65	55.13	55.93	53.22	63.37
	Long term capital to property, plant, and equipment ratio	221.36	201.07	288.71	282.10	282.97	204.87
Solvency %	Current ratio	164.02	153.25	185.52	180.44	185.87	142.81
	Quick ratio	95.29	77.36	92.37	105.20	93.26	59.69
	Interest earned ratio (times)	21.34	16.17	3.52	6.12	11.51	2.98
Operating capacity	Accounts receivable turnover (times)	3.08	2.88	2.37	2.25	2.29	2.77
	Average collection period	119	127	154	162	160	132
	Inventory turnover (times)	2.54	2.24	2.35	2.45	2.07	1.21
	Accounts payable turnover (times)	2.38	2.48	2.58	2.48	1.93	2.12
	Average days in sales	144	163	155	149	176	302
	Property, plant and equipment turnover (times)	4.27	3.50	4.55	4.29	4.05	3.23
	Total assets turnover (times)	0.97	0.84	0.88	0.83	0.82	0.73
Profitability	Return on total assets (%)	5.55	5.73	1.11	1.59	3.67	0.70
	Return on stockholders' equity (%)	13.21	12.89	1.72	2.87	7.72	1.08
	Pre-tax income to paid-in capital (%)	21.02	19.21	2.88	4.83	11.44	2.30
	Profit ratio (%)	5.40	5.78	0.89	1.56	4.33	0.57
	Earnings per share (NT$)	1.75	1.57	0.23	0.36	0.96	0.04
Cash Flow	Cash flow ratio (%)	5.49	17.10	23.20	(12.04)	19.17	0.59
	Cash flow adequacy ratio (%)	97.82	41.94	10.31	21.76	45.53	52.37
	Cash reinvestment ratio (%)	(0.65)	9.21	9.36	(9.92)	6.13	0.39
Leverage	Operating leverage	2.79	3.48	56.13	5.44	3.30	9.27
	Financial leverage	1.06	1.11	(0.79)	1.19	1.10	1.71

Analysis of financial ratio differences for the last two years up to the Publication Date of the Annual Report

1. Pre-payments and Current Liabilities decreased in Current Year, resulted with variance of quick ratio was 23.18%
2. Income from continuing operations before income tax increased and interest decreased, as a result, Interest coverage ratio variance was 31.97%。
3. Operating income increased and property, plant and equipment residual decreased, as a result, variance of property, plant and equipment turnover rate (times) was 22%.A
4. Net cash flow from operation outperformed YoY and Net Cash used was decreased in the Last Five Years.
5. Due to differential in profitability in 1st Quarter 2021, various financial ratio had higher variances.

Note : Financial data Up to March 31st, 2021 have been audited by CPAs in Consolidated financial statements.

Items for Analysis / Year		Individual Financial Analysis for The Last Five Years					Current Year up to March 31st
		2020	2019	2018	2017	2016	
Financial Structure	Debt to asset ratio	54.22	56.84	53.05	53.86	50.63	
	Long term capital to property, plant, and equipment ratio	346.36	334.05	302.20	297.28	300.26	
Solvency %	Current ratio	176.95	171.09	189.55	184.14	193.81	
	Quick ratio	98.54	83.00	93.03	106.41	93.91	Not Applicable
	Interest earned ratio (times)	33.72	25.44	4.99	7.68	17.03	
Operating capacity	Accounts receivable turnover	3.02	3.00	2.45	2.37	2.40	
	Average collection period	121	122	149	154	152	
	Inventory turnover (times)	2.79	2.45	2.41	2.55	2.08	
	Accounts payable turnover (times)	2.44	2.54	2.69	2.69	1.97	
	Average days in sales	131	149	151	143	176	
	Property, plant and equipment turnover (times)	6.46	5.57	4.51	4.32	4.04	
	Total assets turnover (times)	1.03	0.88	0.87	0.83	0.82	
Profitability	Return on total assets (%)	6.05	5.94	1.15	1.63	3.78	
	Return on stockholders' equity (%)	13.21	12.74	1.94	2.91	7.82	
	Pre-tax income to paid-in capital (%)	21.00	19.03	3.12	4.88	11.57	
	Profit ratio (%)	5.72	5.98	1.06	1.65	4.66	
	Earnings per share (NT$)	1.75	1.57	0.23	0.36	0.96	
Cash Flow	Cash flow ratio (%)	9.48	10.75	27.94	(16.72)	21.42	
	Cash flow adequacy ratio (%)	92.97	24.88	5.15	12.48	39.61	
	Cash reinvestment ratio (%)	0.69	4.97	10.45	(11.68)	5.93	
Leverage	Operating leverage	3.01	3.28	28	5.76	2.87	
	Financial leverage	1.04	1.06	5.52	1.16	1.06	

Analysis of financial ratio differences for the last two years:

1. Income from continuing operations before income tax was increased YoY and interest expense was decrease which resulted in variance of Interest coverage ratio to 32.55%
2. Relevant cash flow ratios variance were over 20%, mainly resulted from Net Cash Flow from operating business was better YoY and Net Cash used was decreased.

Please find below calculation formulas:

1.Financial structure

(1) Debt to asset ratio ＝Total liabilities／Total assets。

(2) Long term capital to property, plant and equipment ratio＝（Total equity＋Non-current Liabilities）／ property, plant and equipment net

2. Solvency

(1) Current ratio＝Current Assets／Current Liabilities。

(2) Quick ratio＝（Current Assets－Inventories－Prepaid expenses）／Current Liabilities。

(3) Interest coverage ratio＝net profit before income tax and interest expense／Interest expenses。

Operating capacity

(1) Accounts Receivable (including Trade Receivable and Notes Receivable) Turnover ＝ Net of sales ／average Accounts Receivable (including Trade Receivable and Notes Receivable) Balance

(2) Average cash recovery day＝365／Receivable turnover rate

(3) Inventory Turnover Ratio＝ Cost of Sales ／ Average Inventory

(4) Accounts Payable (including Accounts Payable and Notes Payable) Turnover ＝ Cost of Sales／ Average Accounts Payable (including Account Payable and Notes Payable) Balance

(5) Days sales outstanding＝365／Inventory Turnover

(6) Property, Plant, and Equipment Turnover＝Cost of Net Sales／Average Net of Property, Plant, and Equipment

(7) Total asset turnover＝Net of Sales／Average Total assets

4. Profitability

(1) Return on assets＝〔P&L after tax＋Interest expense ×（１－Tax Ratio）〕／ Average Total assets

(2) Return on equity＝P&L after tax ／Average Total Equity

(3) Net profit ratio＝P&L after tax／Net of Sales

(4) Earnings per Share＝（P&L attributable to stockholders of the parent－Dividend of Preferred Shares）／Weighted average number of outstanding shares

5. Cash Flow

(1) Cash Flow ratio＝Net Cash of Operating activities／Current Liabilities

(2) Net Cash flow adequacy ratio＝Net Cash Flow of Operating activities of the Last 5 Years／of the Last 5 Years (Capital Expenses＋Inventories Increase＋Cash Dividend)

(3) Cash reinvestment ratio＝(Net Cash Flow from Operating activities－Cash Dividend)／(Property, Plant and Equipment＋Long-term Investment＋Other Non-Current Assets＋Operating Capital)。

6. Leverage

(1) Operating Leverage＝(Net of Operating Revenue－Variable operating costs and expenses) ／ Operating Income

(2) Financial Leverage＝ Operating Income ／ (Operating Income－Interest Expenses)。

6.3 Audit Committee Review Report of the Most Recent Year Financial Statement

Audit Committee Report

March 22nd, 2021

The Board of Directors submitted the Company's 2020 Financial Statements, Business Report and Distribution of Profit. 2020 Financial Statements have been audited by D&T accounting firm CPA Tun-Fang Lee and CPA Tze-Li Kung, with relevant audit report being submitted.

The aforementioned financial statements, business report as well as distribution of profit have been audited by Audit Committee without any deviation, in accordance with Article 14-4 of Securities Exchange Act and Article 219 of Company Law.

For your review and approval.

Sincerely,

The Company's 2021 Shareholders' Meeting

Fortune Electric Co., Ltd.

Convener of Audit Committee: Lei, Whey-Min

6.4 Latest Financial 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, 2020, 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 No.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 Hsu, Bang-Fu

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March 22, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
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, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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, 2020 and 2019, 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, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is stated as follows:

Occurrence of Revenue Recognition

The Group's operating revenue, which is accounted for 27.94% of the annual operating revenue, mainly comes from single customers. Because the operating revenue from single customers has a significant impact to the financial statements of the Group, we identified the occurrence of revenue to be 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 obtained an understanding of the design and implementation of internal controls and tested the operating effectiveness of the key controls over the occurrence of revenue recognition.

2. We selected samples from sales details, and we checked the original documents such as customer orders, sales orders, and documents signed by clients to confirm any abnormalities with regard to the occurrence of revenue.

Other Matter

We have also audited the parent company only financial statements of Fortune Electric Co., Ltd., as of and for the years ended December 31, 2020 and 2019, 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 IFRS, IAS, IFRIC Interpretations and SIC 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 the 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 the 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 disclosures, 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 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, 2020, 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 audits resulting in this independent auditors' report are Tung-Feng Lee and Tza-Li Gung.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2021

<u>*Notice to Readers*</u>

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, 2020 AND 2019
(In Thousands of NT$ and US$)

	2020		2019
ASSETS	**NT$**	**US$ (Note)**	**NT$**
CURRENT ASSETS			
Cash (Notes 4 and 6)	$ 170,816	$ 5,998	$ 147,896
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	68
Financial assets at amortized cost - current (Notes 4, 10 and 36)	73,528	2,582	4,459
Contract assets (Notes 4, 24 and 26)	671,029	23,561	536,077
Notes receivable (Note 26)	117,622	4,130	85,591
Trade receivables from unrelated parties (Notes 4, 11 and 26)	2,513,847	88,267	2,702,852
Current tax assets (Notes 4 and 28)	9,028	317	8,567
Inventories, net (Notes 4 and 12)	2,228,848	78,260	2,499,361
Prepayments	116,431	4,088	172,238
Non-current assets held for sale (Notes 4 and 13)	511,752	17,969	-
Other current assets (Note 24)	40,754	1,431	79,752
Total current assets	6,453,655	226,603	6,236,861
NON-CURRENT ASSETS			
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	44,343	1,557	54,982
Financial assets at amortized cost - non-current (Notes 4, 10 and 36)	3,859	136	1,272
Investments accounted for using the equity method (Notes 4 and 15)	750	26	1,153
Property, plant and equipment (Notes 4, 16 and 36)	1,982,681	69,617	2,049,431
Right-of-use assets (Notes 4, 17, 35 and 36)	118,977	4,178	150,722
Intangible assets (Notes 4 and 18)	31,214	1,096	28,528
Deferred tax assets (Notes 4 and 28)	47,118	1,654	55,749
Prepayments for equipment	5,017	176	4,108
Refundable deposits (Note 36)	4,738	166	3,825
Total non-current assets	2,238,697	78,606	2,349,770
TOTAL	$ 8,692,352	$ 305,209	$ 8,586,631
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings (Notes 19, 32 and 36)	$ 229,917	$ 8,073	$ 253,312
Short-term bills payable (Notes 19 and 32)	239,790	8,420	199,447
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	4	-	1,401
Derivative financial liabilities for hedging (Notes 4 and 9)	-	-	674
Contract liabilities (Notes 4, 24 and 26)	641,601	22,528	940,926
Trade payables to unrelated parties (Note 20)	2,060,705	72,356	2,181,134
Trade payables to related parties (Note 35)	99	3	12
Other payables (Note 21)	333,836	11,722	327,425
Current tax liabilities (Notes 4 and 28)	32,311	1,135	76,050
Provisions (Notes 4 and 22)	7,098	249	6,178
Liabilities directly associated with non-current assets held for sale (Notes 4 and 13)	286,518	10,060	-
Lease liabilities - current (Notes 4, 17, 32 and 35)	8,369	294	10,127
Other current liabilities	94,546	3,320	72,950
Total current liabilities	3,934,794	138,160	4,069,636
NON-CURRENT LIABILITIES			
Long-term borrowings (Notes 19, 32 and 36)	841,800	29,558	741,800
Deferred tax liabilities (Notes 4 and 28)	65,761	2,309	64,606
Lease liabilities - non-current (Notes 4, 17, 32 and 35)	111,742	3,924	119,361
Net defined benefit liabilities (Notes 4 and 23)	178,859	6,280	208,070
Guarantee deposit received (Note 32)	12,380	434	4,253
Total non-current liabilities	1,210,542	42,505	1,138,090
Total liabilities	5,145,336	180,665	5,207,726
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	2,610,585	91,664	2,610,585
Capital surplus	1,414	50	1,251
Retained earnings			
Legal reserve	400,777	14,072	360,334
Special reserve	8,975	315	11,273
Unappropriated earnings	540,612	18,982	404,437
Total retained earnings	950,364	33,369	776,044
Other equity			
Exchange differences on translation of the financial statements of foreign operations	(24,158)	(848)	(27,751)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	8,811	309	19,450
Cash flow hedges	-	-	(674)
Total other equity	(15,347)	(539)	(8,975)
Total equity	3,547,016	124,544	3,378,905
TOTAL	$ 8,692,352	$ 305,209	$ 8,586,631

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 into U.S. dollar is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT$28.48 to US$1.00 as of December 31, 2020, 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 rate or any other rate.

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

(With Deloitte and Touche auditors' report dated March 22, 2021)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of NT$ and US$, Except Earnings Per Share)

	2020		2019
	NT$	US$ (Note)	NT$
OPERATING REVENUE (Notes 4, 26 and 37)			
Sales	$ 7,319,319	$ 256,998	$ 6,165,398
Construction revenue	1,152,273	40,459	1,011,200
Total operating revenue	8,471,592	297,457	7,176,598
OPERATING COSTS (Notes 4, 12, 23, 27, 35 and 37)			
Cost of goods sold	5,997,592	210,590	5,050,215
Construction costs	1,119,950	39,324	999,683
Total operating costs	7,117,542	249,914	6,049,898
GROSS PROFIT	1,354,050	47,543	1,126,700
OPERATING EXPENSES (Notes 23, 27, 35 and 37)			
Selling and marketing expenses	572,597	20,105	475,064
General and administrative expenses	179,979	6,319	173,924
Research and development expenses	127,381	4,473	146,657
Total operating expenses	879,957	30,897	795,645
PROFIT FROM OPERATIONS	474,093	16,646	331,055
NON-OPERATING INCOME AND EXPENSES			
Interest income	392	14	820
Other income (Notes 27 and 35)	27,483	965	144,053
Gain from bargain purchase - acquisition of subsidiaries (Notes 4, 15, and 30)	-	-	209,682
Government grants (Note 4)	12,498	439	9,716
Other gains and losses (Note 27)	61,509	2,159	(131,287)
Finance costs (Notes 27 and 35)	(26,977)	(947)	(33,045)
Share of loss of associates and joint ventures (Note 15)	(378)	(13)	(29,554)
Total non-operating income and expenses	74,527	2,617	170,385
PROFIT BEFORE INCOME TAX	548,620	19,263	501,440
INCOME TAX EXPENSE (Notes 4 and 28)	91,106	3,199	86,291
NET PROFIT FOR THE YEAR	457,514	16,064	415,149

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of NT$ and US$, Except Earnings Per Share)

	2020		2019
	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)	$ (27,669)	$ (971)	$ (29,137)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(10,639)	(374)	11,275
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	5,533	194	5,828
	(32,775)	(1,151)	(12,034)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of the financial statements of foreign operations	3,593	126	(8,414)
Cash flow hedges (Note 9)	674	24	(674)
	4,267	150	(9,088)
Total other comprehensive loss	(28,508)	(1,001)	(21,122)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 429,006	$ 15,063	$ 394,027
NET PROFIT ATTRIBUTABLE TO:			
Owners of the Company	$ 457,514	$ 16,063	$ 410,652
Non-controlling interests	-	-	4,497
	$ 457,514	$ 16,063	$ 415,149
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company	$ 429,006	$ 15,063	$ 389,641
Non-controlling interests	-	-	4,386
	$ 429,006	$ 15,063	$ 394,027

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of NT$ and US$, Except Earnings Per Share)

	2020		2019
	NT$	US$ (Note)	NT$
EARNINGS PER SHARE (Note 29)			
From continuing operations			
Basic	$1.75	$0.06	$1.57
Diluted	$1.75	$0.06	$1.57

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 into U.S. dollar is included solely for the convenience of the readers outside the Republic of China and had been made at the rate of NT$28.48 to US$1.00 as of December 31, 2020, 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 rate or any other rate.

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

(With Deloitte and Touche auditors' report dated March 22, 2021) (Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(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 Translation of the Financial Statements of 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, 2019	$ 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$0.3 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, 209	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
Appropriation of 2019 earnings													
Legal reserve	-	-	40,443	-	(40,443)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(2,298)	2,298	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT$1 per share	-	-	-	-	(261,058)	(261,058)	-	-	-	-	(261,058)	-	(261,058)
	-	-	40,443	(2,298)	(299,203)	(261,058)	-	-	-	-	(261,058)	-	(261,058)
Unclaimed cash dividends from shareholders	-	163	-	-	-	-	-	-	-	-	163	-	163
Net profit for the year ended December 31, 2020	-	-	-	-	457,514	457,514	-	-	-	-	457,514	-	457,514
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(22,136)	(21,462)	3,593	(10,639)	674	(7,046)	(28,508)	-	(28,508)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	435,378	436,052	3,593	(10,639)	674	(7,046)	429,006	-	429,006
BALANCE AT DECEMBER 31, 2020	$ 2,610,585	$ 1,414	$ 400,777	$ 8,975	$ 540,612	$ 950,364	$ (24,158)	$ 8,811	$ -	$ (15,347)	$ 3,547,016	$ -	$ 3,547,016
BALANCE AT DECEMBER 31, 2020 (IN U.S. DOLLARS)	$ 91,664	$ 50	$ 14,072	$ 315	$ 18,982	$ 33,369	$ (848)	$ 309	$ -	$ (539)	$ 124,544	$ -	$ 124,544

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

(With Deloitte & Touche auditors' report dated March 22, 2021)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of NT$ and US$)

	2020		2019
	NT$	**US$ (Note)**	**NT$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	$ 548,620	$ 19,263	$ 501,440
Adjustments for:			
Depreciation expense	118,783	4,171	111,026
Amortization expense	11,422	401	9,863
Expected credit loss recognized/impairment loss reversed on trade receivables	11,999	421	16,043
Net loss on financial instruments at fair value through profit or loss	4	-	1,333
Finance costs	26,977	947	33,045
Interest income	(392)	(14)	(820)
Share of loss of associate	378	13	29,554
Loss on disposal of property, plant and equipment	77	3	109
Loss on disposal of associates	-	-	142,667
(Reversal) write-down of inventories	2,268	80	(1,167)
Unrealized net (gain) loss on foreign currency exchange	(307)	(11)	3,419
Gain on disposal of investment	-	-	(2,587)
Gain from bargain purchase	-	-	(209,682)
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	(1,333)	(47)	4,257
Contract assets	(134,952)	(4,739)	60,990
Notes receivable	(31,904)	(1,120)	(55,209)
Trade receivables	(51,065)	(1,793)	(502,884)
Trade receivables from related parties	-	-	2,042
Inventories	102,932	3,614	(450,461)
Prepayments	47,210	1,658	(93,201)
Other current assets	37,868	1,330	41,888
Contract liabilities	(294,627)	(10,345)	398,859
Trade payables	1,386	49	580,646
Trade payables to related parties	87	3	(34,370)
Other payables	10,881	382	156,467
Provisions	920	32	(3,656)
Other current liabilities	19,072	670	38,034
Net defined benefit liabilities	(56,880)	(1,997)	(43,842)
Cash generated from operations	369,424	12,971	733,803
Interest received	392	14	820
Interest paid	(28,021)	(984)	(34,284)
Income tax paid	(125,718)	(4,414)	(4,315)
Net cash generated from operating activities	216,077	7,587	696,024

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of NT$ and US$)

	2020		2019
	NT$	US$ (Note)	NT$
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at amortized cost	$ (71,656)	$ (2,516)	$ (4,459)
Net cash inflow on acquisition of subsidiaries	-	-	167,758
Payments for property, plant and equipment	(62,631)	(2,199)	(41,873)
Proceeds from disposal of property, plant and equipment	879	31	153
(Increase) decrease in refundable deposits	(924)	(33)	3,916
Payments for intangible assets	(11,003)	(386)	(9,987)
Increase in prepayments for equipment	(18,195)	(639)	(7,227)
Net cash generated from (used in) investing activities	(163,530)	(5,742)	108,281
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayments of) proceeds from short-term borrowings	128,774	4,522	(847,401)
Proceeds from short-term bills payable	40,343	1,416	199,447
Proceeds from long-term borrowings	100,000	3,511	-
Proceeds from guarantee deposits received	8,127	285	-
Refund of guarantee deposits received	-	-	(10,879)
Repayment of the principal portion of lease liabilities	(10,986)	(386)	(6,180)
Issue of cash dividends	(261,058)	(9,166)	(78,318)
Unclaimed cash dividends	163	6	-
Net cash generated from (used in) financing activities	5,363	188	(743,331)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	8,703	306	(11,061)
NET INCREASE IN CASH	66,613	2,339	49,913
CASH AT THE BEGINNING OF THE YEAR	147,896	5,193	97,983
CASH AT THE END OF THE YEAR	$ 214,509	$ 7,532	$ 147,896

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of NT$ and US$)

	December 31		
	2020		2019
	NT$	US$ (Note)	NT$
CASH IN THE CONSOLIDATED BALANCE SHEETS	$ 170,816	$ 5,998	$ -
CASH INCLUDED IN DISPOSAL GROUPS HELD FOR SALE	43,693	1,534	-
CASH IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS	$ 214,509	$ 7,532	$ -

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 into U.S. dollar is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT$28.48 to US$1.00 as of December 31, 2020, 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 rate or any other rate.

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

(With Deloitte and Touche auditors' report dated March 22, 2021) (Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of U.S. Dollars)

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 into U.S. dollar was included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT$28.48 and NT$29.98 to US$1.00 as of December 31, 2020 and 2019, 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 rate or any other rate.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") were approved by the Company's board of directors on March 22, 2021.

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

a. Initial application of the amendments to 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 IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies:

   1) Amendments to IFRS 3 "Definition of a Business"

      The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. 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 that together significantly contribute to the ability to create outputs. To determine whether an acquired process is substantive, different criteria apply, depending on whether there are outputs at the acquisition date. 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”

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) 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. Refer to Note 34 for the affected hedge relationship.

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

The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

4) Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

Hedging accounting

The amendments provide the following temporary exceptions to hedging relationships that are subject to the reform:

1) The changes to the hedging relationship that are needed to reflect changes required by the reform are treated as a continuation of the existing hedging relationship, and do not result in the discontinuation of hedge accounting or the designation of a new hedging relationship.

2) If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

4) An entity should allocate the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and should designate the hedged benchmark rate separately.

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

New IFRSs	Effective Date Announced by IASB (Note)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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.

3) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4) Amendments to IFRS 3 “'Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

5) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group will restate its comparative information when it initially applies the aforementioned amendments.

6) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Group will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

7) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Group chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which the Group is required to make significant judgments or assumptions in applying an accounting policy, and the Group discloses those judgments or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

8) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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 14, Tables 4 and 5 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 entity in the Group, transactions in currencies other than the entity's functional currency (i.e., 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 using 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 including goodwill 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 including goodwill 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 an entity in the Group 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 property, plant and equipment, right-of-use asset, intangible assets and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset, 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. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale.

When the Group is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Group ceases to have significant influence or joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

When a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate previously classified as held for sale no longer meets the criteria to be classified as such, it is measured at the carrying amount that would have been recognized had such interests not been classified as held for sale. The consolidated financial statements for the prior periods with interests classified as held for sale are amended accordingly.

m. 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, Pledged deposit receipt 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.

n. 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.

o. 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.

Onerous contracts

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.

p. 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.

q. Leasing

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.

r. 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 other income 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.

s. 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.

t. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, 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 Company considers the economic implications of the COVID-19 when making its critical accounting 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	
	2020	2019
Cash on hand	$ 27	$ 24
Checking accounts and demand deposits	5,971	4,909
	$ 5,998	$ 4,933

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

	December 31	
	2020	2019
Bank balance	0.001%-0.120%	0.001%-0.380%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Financial assets at FVTPL - current		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ 2
Financial liabilities at FVTPL - current		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ (47)

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, 2020			
Buy	NTD/USD	2021.03.02	NTD79/USD3
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

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	
	2020	2019
Non-current		
Domestic investments		
Unlisted shares		
Ordinary shares - Raynergy Tek Incorporation	$ 1,557	$ 1,834

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.

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2020	2019
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 are expected to emerge from these hedging relationships.

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

December 31, 2019

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 2020 and 2019, fair value gain (loss) of $(22) thousand and $(22) 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 2020	December 31 2019
Pledged time deposits		
Current	$ 2,582	$ 149
Non-current	136	42
	$ 2,718	$ 191

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

11. TRADE RECEIVABLES

	December 31 2020	December 31 2019
Trade receivables		
At amortized cost		
Gross carrying amount	$ 89,859	$ 91,447
Less: Allowance for impairment loss	(1,592)	(1,292)
	$ 88,267	$ 90,155

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 approach considering the 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, 2020

	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%	0.04%	0.36%	0.13%	2.75%	22.25%	
Gross carrying amount	$ 53,254	$ 10,644	$ 835	$ 11,147	$ 7,902	$ 6,077	$ 89,859
Loss allowance (Lifetime ECLs)	-	(5)	(3)	(14)	(218)	(1,352)	(1,592)
Amortized cost	$ 53,254	$ 10,639	$ 832	$ 11,133	$ 7,684	$ 4,725	$ 88,267

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

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 1,292	$ 745
Add: Net remeasurement of loss allowance	421	535
Less: Transfer to held for sale	(193)	-
Foreign exchange gains and losses	72	12
Balance at December 31	$ 1,592	$ 1,292

12. INVENTORIES

	December 31	
	2020	2019
Finished goods	$ 9,780	$ 13,224
Work in progress	57,180	56,705
Raw materials	11,300	13,439
	$ 78,260	$ 83,368

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 was $209,539 thousand and $168,063 thousand, respectively.

The cost of goods sold for the years ended December 31, 2020 and 2019 included write-down of inventories (reversal of write-down of inventories) of $80 thousand and $(39) thousand, respectively. Previous write-downs were reversed as a result of inventory devaluation.

13. NON-CURRENT ASSETS AS HELD FOR SALE

a. Discontinued operations

In order to match the operational plan of the Group and reduce the operation costs, the Company closed down its subsidiary, Wuhan Huarong Co., Ltd., which was resolved by the Company’s board of directors in their meeting that as held on March 22, 2019. On May 13, 2019, the board of directors of Wuhan Huarong Co., Ltd. approved to liquidate Wuhan Huarong Co., Ltd.; as a result, the operation was classified as discontinued operation, and the Company completed the liquidation in August 2019.

The details of profit (loss) from discontinued operations and the related cash flow information were as follows:

	For the Year Ended December 31, 2019
Operating revenue	$ (24)
Operating costs	(249)
Gross profit	(273)
Administrative expenses	(32)
Profit from operations	(305)
Other gains and losses	285
Loss before tax	(20)
Income tax expense	(1)
Net loss for the year	$ (21)
Loss from discontinued operations attributable to:	
Owners of the Company	$ (177)
Non-controlling interests	156
	$ (21)
Cash flows	
Operating activities	$ (52)
Net cash outflows	$ (52)

b. Non-current assets held for sale

On July 24, 2020, the Company's board of directors authorized the chairman of the board to sell 100% holdings of Fortune Electric (Wuhan) Ltd. and its subsidiaries for RMB120,000 thousand, and also signed a framework agreement for the acquisition of Wuhan Zhongjia Hetai Real Estate on August 14, 2020, and the expected the settlement date will be on July 31, 2021. Based on the buyer's financial considerations and approval by the board of directors on November 9, 2020, the trading partner had changed to Zhongjia Hetai Real Estate, and the rest of the contract content remained unchanged. The disposal unit has been reclassified to disposal group held for sale, and separately been disclosed in the consolidated balance sheet; the main categories under assets and liabilities of the disposal operations were as follows:

	December 31, 2020
Cash	$ 1,534
Trade receivables	8,065
Inventories, net	5,700
prepayments	306
Property, plant and equipment	1,374
Right-of-use assets	750
Other	240
Non-current assets held for sale	$ 17,969

(Continued)

	December 31, 2020
Short-term borrowings	$ 5,358
Contract liabilities	171
Trade payables	4,375
Other payables	144
Other	12
Liabilities directly associated with non-current assets held for sale	$ 10,060

14. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31 2020	Proportion of Ownership (%) December 31 2019	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	100	a.
	Fortune Energy Co., Ltd.	Manufacture of power generation, transmission and distribution machinery	100	-	c
	Fortune Electric Australia Pty Ltd.	Trade business	100	-	e
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	100	100	d.
Fortune Electric (Wuhan) Ltd.	Wuhan Huarong Co., Ltd.	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	-	-	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.

c. Fortune Energy Co., Ltd. was established on February 27, 2020 in Taipei City, and Fortune Electric Co., Ltd. acquired 100% ownership of Fortune Energy Co., Ltd. The primary business of Fortune Energy Co., Ltd. is power generation transmission and distribution.

d. The Company's board of directors authorized the chairman of the board of directors to sign the equity sale contract of Fortune Electric (Wuhan) Ltd. and its subsidiaries on July 24, 2020. The equity sale contract was signed on August 14, 2020, and is expected to be completed on July 31, 2021. Fortune Electric (Wuhan) Ltd. and its subsidiaries had been classified to non-current assets held for sale and liabilities directly associated with non-current assets held for sale, which were recognized separately in the consolidated statements of balance sheets, refer to Note 13.

e. Fortune Electric Australia Pty Ltd. was established on November 10, 2020 in Sydney, Australia and the

Company acquired 100% ownership of Fortune Electric Australia Pty Ltd. The primary business of Fortune Electric Australia Pty Ltd. is trade business.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2020	2019 (Note)
Associates that are not individually material		
E-Total Link	$ 26	$ 38

a. Material associates

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 of Hitachi Fortune Transforner, Inc., 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 at no cost; 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, Fortune High Voltage Company was included as a 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, refer to Notes 14 and 30.

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.

	For the Year Ended December 31, 2019 (Note)
Revenue	$ 3,349
Net loss for the year	$ (2,448)
Total comprehensive loss for the year	$ (2,448)

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	
	2020	2019
The Group's share of:		
Net loss for the year	$ (13)	$ (7)
Other comprehensive income (loss)	1	-
Total comprehensive income (loss) for the year	$ (14)	$ (7)

For the main business and products, location and registration information of the above associate, refer to Table 4.

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.

16. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
Assets used by the Group	$ 69,610	$ 68,356
Assets leased under operating leases	7	4
	$ 69,617	$ 68,360

a. Assets used by the Group

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
Cost						
Balance at January 1, 2020	$ 21,208	$ 53,817	$ 55,021	$ 5,060	$ 6,418	$ 141,524
Additions	-	169	1,568	-	462	2,199
Disposals	-	-	(725)	-	(34)	(759)
Transfer (Note 1)	-	-	-	-	95	95
Transfer (Note 2)	-	-	158	-	340	498
Transfers to assets leased under operating leases	-	(14)	-	-	-	(14)
Transfers to disposal group held for sale	-	(1,864)	(4,655)	-	(417)	(6,936)
Effects of foreign currency exchange differences	1,117	2,730	2,681	266	314	7,108
Balance at December 31, 2020	$ 22,325	$ 54,838	$ 54,048	$ 5,326	$ 7,178	$ 143,715
Accumulated depreciation						
Balance at January 1, 2020	$ -	$ 19,909	$ 47,573	$ 2,017	$ 3,669	$ 73,168
Depreciation expense	-	1,162	1,776	271	527	3,736
Disposals	-	-	(706)	-	(19)	(725)
Transfers to assets leased under operating leases	-	(10)	-	-	-	(10)
Transfers to disposal group held for sale	-	(1,492)	(3,752)	-	(318)	(5,562)
Effects of foreign currency exchange differences	-	1,028	2,204	106	160	3,498
Balance at December 31, 2020	- $ -	$ 20,597	$ 47,095	$ 2,394	$ 4,019	$ 74,105
Carrying amount at December 31, 2020	$ 22,325	$ 34,241	$ 6,953	$ 2,932	$ 3,159	$ 69,610

(Continued)

	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	-
Effects 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	-
Effects 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 amount at December 31, 2019	$ 21,208	$ 33,908	$ 7,448	$ 3,043	$ 2,749	$ 68,356

(Concluded)

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, 2020 and 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	50-55 years
Electromechanical power equipment	3 years
Equipment	2-15 years
Photovoltaic solar equipment	8-20 years
Other equipment	3-15 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 36.

b. Assets leased under operating leases

	Buildings
Cost	
Balance at January 1, 2020	$ 13
Transfers from assets used by the Group	14
Balance at December 31, 2020	$ 27
Accumulated depreciation	
Balance at January 1, 2020	$ 9
Additions	1
Transfers from assets used by the Group	10
Balance at December 31, 2020	$ 20
Carrying amount at December 31, 2020	$ 7
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 amount 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	
	2020	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.

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount		
Land	$ 3,521	$ 4,192
Buildings	443	534
Transportation equipment	214	301
	$ 4,178	$ 5,027

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 56	$ 815
Right-of-use assets acquisitions through business combinations	$ -	$ 3,498
Right-of-use assets transferred to disposal group held for sale	$ 750	$ -
Depreciation charge for right-of-use assets		
Land	$ 155	$ 108
Buildings	129	35
Transportation equipment	150	122
	$ 434	$ 265

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount		
Current	$ 294	$ 338
Non-current	$ 3,294	$ 3,982

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.24%-1.26%	1.24%-1.26%
Buildings	1.26%	1.26%
Transportation equipment	1.24%-1.30%	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

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 422	$ 348
Expenses relating to low-value asset leases	$ 225	$ 191
Total cash outflow for leases	$ (1,088)	$ (43)

The Group's leases of certain assets qualify as short-term leases and certain assets 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.

Right-of-use assets pledged as collateral for bank borrowings are set out in Note 36.

18. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2019	$ 1,803
Additions	333
Reclassifications	256
Disposals	(2)
Net exchange differences	45
Balance at December 31, 2019	$ 2,435
Accumulated depreciation	
Balance at January 1, 2019	$ 1,069
Amortization expense	329
Disposals	(2)
Net exchange differences	87
Balance at December 31, 2019	$ 1,483
Carrying amount at December 31, 2019	$ 952

(Continued)

	Computer Software
Cost	
Balance at January 1, 2020	$ 2,435
Additions	386
Reclassifications	109
Net exchange differences	128
Balance at December 31, 2020	$ 3,058
Accumulated depreciation	
Balance at January 1, 2020	$ 1,483
Amortization expense	401
Net exchange differences	78
Balance at December 31, 2020	$ 1,962
Carrying amount at December 31, 2020	$ 1,096

(Concluded)

The above computer software is amortized on a straight-line basis over its estimated useful life of 3 to 5 years.

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Secured borrowings (Note 36)		
Bank loans	$ -	$ 4,145
Issuance letters of credit	551	19
	551	4,164
Unsecured borrowings		
Line of credit borrowings	$ 3,511	$ 3,335
Issuance letters of credit	4,011	950
	7,522	4,285
	$ 8,073	$ 8,449

The ranges of weighted average effective interest rate on bank loans were 0.47%-2.15% and 0.53%-4.79% per annum as of December 31, 2020 and 2019, respectively.

b. Short-term bills payable

	December 31 2020	December 31 2019
Commercial paper	$ 8,427	$ 6,671
Less: Unamortized discounts on bills payable	7	18
	$ 8,420	$ 6,653

Outstanding short-term bills payable were as follows:

December 31, 2020

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
Commercial paper					
Dah Chung Bills	$ 3,160	$ 2	$ 3,158	1.03%	N/A
The Shanghai Commercial & Savings Bank	1,755	1	1,754	1.10%	N/A
Ta Ching Bills	1,756	2	1,754	1.06%	N/A
Mega Bill	1,756	2	1,754	1.10%	N/A
	$ 8,427	$ 7	$ 8,420		

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 2020	December 31 2019
Secured borrowings (Note 36)		
Bank of Taiwan	$ 17,556	$ 16,678
Mega International Commercial Bank	8,490	8,065
	26,046	24,743
Unsecured borrowings		
Hwa Nan Commercial Bank	3,512	-
	$ 29,558	$ 24,743

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 1.20% and 1.26% per annum for the years ended December 31, 2020 and 2019, respectively.

The original term of the borrowings from Mega International Commercial Bank was from September 14, 2018 to October 23, 2021. In October 2020, the Company negotiated the new loan period from October 23, 2020 to October 23, 2023 with the bank. The weighted average effective interest rate of the borrowings was 1.275% and 1.57% per annum for the years ended December 31, 2020 and 2019, respectively.

The period of the borrowings from Hwa Nan Commercial Bank is from June 8, 2020 to June 8, 2023, and the weighted average effective interest rate of the borrowings was 1.3% per annum for the year ended December 31, 2020.

20. TRADE PAYABLES

	December 31	
	2020	**2019**
Operating	$ 72,356	$ 72,753

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	
	2020	**2019**
Accrued payroll	$ 5,531	$ 4,335
Export payable	1,628	492
Payable for compensation of employees and remuneration of directors	1,069	560
Design fees payable	966	950
Commission payable	232	1,443
Interest payable	33	60
Others	2,263	3,081
	$ 11,722	$ 10,921

22. PROVISIONS

	December 31	
	2020	**2019**
Onerous contracts	$ 249	$ 206

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 (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, Australia 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 Act 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	
	2020	2019
Present value of defined benefit obligation	$ 15,974	$ 14,515
Fair value of plan assets	(9,694)	(7,575)
Net defined benefit liabilities	$ 6,280	$ 6,940

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, 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

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
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
Balance at January 1, 2020	$ 14,515	$ (7,575)	$ 6,940
Current service cost	189	-	189
Net interest expense (income)	105	(56)	49
Recognized in profit or loss	294	(56)	238
Remeasurement			
Return on plan assets	-	(263)	(263)
Actuarial loss - changes in demographic assumptions	587	-	587
Actuarial loss - experience adjustments	647	-	647
Recognized in other comprehensive income	1,234	(263)	971
Contributions from the employer	-	(2,235)	(2,235)
Benefits paid	(834)	834	-
Effects of foreign currency exchange differences	765	(399)	366
Balance at December 31, 2020	$ 15,974	$ (9,694)	$ 6,280

(Concluded)

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	
	2020	2019
Operating costs	$ 166	$ 166
Selling and marketing expenses	34	36
General and administrative expenses	24	36
Research and development expenses	14	22
	$ 238	$ 260

Through the defined benefit plans under the Labor Standards Act, 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	
	2020	**2019**
Discount rate	0.30%	0.70%
Expected return rate of plan assets	0.30%	0.70%
Expected rate of salary increase	1.50%	1.50%

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

	December 31	
	2020	**2019**
Discount rate		
0.25% increase	$ (371)	$ (355)
0.25% decrease	$ 384	$ 368
Expected rate of salary increase		
0.25% increase	$ 370	$ 357
0.25% decrease	$ (360)	$ (347)

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	
	2020	**2019**
The expected contributions to the plan for the next year	$ 711	$ 683
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, 2020		
	Within 1 Year	More Than 1 Year	Total
Assets			
Refundable deposits (included in other current assets)	$ 45	$ 2	$ 47
Contract assets	$ 21,027	$ 2,534	$ 23,561
Liabilities			
Contract liabilities	$ 7,821	$ 1,807	$ 9,628

	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

25. EQUITY

a. Share capital - ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	275,000	275,000
Shares authorized	$ 96,559	$ 91,727
Number of shares issued and fully paid (in thousands)	261,059	261,059
Shares issued	$ 91,664	$ 87,078

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Treasury share transactions	$ 36	$ 34
Unclaimed cash dividends	14	7
	$ 50	$ 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

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. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 27(6).

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 deficit. 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.

Items referred to under Rule No. 1010012865, 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 2019 and 2018, which have been approved in the shareholders' meetings on June 12, 2020 and June 13, 2019, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2019	2018
Legal reserve	$ 1,420	$ 200
Special reserve	$ (81)	$ (133)
Cash dividends		$ 2,612
Cash dividends per share		$ 0.01

The appropriations of earnings for 2019 had been approved 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
Cash dividends	$ 9,166
Cash dividends per share (NT$)	$ 0.03

The appropriations of earnings for 2020 has been proposed by the Company's board of directors on March 22, 2020.

	For the Year Ended December 31, 2020
Legal reserve	$ 1,529
Special reserve	$ 224
Cash dividends	$ 11,916
Cash dividends per share (NT$)	$ 0.05

The above appropriation for cash dividends had been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 11, 2021.

d. Other equity items

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (926)	$ (633)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	78	(293)
Balance at December 31	$ (848)	$ (926)

2) Unrealized valuation gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 649	$ 266
Recognized for the year		
Unrealized gain - equity instruments	(340)	383
Balance at December 31	$ 309	$ 649

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (22)	$ -
Recognized for the year		
Gain (loss) on changes in the fair value of hedging instruments		
Foreign currency risk - foreign exchange forward contracts	22	(22)
Balance at December 31	$ -	$ (22)

26. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from sale of goods		
Transformers	$ 161,752	$ 139,907
Distribution panels	45,333	36,526
Distribution equipment	10,466	2,013
Sale of power	432	418
Others	39,015	26,787
Construction contracts	40,459	33,729
	$ 297,457	$ 239,380

a. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable	$ 4,130	$ 2,855	$ 989
Trade receivables (Note 11)	$ 88,267	$ 90,155	$ 68,441
Contract assets			
Retentions receivable	$ 11,213	$ 4,183	$ 4,680
Amounts due from customers for construction contracts	12,348	13,698	14,759
	$ 23,561	$ 17,881	$ 19,439
Contract liabilities			
Retentions payable	$ 8,126	$ 19,017	$ 7,574
Amounts due to customers for construction contracts	1,502	609	-
Advance receipts	12,900	11,759	10,091
	$ 22,528	$ 31,385	$ 17,665

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. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	$ 10	$ 13
Others	4	14
	$ 14	$ 27

b. Other income

	For the Year Ended December 31	
	2020	2019
Export tax rebate income	$ 870	$ 527
Rental income		
Operating lease rental income	2	2
Claims income	93	4,276
	$ 965	$ 4,805

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Compensation income	$ 1,942	$ -
Net foreign exchange gains (losses)	137	93
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	28	(185)
Loss on disposal of associates	-	(4,759)
Loss on disposal of property, plant and equipment	(3)	(4)
Others	55	476
	$ 2,159	$ (4,379)

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank overdrafts and loans	$ 860	$ 1,016
Interest on lease liabilities	55	37
Other finance costs	32	49
	$ 947	$ 1,102

e. Depreciation, amortization and employee benefits expense

	2020			2019		
	Operating Cost	**Operating Expense**	**Total**	**Operating Cost**	**Operating Expense**	**Total**
Employee benefit expenses						
Salary	$ 17,535	$ 10,413	$ 27,948	$ 14,269	$ 9,138	$ 23,407
Labor insurance	1,447	662	2,109	1,143	626	1,769
Retirement expenses						
Defined contribution plans	586	287	873	522	293	815
Defined benefit plans	166	72	238	166	94	260
Remuneration of directors	-	748	748	-	633	633
	$ 19,734	$ 12,182	$ 31,916	$ 16,100	$ 10,784	$ 26,884
Depreciation expense	$ 3,438	$ 733	$ 4,171	$ 3,255	$ 448	$ 3,703
Amortization expense	$ 110	$ 291	$ 401	$ 100	$ 229	$ 329

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors at rates of no less than 3% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2020 and 2019 which have been approved by the Company's board of directors on March 22, 2021 and March 23, 2020, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	**2019**
Compensation of employees	3.86%	4.39%
Remuneration of directors	1.40%	1.03%

Amount

	For the Year Ended December 31	
	2020	**2019**
	Cash	**Cash**
Compensation of employees	$ 785	$ 770
Remuneration of directors	284	180

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees 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.

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gain	$ 1,581	$ 1,043
Foreign exchange loss	(1,444)	(950)
Net gain	$ 137	$ 93

28. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current period	$ 2,812	$ 2,671
Adjustments for prior periods	10	24
	2,822	2,695
Deferred tax		
In respect of the current year	383	183
Adjustments for prior periods	(6)	-
	377	183
Income tax expense recognized in profit or loss	$ 3,199	$ 2,878

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

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	$ 19,263	$ 16,726
Income tax expense calculated at the statutory rate	$ 3,864	$ 3,319
Nondeductible expenses in determining taxable income	(680)	(300)
Income tax on unappropriated earnings	185	-
Deductible investment credits of current period	(174)	(165)
Adjustments to prior years' tax	4	24
Income tax expense recognized in profit or loss	$ 3,199	$ 2,878

The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other entities in the Group 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	
	2020	2019
Deferred tax		
In respect of the current period		
Remeasurement of defined benefit plans	$ 194	$ 194
Total income tax recognized in other comprehensive income	$ 194	$ 194

c. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	$ 317	$ 286
Current tax liabilities		
Income tax payable	$ 1,135	$ 2,537

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, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Transfer to Disposal Group Held For Sale	Exchange Differences	Closing Balance
Deferred tax assets						
Right-of-use assets	$ 3	$ (3)	$ -	$ -	$	$ -
Defined benefit plans	1,388	(399)	194	-	73	1,256
Inventory write-downs	142	16	-	(149)	8	17
Allowance for impaired receivables	84	90	-	(47)	4	131
Deferred revenue	162	-	-	-	8	170
Unrealized exchange loss	31	(15)	-	-	1	17
Others	50	10	-	-	3	63
	$ 1,860	$ (301)	$ 194	$ (196)	$ 97	$ 1,654
Deferred tax liabilities						
Land value increment tax	$ 1,355	$ -	$ -	$ -	$ 71	$ 1,426
Share of profit of subsidiaries	767	(76)	-	-	192	883
Others	33	-	-	(35)	2	-
	$ 2,155	$ (76)	$ -	$ (35)	$ 265	$ 2,309

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

e. Income tax assessments

The Company's tax returns through 2018 have been assessed by the tax authorities.

The tax of Fortune High Voltage Company returns through 2018 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	
	2020	**2019**
Profit for the period attributable to owners of the Company	$ 16,064	$ 13,698

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

	For the Year Ended December 31	
	2020	2019
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:		
Compensation of employees	692	966
Weighted average number of ordinary shares used in the computation of diluted earnings per share	261,571	262,025

The Group may settle compensation paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares are 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 22, 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. Changes in liabilities from financing activities

For the year ended December 31, 2020

			Non-cash Changes				
	Opening Balance	Cash Flows	New Leases	Acquisition of Subsidiaries	Changes in Foreign Exchange Adjustments	Others	Closing Balance
Short-term borrowings	$ 8,449	$ 4,522	$ -	$ (5,358)	$ 460	$ -	$ 8,073
Long-term borrowings	24,743	3,511	-	-	1,304	-	29,558
Short-term bills payable	6,653	1,416	-	-	351	-	8,420
Guarantee deposits received	141	285	-	-	8	-	434
Lease liabilities	4,320	(386)	56	-	228	-	4,218
	$ 44,306	$ 9,348	$ 56	$ (5,358)	$ 2,351	$ -	$ 50,703

For the year ended December 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes: New Leases	Non-cash Changes: Acquisition of Subsidiaries	Non-cash Changes: 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

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, 2020 and 2019 approximate their fair values.

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

Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$ -	$ 1,557	$ -	$ 1,557
Financial liabilities at FVTPL				
Derivatives	$ -	$ -	$ -	$ -

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)

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

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ -	$ 2
Financial assets at amortized cost (1)	110,877	98,262
Financial assets at FVTOCI		
Equity instruments	1,557	1,834
Financial liabilities		
FVTPL		
Held for trading	-	47
Financial liabilities for hedging	-	22
Amortized cost (2)	140,444	123,661

1) The balances include financial assets at amortized cost, which comprise cash, notes receivable and trade receivables, and refundable deposits. The balances include the asset balance of the disposal group held for sales.

2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, trade payables to related parties, trade and other payables, and guarantee deposits received. The balance include the liabilities balance of the disposal group held for sales.

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	
	2020	**2019**
Profit or loss (Note)	$ 127	$ 72

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	
	2020	**2019**
Fair value interest rate risk		
Financial assets	$ 1,237	$ 191
Financial liabilities	17,199	15,276
Cash flow interest rate risk		
Financial assets	3,649	4,127
Financial liabilities	33,069	28,888

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, 2020 and 2019 would have increased/decreased by $294 thousand and $248 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, 2020 and 2019 would have increased/decreased by $16 thousand and $18 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. 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, 2020 and 2019, the Group had available unutilized overdraft and bank loan facilities of approximately $225,196 thousand and $189,842 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, 2020

	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		$ 11,919	$ 62,993	$ 27,945	$ 1,807	$ -
Lease liabilities		33	66	246	866	4,091
Variable interest rate liabilities	1.31	-	-	5,410	29,685	-
Fixed interest rate liabilities	0.16	12,467	990	3,040	-	-
		$ 24,419	$ 64,049	$ 36,641	$ 32,358	$ 4,091

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	$ 345	$ 866	$ 517	$ 517	$ 517	$ 2,540

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

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, 2020 and 2019, the aggregate undiscounted principal amounts of these bank loans amounted to $12,467 thousand and $9,988 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, 2020

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

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)	$ -

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
E-Total Link	Associates
Hua Cheng Investment Co., Ltd.	Others

b. Purchase of goods

Related Party Category/Name	For the Year Ended December 31 2020	2019
Associates	$ 101	$ 114

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

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

Line Items	Related Party Category/Name	December 31 2020	December 31 2019
Accounts payable	Associates	$ 3	$ 1

The outstanding trade payables from related parties are unsecured.

d. Lease arrangements - Group is lessee

Acquisition of right-of-use assets

Related Party Category/Name	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Other related party	$ -	$ 17

Line Item	Related Party Category/Name	December 31 2020	December 31 2019
Lease liabilities - current	Other related party	$ 6	$ 5
Lease liabilities - non-current	Other related party	-	6
		$ 6	$ 11

Related Party Category/Name	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Cost of goods sold - manufacturing expense		
Other related party	$ 1	$ 1
Operating expense		
Other related party	4	4

e. 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. The rent is determined by referring to the market price, and the Company receive the fixed lease payment monthly according to the lease agreement. As of December 31, 2020 and 2019, the balance of operating lease receivables was both $2 thousand. Lease income recognized for the years ended December 31, 2020 and 2019 was both $2 thousand.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 2,365	$ 2,047
Termination benefits	75	80
	$ 2,440	$ 2,127

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	
	2020	2019
Refundable deposits (current portion is included in other current assets)	$ 482	$ 389
Pledged deposits (classified as financial assets at amortized cost)	1,237	191
Property, plant and equipment	33,800	32,566
Right-of-use assets (Note)	-	723
	$ 35,519	$ 33,869

Note: As of December 31, 2020, the Company's pledged assets had been transferred to the relevant assets of the disposal held for sale on.

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, 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to $4,132 thousand, ￥33,123 thousand, €904 thousand and Kr358 thousand and Fr44 thousand.

b. As of December 31, 2020, promissory note of $52,113 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 for the year ended December 31, 2019, 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 for the year ended December 31, 2019, included in operating expenses.

e. The Company signed a technical cooperation agreement with Meidensha, a Japanese firm, effective term from July 2017 to July 2022. According to the contract, the Company will design, produce and sell goods in the Republic of China. The Company cannot export the products covered by the technical cooperation agreement without prior written consent from Meidensha. The Company had paid ￥2 thousand for the cooperation, and agreed to pay 3% of net sales as technical remuneration on the Company's production and marketing fee was $27 thousand for the year ended December 31, 2020, which was included in operating expenses.

f. The Company signed a design and developed technical service agreement for transformer optimizing with Fortune Electric (Wuhan) Co., Ltd., with effective term from July 2020 to December 2020. According to the contract, Fortune Electric (Wuhan) Co., Ltd. agreed to provide the Company technical services and training project report, and necessary technical direction. The remuneration paid was $48 thousand for the year ended December 31, 2020, which was included in operating expenses.

g. 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, 2020 and 2019 was $432 thousand and $418 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. OTHER EVENTS

The Company has not been affected by the pandemic of the COVID-19 due to the industrial characteristics, and as the epidemic slowed down and the government lifted some restrictions, the Company has returned to normal operation.

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group 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, 2020

	Foreign Currency	Exchange Rate	Carrying Amount (NTD)
Financial assets			
Monetary items			
USD	$ 17,182	28.4800 (USD:NTD)	$ 489,343
USD	2,486	6.5067 (USD:RMB)	70,801
			$ 560,144

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount (NTD)
Financial liabilities			
Monetary items			
USD	$ 6,834	28.4800 (USD:NTD)	$ 194,632
USD	147	6.5067 (USD:RMB)	4,187
			$ 198,819

(Concluded)

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

The Group is mainly exposed to the USD. The following information was aggregated by the functional currencies of the entities in the Group, 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			
	2020		2019	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	$ 49	1 (NTD:NTD)	$ 174
RMB	4.3506 (RMB:NTD)	88	4.3050 (RMB:NTD)	(81)
		$ 137		$ 93

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. (Table 3)

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 6)

11) Information on investees. (Table 4)

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 5)

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, 4-6)

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.

c. Information of major shareholders：List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)

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	
	2020	**2019**	**2020**	**2019**
Electrical department	$ 256,998	$ 205,651	$ 21,830	$ 16,460
Construction department	40,459	33,729	1,135	384
Segment revenues	$ 297,457	$ 239,380	22,965	16,844
Government grant			439	324
Other income			965	4,805
Interest income			14	27
Share of the loss of associate			(13)	(986)
Gain from bargain purchase			-	6,994
Other gains and losses			2,159	(4,379)
Finance costs			(947)	(1,102)
General and administrative expense			(6,319)	(5,801)
Profit before tax			$ 19,263	$ 16,726

Segment revenues reported above represent revenues generated from external customers. There were no inter-segment sales during the years ended December 31, 2020 and 2019.

Segment profit represented the profit before tax earned by each segment without allocation of government grant, other income, interest 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	
	2020	**2019**
Electrical department	$ 4,572	$ 4,032

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 $297,458 thousand and $239,380 thousand in 2020 and 2019, respectively.

Single customer contributed 10% or more the Group's revenue as follows:

	For the Year Ended December 31	
	2019	**2018**
Customer A	$ 83,099	$ 74,071
Customer B	32,696	Note

Note: The revenue of the customer had not reached 10% or more to the Group's revenue.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	$ 62,272	$ 130,000	$ 130,000	$ 4,748 ¥ 8,928	$ -	10.44	$ 74,726	Y	N	Y	
		Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	62,272	26,334	26,334	16,014	-	21.14	74,726	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: $124,544 x 50% = $62,272

Note 2: The maximum limit is equal to 60% of the Company’s net equity: $124,544 x 60% = $74,726

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(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, 2020				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Fortune Electric Co., Ltd.	Shares							
	Raynergy Tek Incorporation	-	Financial assets at fair value through other comprehensive income	3,031	$ 1,557	10.80	$ 1,557	
	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 4 and 5.

TABLE 3

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage Co., Ltd.	Subsidiaries	Purchases	$ 12,236	7.12	90 days	$ -	-	Accounts payable $ 606	0.88	-

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 1)	Note
				December 31, 2020	December 31, 2019	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	$ 4,443	$ 4,220	3,800	100	$ 7,913	$ 300	$ 300	Investee is a subsidiary
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Agents business	104	98	1	100	539	95	95	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	10,831	18,839	141,200	100	15,984	3,411	3,411	Investee is a subsidiary
	E-Total Link	Shin Osaka SONE Building No. 1204, Nish-Nakajima 7-chome No. 29, Yodogawa-ku, Osaka Prefecture	Transformers manufacturing, machining and trading	49	46	100	25	26	(53)	(13)	Associates
	Fortune Electric Co., Ltd.	10F, No. 368, Sec. 1, Fusing S. Rd., Da'an Dist., Taipei City 106, Taiwan	Manufacture of power generation transmission and distribution machinery	35	-	100	100	30	(5)	(5)	Investee is a subsidiary (Note 3)
	Fortune Electric Australia Pty, Ltd.	Level 7, 60, York Street, Sydney NSW 2000, Australia	Trade business	357	-	100	100	382	(3)	(3)	Investee is a subsidiary (Note 5)
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Wuhan, China	Transformers, capacitors, power distribution equipment manufacturing	6,500	6,500	-	100	7,911	310	310	Investee is a subsidiary (Note 4)
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	Wuhan, China	Trade business	RMB 500 thousand	RMB 500 thousand	-	100	RMB 3,012 thousand	RMB 882 thousand	RMB 882 thousand	Investee is a subsidiary (Note 4)

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 February 27, 2020, Fortune Electric Co., Ltd. was established as a subsidiary, and the Group's percentage of ownership was 100%; as a result, Fortune Electric Co., Ltd. was included in the Group since then.

Note 4: On August 14, 2020, the Group signed a shares trading contract, and expected the settlement date to be on July 31, 2021.

Note 5: On November 10, 2020, Fortune Electric Australia Pty, Ltd. was established as a subsidiary and the Group's percentage of ownership was 100%; as a result, Fortune Electric Australia Pty, Ltd. was included in the Group since then.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (Note 3)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	$ 6,500	Indirect	$ 6,000	$ -	$ -	$ (6,000)	$ (310)	100	$ (310)	$ (7,911)	$ -	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$6,000	$6,000	$74,726

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, 2020 to December 31, 2020; the other accounts were all based on prevailing exchange rate as of December 31, 2020.

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.

Note 5: The Company signed a shares trading contract on August 14, 2020, and expected the settlement date to be on July 31, 2021.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	$ 197	With non-related parties	0.07
		Fortune Electric (Wuhan) Co., Ltd.	a	Operating expenses	48	With non-related parties	0.02
		Fortune Electric America Inc.	a	Operating expenses	1,763	Under arm’s length terms	0.59
		Fortune Electric America Inc.	a	Accounts payable	142	With non-related parties	0.05
		Fortune Electric Extra High Voltage Co., Ltd.	a	Purchases	12,236	With non-related parties	4.11
		Fortune Electric Extra High Voltage Co., Ltd.	a	Prepaid expense	2,308	With non-related parties	0.76
		Fortune Electric Extra High Voltage Co., Ltd.	a	Inventories	1,218	With non-related parties	0.40
		Fortune Electric Extra High Voltage Co., Ltd.	a	Accounts payables	606	With non-related parties	0.21
		Fortune Electric Extra High Voltage Co., Ltd.	a	Sales	26	With non-related parties	0.01
		Wuhan Fortune Trade Co., Ltd.	a	Purchase	1,704	With non-related parties	0.57
		Fortune Electric Australia Pty, Ltd.	a	Accounts receivable	208	With non-related parties	0.07
		Fortune Electric Australia Pty, Ltd.	a	Sales	208	With non-related parties	0.07

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.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Hsu, Shou-Syong	22,956,623	8.79
Hua Cheng Investment Co., Ltd.	22,867,936	8.75
Hsu, Bang-Fu	19,083,986	7.31
Chen, Yan-Fen	13,564,425	5.19

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

6.5 Latest Financial Report of the Parent Company Audited and Certified by CPAs

Independent Auditors' Report

To Fortune Electric Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Fortune Electric Co., Ltd. (the 'Company'), which comprise the parent company only balance sheets as of December 31, 2019 and 2020, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Fortune Electric Co., Ltd. as of December 31, 2020 and 2019, and its financial performance and its parent company only cash flow for years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant 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 parent company only financial statements of Fortune Electric Co., Ltd. for the year of 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company’s parent company only financial statements of Fortune Electric Co., Ltd. for the year of 2020 are stated as follows：

Occurrence of operating revenue

Among the operating revenue of Fortune Electric Co., Ltd. in 2020, the revenue from the main single customer accounted for 29.60% of the operating revenue of the whole year. As the operating revenue from the single customer had a significant impact on the financial statements of Fortune Electric Co., Ltd. this year, the revenue from the main single customer of Fortune Electric Co., Ltd. is identified as a key audit matter. Please refer to NOTE 4 to the financial statements for the details of the information about the accounting policy for recognizing revenue.

Our key audit procedures performed in respect of the above area included the following：

1. Understand and test the design and operating effectiveness of the internal controls over revenue recognition from occurrence of operating revenue.
2. Obtain the sample of the single customer's annual sales details and perform detail item substantive tests, and inspect customer order, delivery order and customer' signed receipt and other vouching confirm whether there is any abnormal situation in the occurrence of business income.

Responsibilities of Management and those charged with Governance for the Parent Company Only Financial Statements

The management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statement, management is responsible for assessing Fortune Electric Co., Ltd.’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 Company 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 Company’s financial reporting process.

Auditor’s responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 the auditing standards generally, will always detected 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only 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 errors 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 Fortune Electric Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty existed related to events or conditions that may cast significant doubt on Fortune Electric Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including the Notes), and whether the parent company only financial statement 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 Fortune Electric Co., Ltd. to express an opinion on the parent company only 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, (including related safeguards).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of Fortune Electric Co., Ltd.'s the parent company only financial statements for the year ended 2020 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.

Deloitte & Touche

CPA Li Tung Feng

Reference number of the FSC approval letter, No.
Taiwan-Financial-Securities-VI-0930128050

CPA Kung Tse Li

Reference number of the FSC approval letter, No.
Financial-Supervisory-Securities-Auditing-1000028068

March 22, 2021

Notices to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance, and its cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Fortune Electric Co., Ltd

Individual Balance Sheet

As of December 31, 2020 and 2019

Unit：In Thousands of New Taiwan Dollars

		December 31, 2020		December 31, 2019	
Code	Assets	Amount	%	Amount	%
	Current assets				
1100	Cash（Notes 4 and 6）	$ 130,160	2	$ 83,511	1
1110	Financial assets at fair values through profit or loss（Notes 4 and 7）	-	-	68	-
1136	Current financial assets at amortised cost（Notes 4, 10 and 34）	28,306	-	1,315	-
1140	Contract asset（Notes 4, 22 and 24）	671,029	9	536,077	7
1150	Notes receivable（Note 24）	117,622	2	77,997	1
1170	Account receivable, net（Notes 4, 11 and 24）	2,502,071	32	2,512,594	32
1180	Accounts receivable due from related parties, net（Note 33）	5,922	-	-	-
1220	Current tax assets（Notes 4 and 26）	8,567	-	8,567	-
130X	Current inventories（Notes 4 and 12）	1,969,735	25	2,101,040	27
1410	Prepayments（Note 33）	173,811	2	489,656	6
1470	Other current assets（Notes 22, 33 and 34）	39,872	1	30,445	1
11XX	Total current assets	5,647,095	73	5,841,270	75
	Non-current assets				
1517	Non-current financial assets at fair value through other comprehensive income（Notes 4 and 8）	44,343	1	54,982	1
1535	Non-current financial assets at amortised cost（Notes 4, 10 and 34）	3,759	-	1,272	-
1550	Investments accounted for using equity method（Notes 4 and 13）	708,447	9	585,889	7
1600	Property, plant and equipment（Notes 4, 10 and 34）	1,238,263	16	1,233,572	16
1755	Right-of-use assets（Notes 4, 15 and 33）	18,638	-	26,371	-
1780	Intangible assets（Notes 4 and 16）	31,181	-	28,493	-
1840	Deferred tax assets（Notes 4 and 26）	47,118	1	50,163	1
1915	Prepayments for business facilities	4,625	-	3,892	-
1920	Guarantee deposits paid（Note 34）	4,365	-	3,403	-
15XX	Total non-current assets	2,100,739	27	1,988,037	25
1XXX	Total assets	$ 7,747,834	100	$ 7,829,307	100
Code	Liabilities and equity				
	Current liabilities				
2100	Current borrowings（Notes 17 and 34）	$ 159,566	2	$ 29,048	1
2120	Current financial liabilities at fair value through profit or loss（Notes 4 and 7)	4	-	1,401	-
2126	Financial liabilities for hedging Notes 4 and 9）	-	-	674	-
2130	Current contract liabilities（Notes 4, 22 and 24）	641,601	8	930,566	12
2170	Accounts payable（Note 18）	1,978,131	26	1,982,148	25
2180	Accounts payable to related parties（Note 33）	21,675	-	22,110	-
2200	Other payables（Note 19）	295,146	4	279,967	4
2230	Current tax liabilities（Note 4 and 26）	32,311	-	75,986	1
2250	Provisions（Notes 4 and 20 ）	7,098	-	6,178	-
2280	Current lease liabilities（Notes 4, 15 and 33）	6,564	-	8,360	-
2300	Other current liabilities	49,215	1	77,645	1
21XX	Total current liabilities	3,191,311	41	3,414,083	44
	Non-current liabilities				
2540	Long-term borrowings（Notes 17 and 34）	741,800	10	741,800	9
2570	Deferred tax liabilities（Notes 4 and 26）	65,761	1	63,607	1
2580	Non-current lease liabilities（Notes 4, 15 and 33）	12,673	-	18,589	-
2640	Net defined benefit liability, non-current（Notes 4 and 21）	178,859	2	208,070	3
2645	Guarantee deposits received	10,414	-	4,253	-
25XX	Total non-current liabilities	1,009,507	13	1,036,319	13
2XXX	Total liabilities	4,200,818	54	4,450,402	57
	Equity				
3110	Ordinary share	2,610,585	34	2,610,585	33
3200	Capital surplus	1,414	-	1,251	-
	Retained earnings				
3310	Legal reserve	400,777	5	360,334	5
3320	Special reserve	8,975	-	11,273	-
3350	Unappropriated retained earnings	540,612	7	404,437	5
3300	Total retained earnings	950,364	12	776,044	10
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(24,158)	-	(27,751)	-
3420	Unrealized Gain or Losses on FVTOCI Financial Assets	8,811	-	19,450	-
3430	Cash flow hedge	-	-	(674)	-
3400	Other equity interest	(15,347)	-	(8,975)	-
3XXX	Total equity	3,547,016	46	3,378,905	43
	Total liabilities and equity	$ 7,747,834	100	$ 7,829,307	100

The accompanying notes are an integral part of these parent company only financial statements.

Chairman：Hsu, Bang-Fu　　Manager：Hsu, I-Sheng, Hsu, I-Te.　　Accounting Supervisor：Chiu, Hsu-Lan

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
Fortune Electric Co., Ltd
Individual Statements of Comprehensive Income
For the years ended December 31, 2019 and 2020

Unit：In Thousands of New Taiwan Dollars, Except Earnings Per Share

Code		2020 Amount	2020 %	20191 Amount	20191 %
	Operating revenue（Notes 4, 24, 33 and 35）				
4100	Sale	$ 6,844,206	86	$ 5,858,785	85
4520	Construction revenue	1,152,273	14	1,011,200	15
4000	Total Operating revenue	7,996,479	100	6,869,985	100
	Operating costs（Notes 4, 12, 21, 25 and 33）				
5110	Sales costs	5,679,135	71	4,815,080	70
5520	Construction cost	1,128,427	14	1,005,334	15
5000	Operating costs	6,807,562	85	5,820,414	85
5900	Gross profit from operations	1,188,917	15	1,049,571	15
	Operating expenses（Notes 21, 25, 33 and 35）				
6100	Selling expenses	500,471	6	437,261	6
6200	Administrative expenses	144,774	2	128,823	2
6300	Research and development expense	128,744	2	146,657	2
6000	Total operating expenses	773,989	10	712,741	10
6900	Net operating income	414,928	5	336,830	5
	Non-operating income and expenses				
7100	Interest revenue（Note 25）	202	-	650	-
7190	Other income（Note 25）	27,535	-	134,653	2
7140	Gain from bargain purchase - acquisition of subsidiaries（Notes 4 and 13）	-	-	209,682	3
7190	Government grants income（Note 4）	12,498	-	9,716	-
7020	Other gains and losses（Note 25）	2,003	-	(142,503)	(2)
7050	Financial costs（Notes 25 and 33）	(16,754)	-	(20,323)	-
7070	Share of Profit (loss) of Associates & Joint Ventures Accounted for Using Equity Method（Note 13）	107,792	2	(31,912)	(1)
7000	Total non-operating income and expenses	133,276	2	159,963	2

（continued on next page）

(continued)

Code		2020 Amount	2020 %	2019 Amount	2019 %
7900	Profit before tax	$ 548,204	7	$ 496,793	7
7950	Tax expense (Notes 4 and 26)	90,690	1	86,141	1
8200	Profit	457,514	6	410,652	6
	Other comprehensive income				
8310	Components of other comprehensive income that will not be reclassified to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 21)	(27,669)	(1)	(29,137)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(10,639)	-	11,275	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 26)	5,533	-	5,828	-
		(32,775)	(1)	(12,034)	-
8360	Components of other comprehensive income that may be reclassified subsequently to profit or loss:				
8363	Cash flow hedge (Note 9)	674	-	(674)	-
8370	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method	3,593	-	(8,303)	-
		4,267	-	(8,977)	-
8300	Total other comprehensive income	(28,508)	(1)	(21,011)	-
8500	Total comprehensive income	$ 429,006	5	$ 389,641	6
	Earnings per share (Note 27)				
9710	Basic	$ 1.75		$ 1.57	
9810	Diluted	$ 1.75		$ 1.57	

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: Hsu, Bang-Fu Manager: Hsu, I-Sheng, Hsu, I-Te Accounting Supervisor: Chiu, Hsu-Lan

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
Fortune Electric Co., Ltd
Individual Statement of Changes in Equity
For the years ended December 31, 2020 and 2019

Unit：In Thousands of New Taiwan Dollars, Except Earnings Per Share

Code		Ordinary share (Note 23)	Capital surplus (Note 23)	Retained earnings (Notes 21, 23 and 26): Legal Reserve	Special reserve	Unappropriated Retained Earnings	Total	Other equity interest (Notes 4, 9 and 23): Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on assets at fair value through other comprehensive income	Cash flow hedge	Total	Total Equity
A1	Balance, January 1, 2019	$ 2,610,585	$ 1,251	$ 354,326	$ 15,251	$ 97,442	$ 467,019	($ 19,448)	$ 8,175	$ -	($ 11,273)	$ 3,067,582
	Appropriations of 2018 earnings											
B1	Legal reserve appropriated	-	-	6,008	-	(6,008)	-	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	(3,978)	3,978	-	-	-	-	-	-
B5	Cash dividends－NT $ 0.30/per share	-	-	-	-	(78,318)	(78,318)	-	-	-	-	(78,318)
		-	-	6,008	(3,978)	(80,348)	(78,318)	-	-	-	-	(78,318)
D1	Net profit for 2019	-	-	-	-	410,652	410,652	-	-	-	-	410,652
D3	Other comprehensive income(loss) for 2019 after tax	-	-	-	-	(23,309)	(23,309)	(8,303)	11,275	(674)	2,298	(21,011)
D5	Total comprehensive income(loss) for 2019	-	-	-	-	387,343	387,343	(8,303)	11,275	(674)	2,298	389,641
Z1	Balance, December 31, 2019	2,610,585	1,251	360,334	11,273	404,437	776,044	(27,751)	19,450	(674)	(8,975)	3,378,905
	Appropriation of 2019 earnings											
B1	Legal reserve appropriated	-	-	40,443	-	(40,443)	-	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	(2,298)	2,298	-	-	-	-	-	-
B5	Cash dividends－NT $ 1/per share	-	-	-	-	(261,058)	(261,058)	-	-	-	-	(261,058)
		-	-	40,443	(2,298)	(299,203)	(261,058)	-	-	-	-	(261,058)
C17	Unclaimed cash dividends	-	163	-	-	-	-	-	-	-	-	163
D1	Net profit for 2020	-	-	-	-	457,514	457,514	-	-	-	-	457,514
D3	Other comprehensive income(loss) for 2020	-	-	-	-	(22,136)	(22,136)	3,593	(10,639)	674	(6,372)	(28,508)
D5	Total comprehensive income(loss) for 2020	-	-	-	-	435,378	435,378	3,593	(10,639)	674	(6,372)	429,006
Z1	Balance, December 31, 2020	$ 2,610,585	$ 1,414	$ 400,777	$ 8,975	$ 540,612	$ 950,364	($ 24,158)	$ 8,811	$ -	($ 15,347)	$ 3,547,016

The accompanying notes are an integral part of the parent company only financial statements.

Chairman：Hsu, Bang-Fu Manager：Hsu, I-Sheng, Hsu, I-Te Accounting Supervisor：Chiu, Hsu-Lan

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Fortune Electric Co., Ltd

Individual Statements of Cash Flows

For the year ended December 31, 2020 and 2019

Unit：In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A00010	Profit before tax	$ 548,204	$ 496,793
A20010	Adjustments to reconcile profit (loss)：		
A20100	Depreciation expense	73,285	69,640
A20200	Amortization expense	11,422	9,862
A20300	Expected credit loss	11,999	16,043
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	4	1,333
A20900	Financial cost	16,754	20,323
A21200	Interest income	(202)	(650)
A22400	Share of loss (profit) of Associates & Joint Ventures Accounted for Using Equity Method	(107,792)	31,912
A22500	Loss (gain) on disposal of property, plant and equipment	77	109
A23200	loss on disposal of associates	-	142,667
A23800	(Gain)Loss on inventory valuation	2,268	(1,167)
A29900	Gain recognized in bargain purchase transaction	-	(209,682)
A30000	Changes in operating assets and liabilities, net		
A31110	Financial instruments at fair value through profit or loss	(1,333)	4,257
A31125	Contract asset	(134,952)	60,990
A31130	Notes receivable	(39,625)	(47,615)
A31150	Accounts receivable	(1,476)	(630,108)
A31160	Receivables from related parties	(5,922)	8,164
A31200	Inventories	126,345	(265,278)
A31230	Accounts payable	315,845	(443,483)
A31240	Other current assets	(9,427)	77,690
A32125	Contract liability	(288,965)	397,781
A32150	Accounts payable	(4,017)	520,427
A32160	Payables to related parties	(435)	(16,187)
A32180	Other payable	16,065	150,648
A32200	Provision for liabilities	920	(3,656)
A32230	Other current liabilities	(28,430)	45,218
A32240	Net defined benefit liability	(56,880)	(43,842)
A33000	Cash generated from operations	443,732	392,189

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(continued)

Code		2020	2019
A33100	Interest received	$ 202	$ 650
A33300	Interest paid	(17,640)	(21,608)
A33500	Income tax paid	(123,633)	(4,123)
AAAA	Net cash flows from operating activities	302,661	367,108
	Cash flows from investing activities		
B00040	Acquisition of financial assets at amortised cost	(29,478)	(1,315)
B02200	Investments accounted for using equity method	(11,173)	-
B02700	Acquisition of property, plant and equipment	(54,445)	(35,272)
B02800	Proceeds from disposal of property, plant and equipment	879	-
B03800	Decrease (increase) in refundable deposits	(962)	252
B04500	Acquisition of intangible assets	(11,003)	(9,987)
B07100	Increase in prepayments for business facilities	(16,862)	(7,227)
BBBB	Net cash flows from investing activities	(123,044)	(53,549)
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term loans	130,518	(184,701)
C03000	Guarantee deposit received	6,161	-
C03100	Refund of guarantee deposits received	-	(10,879)
C04500	Cash dividends paid	(261,058)	(78,318)
C04020	Payments of lease liabilities	(8,752)	(4,526)
C09900	Unclaimed cash dividends	163	-
CCCC	Net cash flows from financing activities	(132,968)	(278,424)
EEEE	Net increase in cash	46,649	35,135
E00100	Cash at beginning of period	83,511	48,376
E00200	Cash at end of period	$ 130,160	$ 83,511

The accompanying notes are an integral part of the parent company only financial statements.

Chairman：Hsu, Bang-Fu　Manager：Hsu, I-Sheng, Hsu, I-Te　Accounting Supervisor：Chiu, Hsu-Lan

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Fortune Electric Co., Ltd

NOTEs to Individual Financial Statements

For the years ended December 31, 2020 and 2019

(Amounts in Thousands of New Taiwan Dollars, unless specified otherwise)

1、 General Information

Fortune Electric Co., Ltd (the "Company") was incorporated in August 1969. Mainly engaged in the manufacturing, processing, trading and engineering contracting of power transformer, distribution panels, high and low voltage switch and substation equipment.

In April 1997, the company's shares were listed on the Taiwan Stock Exchange (TWSE).

The parent company only financial statements were expressed in the Company's functional Currency New Taiwan Dollars.

2、 The date of Authorization for issuance of Financial Statements and Procedures for Authorization

The accompanying parent company only financial statements were approved and authorized for issue by the company's board of directors on March 22, 2021.

3、 Application of new and revised international financial reporting standards

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the company's accounting policies：

1. Amendments to IFRS 3"Definition of a Business"

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. 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”

   Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) 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. For affected hedging relationship, please refer to note 32.

3. Amendments to IAS 1 and IAS 8 "Definition of Material"

   The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

4. Amendments to IFRS 16 "Covid-19-Related Rent Concessions"

   The Group selected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Before the application of the amendment, the Group shall determine whether the abovementioned rent concessions shall be accounted for as lease modifications.

   The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

(2) The IFRSs issued by IASB as endorsed and issued into effect by FSC

New／Revised／Amended Standards and Interpretations	Effective Date Issued by IASB

New／Revised／Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 4"Extension of the Temporary Exemption from Applying IFRS 9"	Effective from the date of issue
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2 "	Effective for annual reporting periods beginning after January 1, 2021

<u>Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2 "</u>

The amendments to IFRS 9, IFRS 7 and IFRS 16 provide specific practical expedient when the impact caused by the interest rate benchmark reform.

<u>Changes in the basis for determining the contractual cash flows</u>

Changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform shall be applied by revising the effective interest rate.

<u>Hedge accounting</u>

The amendment adds additional temporary exceptions from hedging relationships affected by interest rate benchmark reform.

(1) Modifying the hedging relationship to reflect the changes required by interest rate benchmark reform is regarded as the continuation of the existing hedging relationship, and will not constitute the cessation of the existing hedging relationship or the designation of a new hedging relationship.

(2) When a risk component not specified in the contract is designated as a hedged item, if the new target interest rate is not individually identifiable on the designated day, the enterprise can immediately designate it as a hedged item as long as it reasonably expects that the target interest rate will become a separately identifiable risk component within 24 months.

(3) After the modification of the cash flow hedging relationship, the amount accumulated in the profit and loss of the cash flow hedging instrument shall be deemed to be based on the new modification benchmark rate.

(4) The hedged items of the project group affected by interest rate benchmark reform should be allocated into two subgroups：the contract that has been changed to another benchmark rate and the contract that has not been changed,

and the benchmark rate risk to be avoided should be specified for each subgroup.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New／Revised／Amended Standards and Interpretations	Effective Date Issued by IASB(Note1)
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022（Note 2）
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022（Note 3）
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1”Disclosure of Accounting Policies”」	January 1, 2023（Note 6）
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023（Note 7）
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022（Note 4）
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022（Note 5）

Note 1：Unless stated otherwise, the above New／Revised／Amended Standards and Interpretations are effective for annual periods.

Note 2： The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3：The amendments are applicable 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, 2022.

Note 4：The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management beginning on or after January 1, 2021.

Note 5：The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations beginning on or after January 1, 2022.

Note 6：This amendment will be deferred for annual reporting periods beginning on or after January 1, 2023.

Note 7：This amendment is applicable to changes in accounting estimates and accounting policies for annual reporting periods beginning on or after January 1, 2023.

1. Amendments to IFRS 10 and IAS 28 "Sales or contributions of assets between an investor and its associate/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.

3. Annual Improvements to IFRS Standards 2018-2020

   Several standards, including IFRS 9 "Financial Instruments", were amended in the annual improvements. IFRS 9 requires to compare the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10 percent. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

4. Amendments to IFRS 3 "Reference to the Conceptual Framework"

   The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 "Levies" to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

5. Amendments to IAS 16 "Property, Plant and Equipment：Proceeds before Intended Use"

   The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

6. Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

   The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

7. Amendment to IAS 1 "disclosure of accounting policies"

   The amendment specifies that the company shall determine the material accounting policy information to be disclosed in accordance with the definition of material. Accounting policy information is material if it can be reasonably expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendment clarifies：

   •The accounting policy information related to immaterial transactions, other events or circumstances is immaterial and the company does not need to disclose such information.

   •The company may judge that the relevant accounting policy information is materially because of the nature of transactions, other matters or circumstances, even if the amount is not significant.

   •Not all accounting policy information related to material transactions, other matters or circumstances is material.

   In addition, the amendment and examples indicate that the information on accounting policies may be material if it is relevant to a material transaction, other matter or circumstance and if：

(1) The company changed its accounting policies during the reporting period, and such changes resulted in material changes in the financial statement information;

(2) The company chooses the accounting policies applicable to it from the options permitted by the standards;

(3) The company establish accounting policies in accordance with IAS 8 "accounting policies, changes in accounting estimates and errors" due to lack of specific standards;

(4) The company discloses the relevant accounting policies that it has to use significant judgments or assumptions; or

(5) Complicated accounting rules are involved and financial statements users rely on such information to understand such major transactions, other matters or situations.

8. Amendments to IAS 8 "definition of accounting estimates"

The revised accounting estimate refers to the monetary amount affected by measurement uncertainty in the financial statements. When applying accounting policies, the company may have to measure financial statement items in terms of monetary amounts that cannot be directly observed but must be estimated. Therefore, it is necessary to use measurement techniques and input to establish accounting estimates for this purpose. If the effect of changes in a measurement technology or an input on accounting estimates is not the correction of prior period errors, such changes are changes in accounting estimates.

In addition to the above effects, as of the date of publication of the parent company only financial statements, the company continues to evaluate the impact of amendments to other standards and interpretations on its financial position and financial performance, and the relevant impact will be disclosed when the evaluation is completed.

4、 Summary of Significant Accounting Policies

(1) Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of Preparation

The accompanying financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable：

1. Level 1 fair value measurements：are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 fair value measurements：are those derived from 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).
3. Level 3 fair value measurements：are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When preparing the parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to “investments accounted for using the equity method”, “share of profits of subsidiaries for using the equity method in the parent company only financial statements” and related equity items.

(3) Standard of Current and Noncurrent Assets and Liabilities

Current assets including：

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 and cash equivalents (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 including：

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 balance sheet date and before the financial reports are authorized for issue; and
3. It does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Those that are not classified as current assets or current liabilities are classified as non-current assets or non-current liabilities.

(4) Foreign Currencies

In preparing the parent company only financial statements, 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. Such exchange differences are recognized in profit or loss in the year 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 year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations (including the subsidiaries or associates, joint ventures or branches of the country in which the country of operation or currency is used) are translated into NT$ 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. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

(5) Inventories

Inventories including finished goods, are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The costs of inventories sold or consumed are determined using the weighted-average method.

(6) Investment in Subsidiaries

Investments accounted for using the equity method include investments in subsidiaries and associates.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

When the Company evaluates the impairment, it considers the cash-generating unit as a whole in the financial report and compares its receivable carrying amount. If the receivable amount of the asset increases, the amount of the impairment loss is recognized as gain on reversal of impairment loss. However, the carrying amount of the asset after the impairment loss shall not exceed the amount of the asset that is not recognized as impairment loss. The carrying amount after amortization.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and lateral transactions between subsidiaries are recognized in the Parent Company only financial statements only to the extent of interests in the subsidiary that are not related to the Company.

(7) Investment in associates

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

The company accounts for its investments in an associate using the equity method.

Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes its share in the changes in the equities of an associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When an associate issues new shares, if the Company does not subscribe according to the shareholding ratio, resulting in a change in the shareholding ratio, and thus make the net equity of the investment increase or decrease, its increase or decrease adjusts the additional paid-in capital, the acquisition of equity method to recognize the change in the net equity of an associate and the use of equity method investment. However, if the amount recognized in other comprehensive profits and losses related to the associate is reclassified in proportion to the reduction if it is not subscribed or acquired in proportion to the shareholding. If additional paid-in capital should be debited for the adjustment mentioned in the preceding paragraph, and the balance of the additional paid-in capital generated by the investment using the equity method is insufficient, the balance shall be debited to the retained surplus.

When the loss share of the company to an associate equals or exceeds its equity in the associate (including the book value of the investment in the associate under the equity method and other long-term equity substantially belonging to the net investment component of the company to the associate), the company shall stop recognizing further losses. The company recognizes additional losses and liabilities only to the extent of legal obligations, presumptive obligations or payments made on behalf of associate.

When the Company evaluates the impairment, it considers the cash-generating unit as a whole in the financial report and compares its receivable carrying amount. The carrying amount of the asset after the impairment loss shall not exceed the amount of the asset that is not recognized as impairment loss. Any reversal of impairment loss shall be recognized to the extent of subsequent increase in the recoverable amount of the investment.

The company stops using the equity method from the date when its investment is no longer an associate, and its retained interest in the original associate is measured by fair value. The difference between the fair value and the disposal price and the investment book value on the date when the equity method is stopped is included in the current profit and loss. In addition, the basis of accounting treatment for all amounts recognized in other comprehensive profits and losses related to the associate is the same as that for the associate to directly dispose 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 company continues to use the equity method instead of re measuring the retained equity.

The profits and losses arising from the upstream, downstream and lateral transactions between the company and its associate is recognized in parent company only financial statements, only to the extent unrelated to the company's equity in an associate.

(8) Property, Plant and Equipment

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

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.

(9) Intangible Assets

1. 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 lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates being accounted for on a prospective basis.

2. Derecognition

When the intangible assets are derecognized, the net disposal price and the carrying amount of the asset is recognized in the current profit and loss.

(10) Impairment of Tangible and Intangible Assets

The Company 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 Company 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. An impairment loss is recognized immediately in profit or loss.

For the inventory recognized in the customer contract, impairment shall be recognized first according to the provision for inventory write-down, and secondly, the impairment loss shall be recognized according to the amount of the book value of the relevant assets at the contract cost exceeds the remaining amount from providing good or service expects to receive and the remaining amount after deducting the directly related costs, and the book value of the related assets of the contract cost shall be included in the cash-generating unit, to evaluate the impairment of the cash-generating unit.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit 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 or contract cost in prior years. A reversal of an impairment loss（minus amortization or depreciation） is recognized in profit or loss.

(11) Financial Instruments

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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 fair value through profit or loss 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.

(1) Measurement Category

The Company’s financial assets consist of the following categories: financial assets at FVTPL, financial assets measured at amortised cost and investments in equity instruments measured at FVTPL through other comprehensive income.

A. Financial assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss, including the Company's investment in equity instruments that are not measured by the Company's other comprehensive gains and losses, which are measured at fair value through profit or loss and non-conforming investment in debt instruments that are measured at amortized cost or measured at fair value through other comprehensive gains and losses.

The Company measures the financial assets at fair value and recognizes the
transaction costs in profit or loss (not including any dividends and interest) and recognizes the gain or loss in profit or loss. Determination of fair values please refer to Note 32.

B. Measured at amortized cost

Amortized cost classification applies predominantly to debt instruments which meet the following 2 criteria：

a. The business model of the company which owns such financial assets is to collect the contractual cash flows; and

b. The contractual cash flows of specific financial asset under consideration are on account of repayment of principal and interest and they occur on specified dates.

Financial assets (including Cash and pledge Certificate of Deposit, notes and accounts receivable carried at amortized cost) should be amortized using the effective interest rate method. Under the effective interest method, the interest income recognized is calculated by applying the market interest rate to the carrying amount and the difference between the interest income so recognized and the interest income paid. Any foreign currency exchange gains and losses are recognized in profit or loss.

Except the following two approaches, interest income is calculated by effective interest rate multiplying the total book value of the asset：

a. Purchased or initiated credit impairment financial assets, interest income is calculated by multiplying the credit adjusted effective interest rate by the amortized cost of financial assets.

b. Non-purchasing or initial credit impairment, but financial assets that subsequently become credit impairments should be use the effective interest rate multiplied by the amortized cost of financial assets to calculate interest income from the next reporting period after derogation.

C. Measured at fair value through other comprehensive gains and losses.

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value are presented in other comprehensive income, and accumulated in other equity. On disposal of investments, accumulated gains and losses are directly transferred to retained earnings and are not reclassified as gains and losses.

Dividends on investments in equity instruments measured at fair value through other comprehensive profits and losses are recognized in profits and losses when the company's right to receive payments is established, unless the dividends clearly represent the recovery of part of the investment cost.

(2) Impairment of financial assets

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable) and impairment losses on 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.

The expected credit loss is the weighted-average credit loss weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from the possible default of the financial instrument within 12 months following the report. The expected credit loss during the duration represents the expected credit loss arising from all possible defaults of the financial instrument during the expected duration.

For the purpose of internal credit risk management, the company determines that the following circumstances represent the default of financial assets without considering the collateral held：

A. There is internal or external information indicating that it is impossible for the debtor to pay off its debts.

B. Overdue for more than 90 days, unless there is reasonable and verifiable information indicates that the delayed default benchmark is more appropriate.

Impairment losses on all financial assets are reduced by the provision account, provided that the provision for losses on investments in debt instruments measured at fair value through other comprehensive gains and losses is recognized as other comprehensive gains and losses and does not reduce their book value.

(3)Derecognition of Financial Assets and Contract Assets

The Company 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 entity.

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 that 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 cumulative gain or loss that 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 Company 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 Company 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

(1) Subsequent Measurement

Except for financial liability at FVTPL, all the financial liabilities are measured at amortized cost using the effective interest method：

Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading.

Financial liabilities held for trading are measured at fair value, and the profits or losses arising from the re measurement (excluding any dividends or interests paid on the financial liabilities) are recognized in profit or loss. For the determination of fair value, please refer to Note 32.

(2) Derecognition of Financial Liabilities

The Company derecognized financial liabilities, the difference between the carrying amount of such 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 derivative instruments signed by the company are Forward Exchange Contracts, to manage exposure to currency 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. (12)Hedge Accounting

The company designated some hedging instruments in a cash flow hedge. The hedging of exchange rate risk of firm commitment is treated as cash flow hedge.

For designated hedging instruments that meet the requirements of cash flow hedge, the changes in fair value of hedging instruments that are effective hedging are recognized in other comprehensive profits and losses, while those that are hedge ineffectiveness are immediately recognized in profits and losses.

When the hedged item is recognized in profit or loss, the amount previously recognized in other comprehensive profit or loss will be reclassified to profit or loss in the same period and recognized in the parent company only comprehensive income statement under the item related to the hedged item. However, when the hedging of the expected transaction will be recognized as non-financial assets or non-financial liabilities, the amount originally recognized in other comprehensive profits and losses will be transferred from equity to the original cost of the non-financial assets or non-financial liabilities.

The company will only postpone the termination of hedging accounting when the hedging relationship no longer meets the requirements of hedge accounting, including the maturity, sale, cancellation or exercise of hedging instruments. The amount previously recognized as other comprehensive gains and losses during the period of hedging is still included in the equity prior to the expected transaction occurs, and when the expected transaction no longer expects to occur, the amount previously recognized in other comprehensive profit and loss will be recognized as profit and loss immediately.

(13) Provisions

The amount recognized as the provision is the best estimate of the expenditure required to liquidate the obligation on the balance sheet date, taking into account the risks and uncertainties of the obligations. Provision is measured at the discounted value of the estimated cash flow of the liquidation obligation.

Onerous contract

When the inevitable cost of the company's expected performance of its contractual obligations exceeds the expected economic benefits from the contract, the current obligations arising from the onerous contract shall be recognized as provision.

(14) Revenue Recognition

The Company recognizes revenue when performance obligations are satisfied. The transaction price is apportioned to each performance obligation and the income is recognized when each performance obligation is met.

If the time interval between the transfer of goods or services and the collection of consideration is less than one year, the transaction price of the significant financing components of the contract shall not be adjusted.

1. Sale of Goods

   Sales revenue comes from the sales of transformers, distribution boards, high and low voltage switches and distribution equipment. Since the customer already set the price and has the right to use the goods when the goods arrive at the place designated by the customer, when the goods are shipped and when the goods are loaded on the ship, and has the main responsibility for resale, and bears the risk of obsolescence of the goods, the company recognized the revenue and accounts receivable at that time. Receipt of advances from products is recognized as contractual liabilities before the products meet specified conditions.

2. Construction revenue

   In the process of construction, the real estate is the real estate construction contract controlled by the customer. The company recognizes the income over time gradually. Since the cost of construction is directly related to the degree of fulfillment of the performance obligations, the company measures the completion progress by the proportion of the actual cost to the expected total cost. The company gradually recognizes contract assets during the construction process and transfers them into accounts receivable when bill is issued. If the construction payment received exceeds the recognized revenue, the difference is recognized as a contractual liability. The construction retention money withheld by the client in accordance with the terms of the contract is intended to ensure that the company fulfills all its contractual obligations and is recognized as contract assets before the company recognized as contract assets before the company completed contract.

(15) Leases

The company assesses whether the contract is (or includes) a lease on the effective date of the contract.

1. The Company as lessor

   When the lease term transfers substantial all the risks and rewards incidental to ownership of an asset transfer to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

   When the company sublets the right to use assets, it uses the right-of-use asset (not the underlying assets) to determine the classification of the sublease. However, if the principal lease is a short-term lease for which the company applies recognition exemption, the sublease is classified as an operating lease.

   Under an operating lease, the lease payment after deduction of the lease inducement is recognized as income on a straight-line basis during the relevant lease term. The original direct cost incurred in obtaining the operating lease is the book value of the underlying asset, and is recognized as an expense on a straight-line basis during the lease term.

2. The Company as lessee

   Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

   Right-of-use assets are measured at cost (comprises the initial measurement of lease liabilities adjusted for lease payments and initial direct costs made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets). Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented separately in the parent company only 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.

The lease liability was initially measured at the present value of the lease payment. If the interest rate implicit in the lease is easy to determine, the lease payment should be discounted by the interest rate. If the interest rate is not easy to determine, the incremental borrowing rate of the lessee is used.

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 future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the assessment of an option to purchase an underlying asset, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. Lease liabilities are presented on a separate line in the parent company only balance sheets.

(16) Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

If the government grants is used to compensate for expenses or losses incurred, or for the purpose of providing immediate financial support to the company without future related costs, it is recognized as profit or loss during the period in which it can be collected.

(17) 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 service rendered by employees.

2. Retirement benefits

   For defined retirement benefit plans, the cost of providing benefit is recognized when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined 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 liability (asset) are recognized as employee benefits expense in the period 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（including actuarial profit and loss and the interest deduction of return on plan assets） recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit（surplus) in the Company's defined benefit plan. Net defined benefit asset shall not exceed the present value of the allocation from the plan or the reduction of future allocation.

3. Other long-term employee benefits

The accounting treatment for other long-term employee benefits is the same as that for defined retirement benefit plans, except that the relevant remeasurement is recognized in profit or loss.

(18) Taxation

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

1. Current Tax

The consolidated company determines the income (loss) for the current period in accordance with the regulations established by each income tax reportable jurisdiction, and calculates the income tax payable (recoverable).

Pursuant to Income Tax Act, income tax on unappropriated earnings is recognized in the year the shareholders resolution.

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

2. Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements 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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company 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. Deferred tax assets arising from 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 deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of 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 year in which the liability is settled or the asset is 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 Company 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 for the year

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.

5. Critical Accounting Judgment and Key Sources of Estimation and Uncertainty

In the application of the aforementioned Company's accounting policies, the Company 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 to be relevant. Actual results may differ from these estimates.

The Company has considered the economic implications of COVID-19 on critical accounting estimates and will continue evaluating the impact on its financial position and financial performance as a result of the pandemic. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revisions and future periods if the revisions affect both current and future periods..

6. Cash and Cash Equivalents

	December 31,2020	December 31,2019
Cash and deposits in banks		
Bank notes and demand deposits	$ 760	$ 730
	129,400	82,781
	$ 130,160	$ 83,511

The interest rate range of bank deposits on the balance sheet date is as follows：

	December 31,2020	December 31,2019
Bank Deposits	0.001%～0.2%	0.001%～0.38%

7.Financial instruments at Fair Value Through Profit or Loss

	December 31,2020	December 31,2019
Financial assets - Current		
Derivative instruments（non designated hedge）		
Forward Exchange Contracts	$ -	$ 68
Financial liabilities - Current		
Derivative instruments（non designated hedge）		
Forward Exchange Contracts	($ 4)	($ 1,401)

On the balance sheet date, the forward exchange contracts which are not applicable to hedge accounting and have not yet matured are as follows：

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2020			
Buy	NTD to USD	03/02/2021	NTD79/USD3
December 31, 2019			
Buy	NTD to USD	1/10/2020-10/5/2020	NTD62,329/USD2,047
Buy	NTD to CNY	109.1/9/2020	NTD964/CNY222
Buy	NTD to EUR	1095/13/2020-9/1/2020	NTD16,473/EUR489

The purpose of the company's forward exchange transactions is to reduce the risk of foreign currency assets and liabilities due to exchange rate fluctuations. The forward exchange contracts held by the company do not meet the hedge effectiveness requirements, therefore, do not apply to hedge accounting.

8. Financial assets at fair value through other comprehensive income

	December 31,2020	December 31,2019
Non-current		
Domestic investment		
Unlisted (OTC) common stock		
Raynergy Tek Inc.	$ 44,343	$ 54,982

The Company invests in the common stock of Raynergy Tek Inc. for medium- and long-term strategic purposes and expects to make a profit from long-term investments. The Management of the company considers that the inclusion of short-term fair value fluctuations in such investment in profit and loss is inconsistent with the aforementioned long-term investment plans and therefore choose designated such investment as measured at fair value through other comprehensive gains and losses.

9. Hedge Accounting

	December 31,2020	December 31,2019
Financial liabilities - current		
Cash flow hedge		
－Forward exchange contracts	$ -	($ 674)

The company's hedging strategy is to sign forward exchange contracts to avoid exchange rate risk of specific foreign currency income and receipts and disbursements position. Adjust the book value of non-financial hedged items when the expected sales transaction actually occurs.

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 hedge ineffectiveness of hedging relationship mainly comes from the impact of the credit risk between the company and the counterparty on the fair value of forward exchange contracts. This credit risk will not affect the changes in the fair value of the hedged items due to changes in exchange rate, and the changes in the time point of the hedged expected transaction. During the period of hedging, there is no other source of hedge ineffectiveness.

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

December 31,2019

Hedging instrument	Contract Amount	Maturity Date	Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness
Forward exchange contracts	NTD 20,001/USD645	4/22/2020	($ 674)

Hedged item	Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness	Balance in Other Equity (Continuing Hedges)
Cash flow hedge		
Forecast transaction（Capital expenditure）	$ 674	($ 674)

The company sells transformers to foreign customers and signs raw material purchase agreement with foreign suppliers. All of them have signed forward exchange contracts to avoid the exchange rate risk that may arise from the expected future sales and purchase transactions. These forward exchange contracts are designated as cash flow hedge. The amounts recognized in other comprehensive income and loss of forward exchange contracts related to the above-mentioned expected future transactional risk in 2020 and 2019 were $674,000 and ($674,000) respectively. These transactions will reclassify the amount previously deferred in equity to profit or loss when they occur.

10. Financial assets measured at amortised cost

	December 31,2020	December 31,2019
Pledged CD		
Current	$ 28,306	$ 1,315
Non-current	3,759	1,272
	$ 32,065	$ 2,587

For information on pledged financial assets measured at amortized cost, please refer to Note 34.

11. Accounts Receivable

	December 31,2020	December 31,2019
Accounts Receivable at amortised cost		
Total carrying amount	$ 2,547,404	$ 2,545,928
Less：Loss allowance	(45,333)	(33,334)
	$ 2,502,071	$ 2,512,594

The payment term granted to customers is due 90 days to 180. days from the invoice date. The impairment assessment of accounts receivable (including accounts receivable-related parties) is based on individual assessment, aging analysis, historical experience and analysis of customers' current financial situation to estimate the amount that cannot be recovered.

The company recognizes the allowance for the loss of accounts receivable according to the expected credit loss during the period of existence. The expected credit loss during the period of existence is calculated by using provision matrix, which considers the past default records of customers, the current financial situation and the economic situation of the industry. As the company's historical experience of credit loss shows that there is no significant difference in loss types among different customer groups, the provision matrix does not further differentiate customer groups, and only sets the expected credit loss rate based on days overdue of receivables.

If there is evidence that the other party of the transaction is facing serious financial difficulties and the company cannot reasonably expect the recoverable amount, the company will directly write off the relevant receivables, but will continue to pursue recourse activities. The amount recovered due to pursue recourse is recognized in profit and loss.

The company measures the allowance for the loss of accounts receivable according to provision matrix as follows：

December 31, 2020

	Not past due	Past due 1～60 days	Past due 61～90 days	Past due 91～275 days	Past due 276～640 days	Past due more than 641days	Total
Expected credit losses ratio	0.00%	0.04%	0.36%	0.13%	2.75%	22.25%	
Total currying amount	$ 1,504,888	$ 303,132	$ 23,792	$ 317,465	$ 225,041	$ 173,086	$ 2,547,404
Loss allowance（Lifetime expected credit losses）	-	(135)	(85)	(400)	(6,195)	(38,518)	(45,333)
At amortized cost	$ 1,504,888	$ 302,997	$ 23,707	$ 317,065	$ 218,846	$ 134,568	$ 2,502,071

December 31, 2019

	Not past due	Past due 1～60 days	Past due 61～90 days	Past due 91～275 days	Past due 276～640 days	Past due more than 641days	Total
Expected credit losses ratio	0.00%	0.04%	0.57%	0.67%	1.97%	11.98%	
Total currying amount	$ 1,530,296	$ 248,930	$ 21,418	$ 112,434	$ 434,056	$ 198,794	$ 2,545,928
Loss allowance（Lifetime expected credit losses）	-	(92)	(123)	(754)	(8,551)	(23,814)	(33,334)
At amortized cost	$ 1,530,296	$ 248,838	$ 21,295	$ 111,680	$ 425,505	$ 174,980	$ 2,512,594

Movements of the loss allowance for accounts receivable：

	2020	2019
Balance, beginning of year	$ 33,334	$ 17,291
Add：expected credit losses	11,999	16,043
Balance, end of year	$ 45,333	$ 33,334

12. Inventories

	December 31, 2020	December 31, 2019
Finished goods	$ 246,820	$ 391,559
Work in process	1,419,921	1,393,495
Raw materials	302,994	315,986
	$ 1,969,735	$ 2,101,040

In 2020 and 2019 the cost of goods sold related to inventory was NT$5,666,182 thousand and NT$4,803,401 thousand respectively. The cost of goods sold in 2020 and 2019 includes the inventory valuation losses (gain from price recovery of inventory) of NT$2,268 thousand and (NT$1,167 thousand). In 2019, the rise in the net realizable value of inventories was due to the use of inventories for which the inventory valuation losses have been listed in the middle of the year.

Investment accounted for using equity method

	December 31,2020	December 31,2019
Subsidiaries	$ 707,697	$ 584,736
Associates	750	1,153
	$ 708,447	$ 585,889

(1)Investments in subsidiaries

	December 31,2020	December 31,2019
Power Energy International Ltd. (Power Energy Company)	$ 225,366	$ 213,205
Fortune Electric America Inc. (North American Division)	15,345	13,456
Fortune Electric Extra High Voltage Co., Ltd.	455,234	358,075
Fortune Energy CO., LTD.	861	-
Fortune Electric Australia Pty Ltd (Australian Company)	10,891	-
	$ 707,697	$ 584,736

Subsidiaries	% of Ownership and Voting Rights Held by the Company December 31,2020	December 31,2019
Power Energy Company	100.00%	100.00%
North America Company	100.00%	100.00%
Fortune High Voltage Company (Note 28)	100.00%	100.00%
Fortune Energy CO., LTD. (Note 1)	100.00%	-
Australian Company (Note 2)	100.00%	-

For the years of 2020 and 2019, share of the profit or loss of subsidiaries accounted for using equity method and other comprehensive profit and loss share are recognized according to the financial statements of the subsidiaries audited by accountants in the same period.

For details of the investment subsidiaries indirectly owned by the company, please refer to Appendix Table 4 "information of the invested company, location and other related information.

For the disclosure of the company's acquisition of Fortune Electric Extra High Voltage Co., Ltd., please refer to (2) of investment in associates and Note 30 to the consolidated financial statements.

The company provides endorsement and guarantee for bank loans of subsidiaries Fortune Electric (Wuhan) Ltd. and Fortune Electric Extra High Voltage Co., Ltd. Please refer to Note 33 for the balance as of December 31, 2020 and 2019.

Note 1：Fortune Energy CO., LTD. was established in Taipei on February 27, 2020. The company's investment and shareholding ratio is 100%. It is mainly engaged in power generation, transmission and distribution and machinery manufacturing business.

Note 2：Fortune Electric Australia Pty Ltd was established in Sydney, Australia on November 10, 2020. The company's investment and shareholding ratio is 100%. It is mainly engaged in import trade business.

(2) Investments in associates

	December 31,2020	December 31,2019
Individual insignificant associates		
E-Total Link	$ 750	$ 1,153

1. Associates with significant influence

The company originally established 日立華城變壓器股份有限公司 (renamed Fortune Electric Extra High Voltage Co., Ltd. since June 24,2019) as a joint venture with Hitachi Manufacturing Co., Ltd. of Japan. The paid in capital was 1,412,000 thousand. The company invested 564,800 thousand and obtained 40% equity. It was an associate invested by the company with the equity method. However, on March 31, 2019, the company voluntarily transferred 84,720,000 shares, with the shareholding ratio increased from 40% to 100%. The company has gained control, so it has been incorporated into the consolidated individual since March 31, 2019. Gain recognized in bargain purchase transaction by the company is ＄209,682 thousand, which is separately listed in the parent company only statement of comprehensive income.

The following summary financial information is prepared on the basis of IFRSs financial statements of associates and reflects the adjustments made when adopting the equity method.

Fortune Electric Extra High Voltage Co., Ltd.

	2019（Note）
Operating revenue	$ 100,406
Net loss	($ 73,398)
Total comprehensive loss	($ 73,398)

Note：Information before obtaining control from January 1 to March 31, 2019.

2. Summarized information of individual insignificant associates

In 2017, the company established E トータリンク（E-Total Link）in Japan as a joint venture with Hamaden Electrical Design and Installation and other companies, and obtained 25% of its equity at a price of $ 1,385 thousand. The summary information is as follows:

	2020	2019
Share of profit of the company		
Net loss	($ 378)	($ 195)
Other comprehensive income	(25)	-
Total comprehensive income	($ 403)	($ 195)

For information on the nature of business, main operating location and country of incorporation of the above-mentioned associates, please refer to Appendix Table 4 “information of the investee company, location and other related information”.

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.

13. Property, plant and equipment

	December 31, 2020	December 31, 2019
Assets used by the Company	$ 1,238,067	$ 1,233,460
Assets subject to operating leases	196	112
	$ 1,238,263	$ 1,233,572

(1)Assets used by the Company

	Land	Buildings	Machinery Equipment	Solar Equipment	Other equipment	Total
Cost						
Balance at January 1, 2020	$ 635,827	$ 675,778	$1,018,331	$ 151,688	$ 151,491	$2,633,115
Additions	-	1,767	39,681	-	12,997	54,445
Disposals	-	-	(20,634)	-	(982)	(21,616)
Transfers（Note 1）	-	-	-	-	2,692	2,692
Transfers（Note2）	-	-	3,331	-	9,691	13,022
Transfers to assets subject to operating leases	-	(397)	-	-	-	(397)
Balance at December 31, 2020	$ 635,827	$ 677,148	$1,040,709	$ 151,688	$ 175,889	$2,681,261

Accumulated depreciation

Balance at January 1, 2020	$ -	$ 362,658	$ 889,203	$ 60,471	$ 87,323	$1,399,655
Depreciation	-	15,587	29,668	7,706	11,524	64,485
Disposals	-	-	(20,105)	-	(555)	(20,660)
Transfers to assets subject to operating leases	-	(286)	-	-	-	(286)
Balance at December 31, 2020	$ -	$ 377,959	$ 898,766	$ 68,177	$ 98,292	$1,443,194
Balance at January 1, 2020	$ 635,827	$ 313,120	$ 129,128	$ 91,217	$ 64,168	$1,233,460
Balance at December 31, 2020	$ 635,827	$ 299,189	$ 141,943	$ 83,511	$ 77,597	$1,238,067
Cost						
Balance at January 1, 2019	$ 635,827	$ 672,216	$1,009,776	$ 151,577	$ 145,630	$2,615,026
Additions	-	3,959	21,300	111	9,902	35,272
Disposals	-	-	(14,158)	-	(5,043)	(19,201)
Transfers（Note 1）	-	-	1,089	-	-	1,089
Transfers（Note2）	-	-	324	-	1,002	1,326
Transfers to assets subject to operating leases	-	(397)	-	-	-	(397)
Balance at December 31, 2019	$ 635,827	$ 675,778	$1,018,331	$ 151,688	$ 151,491	$2,633,115
Accumulated depreciation						
Balance at January 1, 2019	$ -	$ 344,389	$ 873,852	$ 52,770	$ 83,485	$1,354,496
Depreciation	-	18,541	29,420	7,701	8,861	64,523
Disposals	-	-	(14,069)	-	(5,023)	(19,092)
Transfers to assets subject to operating leases	-	(272)	-	-	-	(272)
Balance at December 31, 2019	$ -	$ 362,658	$ 889,203	$ 60,471	$ 87,323	$1,399,655
Carrying amounts at December 31, 2019	$ 635,827	$ 313,120	$ 129,128	$ 91,217	$ 64,168	$1,233,460

Note 1：Transfer from inventory to machinery equipment.

Note 2：Transfer from prepayments for equipment to machinery equipment.

There was no sign of impairment in 2020 and 2019, the company did not perform the impairment assessment.

Depreciation expenses are accrued on a straight-line basis according to the following durable years：

Buildings	
Plant main building	55 Years
Electromechanical equipment	3 Years
Machinery and equipment	2 to 15 Years
Solar equipment	8 to 20 Years
Other equipment	3 to 15 Years

For the amount of self-use real estate, plant and equipment set as a loan guarantee, please refer to Note 34.

(2) Operating leases

	Buildings
Cost	
Balance at January 1, 2020	$ 397
Transfers from assets used by the Company	397
Balance at December 31, 2020	$ 794
Accumulated depreciation	
Balance at January 1, 2020	$ 285
Transfers from assets used by the Company	286
Accumulated depreciation	27
Balance at December 31, 2020	$ 598
Net amount at January 1, 2020	$ 112
Net amount at December 31, 2020	$ 196
Cost	
Balance at January 1, 2019	$ -
Transfers from assets used by the Company	397
Balance at December 31, 2019	$ 397

	Buildings
Accumulated depreciation	
Balance at January 1, 2019	$ -
Transfers from assets used by the Company	272
Depreciation expense	13
Balance at December 31, 2019	$ 285
Net amount at January 1, 2019	$ -
Net amount at December 31, 2019	$ 112

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

The maturity amount of operating lease payments receivable from the buildings is as follows：

	December 31, 2020	December 31, 2019
Year 1	$ 5	$ 57

Depreciation expenses are accrued 55 years on a straight-line basis.

For the amount of self-use real estate, plant and equipment set as a loan guarantee, please refer to Note 34.

15. Lease Arrangements

(1) Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amount		
Land	$ 619	$ 2,140
Buildings	12,620	16,018
Transportation equipment	5,399	8,213
	$ 18,638	$ 26,371

	2020	2019
Additions to right-of-use assets	$ 1,040	$ 25,292
Depreciation of right-of-use assets		
Land	$ 1,521	$ 902
Buildings	3,660	1,057
Transportation equipment	3,592	3,145
	$ 8,773	$ 5,104

(2) Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amount		
Current	$ 6,564	$ 8,360
Non-current	$ 12,673	$ 18,589

Ranges of discount rates for lease liabilities are as follows：

	December 31, 2020	December 31, 2019
Land	1.26%	1.26%
Buildings	1.26%	1.26%
Transportation equipment	1.26%	1.26%

(3) Other lease information

The company leases its own real estate, plant and equipment under operating lease. Please refer to note 14.

	2020	2019
Expenses relating to short-term leases	$ 10,981	$ 7,404
Expenses relating to low-value asset leases	$ 5,624	$ 2,255
Total cash (outflow) for leases	($ 25,652)	($ 14,326)

The company 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.

16. Intangible Assets

	Computer software
Cost	
Balance at January 1, 2019	$ 55,231
Acquired separately	9,987
Reclassified	7,689
Balance at December 31, 2019	$ 72,907

	Computer software
Accumulated amortization	
Balance at January 1, 2019	$ 34,552
Amortized expense	9,862
Balance at December 31, 2019	$ 44,414
Carrying amount at Balance at December 31, 2019	$ 28,493
Cost	
Balance at January 1, 2020	$ 72,907
Acquired separately	11,003
Reclassified	3,107
Balance at December 31, 2020	$ 87,017
Accumulated amortization	
Balance at January 1, 2020	$ 44,414
Amortized expense	11,422
Balance at December 31, 2020	$ 55,836
Carrying amount at Balance at December 31, 2020	$ 31,181

The above-mentioned computer software is amortized on a straight-line basis for three to five years of durability.

17. Loans

(1) Short-term loans

	December 31, 2020	December 31, 2019
Secured loan（Note 34）		
Usance Letter of Credit	$ 15,686	$ 579
Unsecured loans		
Line of Credit	100,000	-
Forward letter of credit	43,880	28,469
	$ 159,566	$ 29,048

The interest rates of bank loans were 0.47%～2.15% and 0.53%～2.92% on December 31, 2020 and 2019 respectively.

(2) Long-term loans

	December 31, 2020	December 31, 2019
Guaranteed loan for more than one year（Note 34）		
Bank of Taiwan	$ 500,000	$ 500,000
Mega Bank	241,800	241,800
	$ 741,800	$ 741,800

It is agreed that the loan of Bank of Taiwan can be circulated during the credit period. During the agreed credit period, the initial loan period is from December 4, 2013 to March 28, 2020. In April 2019, the company agreed with the bank that the new loan period is from April 19, 2019 to April 19, 2022. The annual interest rates were 1.20% and 1.26% as of December 31, 2020 and 2019 respectively.

It is agreed that the loan of Mega Bank can be circulated during the credit period. During the agreed credit period, the initial loan period is from September 14, 2018 to October 23, 2021. In October 2020, the company agreed with the bank that the new loan period is from October 23, 2020 to October 23, 2023. The annual interest rates were 1.275% and 1.57% as of December 31, 2020 and 2019 respectively.

18. Accounts payable

	December 31, 2020	December 31, 2019
Arising from operations	$ 1,978,131	$ 1,982,148

The company has a financial risk management policy to ensure that all accounts payables are repaid within the credit commitment period.

19. Other payables

	December 31, 2020	December 31, 2019
Salary	$ 132,293	$ 111,267
Export	46,365	16,800
Remuneration to employees and directors and supervisors	30,457	28,477
Design	27,496	43,257
Commission	6,593	14,753
Interest	306	1,192
Other	51,636	64,221
	$ 295,146	$ 279,967

20. Provisions

	December 31, 2020	December 31, 2019
Onerous contract	$ 7,098	$ 6,178

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.

21. Retirement Benefit plans

(1) Defined contribution plans

The company 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.

(2) Defined benefit plans

The Company has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee’s length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 10% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee’s name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government’s designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

Amounts recognized in respect of these defined benefit plans were as follows：

	December 31, 2020	December 31, 2019
Present Value of a Defined Benefit Obligation	$ 454,940	$ 435,159
Fair value of plan assets	(276,081)	(227,089)
Net defined benefit liability	$ 178,859	$ 208,070

Movements of the net defined benefit liability are as follows：

	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance, January 1, 2019	$ 408,949	($ 186,174)	$ 222,775
Current service cost	5,571	-	5,571
Interest expense（income）	4,234	(2,001)	2,233
Recognized in profit or loss	9,805	(2,001)	7,804
Remeasurement			
Return on plan assets	-	(6,355)	(6,355)
Actuarial loss (gain) arising from changes in financial assumptions	14,804	-	14,804
Actuarial loss (gain) arising from experience adjustments	20,688	-	20,688
Recognized in other comprehensive income	35,492	(6,355)	29,137
Contributed by the Company	-	(51,646)	(51,646)
Benefits paid	(19,087)	19,087	-
Balance, December 31, 2019	$ 435,159	($ 227,089)	$ 208,070
Balance, January 1, 2020	$ 435,159	($ 227,089)	$ 208,070
Current service cost	5,391	-	5,391
Interest expense（income）	2,994	(1,609)	1,385
Recognized in profit or loss	8,385	(1,609)	6,776
Remeasurement			
Return on plan assets	-	(7,476)	(7,476)
Actuarial loss (gain) arising from changes in financial assumptions	16,723	-	16,723
Actuarial loss (gain) arising from experience adjustments	18,422	-	18,422
Recognized in other comprehensive income	35,145	(7,476)	27,669
Contributed by the Company	-	(63,656)	(63,656)
Benefits paid	(23,749)	23,749	-
Balance, December 31, 2020	$ 454,940	($ 276,081)	$ 178,859

The amount of defined benefit plans recognized in profit or loss is summarized by function as follows：

	2020	2019
Operating cost	$ 4,715	$ 4,991
Selling expenses	973	1,068
Administrative expenses	692	1,095
Research and Development Expenses	396	650
	$ 6,776	$ 7,804

Through the defined benefit plans under the R.O.C. Labor Standards Law, the Company is exposed to the following risks：

1. Investment risk：The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
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 debt investments of the plan assets.
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 principal assumptions of the actuarial valuation were as follows：

	December 31, 2020	December 31, 2019
Discount rate	0.30%	0.70%
Expected return rate on plan assets	0.30%	0.70%
Future salary increase rate	1.50%	1.50%

If there are reasonably possible movements in the major actuarial assumptions respectively, and all other assumptions remain constant, the amount that will increase (decrease) the present value of defined benefit obligation is as follows：

	December 31, 2020	December 31, 2019
Discount rate		
Increase 0.25%	($ 10,560)	($ 10,649)
Decrease 0.25%	$ 10,933	$ 11,038
Future salary increase rate		
Increase 0.25%	$ 10,549	$ 10,716
Decrease 0.25%	($ 10,249)	($ 10,399)

Since the actuarial assumptions may be correlated to each other and the movement of single assumption is unlikely, the above sensitivity analysis may not reflect the actual movement of the present value of defined benefit obligation.

	December 31, 2020	December 31, 2019
Forecast amount within one year	$ 20,238	$ 20,487
Average maturity period of defined benefit obligations	10 Years	10 Years

22.Maturity analysis of assets and liabilities

The company's assets and liabilities related to construction contract are classified as current or noncurrent according to operating cycle. According to the amount expected to be receivable or payable within one year or longer than one year of the balance sheet date, the amount of relevant accounts is listed as follows：

	December 31, 2020		
	Within 1 Year	Longer than 1 Year	Total
Assets			
Refundable deposits (included in other current assets)	$ 1,287	$ 51	$ 1,338
Contract assets	$ 598,859	$ 72,170	$ 671,029
Liabilities			
Contract liabilities	$ 222,742	$ 51,464	$ 274,206

	December 31, 2019		
	Within 1 Year	Longer than 1 Year	T o t a l
Assets			
Refundable deposits (included in other current assets)	$ 391	$ 53	$ 444
Contract assets	$ 512,101	$ 23,976	$ 536,077
Liabilities			
Contract liabilities	$ 561,643	$ 26,742	$ 588,385

23. Equity

(1) Capital stock

	December 31, 2020	December 31, 2019
Authorized shares (in thousands)	275,000	275,000
Authorized capital	$ 2,750,000	$ 2,750,000
Issued and paid shares (in thousands)	261,059	261,059
Issued capital	$ 2,610,585	$ 2,610,585

(2) Capital surplus

	December 31, 2020	December 31, 2019
Can be used to offset a deficit, distributed as cash dividends or expansion capital stocks		
Treasury Stock Transactions	$ 1,033	$ 1,033
Unclaimed cash dividend	381	218
	$ 1,414	$ 1,251

This type of capital reserve can be used to make up for losses, and can also be used to distribute cash or capitalized when the company has no losses, however the combined amount of any portions capitalized in any 1 year may not exceed certain percent of paid-in capital.

(3) Retained earnings and dividend policy

In accordance with the Company's Articles of Incorporation, If the Company has made any profit in a given year, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings, then set aside a special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. If there are still any earnings, the Board of Directors shall prepare a proposal to distribute bonus to shareholders with the remaining earnings plus any retained earnings and submit to the shareholders' meeting for resolution, have the surplus profit distributable as dividends and bonuses in whole or in part distributed in cash. And report to the shareholders' meeting, have the surplus profit distributable as dividends and bonuses in whole or in part distributed in cash. Regarding the remuneration policy of employees and directors, please Note 25(6) Remuneration of employees and directors.

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.

Items referred to under Rule No. 1010012865 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 appropriation of earning for 2019 and 2018 which have been approved in the shareholders meeting held on June 12, 2020 and June 13, 2019, respectively. were as follows

	2019	2018
Legal reserve	$ 40,443	$ 6,008
Special reserve	($ 2,298)	($ 3,978)
Cash dividends		$ 78,318
Cash dividends per share (NT$)		$ 0.30

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：

	2019
Cash dividends	$ 261,058
Cash dividends per share (NT$)	$ 1

The appropriations of 2020 earnings proposed by the Company's Board of Directors meeting held on March 22, 2021 is as follows：

	2020
Legal reserve	$ 43,538
Special l reserve	$ 6,372
Cash dividends	$339,376
Cash dividends per share (NT$)	$ 1.30

The above appropriation of cash dividends have been approved by the board of directors, and the rest is yet to be resolved at the regular shareholders meeting expected to be held on June 11, 2021.

(4) Other equity Items

1. Exchange differences arising on translation of the financial statements of foreign operations

	2020	2019
Balance, beginning of year	($ 27,751)	($ 19,448)
Exchange differences arising on translation of foreign operations	3,593	(8,303)
Balance, end of year	($ 24,158)	($ 27,751)

2. Unrealized gain (loss) on financial assets at FVTOCI

	2020	2019
Balance, beginning of year	$ 19,450	$ 8,175
Unrealized Gain or Losses		
Equity instruments	(10,639)	11,275
Balance, end of year	$ 8,811	$ 19,450

3. Hedging instrument－Cash flow hedge

	2020	2019
Balance, beginning of year	($ 674)	$ -
Gain (loss) arising on changes in the fair value of hedging instruments exchange rate risk－Forward exchange contracts	674	(674)
Balance, end of year	$ -	($ 674)

24. Net Revenue

	2020	2019
Revenue from contract with customers		
Sales revenue		
Power transformer	$ 4,298,485	$ 3,972,040
Distribution Transformer	1,291,088	1,095,042
Amorphous Metal Core Transformers	298,085	60,348
Electricity	12,309	12,545
Other	944,239	718,810
Construction revenue	1,152,273	1,011,200
	$ 7,996,479	$ 6,869,985

(1) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable	$ 117,622	$ 77,997	$ 30,382
Accounts receivable（Note 11）	$ 2,502,071	$ 2,512,594	$ 1,898,529
Contract asset			
Construction Retainage Receivable	$ 319,343	$ 125,397	$ 143,744
Construction contracts receivable	351,686	410,680	453,323
	$ 671,029	$ 536,077	$ 597,067
Contract liabilities			
Construction Retainage received	$ 231,432	$ 570,135	$ 232,632
Construction Contracts payable	42,774	18,250	7
Advance receipts	367,395	342,181	300,146
	$ 641,601	$ 930,566	$ 532,785

The credit risk management of contract assets adopted by the company is the same as that of accounts receivable. Please refer to Note 11.

(2) Revenue from Contracts with Customers

2020

	Electrical & Mechanical department	Turnkey Department	Total
Sales revenue	$ 6,844,206	$ -	$ 6,844,206
Construction revenue	-	1,152,273	1,152,273
	$ 6,844,206	$ 1,152,273	$ 7,996,479

2019

	Electrical & Mechanical department	Turnkey Department	Total
Sales revenue	$ 5,858,785	$ -	$ 5,858,785
Construction revenue	-	1,011,200	1,011,200
	$ 5,858,785	$ 1,011,200	$ 6,869,985

25.、 Net Income

(1) Interest income

	2020	2019
Bank deposits	$ 84	$ 236
Other	118	414
	$ 202	$ 650

(2) Other income

	2020	2019
Export tax rebate	$ 24,786	$ 15,814
Rental receipt		
Operating lease rental income	109	57
Indemnity	2,640	118,782
	$ 27,535	$ 134,653

(3) Other profit and loss

	2020	2019
Loss on disposal of associates and joint ventures accounted for using the equity method	$ -	($ 142,667)
Financial assets and liabilities interest (loss)		
Financial assets (mandatorily) measured at fair value through profit or loss	817	(5,540)
Loss on disposal of property, plant	(77)	(109)

	2020	2019
and equipment		
Net gain and loss on foreign currency exchange	(2,805)	5,376
Compensate income	4,517	-
Other	(449)	437
	$ 2,003	($ 142,503)

(4) Financial cost

	2020	2019
Bank loan interest	$ 16,448	$ 19,825
Interest of lease liabilities	295	141
Other financial cost	11	357
	$ 16,754	$ 20,323

(5) Depreciation, Amortization and Employee benefits expenses

	2020			2019		
	Operating cost	Operating Expenses	Total	Operating cost	Operating Expenses	Total
Employee benefits expenses						
Salary	$ 437,965	$ 237,165	$ 675,130	$ 387,254	$ 216,835	$ 604,089
Labor and Health Insurance	36,464	17,325	53,789	31,054	17,217	48,271
Pension						
Defined contribution plan	14,709	7,868	22,577	13,078	6,738	19,816
Defined benefit plans	4,715	2,061	6,776	4,991	2,813	7,804
Compensation to directors	-	21,299	21,299	-	18,984	18,984
Other employee benefits	19,320	7,071	26,391	18,655	7,115	25,770
	$ 513,173	$ 292,789	$ 805,962	$ 455,032	$ 269,702	$ 724,734
Depreciation	$ 59,532	$ 13,753	$ 73,285	$ 59,455	$ 10,185	$ 69,640
Amortization	$ 3,128	$ 8,294	$ 11,422	$ 2,988	$ 6,874	$ 9,862

As of December 31, 2020 and 2019, the number of employees of the company is 769 and 722 respectively. Among them, the numbers of both non-employee directors are 7. The calculation basis is consistent with the employee benefit expenses.

(6) Employee and directors’ compensation

In accordance with the Article of Incorporation, the Company has made any profit in a given year (meaning any net profit before tax, minus employee and directors’ compensation), the Company shall appropriate from the remaining amount no less than 3% for the employee compensation, and no more than 2% for the Directors remuneration. The resolutions of estimated employee compensation and Directors’ remuneration for 2020 and 2019 by the board of directors on March 22, 2021 and March 23, 2020 respectively as follows：

Estimated percentage

	2020	2019
Employee compensation	3.86%	4.39%
Directors remuneration	1.40%	1.03%

Amount

	2020	2019
	Cash	Cash
Employee compensation	$ 22,357	$ 23,077
Directors' remuneration	8,100	5,400

If there is still any change in the amount of the annual the parent only financial statements after the date of publication, it shall be handled according to the changes in accounting estimates and adjusted and recorded in the next year.

There is no difference between the amount of appropriations of employee compensation and directors' remuneration and the amounts recognized in the parent only financial statements of 2019, 2018 respectively.

The information about the appropriations of the company's employee compensation and directors' remuneration is available at the Market Observation Post System website.

(7) Exchange gains and (losses)

	2020	2019
Exchange interest total amount	$ 38,320	$ 28,234
Exchange loss total amount	(41,125)	(22,858)
Net gain and loss	($ 2,805)	$ 5,376

26. Income tax

(1) Income tax expense recognized in profit or loss, Income tax expense consisted of the following

	2020	2019
Current income tax expense		
Current tax expense		
Recognized in the current year	$ 79,671	$ 80,108
Adjustments on prior years	287	725
	79,958	80,833
Deferred income tax benefit		
Recognized in the current year	10,901	5,308
Adjustments on prior years	(169)	-
	10,732	5,308
Income tax expense recognized in profit or loss	$ 90,690	$ 86,141

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows：

	2020	2019
Income before tax	$ 548,204	$ 496,793
Income tax expense at the statutory rate		
	$ 109,641	$ 99,358
Nondeductible (deductible) items	(19,368)	(8,989)
Additional income tax on unappropriated earnings	5,262	-
Investment Tax Credit	(4,963)	(4,953)
Income tax adjustments on prior years		
Adjustments on current year	118	725
Income tax expense recognized in profit or loss	$ 90,690	$ 86,141

(2) Income tax expense recognized in other comprehensive income

	2020	2019
Deferred income tax		
Recognized in the current year		
－Remeasurement of defined benefit obligation	$ 5,533	$ 5,828
Income tax expense recognized in other comprehensive income	$ 5,533	$ 5,828

(3) Income tax assets and liabilities

	December 31,2020	December 31,2019
Income tax assets		
Income tax refund receivable	$ 8,567	$ 8,567
Income tax liabilities		
Income tax payable	$ 32,311	$ 75,986

(4) Deferred income tax assets and liabilities

The analysis of deferred income tax assets and liabilities was as follows：

2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred income tax assets				
Right-of-use asset	$ 83	($ 83)	$ -	$ -
Defined benefit and pension plans	41,614	(11,375)	5,533	35,772
Inventory valuation Losses	29	453	-	482
Bad Debt deferral period	1,167	2,556	-	3,723
Export income cost adjustment item	4,848	-	-	4,848
Unrealized exchange loss	920	(417)	-	503
Other	1,502	288	-	1,790
	$ 50,163	($ 8,578)	$ 5,533	$ 47,118
Deferred income tax liabilities				
Land value increment tax	$ 40,621	$ -	$ -	$ 40,621
Share of Profit or Loss of subsidiaries Accounted for Using Equity Method	22,986	2,154	-	25,140
	$ 63,607	$ 2,154	$ -	$ 65,761

2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred income tax assets				
Right-of-use asset	$ -	$ 83	$ -	$ 83
Defined benefit and pension plans	44,555	(8,769)	5,828	41,614
Inventory valuation Losses	262	(233)	-	29
Bad Debt deferral period	-	1,167	-	1,167
Export income cost adjustment item	4,848	-	-	4,848
Unrealized exchange loss	1,094	(174)	-	920
Other	1,967	(465)	-	1,502
	$ 52,726	($ 8,391)	$ 5,828	$ 50,163
Deferred income tax liabilities				
Land value increment tax	$ 40,621	$ -	$ -	$ 40,621
Share of Profit or Loss of subsidiaries Accounted for Using Equity Method	25,217	(2,231)	-	22,986
Other	852	(852)	-	-
	$ 66,690	($ 3,083)	$ -	$ 63,607

(5) Income tax examination

The tax authorities have examined income tax of the company prior to 2018.

27. 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：

	2020	2019
Current year net income	$ 457,514	$ 410,652

Number of shares

Unit：Thousand shares

	2020	2019
Calculation of weighted average number of common stock shares	261,059	261,059
The Effect of potentially dilutive ordinary shares：		
Employee compensation	692	966
The calculation of diluted EPS is based on the weighted average number of ordinary shares	261,751	262,025

If the company 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.

28. Acquisition of subsidiary－acquires control over a subsidiary

	Major operating activities	Acquisition day	Proportion of ownership voting rights （%）（Note）	Consideration Transferred
Fortune High Voltage Company	Transformer manufacturing, processing and trading business	March 31, 2019	100.00%	$ -

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

Fortune High Voltage Company was acquired in order to continue the expansion of the Group’s activities in transformer manufacturing and trading business. Please refer to Note 30 of the company's consolidated financial statements in 2020 for an explanation of the acquisition of Fortune Electric Extra High Voltage Co., Ltd..

29. Disposal of subsidiary - loss of control

On March 22, 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.

30. Cash flow information

Reconciliation of liabilities arising from financing activities

2020

	Balance, beginning of year	Cash Flow	Non-cash changes New Lease	Balance, end of year
Short-term loans	$ 29,048	$ 130,518	$ -	$ 159,566
Guarantee deposits	4,253	6,161	-	10,414
Lease liabilities	26,949	(8,752)	1,040	19,237
	$ 60,250	$ 127,927	$ 1,040	$ 189,217

2019

	Balance, beginning of year	Cash Flow	Non-cash changes New Lease	Other	Balance, end of year
Short-term loans	$ 213,749	($ 184,701)	$ -	$ -	$ 29,048
Guarantee deposits	15,132	(10,879)	-	-	4,253
Lease liabilities	6,183	(4,526)	26,922	(1,630)	26,949
	$ 235,064	($ 200,106)	$ 26,922	($ 1,630)	$ 60,250

31. Asset risk management

The company'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 company'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..

32. Financial Instruments

(1) Fair value of financial instruments not measured at fair value

There is no significant difference between the book value and fair value of the company's financial assets and financial liabilities not at fair value as of December 31, 2020 and 2019.

(2) Fair value of financial instruments measured at fair value on a recurring basis

Fair-Value Hierarchy

December 31, 2020

	Level1	Level2	Level3	Total
Financial assets measured at fair value through other comprehensive income				
Equity investment Instrument				
—Domestic unlisted (OTC)stocks	$ -	$ 44,343	$ -	$ 44,343
Financial liabilities measured at fair value through profit or loss				
Derivative	$ -	($ 4)	$ -	($ 4)

December 31, 2019

	Level1	Level2	Level3	Total
Financial assets measured at fair value through profit or loss	$ -	$ 68	$ -	$ 68
Financial assets measured at fair value through other comprehensive income				
Equity investment Instrument				
—Domestic unlisted. (OTC)stocks	$ -	$ 54,982	$ -	$ 54,982
Financial liabilities measured at fair value through profit or loss				
Derivative	$ -	($ 1,401)	$ -	($ 1,401)
Financial liability for hedging				
Derivative	$ -	($ 674)	$ -	($ 674)

There is no transfer between level 1 and level 2 in the current and prior period.

(3) Categories of financial instruments

	December 31, 2020	December 31, 2019
Financial assets		
Measured at FVTPL		
Financial assets mandatorily measured at FVTPL	$ -	$ 68
Financial assets measured at amortized cost（Note 1）	2,792,205	2,680,092
Financial assets measured at fair value through other comprehensive income		
Equity investment. Instrument	44,343	54,982
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Hedging financial. liabilities	4	1,401
	-	674
Amortized cost（Note 2）	3,206,732	3,059,326

Note1：Including cash and cash equivalents, financial assets at amortized cost, receivable - related parties, other receivables and refundable deposits.

Note2：Including short-term loans, accounts payable, accounts payable - related parties, other payable, long-term loans and guarantee deposits.

(4) Financial risk management objectives

The company's major financial instruments include cash, equity instrument investment, trade receivables, trade payable, lease liabilities and borrowings. The company’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 company 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 Company is exposed to the financial market risks, primarily changes in foreign currency exchange rates (please refer to the following (1)), interest rates (please refer to the following (2)).

There is no change in the company's exposure to market risks of financial instruments and its management and measurement of such exposure.

(1) Foreign currency risk

The company 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.

For the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies and the carrying amounts of derivative instrument with exposure to exchange rate risks at the balance sheet date, please refer to Note 36.

Sensitivity analysis

The company is mainly affected by the fluctuation of US dollar exchange rate.

The following table details the sensitivity analysis of the company when the exchange rate of NT$1 (functional currency) increases and decreases 1% for each relevant foreign currency. 1% is the sensitivity ratio used when reporting exchange rate risk to major management within the company, and also represents the management's evaluation of the reasonable possible range of changes in foreign currency exchange rate. Sensitivity analysis only includes foreign currency circulating outside the company. The positive value of the following table is the amount that will increase the net profit before tax when the new Taiwan dollar of the company's net assets position depreciates 1% against the US dollar; when the new Taiwan dollar rises 1% against the US dollar, its impact on the net profit before tax will be negative of the same amount.

		Impact of US dollar	
		2020	2019
Profit or loss	(i)	$ 3,628	$ 1,687

(i) It is mainly derived from the company’s bank deposits, accounts receivable and short-term loans denominated in US dollar, which are still in circulation on the balance sheet date and are not for cash flow hedges.

The management believes that sensitivity analysis cannot represent the inherent risk of exchange rate, because the foreign currency exposure on the balance sheet date cannot reflect the midterm exposure.

(2) Interest rate risk

As individuals in the company loans at both fixed and floating rates, interest rate risk arises.

The company’s book value of financial assets and financial liabilities subject to interest rate exposure on the balance sheet date is as follows：

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
－Financial assets	$ 32,066	$ 2,587
－Financial liabilities	178,803	55,997
Cash flow interest rate risk		
－Financial assets	86,919	59,356
－Financial liabilities	741,800	741,800

Sensitivity analysis

The following sensitivity analysis is determined by the interest rate risk of non-derivative instruments on the balance sheet date. For floating rate assets and liabilities, the analysis method is to assume that the assets and liabilities that are circulating outside the balance sheet date are all circulating outside the reporting period. The rate of change used in the internal reporting of interest rates for major management is 100 basis points increase or decrease of interest rates, which also represents the management's assessment of the reasonable range of possible changes in interest rates.

If the interest rate increases or decreases by 100 basis points, and all other variables remain unchanged, the company's net profit before tax for 2020 and 2019 will decrease or increase by $7,549 thousand and $6,824 thousand mainly due to the company's net position of variable interest rate deposits and variable interest rate loans.

(3) Other price risk

The company has a risk of equity price risk due to equity securities investment. The company has not actively traded such investments, but assigned relevant personnel to supervise price risk and evaluate when should be increased the hedging positions to be avoided

<u>Sensitivity analysis</u>

The following sensitivity analysis is based on the equity price risk on the balance sheet date.

If the equity price rises or falls by 1%, the other comprehensive income before tax in 2020 and 2019 will increase or decrease by 443 thousand and 550 thousand due to the change in fair value of financial assets measured at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk of the company's financial loss caused by the default of the counterparty. As of the balance sheet date, the company's maximum credit risk exposure that may cause financial losses due to the failure of the counterparty to perform their obligations and the financial guarantee provided by the company mainly comes from the book value of financial assets recognized in the parent company only balance sheet.

In order to minimize credit risk, the management of the company 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 company 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 company's management believes that the company's credit risk has been significantly reduced.

Accounts receivable cover a large number of customers, scattered in different industries and geographical regions. The company continuously evaluates the customers’ financial situation of accounts receivable

In addition, because the counterparty of liquidity capital and derivative financial instruments are financial institutions and companies with good credit rating, the credit risk is limited.

3. Liquidity risk

The company manages and maintains sufficient cash to support operations and mitigate the impact of cash flow volatility. The management of the company shall supervise the use of bank lines of credit and ensure the compliance with the terms of the loan agreement.

Bank loans are an important source of liquidity for the company. As of December 31, 2020 and December 31, 2019, the unused loan and bills finance company loan commitments of the company was 5,783,940 thousand and 5,540,925 thousand respectively.

(1) Table of Liquidity and interest rate risk of Non-derivative financial liabilities

The maturity analysis of the remaining contract of non-derivative financial liabilities are prepared according to the undiscounted cash flow (including principal and estimated interest) of financial liabilities according to the date when the company may be called for repayment immediately. Therefore, the following table is the bank loans that the company may be called for repayment immediately, without considering the probability of the bank will immediately enforce the right, other non-derivative financial liabilities maturity analysis is prepared according to the agreed repayment date.

For interest cash flow paid with floating rate, the amount of undiscounted interest is derived from the yield curve on the balance sheet date.

December 31, 2020

	Weighted Average Effective Interest Rate （%）	Payable on demand or Less than 1 Month	1-3 Months	3 Months – 1 Year	1 – 5 Years
Non-derivative financial liabilities					
Non-interest-bearing liabilities		$ 262,699	$ 1,707,265	$ 730,394	$ 51,464
Lease liabilities		678	1,356	4,731	12,893
Floating rate instrument	1.22	-	-	-	745,332
Fixed interest rate instrument	0.65	116,150	2,653	41,860	-
		$ 379,527	$ 1,711,274	$ 776,985	$ 809,689

Further information on the maturity analysis of lease liability is as follows：

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	$ 6,765	$12,893	$ -	$ -

December 31, 2019

	Weighted Average Effective Interest Rate （%）	Payable on demand or Less than 1 Month	1-3 Months	3 Months – 1 Year	1 – 5 Years
Non-derivative financial liabilities					
Non-interest-bearing liabilities		$ 465,841	$ 1,833,839	$ 725,324	$ 26,741
Lease liabilities		764	1,529	6,357	19,001
Floating rate instrument	1.33	-	-	-	743,804
Fixed interest rate instrument	1.28	-	212	29,123	-
		$ 466,605	$ 1,835,580	$ 760,804	$ 789,546

Further information on the maturity analysis of lease liability is as follows：

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	$ 8,650	$19,001	$ -	$ -

The company's bank loans that may be called for repayment immediately are included in the above maturity analysis table within a period of less than one month. As of December 31, 2020, the undiscounted principal balance of these bank loans is 115,259 thousand.

The floating rate instrument amount of the above non-derivative financial liabilities will change due to the difference between the floating rate and the interest rate estimated on the balance sheet date.

(2) Table of Liquidity and interest rate risk of Derivative financial liabilities

For derivatives with net settlement, the liquidity analysis is based on the undiscounted contractual net cash inflow and outflow.

December 31, 2020

	Payable on demand or Less than 1 Month	1-3 Months	3 Months – 1 Year	1 – 5 Years
Net settlement				
Forward. exchange contracts	$ -	($ 4)	$ -	$ -

December 31, 2019

	Payable on demand or Less than 1 Month	1-3 Months	3 Months – 1 Year	1 – 5 Years
Net settlement				
Forward. exchange contracts	($ 58)	$ -	($ 1,949)	$ -

33. Related Party Transactions

The transactions between the Company and its related parties, other than those disclosed in other notes, are as follows：

(1) Related party name and categories

Related Party Name	Related Party Categories
Fortune Electric (Wuhan) Ltd.	Subsidiaries
Wuhan Fortune Trade Co., Ltd.（Wuhan Fortune）	Subsidiaries
North American Division	Subsidiaries
Fortune Electric Extra High Voltage Co., Ltd.	Subsidiaries（Note）
Australian company	Subsidiaries
E-Total Link	Associates
Hua Cheng Investment Co., Ltd.（Hua Cheng Investment Company）	Other related parties

Note：Fortune Electric Extra High Voltage Co., Ltd. has been a subsidiary since March 31, 2019.

(2) Operating revenue

Item	Related Party Categories/Name	2020	2019
Revenue from Sales of goods	Subsidiaries		
	Fortune Electric (Wuhan)	$ -	$ 52,165
	Other	6,664	-
		$ 6,664	$ 52,165

In other transactions with related parties, the price and payment and collection terms are equivalent to those of non-related parties.

(3) Purchases

Related Party Categories/Name	2020	2019
Subsidiaries		
Fortune Electric Extra High Voltage	$ 348,478	$ 88,070
Other	54,127	44,546
Associates	2,874	3,415
	$ 405,479	$ 136,031

The purchase price and payment terms are equivalent to those of non-related parties.

(4) Receivables from related parties（Excluding loans to related parties and contract assets）

Item	Related Party Categories/Name	December 31, 2020	December 31, 2019
Receivables	Subsidiaries		
	Australian company	$ 5,914	$ -
Other receivables（Classified under other current assets）	Subsidiaries	$ 8	$ 23

The outstanding receivables from related parties are not guaranteed, and no allowance for losses is provided for account receivables from related parties in 2020 and 2019.

(5) Payables to related parties（Excluding loans from related parties）

Item	Related Party Categories/Name	December 31, 2020	December 31, 2019
Payables to related parties	Subsidiaries		
	North America company	$ 4,035	$ 10,697
	Fortune Electric Extra High Voltage	17,270	8,472
	Other	271	2,929
	Associates	99	12
		$ 21,675	$ 22,110

The balance of outstanding accounts payable to related parties did not provide guarantees.

(6) Prepayment

Related Party Categories/Name	December 31, 2020	December 31, 2019
Subsidiaries		
Fortune Electric Extra High Voltage	$ 65,728	$345,222

(7) Lease Agreement

Acquisition of Right-of-use asset

Related Party Categories/Name	2020	2019
Other related parties	$ -	$ 504

Item	Related Party Categories/Name	December 31, 2020	December 31, 2019
Lease liabilities — Current	Other related parties	$ 170	$ 168
Lease liabilities — Non-current	Other related parties	-	170
		$ 170	$ 338

Related Party Categories/Name	2020	2019
Interest Expense		
Other related parties	$ 3	$ 5
Cost of goods sold－Manufacturing expense		
Other related parties	$ 34	$ 34
Operating cost		
Other related parties	$ 134	$ 134

(8) Lease Agreement

Operating lease rentals

The company operating leases the right to use the office to other related parties, Hua Cheng Investment Co., Ltd. and its subsidiary Fortune Energy CO., LTD.. The lease terms both are for one year.

The total rental payments to be collected in the future are summarized as follows：

Related Party Categories/Name	December 31, 2020	December 31, 2019
Subsidiaries	$ 52	$ -
Associates	57	57
	$ 109	$ 57

The lease income is summarized as follows:：

Related Party Categories/Name	2020	2019
Subsidiaries	$ 52	$ -
Associates	57	57
	$ 109	$ 57

(9) Endorsement and Guarantees for others

On the following balance sheet dates, the amount of endorsements and guarantees provided by the company to related parties and endorsements and guarantees and line of credit signed with the banks approved by the board of directors are as follows:

Related Party Categories/Name	December 31, 2020	December 31, 2019
Subsidiaries		
Fortune Electric (Wuhan)	$ 370,240	$ 389,740
Fortune Electric Extra High Voltage	750,000	650,000
	$1,120,240	$1,039,740

(10) Other related party transaction

	Operating expense	
Related Party Categories/Name	2020	2019
Subsidiaries		
North America company	$ 50,214	$ 46,549
Fortune Electric (Wuhan)	1,363	-
	$ 51,577	$ 46,549

(11) Compensation of key management personnel

	2020	2019
Short-term employee benefits	$ 67,344	$ 61,374
Post-employment benefits	2,150	2,409
	$ 69,494	$ 63,783

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

34. Pledged asset

The following assets of bid bond, performance bond and long-term and short-term loans are provided for sales as collateral：

	December 31, 2020	December 31, 2019
Refundable deposits（Current portion is included in other current assets）	$ 13,551	$ 11,661
Pledge of certificate of deposit（financial assets at amortised cost）	32,065	2,587
Property, plant and equipment, net	962,637	976,330
	$1,008,253	$ 990,578

35. Significant Contingent liabilities and Unrecognized Commitments

Significant contingent liabilities and unrecognized commitments of the Company as of the end of balance sheet date were as follows：

(1) As of December 31, 2020, the balance of unused L/C amount total $4,132 thousand, ¥33,123 thousand, € 904,000, kr358 thousand and chf44 thousand.

(2) As of December 31, 2020, a total of 1,484,178 thousand of financing bills has been issued as guarantees for bank financing, endorsement and sales fulfillment.

(3) 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.

(4) 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.

(5) The Company signed a technical cooperation agreement with Meidensha Corporation, with effective term from July 2017 to July 2022. According to the contract, the Company will design, produce and sell goods only in the Republic of China. However, we need to obtain the prior written consent of Meidensha Corporation before exporting the products. The company has paid 2,000 thousand Japanese yen for the technical cooperation, and paid 3% remuneration of the net sales according to the products production and marketing. In 2020, The remuneration paid was paid was 756 thousand, included in the operating expenses.

(6) The Company signed a technical service agreement for transformer optimization design and research with Fortune Electric (Wuhan). with effective term from July, 2020 to December, 2020. According to the contract, we agree to provide the company's technical service and training project report, and provide necessary technical guidance. In 2020, the technical remuneration paid under the agreement is 1,363 thousand, included in the operating expenses.

(7) 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.

36. Significant exchange rate information of foreign currency financial assets and liabilities

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows：

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 17,182	28.4800 （USD：NT dollar）	$ 489,343
Non-Monetary items			
Investments accounted for using equity method			
USD	8,452	28.4800 （USD：NT dollar）	$ 240,711
Foreign currency liabilities			
Monetary items			
USD	4,442	28.4800 （USD：NT dollar）	$ 126,508

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 9,436	29.9800 （USD：NT dollar）	$ 282,891
Non-Monetary items			
Investments accounted for using equity method			
USD	7,560	29.9800 （USD：NT dollar）	$ 226,661
Foreign currency liabilities			
Monetary items			
USD	3,808	29.9800 （USD：NT dollar）	$ 114,164

Significant exchange gains and losses (realized and unrealized) were as follows：

	2020		2019	
Functional currency	Translation from the functional currency to the presentation currency	Net exchange gains and losses	Translation from the functional currency to the presentation currency	Net exchange gains and losses
NT Dollar	1(NT Dollar：NT Dollar)	$ 2,805	1(NT Dollar：NT Dollar)	$ 5,376

37. Additional disclosures

(1) Information on significant transactions and (2) Information on investees：

1. Lending funds to others. (None)
2. Providing endorsements or guarantees for others. （See table 1 attached）
3. Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture).（See table 2 attached）
4. Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. （None）
5. Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more.（None）
6. Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)
7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. (See Table 3 attached)
8. Accounts receivable from related parties reaching NT$100 million or 20 percent of paid-in capital or more. (None)
9. Trading in derivative instruments.（Note 7 and 9）
10. Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (See Table 4 attached)

(3) Information on investments in the Mainland Area：

1. The name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss for the period and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area. (See Table 5 attached)

2. Any of the following significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their

prices, payment terms, and unrealized gains or losses：（See Tables 1,4 and 5 attached and Note 33）

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
(3) The amount of property transactions and the amount of the resultant gains or losses.
(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(4) Information on major shareholders: the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the issuer's equity. (See Table 6 attached)

Fortune Electric Co., Ltd.

Providing endorsements or guarantees for others

For the year ended December 31, 2020

Table 1

Unit：Amounts in Thousands of New Taiwan Dollars,
Unless Specified Otherwise

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements（%）	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remark
		Name	Nature of Relationship											
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Ltd.	Sub-Subsidiary	$ 1,773,508	$ 393,250 (13,000 thousand USD)	$ 370,240 (13,000 thousand USD)	$ 174,301 (4,748 thousand USD and 8,928 thousand CNY)	$ -	10.44%	$ 2,128,209	Y	N	Y	
0	Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage	Subsidiary	1,773,508	750,000	750,000	456,092	-	21.14%	2,218,209	Y	N	N	

Note 1：The amount of endorsement or guarantee for a single enterprise shall not exceed 50% of the Company's net worth, i.e $3,547,016×50%＝$1,773,508。

Note 2：The total amount of endorsements or guarantees shall not exceed 60% of the Company's net worth, i.e $3,547,016×60%＝$2,128,209.

Fortune Electric Co., Ltd.

Marketable Securities Held

December 31, 2020

Table 2

Unit：Amounts in Thousands of New Taiwan Dollars,
Unless Specified Otherwise

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	End of Year				Note
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
Fortune Electric Co., Ltd.	Stock							
	Raynergy Tek Incorporation	—	Financial assets at fair value through other comprehensive income	3,031	$ 44,344	10.80	$ 44,344	
	ProMOS Technologies Inc.	—	Financial assets at fair value through other comprehensive income	26	-	0.06	-	

Note：Information on investment in subsidiaries and associates, please refer to Table 4 and Table 5.

Fortune Electric Co., Ltd.

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

2020

Table 3

Unit：Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases / sales	Amount	％ to Total	Payment Terms	Unit price	Payment Terms	Ending Balance	％ to Total	
Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	Purchases	$ 348,478	7.12%	90 days	—	—	$ 17,270	0.88%	

Fortune Electric Co., Ltd.

Names, Locations, and related Information of Investees...related information

January 1 to December 31, 2020

Table 4

Unit：Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount: December 31, 2020	Original Investment Amount: December 31, 2019	Balance as of December 31, 2020: Shares	Balance as of December 31, 2020: Percentage of Ownership (%)	Balance as of December 31, 2020: Carrying value	Net Income (Losses) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	Importing and Trade business, investment holding, agent business	$ 126,528	$ 126,528	3,800 thousand shares	100.00	$ 225,366	$ 8,538	$ 8,538	Subsidiary
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Agents business	2,949	2,949	1 thousand shares	100.00	15,345	2,692	2,692	Subsidiary
	Fortune Electric Extra High Voltage Co., Ltd.	No. 500, Nanheng 1st Rd., Wuqi Dist., Taichung City	Transformers manufacturing, machining and trading	564,800	564,800	141,200 thousand shares	100.00	455,234	97,159	97,159	Subsidiary
	E-Total Link	Shin Osaka SONE Building No. 1204, Nish-Nakajima 7-chome No. 29, Yodogawa-ku, Osaka Prefecture	Transformers manufacturing, machining and trading	1,385	1,385	100 shares	25.00	750	(1,512)	(378)	Associate
	Fortune Energy CO., LTD.	10F, No. 368, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City	Transformers, capacitors, power distribution equipment manufacturing	1,000	-	100 thousand shares	100.00	861	(139)	(139)	Subsidiary（Note 3）
	Fortune Electric Australia Pty Ltd.	Level 7, 60 York.Street, Sydney NSW 2000, Australia	Trade business	10,173	-	500 thousand shares	100.00	10,891	(80)	(80)	Subsidiary（Note 5）
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, China	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	6,500 US$ in Thousands	6,500 US$ in Thousands	-	100.00	7,911 US$ in Thousands	310 US$ in Thousands	310 US$ in Thousands	Sub-Subsidiary(Note 4）
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, China	Trade business	500 RMB in Thousands	500 RMB in Thousands	-	100.00	3,012 RMB in Thousands	882 RMB in Thousands	882 RMB in Thousands	Sub Sub-Subsidiary（Note 4）

Note 1：It is calculated on the basis of the financial statements of the invested company that have not been reviewed by accountants during the same period and the shareholding ratio of the company.

Note 2：All transactions listed in the above table, except E-total link, have been written off at the time of preparation of the consolidated financial statements.

Note 3：Fortune Energy CO., LTD., a 100% holding subsidiary of the company, was established on February 27, 2020 and incorporated into the consolidated entity.

Note 4：The company signed the stock trading agreement on August 14, 2020 and expects to complete the settlement on July 31, 2021.

Note 5：Fortune electric Australia Pty Ltd., a 100% holding subsidiary of the company, was established on November 10, 2020 and incorporated into the consolidated entity.

Fortune Electric Co., Ltd.

Information on investments in the Mainland Area

January 1 to December 31, 2020

Table 5

Unit：Amounts in Thousands of New Taiwan Dollars,

Unless Specified Otherwise

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital （Note3）	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 （Note 3）	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020（Note 3）	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow							
Fortune Electric (Wuhan) Ltd.	Transformer, capacitor, distribution board and distribution equipment manufacturing industry.	$ 185,120 (6,500 US$ in Thousands)	Reinvestment in mainland companies through reinvestment in existing companies in the third area	$ 170,880 (6,000 US$ in Thousands)	$ -	$ -	$ 170,880 (6,000 US$ in Thousands)	$ 8,488 310 US$ in Thousands	100.00%	$ 8,488 310 US$ in Thousands	$ 225,310 (7,911 US$ in Thousands)	$ -	Note 4

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$170,880（6,000 US$ in Thousands）	$170,880（6,000 US$ in Thousands）	$2,128,209

Note 1：It is calculated on the basis of the financial statements audited by a CPA in the same period.

Note 2：Except that the profit and loss of the invested company in the current year and the investment profit and loss recognized in the current year are calculated at the average exchange rate from January 1 to December 31, 2020, the rest are calculated at the spot exchange rate at the end of December, 2020.

Note 3：The difference between the accumulated investment amount of US $6,000 thousand remitted from Taiwan and the paid in capital amount of US $6500 thousand of Fortune Electric (Wuhan) Ltd. is US $500 thousand, which is directly invested by the company's 100% owned subsidiary Power Energy International Ltd..

Note 4：The company signed the stock trading agreement on August 14, 2020 and expects to complete the settlement on July 31,2021.

Fortune Electric Co., Ltd.

Information on major shareholders

December 31, 2020

Table 6

Major Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Hsu Shou Hsiung	22,956,623	8.79%
Hua Cheng Investment Co., Ltd.	22,867,936	8.75%
Hsu Bang Fu	19,083,986	7.31%
Chen Yen Fen	13,564,425	5.19%

Note 1：The information of major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of the current quarter. The shareholders hold more than 5% of the company's common shares and preferred shares (including treasury shares) that have been completed registration of dematerialized. The share capital recorded in the consolidated financial statements of the company and the number of shares actually registration of dematerialized may be different due to different calculation basis.

Note 2：The above information shall be disclosed by the trustee's opening of a trust account with individual subaccounts of the principal if the shareholder has delivered the shares to the trust.. As for the shareholder's shareholding of more than 10% of insider shares reported under the Securities and Exchange Act, the shareholding includes his own shares plus shares delivered to the trust with the right to decide the use of the trust property, please refer to the Market Observation Post System for information on insider shareholding reporting.

6.6 Any Financial Difficulties the Company and Its Affiliates encountered: None

VII. Review and Analysis of Financial Status and Business Results and Risk Issues

7.1 Financial Status

Unit: NT$ Thousands

Item \ Year	December 31st, 2020	December 31st, 2019	Difference	
			Amount	%
Current Assets	6,453,655	6,236,861	216,794	3.48
Property, Plant and Equipment	1,982,681	2,049,431	(66,750)	(3.26)
Equity Method investment	750	1,153	(403)	(34.95)
Intangible Assets	31,214	28,528	2,686	9.42
Other Assets	224,052	270,658	(46,606)	(17.22)
Total Assets	8,692,352	8,586,631	105,721	1.23
Current Liabilities	3,934,794	4,069,636	(134,842)	(3.31)
Long-term Liabilities	1,210,542	1,138,090	72,452	6.37
Total Liabilities	5,145,336	5,207,726	(62,390)	(1.20)
Equity Attributable to Shareholders of the Parent	3,547,016	3,378,905	168,111	4.98
Capital Stock	2,610,585	2,610,585	0	0.00
Capital Surplus	1,414	1,251	163	13.03
Retained Earnings	950,364	776,044	174,320	22.46
Other Equity	(15,347)	(8,975)	(6,372)	(71.00)
Non-controlling Equity	–	–	–	–
Total Equity	3,547,016	3,378,905	168,111	4.98

Explanation: (variance over 20%)
1. Used equity method investment to decrease recognition of investment loss of E-Total Link.
2. Increase in retained earnings was resulted from better profitability this year
3. Other equity was decreased, mainly due to yearend valuation adjustment of "other financial assets at fair value through profit or loss."

7.2 Analysis of Financial Performance

(1) Business Results Comparative Analysis

Unit: NT$ Thousands

Item \ Year	2020	2019	Difference Amount	%
Gross Sales	8,471,592	7,176,598	1,294,994	18.04
Cost of Sales	7,117,542	6,049,898	1,067,644	17.65
Gross Profit	1,354,050	1,126,700	227,350	20.18
Operating Expenses	879,957	795,645	84,312	10.60
Operating net profit	474,093	331,055	143,038	43.21
Non-operating Income and Gains	74,527	170,385	(95,858)	(56.26)
Income Before Tax	548,620	501,440	47,180	9.41
Income Tax Expense	91,106	86,291	4,815	5.58
Net income of continuing business units	457,514	415,149	42,365	10.20
Other comprehensive income, net of tax	(28,508)	(21,122)	(7,386)	(34.97)
Total comprehensive income	429,006	394,027	34,979	8.88

Explanation:
1. Revenue and margin was increased mainly due to growth of business in private sector an
2. Operating expense was increased YoY, as revenue was increased resulted in export fee, bank guarantee service charge and associated fee were increased as well.
3. Acquired subsidiary's gain recognized in bargain purchase transaction Last Year and resulted in Current Year non-operating net was decreased YoY.
4. Income tax expense was increased YoY, mainly due to good profitability this year.
5. Other comprehensive income was decreased, mainly due to decrease in value of financial assets at fair value.

(2) Expected sales volume, and its ground and possible impact to the Company in financial business and countermeasures:

Domestic Sales:

Under the influence of economic growth, climate changing and industry development promotion, the need for electricity will increase year by year. According to the plan by Bureau of Energy, Ministry of Economic Affairs, the target for reserve capacity rate for power generation will be 10.0% in 2018 to be raised to 17.1% in 2025. Demands for renewable power generator modules would be increased over the years to reduce air pollution, as well as big bulk gas-lit modules to be installed. For construction business field, we continued to dig further into renewable energy construction, such as: Green Energy, Wind power, Solar photovoltaic, outlaying islands' power generation, electricity transmission energy storing system, distributed energy storage system.

In respect to electric vehicle charging field, besides autonomous self-developing capability and the ability to sell product and its turnkey project as well as providing car dealer in electric vehicle charging software and hardware equipment; we also assist car dealer in setting up charging system integration with SMART solution, software services, self-charging stations location checking, navigation, APP activation, and integrate and design for electric vehicle charging station basic infrastructure network to provide service to all electric vehicle owners.

Export Sales:

By fragmented market, servicing existing customer and providing overall pre-sales and after-sales service. We take orders by overseas customers' needs and requests and continue to expand cooperation relationship with direct and indirect customer. We also actively look for Electricity company and international turnkey engineering company to fight for export sales, with transformers and solar modules. We integrated all units' resources and with FE Heavy-duty 500kV production capability, to satisfy customers' needs for different service, quality, pricing, and delivery and also fight for China, EPC and South Eastern Asia market orders.

Countermeasures:

In the development of Green Energy, we continue to promote product and operation innovation, aiming to become leading enterprise of Green Energy field, including: developing several energy saving transmission and distribution equipment, developing renewable energy, built several MW level solar power plants, MW level energy saving installation (completed Hsin Chu Bio-Technology building distributed power system integration; it is considered by far the largest project, 741kW/2964kWH, in Taiwan), SMART electricity transmission installation, undertaking offshore terrestrial electrical engineering construction, and open up electric vehicles power charging field. By way of the pre-sales and after sales services, and IT technology application to carry out "Servitization of Manufacturing and Technologization of Service" in customer service to bring customers' needs closer and enhance interaction with the customers, and further to uplift re-purchase rate.

7.3 Analysis of Cash Flow

1. Analysis of Change in Cash Flow for the Current Year

Unit:NT$ Thousands

Item \ Year	2020
Cash flow - Operating activities	216,077
Cash flow - Investing activities	(163,530)
Cash flow - Financing activities	5,363

Effect of exchange rate to cash and cash equivalents	8,703
Net increase in cash	66,613

Increase/decrease explanation:
(1) Net cash flow of operating activities was resulted from good profitability of the Current Year
(2) Net cash used of investing activities was mainly to make time deposits (over 3 months) for subsidiary and procured manufacturing equipment.
(3) Net cash flow in of financing was due to increase in long-term and short-term loans.

2. . Analysis of Cash Flow in the Next Year Unit:NT$ Thousands

Cash, Beginning of Year Balance・	From operating activities Net Cash Flow・	Annual Cash used ・	Residual Cash ・ ＋ ・ － ・	Insufficient cash and countermeasures	
				Investment plan	Financing plan
$ 214,509	$765,746	$ 825,255	$ 155,000	-	-

・ Analysis of change of Cash flow in the Next Year
(1) Operating activities: mainly resulted from profitability in 2021
(2) Investing activities: mainly reinvestment and procurement of manufacturing related equipment
(3) Financing activities: distribution of cash dividend
・ Insufficient cash and its remedial measures and liquidity analysis: Not Applicable

7.4 Impact of Major Capital Expenditure in the Past Year on the Financial Status

1. Major Capital Expenditure Items and Source of Capital

Unit: NT$ Thousands

Planned item	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure				
				2020	2021	2022	2023	2024
Fixed Assets and Software equipment	Operating capital / loans	2021	$ 425,508	$91,829	$ 333,679	-	-	-

2. Expected Benefits:
Procured software equipment and machinery equipment to eliminate old machinery and replace with new one, and further to expand capacity of former so that competitiveness is enhanced and could meet future sales orders to increase Operating Revenue

7.5 Effects in reinvestment policy and its main reason for profit or loss, improvement plan and investment plan in the next Year:

Former Hitachi Fortune Electric Transformer Co., Ltd. (renamed as Fortune Electric Extra High Voltage Co., Ltd.). Effective March 29th, 2019, termination of joint venture agreement has been signed and the Company now owns 100% of its shareholding. We rely on the Company’s long-term edges in expanding U.S. transformer market and geographical convenience of Fortune Electric Extra High Voltage Co., Ltd.. In addition to dedicating in expanding global export sales of large size transformer market, we are also striving for projects of transformer inside the offshore wind tower mill, electrical engineering modules and wind machinery assembly. Since 2020, Fortune Electric Extra High Voltage Co., Ltd had started to make profit and on the rising trend.

7.6 Risk Matters and evaluation in the Recent Year up to the Publication Date of Annual Report

1. Impact and future countermeasures of interest rates, foreign currency rates of exchanges and inflation to the Company:

   For consolidated Financial risk information including market risk, credit risk and liquidity risk and their impact to P&L of the company, please refer to Pages 116-120 for detailed description.

2. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

   Merge companies but there is no transaction regarding high-risk, high-leveraged investment. Guarantee was provided only for subsidiary where as derivative transaction are mainly for forward foreign currency transaction, aiming to avoid risk by fluctuated rate of exchanges and were not for the purpose of dealing. All transactions have been under risk control and were carried in discretion. In 2020, net profit resulting from forward foreign currency contract measured at fair value was NT$817,000

3. Future Research & Development Projects and Corresponding Budget including progress, additional R&D cost, estimated production date and key factors affecting success of R&D in the future

Unit: in NT$1,000

R&D Item	Progress	Additional R&D cost	Estimated production date	Key factors affecting success of R&D in the future
Y234(109-04) Underground 4W automatic switch standard model	35%	15,000	110.12	Fail to pass Type Test
New Type Modularized 2nd generation Electric Meter	50%	4,000	110.12	Field test stability
TTU Transformer surveillance	20%	3,000	110.12	Communication test stability

4. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: NONE。

5. Change of technology and its impact and countermeasures to the Company's financial business:

   Technology is changing by the second, energy transformation and government's promoting for SMART electricity transmission network, as well as Green Energy. The Company rides on the trend and work towards SMART electricity transmission network and Green Energy and further involve in National Resources planning actively. Develop offshore wind power key component research and development, and further created Transformer Terminal Unit (TTU) and fight for energy saving installation and SMART electricity meter projects. The Company step into energy service from electrical engineering manufacturing business and broaden business opportunities in different fields.

6. Impact and Countermeasures of Corporate Risk Management resulting from Corporate Identity change in the Most Recent Year: NONE

7. Possible benefits and potential risks resulting from M&A: NONE

8. Possible benefits and potential risks resulting from plant expansion: NONE
9. Pro Forma centralized purchase or sales risk: NONE
   No purchase from customer with over 10% in total.
   In the Recent Years, Tai Power weighting has remained under 32%, while export sales and private sector sales are 25% and above 38%. No risk of centralized sales.
10. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: NONE。
11. Change of ownership affecting the Company and its impact, risk and countermeasure: Not Applicable
12. Major ongoing lawsuits, non-lawsuits or administrative lawsuit, caused by directors, supervisors or shareholders with over 10% shareholdings, if the verdict is final or under consideration, which may have material impact to shareholder's interest or price of the stock, its matter, amount, lawsuit commencement date and major client should be disclosed: NONE。
13. Other important risks and corresponding countermeasures:
    The Company's Information Security Management System (ISMS), adopting Plan – Do – Check- Action (PDCA) management cycle, stipulated from International Standard Organization, to strengthen and integrate information security management system by establishing systematic document control management mechanism. By way of continued supervision and review management, the Company's information security and business continuity was secured, and its confidentiality, integrity and usability were protected, and is also in compliance with relevant regulatory request and guidelines, so that risk was managed and lowered to an acceptable level without internal/external accidental or intentional threats. The Company established information security management system in according with the standard procedures from ISO27001:2013. Information security policy has been established to exercise relevant controls, surveillance and review, and continuous improvement. Key indicators of this industry are "Factory Productivity" and "Market Share" and relevant figures please refer to page 59 and 50 for details. In addition, "Quality Yield", as stipulated in 6 σ, individual quality goals have been set up for Chung Li Plant, Kuan Yin II Plant and Kuan Yin III plants at 4.33 σ, 4.30 σ, and 5.32 σ, respectively. These quality goals have been incorporated in relevant department KPI as performance appraisal item and we may prevent potential risk being occurred.

7.7 Other Important Matters

1. Profit and loss evaluation provisioning criteria and basis:

   (1) Allowance loss for accounts receivable

   Impairment loss of accounts receivable should be evaluated according to individual evaluation, aging analysis, historical experience, and customer's financial status to provide for uncollectable amount.

   The Company adopted IFRS 9, a simplified practice to recognize credit loss as allowance loss for accounts receivable. In the duration period, provision matrix was used, in consideration of customer's violation of contract and real-time finical status, as well as economic trend of industry. As indicated by credit loss historical experienced, loss style of different segments of customers was not with obvious difference. Therefore, as indicated by the Company's history in credit loss, we did not use provision matrix to classify customer groups and only used Number of days overdue of accounts receivable.

(2) Allowance for loss of inventory depreciation inventories

Allowance for loss of inventory depreciation inventories shall be accounted for in accordance with IAS 2. Inventories shall be measured at the lower of cost and net realizable value. If the cost of inventories is higher than net realizable value, inventories shall be written down below cost to net realizable value, and the amount of the write-down shall be recognized as cost of sales in the period the write-down occurs.

2. Associated personnel for financial data transparency whose licensing and qualification status:

The Company's audit manager acquired "Internal Auditor" license, legal manager passed Civil Service Senior Examination, and accounting manager, qualified with relevant regulations by authority bureau, continues further studies with declaration, in accordance with "Accounting Manager Further Study Guidelines".

3. Material Information Handling Procedure:

To set up healthy internal material information handling and disclosure mechanism, and avoid in appropriate information disclosure, in addition to implementing "Spokesperson system", the Company has established "Management Procedures for Preventing Insider Trading." This has been placed in the corporate website for the Directors, Managerial Officers, and all employees to comply.

For prevention of Insider Trader, please refer to corporate website:

https://www.fortune.com.tw/Investor_governance_031.html

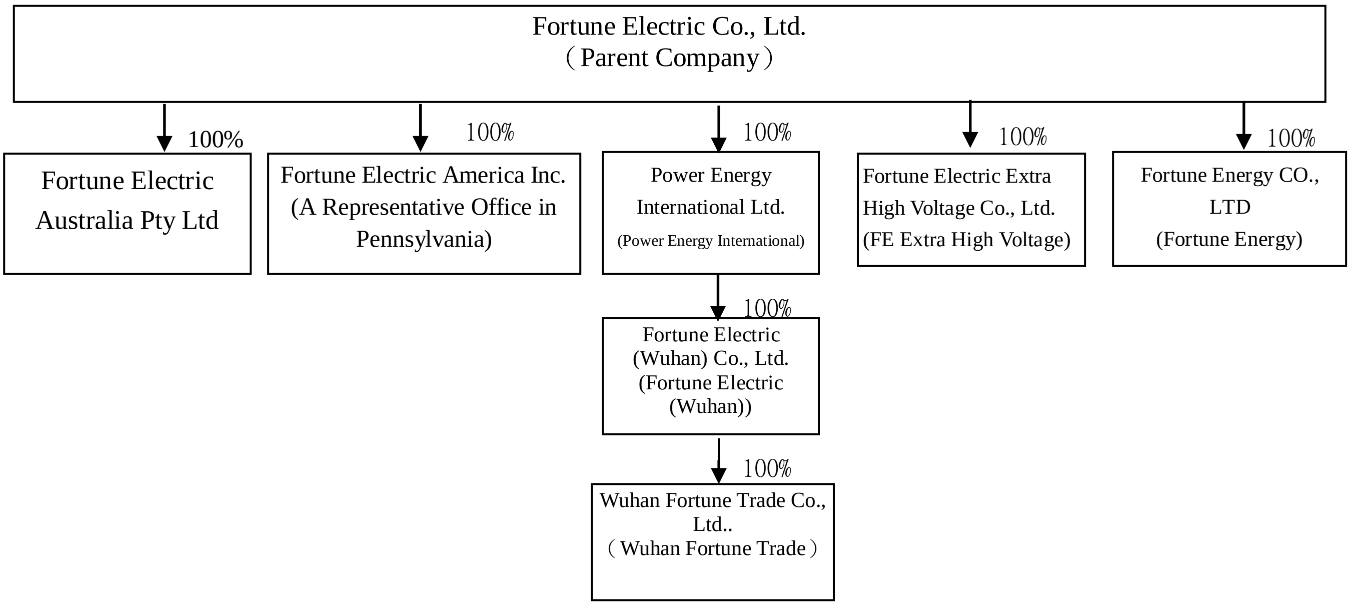
VIII. Special Disclosure

8.1 Information about the Affiliated Companies

Consolidated Business Report

Fortune Electric Co., Ltd and Affiliated Companies
2020 Consolidated Business Report

1. Affiliated Organization Chart



2. Consolidated summary of Affiliated Companies
History of all Affiliated companies and relationship with the Parent Company:

Company Name(s)	Date of Incorporation	Holding (affiliated) company	Relationship	Area of business
Fortune Electric Co., Ltd.	1969	Holding company of combat, Fortune Electric (Wuhan) and Fortune Electric America Inc.	-	Manufacturing of transformers, distribution boards、high/low pressure switches; construction project
Power Energy International Ltd.	2002	Fortune Electric's Affiliated Company	Shareholding	Import/export trading business; real estate buy & sell as holding company; distributor
Fortune Electric (Wuhan) Co., Ltd.	2002	Affiliated company of Fortune Electric & Fortune Electric (Wuhan), Fortune Electric (Wuhan) Tien You's holding company	Shareholding	Manufacturing transformer, capacitor, distribution board, devices for power distribution
Fortune Electric America Inc.	2013	Fortune Electric's Affiliated Company	Shareholding	Distributor
Fortune Electric Extra High Voltage Co., Ltd. (Note)	2013	Fortune Electric's Affiliated Company	Shareholding	Manufacturing and sales of transformers
Wuhan Fortune Trade Co., Ltd..	2014	Fortune Electric's Affiliated Company	Shareholding	Import/export business of all types of product and technique
Fortune Energy CO., LTD	2020	Fortune Electric's Affiliated Company	Shareholding	Manufacturing of power generation, transmission, and distribution machineries
Fortune Electric Australia Pty Ltd	2020	Fortune Electric's Affiliated Company	Shareholding	Sales of transformer

Note: The Company acquired 100% shareholding of former Hitachi Fortune Electric Transformer Co., Ltd. On March 31st, 2019.

Appendix I

Fortune Electric Co., Ltd and Affiliated Companies
2020 Consolidated Business Report
December 31st, 2020

Unit: NT$ unless otherwise specified

Name of Company	Date of Incorporation	Address	Paid-in Capital	Major business and products
Fortune Electric Co., Ltd.	August 26th, 1969	No. 10, Jill Rd., Zhongli Dist., Taoyuan City	NT$2,610,585,000	Manufacturing of transformers, distribution boards, high/low pressure switches; construction project
Power Energy International Ltd.	June 13th, 2002	2nd Floor, Building B, SNPF Plaza,Savalalo, Apia, Samoa	US$3,800,000	Import/export trading business; real estate buy & sell as holding company; distributor
Fortune Electric (Wuhan) Co., Ltd.	June 26th, 2002	NO. 2832 Dong Si Who Avenue, Wuhan, China	US$6,500,000	Manufacturing transformer, capacitor, distribution board, devices for power distribution
Fortune Electric America Inc.	January 2nd, 2013	23133 Hawthorne Blvd.Suite 200 Torrance,CA 90505	US$100,000	Distributor
Fortune Electric Extra High Voltage Co., Ltd.(Note)	December 17th, 2013	No. 500, Nanheng 1st Rd., Wuqi Dist., Taichung City	NT$1,412,000,000	Transformer manufacturing and sales
Wuhan Fortune Trade Co., Ltd..	October 20th, 2014	NO. 2832 Dong Si Who Avenue, Wuhan, China	RMB 500,000	Import/export business of all types of product and technique
Fortune Energy CO., LTD	February 11th, 2020	10F., No. 368, Sec. 1, Fuxing S. Rd., Ta-An Dist., Taipei City	NT$1,000,000	Manufacturing of power generation, transmission, and distribution machineries
Fortune Electric Australia Pty Ltd.	November 10th, 2020	L7 60-62 YORK ST SYDNEY NSW 2000	AUD500,000	Export trading business

Note: The Company acquired 100% shareholding of former Hitachi Fortune Electric Transformer Co., Ltd. On March 31st, 2019.

Appendix II

Fortune Electric Co., Ltd and Affiliated Companies
Directors and General Manager Information
December 31st, 2020

Name of Company	Title	Name or Representative	Shareholding	
			Shares	Ratio (%)
Fortune Electric Co., Ltd.	Chairman	Hsu, Bang-Fu	19,030,782	7.29
	Vice Chairman	Hsu, Shou-Hsiung	22,903,419	8.77
	Director & General Manager	Hsu, I-Te	2,953,863	1.13
	Director & CEO	Hsu, I-Sheng	2,948,470	1.13
	Director	Shu, Yi-Cheun	1,057,892	0.41
	Director	Weng, Jen-Pei	751,468	0.29
	Independent Director	Hu, Len-Kuo	0	0.00
	Independent Director	Lei, Whey-Min	0	0.00
	Independent Director	Liao, Chih-Hsiang	0	0.00
Power Energy International Ltd.	Director	Fortune Electric Co., Ltd. Representative: Hsu, Bang-Fu	3,800,000	100.00
Fortune Electric America Inc.	Chairman	Fortune Electric Co., Ltd. Representative: Hsu, I-Ming	1,000	100.00
Fortune Electric Australia Pty. Ltd.	Public Officer	Mr ELSON POW	500,000	100.00
Fortune Electric Extra High Voltage Co., Ltd.	Chairman	Fortune Electric Co., Ltd. Representative: Hsu, Bang-Fu	141,200,000	100.00
Fortune Energy CO., LTD	Chairman	Fortune Electric Co., Ltd. Representative: Hsu, Bang-Fu	100,000	100.00
Fortune Electric (Wuhan) Co., Ltd.	Chairman	Power Energy International Ltd. Representative: Sun, Shih-Ming	-	100.00
Wuhan Fortune Trade Co., Ltd..	Chairman	Fortune Electric (Wuhan) Co., Ltd. Representative: Sun, Shih-Ming	-	100.00

Appendix III

Fortune Electric Co., Ltd. And Affiliated Company
2020 Affiliated Company Operation Overview

Unit: NT$ Thousands

Name of Company	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Income	Net Profit	Earnings per Share (NT$)
Fortune Electric Co., Ltd.	2,610,585	7,747,834	4,200,818	3,547,016	7,996,479	414,928	457,514	1.75
Power Energy International Ltd.	USD3,800,000	267,560	-	267,560	-	-	8,538	2.25
Fortune Electric (Wuhan) Co., Ltd.	USD6,500,000	513,348	288,038	225,310	347,107	6,680	8,488	-
Fortune Electric America Inc.	USD100,000	16,400	1,055	15,345	51,716	2,692	2,692	2,692
Wuhan Fortune Trade Co., Ltd..	RMB500,000	13,536	352	13,184	49,814	3,934	3,836	-
Fortune Electric Extra High Voltage Co., Ltd.	1,412,000	1,174,522	719,289	455,234	488,825	45,984	97,159	0.69
Fortune Energy CO., LTD	1,000	861	-	861	-	(139)	(139)	(1.39)
Fortune Electric Australia Pty Ltd.	AUD500,000	38,684	27,793	10,891	6,940	(80)	(80)	(0.16)

Appendix IV

Statement of Consolidated Financial Statements of the Affiliates

We hereby that:

From January 1st to December 31st, 2020, the Company has included the entities in preparing the consolidated financial statements covering affiliated enterprises, in according with the " Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are entirely the same as those that IFRS 10 requires to be included in preparing the consolidated financial report comprising the parent and its subsidiaries. Therefore, the consolidated financial statements covering affiliated enterprises would not be prepared separately.

Company Name: Fortune Electric Co., Ltd.

Representative: Hsu, Bang-Fu

8.2 Private Securities in the Most Recent Year and up to the publication date of the Annual Report, Shareholders' Meeting and or Board Meeting's approval dates, amount, pricing basis and justification, choice of selected parties and the necessity for private placement, and capital utilization plan after proceeds have been received and private securities' utilization and plan execution status: NONE

8.3 Holding or Disposal of the Company's Shares by Affiliates: NONE。

8.4 Other Necessary Supplementary Notes: NONE

IX. Matters to Be disclosed, as Stipulated in Item 2, Paragraph 2 of Article 36 of the Securities Exchange Act: NONE

Fortune Electric Co., Ltd.

Chairman：Hsu, Bang-Fu