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# **Fortune Electric Co., Ltd.**

## **2021 Annual Report**

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# I. Letter to Shareholders

## 1. 2021 Business Report

### 1. Business Results and Budget Implementation

Consolidated operating Revenue of the year 2021 was NT\$ 9,020,094 thousand, among the products, transformers were NT\$ 4,601,783 thousand, accounting for 51.02%, distribution switchboards were NT\$ 1,296,750 thousand, accounting for 14.38%, and electrical distribution equipment were NT\$ 412,996 thousand, accounting for 4.58%, contracting revenue was NT\$ 1,539,977 thousand, accounting for 17.07%, electricity sales revenue was NT\$ 12,226 thousand, accounting for 0.14%, and others were NT\$ 1,156,362 thousand, accounting for 12.81%, net income was NT\$ 287,518 thousand. Budget achievement rate was over 90%; profitability was not as expected mainly resulted from severe exterior environment.

### 2. Financial revenue and expenditure and profitability analysis

Unit: NT\$ Thousands

ITEM		2021	2020	Increase (decrease) ratio (%)
Financial Revenue and Expenditure	Operating net profit	391,966	474,093	(17.32)
	Non-operating income and expenses	(26,053)	74,527	(134.96)
	Net Profit Before Tax	365,913	548,620	(33.30)
	Net Profit	287,518	457,514	(37.16)
Profitability Analysis	Return on assets (%)	3.35	5.55	(39.64)
	Return on equity (%)	8.14	13.21	(38.38)
	Pre-tax net profit to paid-in capital ratio (%)	14.02	21.02	(33.30)
	Net profit ratio (%)	3.19	5.40	(40.93)
	Earnings per share (NT\$) (Note 1)	1.11	1.75	(36.57)

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

### 3. Research & Development status

For year 2021, the Company invested NT\$127,873,000, accounting for 1.42% 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 2021, please refer to page 56 of this Annual Report.

## 2. 2022 Business Plan Summary

### 1. Operating policy

- (1) Increasing the competitiveness of core business and continuing to emphasize product quality and innovation to enhance profitability to become a world-class electric company.
- (2) Developing green energy and energy service business opportunity, integrating interior and exterior resources to expand new business model to become the leader of green energy in Taiwan.
- (3) Promoting Fortune Electric characteristics – Environmental, Social, and Corporate governance (ESG), upgrading corporate branding, optimizing operating structures to be the virtually happiest enterprise.

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

Main product / estimated quantity	2022		
	Domestic sales	Export sales	Total
Transformer (unit)	11,565	215	11,780
Distribution Board (pcs)	2,570	90	2,660

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**

As the development of COVID-19 pandemic and international geopolitical risk are still difficult to estimate, plus bottleneck of supply chain and inflation factors, the global economic growth was nothing but uncertainty, domestic and foreign economic forecast institutions all held a rather conservative attitude of the global outlook of 2022. IMF readjusted the global growth rate down to 4.4%, while World bank's forecast was merely at 4.1%; OECD forecasted that the annual growth rate would be 4.5%. Although majority of institutions deemed that economic impact of epidemic was gradually reduced, the inflation risk was increased, with the outbreak of war between Russia and Ukraine, and the quandary of supply chain remained solved, which all contributed to the impact of global economy, and resulted in the slowdown of global economic growth. Taiwan's economic performance would henceforth be affected by this. Estimation of the major domestic institutions on the growth of Taiwan's economy in 2022 are 4.42%, 3.85% and 4.05%, from Directorate-General of Budget, Accounting and Statistics, Academia Sinica, and Taiwan Research Institute, respectively..., etc.; therein, all revealing a slowdown of Taiwan's overall economy growth.

In response to the exterior environment challenges, such as, epidemic outbreak and development, shortage of raw materials, as well as inflation and fluctuation of rate of exchanges, the Company continued to use all kinds of remote facilities with integration of A.I. factories, strategic procurement of raw material and Risk and Financial Management System...,etc., to minimize associated impact while continuously providing differentiated value-add, instant and around-the-clock service to all customers, domestic and abroad alike. Short-term operating objectives of this year is to increase the competitiveness of core businesses and emphasize product quality as well as innovation to enhance profitability to become a world-class electric company. We develop green energy and energy service business opportunity, integrating interior and exterior resources to expand new business model to become the leader of green energy in Taiwan. We also promoting Fortune Electric characteristics – Environmental, Social, and Corporate Governance (ESG), upgrading corporate branding, optimizing operating structures to be the virtually happiest enterprise. In the meantime, the Company employs the upgrade of industrial 4.0 intelligent manufacturing, including design standardization, manufacturing process optimization, purchase intellectualization, and quality optimization, etc., and ensuring the Company's competitive advantage.

FORTUNE ELECTRIC CO., LTD. has been focusing on its core businesses and has accumulated key technologies of professional customization for nearly fifty years with firmly roots. The Group owns multiple modernized plants, and have 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 superb performance of domestic and overseas sales for 530kV-775MVA transformers having the highest voltage, the maximum capacity, and domestically initiated ultralow noise transformers, and the Company was the first one in the industry to have passed the 230 kV short-circuit test of KEMA. The Company received Taiwan Excellence Award for three consecutive years, having 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. The Company was the only domestic company having 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.

The operating strategy of FORTUNE ELECTRIC CO., LTD. was to focus on power transformers, expanding toward up-end and down-end systems, and provided from traditional electric equipment, strode across the fields of renewable energy, energy storage, energy management, and charging service of electric vehicles, etc. 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. For marketing strategies, in addition to deeply ploughing existing markets and customers, the Company expansively invest in green energy of industrial development, arranging and constructing 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 the aspect of exporting business, on top of grasping America market, and positively striving for orders, the Company also position itself to be in line with 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 focused on the group's resources, information sharing, and utilized full cooperation, which brings into the group's internal and external maximum benefits. Competitive differentiated advantages of core businesses were increased with the expansion of domestic and export markets; moreover, the Company actively research and develop new products to meet the market demand. Life-extending and optimization of power systems was driven, and developed intelligent power monitoring systems, and further expansively develop green energy markets. With investment in the operation of electric vehicles' charging stations, and enhancing automated system engineering of intelligent electric grid feeder, operate emergent recovery system and renewable energy system, energy storage and energy management system were strengthened. 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, 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 non-performing product 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 enable the actual implementation of risk management onto the Company's systems, and every employee's daily life while improving the quality, decreasing non-performing product costs, and increasing profitability and market share.

Apart from emphasis on business revenues, 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 members, and protects shareholders' equity. Besides The Company upholds FORTUNE ELECTRIC CO., LTD. missions of safe employees, safe customers, safe shareholders, and safe society. Also, actively invests in ESG, including concerns about the issues of human rights, environmental protection, health and safety, and community involvement...., etc. Also, the Company strives for corporate governance and ethical operation, expands green energy business, takes corporate social responsibility, and does its duty of environmentally sustainable coexistence. 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

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

## II. Company Profile

### 2.1 Date of Incorporation: August 26<sup>th</sup>, 1969

### 2.2 Company History

<u>Time</u>	<u>Milestone</u>
1969	<ul style="list-style-type: none"> <li>● Fortune Electric was founded in Tu Cheng, Taiwan, manufacturing distribution transformers</li> </ul>
1973	<ul style="list-style-type: none"> <li>● Qualified as a Class A manufacturer of distribution transformers by IDB</li> </ul>
1976	<ul style="list-style-type: none"> <li>● Purchased land in Chung-Li Industrial Area for plant expansion use</li> </ul>
1980	<ul style="list-style-type: none"> <li>● Construction of the Chung Li Plant (Phase I &amp; II) completed. Started manufacturing various types of transformers and electrical panels</li> <li>● Licensed with McGraw-Edison Company to produce power transformers up to 230 kV, 120 MVA</li> <li>● Qualified as a Class A manufacturer of 69 kV power transformers, 24 kV and 15 kV distribution transformers and switchgears by IDB</li> </ul>
1981	<ul style="list-style-type: none"> <li>● Rated as an "Excellent Quality Control Manufacturer" of transformers and switchgears by the Bureau of Commodity Inspection and Quarantine in Taiwan.</li> </ul>
1982	<ul style="list-style-type: none"> <li>● Became the 1st manufacturer of arresters and fuse cutouts in Taiwan.</li> <li>● To expand production lines, increased capital to NT\$50,000,000</li> </ul>
1983	<ul style="list-style-type: none"> <li>● Implemented Company-wide Quality Control (CWQC) and factory-wide automation and rationalization</li> </ul>
1984	<ul style="list-style-type: none"> <li>● To manufacture new product, expand factory and manufacturing equipment, increased capital to NT\$80,000,000</li> <li>● Completed the Phase III, IV and V factory expansion project of Chung Li Plant</li> </ul>
1986	<ul style="list-style-type: none"> <li>● Successfully lead the development of Metal Oxide Arresters in Taiwan's transmission and distribution market</li> <li>● Successfully developed Current Transformer and started producing</li> <li>● Cooperated with Meidensha Corp. in technology and introduced MCSG &amp; VCB products to provide for Taiwan local market</li> </ul>
1987	<ul style="list-style-type: none"> <li>● Completed Phase VI factory expansion project of Chung Li Plant</li> <li>● 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</li> </ul>
1988	<ul style="list-style-type: none"> <li>● Successfully developed Three-Phase Pad-Mounted Transformers and Stainless Steel pad-mounted transformers and started production</li> <li>● Expand factory to manufacture 161kV transformer, increased capital to NT\$167,750,000</li> <li>● Licensed with Togami Electric Manufacturing Co., Ltd. of Japan to produce SF6 Gas sealed Load Break Switches</li> </ul>
1989	<ul style="list-style-type: none"> <li>● Successfully developed and started producing the following products: Exchangeable Fuse Cutout Switch, Cast Resin Dry Type Transformer and Heat-Shrinkable Salt-Proof Lightning Arrester</li> </ul>
1990	<ul style="list-style-type: none"> <li>● Adjusted the Company's internal organization to include 3 divisions: management, manufacturing and business development</li> </ul>
1991	<ul style="list-style-type: none"> <li>● Licensed with Hitachi Corp. Japan to produce power transformers up to 345 kV</li> <li>● Completed the 7<sup>th</sup> and 8<sup>th</sup> stage of expansion project of Chung Li plant; enhance production workflow and product lines to optimize production output</li> <li>● Acquired office building in Taipei and employee dormitories in Ta Yuan</li> <li>● Adjusted the Company's internal organization to include 4 divisions: management, manufacturing, business development and R&amp;D</li> <li>● Licensed with ENCO, Austria to produce Cast Resin Transformers</li> </ul>
1992	<ul style="list-style-type: none"> <li>● 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</li> <li>● Promoted 6S (Sort, Set in Order, Shine, Standardize, Sustain, and Safety)</li> <li>● Promoted International Organization for Standardization (ISO) 9001 Quality Assurance system</li> </ul>
1993	<ul style="list-style-type: none"> <li>● Licensed with G&amp;W Electric Co. of U.S.A. to supply SF6 Switches to Taiwan's market.</li> <li>● Further licensed with Takaoka Electric Manufacturing Ltd. to produce 69 kV 1200A and 161 kV 2000A ABS and power transformer</li> <li>● President of Fortune Electric, was honored with the Excellent Business Executive Award</li> </ul>

<u>Time</u>	<u>Milestone</u>
1994	<ul style="list-style-type: none"> <li>● Authenticated and approved by Bureau of Standards, Metrology and Inspection (BSMI), Ministry of Economic Affairs (MOEA), for ISO 9001</li> <li>● 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</li> <li>● Successfully developed Three-Phase 2000kVA Model Cast Transformer; qualified for Tai Power standardization test and start production</li> </ul>
1995	<ul style="list-style-type: none"> <li>● Licensed with AlliedSignal Inc., U.S.A., to produce Amorphous Metal Core Transformer</li> </ul>
1996	<ul style="list-style-type: none"> <li>● Successfully developed the Gas Insulated Switch, the Amorphous Metal Core Transformer and Moulding Series Reactor; qualified for Tai Power standardization test and start production</li> </ul>
1997	<ul style="list-style-type: none"> <li>● The Company, approved by the Security Exchange Committee, started public stock offering from April</li> <li>● 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</li> </ul>
1998	<ul style="list-style-type: none"> <li>● Successfully developed Medium Pressure GIS; qualified for Tai Power standardization test and start production</li> <li>● Granted registration of ISO14001 by BSMI, MOEA</li> </ul>
1999	<ul style="list-style-type: none"> <li>● Expanded Guan Yin Plant II, and completed the construction of Guan Yin Plant III for Switchgear production</li> </ul>
2000	<ul style="list-style-type: none"> <li>● Successfully developed High Pressure GIS; qualified for Tai Power standardization test and start production</li> </ul>
2001	<ul style="list-style-type: none"> <li>● Successfully developed Underground Automatic Line Switch; qualified for Tai Power standardization test and start production</li> </ul>
2002	<ul style="list-style-type: none"> <li>● Invested in Power Energy International Co., Ltd and re-invested Fortune Electric (Wuhan) Ltd.</li> <li>● Successfully developed the 1st 161kV, SF6 Gas Insulated Transformer in Taiwan; qualified for Tai Power standardization test and start production</li> </ul>
2003	<ul style="list-style-type: none"> <li>● Successfully developed the 1st 161kV Series Reactor in Taiwan; qualified for Tai Power standardization test and start production</li> </ul>
2004	<ul style="list-style-type: none"> <li>● The Company was awarded of OHSAS18001 by BSMI, MOEA in September 2014Taiwan National Standard Bureau</li> </ul>
2005	<ul style="list-style-type: none"> <li>● 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</li> <li>● Invested in and developed 161kV 80MVAR Reactor manufacturing</li> <li>● Granted the subsidy with honor, through MOEA's special science project – Heavy Electric Project Engineering joint design &amp; plan</li> <li>● Developed the highest capacity Cast Resin Transformers 7500/9375 kVA in Taiwan</li> </ul>
2006	<ul style="list-style-type: none"> <li>● 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</li> </ul>
2007	<ul style="list-style-type: none"> <li>● Developed the extra-large capacity Transformers 650MV, 1<sup>st</sup> of its kind in Taiwan</li> <li>● Awarded the 1<sup>st</sup> Taoyuan County Evergreen Enterprise Excellence Award</li> <li>● Awarded the Environment-Friendly medal for Amorphous Metal Core Transformers</li> <li>● Awarded the 8<sup>th</sup> Industrial Sustainable Excellence Award, by MOEA, for dedication in Sustainable Evergreen Enterprise</li> </ul>
2008	<ul style="list-style-type: none"> <li>● Won the 9<sup>th</sup> place in export growth rate of Awards for Excellent Trading Businesses as well as import and export performance</li> <li>● Ranked as the 380<sup>th</sup> in the import and export performance with certificate of Award for International Trade Outstanding Export/Import Business</li> <li>● 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</li> <li>● “Amorphous Alloy Multilevel Iron Core Bonded Construction” patent granted by Taiwan Intellectual Property Office (TIPO), MOEA</li> <li>● Direct Sales of Sub-contract unit Non Yi of New Energy Construction Division won “Public Construction” Excellence Award by MOEA</li> </ul>

<u>Time</u>	<u>Milestone</u>
2009	<ul style="list-style-type: none"> <li>● Signed “Benevolent Enterprise Engagement Declaration”, in response to the government policy, and joined Benevolent Enterprise task force</li> <li>● 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</li> <li>● Direct Sales of Sub-contract unit Nan Hsin of New Energy Construction Division won “Public Construction Quality” Excellence Award by MOEA</li> <li>● Expanded Corporate Social Responsibility in good faith, be neighborly, promoted “Fortune Electric Benevolent Bank” (giving away without returning) campaign</li> <li>● Awarded by MOEA in appreciation of the 40<sup>th</sup> anniversary</li> </ul>
2010	<ul style="list-style-type: none"> <li>● Built the largest Solar Photovoltaic Plant 4.6MW in Taiwan at Yong An Salt Wetland</li> <li>● Established Risk Management Department (later renamed as Risk and Legal management Department) to implement risk management related policy</li> <li>● Developed and marketed exporting the 1<sup>st</sup> 345kV450MVA extra-large transformer</li> <li>● Established Research &amp; Development (R&amp;D) center to deep plough technology, continue to innovate in new product development and technology</li> </ul>
2011	<ul style="list-style-type: none"> <li>● Awarded 2010 Taiwan Magnetic Technology Industry Contribution Award</li> <li>● Launched new product “Transformer Remote Monitor System” and was recognized with fame internationally</li> <li>● Aimed to “building a nest to attract phoenix”, Fortune Electric University was founded</li> <li>● 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</li> <li>● Officially launched Yong Ang Salt Wetland Solar Photovoltaic Plant and total annual power generation was around 600 million kWh</li> <li>● Established “Electric Vehicle R&amp;D unit” to develop new business and research for new product</li> <li>● Set up “Remuneration Committee”, in accordance with relevant codes and regulations, to strengthen remuneration system for the Company’s Directors, Supervisors and Managerial Officers</li> </ul>
2012	<ul style="list-style-type: none"> <li>● Successfully passed short circuit test of Three-Phase 230kV240MVA large-scale transformer, independently developed, designed, and manufactured by the Company, in the Netherlands</li> <li>● Participated in the MOU signing press conference held at “Green Energy Taipei Technology City” of Taipei Technology University, demonstrating the R&amp;D results in electric vehicle’s charging and swapping power technology</li> <li>● Established “Repair and Maintenance Agency Department” to unite Agent and repair and maintenance team</li> <li>● Passed CESI 2500kVA short circuit test in the Italian laboratory which paved the way to march into Middle East and South African export markets</li> <li>● Established “Skill &amp; 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</li> <li>● 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</li> <li>● Awarded with “Carbon Footprint Verification Statement of oil filled amorphous metal cord transformer” and became the 1<sup>st</sup> verified company in domestic Heavy Electric industry</li> <li>● Selected as one of the key institutions for counseling in 1<sup>st</sup> “Mittelstand Leap Project”, by Executive Yuan</li> </ul>
2013	<ul style="list-style-type: none"> <li>● To expand export business, Fortune Electric America Inc., was set up in California, US</li> <li>● The Company’s sub-subsidiary Fortune Electric (Wuhan) acquired Wu Han Hwa Rong Machinery Co. on Jan 2013, taking up 60% of the shareholding</li> <li>● Became the 1<sup>st</sup> Electrical Heavy-duty company to obtain ISO50001 energy management system certification</li> <li>● Established "Hitachi Fortune Transformer, Inc." jointly with Hitachi of Japan, with 40% shareholding. Built up factory in Taichung Harbor manufacturing 200MVA above or</li> </ul>

<u>Time</u>	<u>Milestone</u>
2014	<ul style="list-style-type: none"> <li>● 500kV super high-voltage transformer, and marched into international market together</li> <li>● Acquired "underground four-way automatic line switch" certification qualified manufacturer, 1<sup>st</sup> of its kind in Electrical heavy-duty industry</li> <li>● 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</li> <li>● 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</li> <li>● 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</li> <li>● Fortune Electric (Wuhan), Sub-subsidiary of the Company, setup "Wuhan Fortune Trade Co., Ltd."</li> <li>● Established "Raynergy Tek Inc." jointly with Polyera Co. in the U.S. and owned shareholding of 11.23% as financial investment</li> <li>● 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</li> </ul>
2015	<ul style="list-style-type: none"> <li>● Fortune Electric America Inc. set up a Representative Office in Pennsylvania</li> <li>● 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 28<sup>th</sup>, 2015, being the only factory manufacturing 500kV ultra-high level transformer and all products manufactured would be for export only, and was awarded the 69<sup>th</sup> Outstanding Foreign Merchant of 2015</li> <li>● Awarded the 1<sup>st</sup> Small Giant in the 2015 of "CommonWealth Magazine" CSR Corporate Citizen Award</li> <li>● The "Talent Development Quality Management System" was certified as bronze award</li> <li>● 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</li> </ul>
2016	<ul style="list-style-type: none"> <li>● The Company was recognized in Corporate Governance, Enterprise Commitment, Social Participation, and Environmental Protection and was awarded the 15<sup>th</sup> place in the 2016 of CommonWealth Magazine CSR Corporate Citizen Award</li> <li>● The Company, jointly with Japan Yorokonde Co., and three other Japanese companies, established E-Total Link Co., Ltd (E トータルリンク), with shareholding of 25%, mainly to acquire large solar photovoltaic plant "Power Construction" (110kV level) and expand export markets to Japan</li> <li>● The Company was awarded "10<sup>th</sup> Service Quality Excellence Award" by Taoyuan City, for the Company's effort in continuously promoting corporate identity</li> </ul>
2017	<ul style="list-style-type: none"> <li>● 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</li> <li>● The Company appointed Independent Directors and formed Audit Committee according to relevant codes to replace Supervisors' responsibility</li> <li>● 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</li> <li>● Granted ISO45001 counseling by Bureau of Industry, MOEA, in June 2017</li> <li>● The 1<sup>st</sup> company ever in Taiwan to successfully develop ultra-low noise transformer 132kV-45MVA, a Noise-loading 45dB(A) (lower than NEMA standard: 3dB(A))</li> <li>● The Company was recognized in Corporate Governance, Enterprise Commitment, Social Participation, and Environmental Protection and was once again awarded the 13<sup>th</sup> place in the 2017 of CommonWealth Magazine CSR Corporate Citizen Award</li> <li>● To develop Green Energy industry, the Company acquired Tai Power Solar Photovoltaic 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</li> </ul>

Time	Milestone
2018	<ul style="list-style-type: none"> <li>● The Company won the 26<sup>th</sup> Taiwan Excellence Awards for newly developed products like, maintenance-free breathers, Smart Electricity Surveillance System, and super low-noise transformers</li> <li>● Completed 1<sup>st</sup> set and Phase I of demonstrative set of offshore wind power generation pressure booster module for Formosa I Wind Power Co., Ltd</li> <li>● 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</li> <li>● 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</li> <li>● 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</li> <li>● In 2018, the Company was recognized in Corporate Governance, Enterprise Commitment, Social Participation, and Environmental Protection and was once more awarded the 15<sup>th</sup> place in the 2018 of CommonWealth Magazine CSR Corporate Citizen Award, and had been ranked top 15 for four consecutive years</li> <li>● Awarded the highest honor award, Platinum Award for "2018 Multinational Innovative Technology Exposition" by noise reduction power distribution transformer</li> <li>● Completed the project of setting up 50 sets of pressure booster stations Tai 100MW Power Solar Power Photovoltaic Equipment Project in Zhangbin Industrial Park</li> </ul>
2019	<ul style="list-style-type: none"> <li>● 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</li> <li>● 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</li> <li>● Registration of Wu Han Hwa Rong Machinery Co., reinvested company of Fortune Electric (Wuhan) Co. has been cancelled in August 2019</li> <li>● Successfully transformed OHSAS 18001 to brand new ISO 45001 certification at Zhongli Plant, Guan Yin Plant II, and Guan Yin Plant III</li> <li>● 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</li> <li>● 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</li> <li>● 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</li> <li>● 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)"</li> <li>● 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</li> <li>● "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</li> <li>● 2019 was the 50<sup>th</sup> 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</li> </ul>

<u>Time</u>	<u>Milestone</u>
2020	<ul style="list-style-type: none"> <li>● To set foot in regional small renewable energy electricity retailing industry market, the Company has reinvested by 100% and established Fortune Energy Co., Ltd.</li> <li>● The Company built up EValue charging station to tackle electricity transmission network operation with its 1<sup>st</sup> 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</li> <li>● 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.</li> <li>● The Company participated in the largest solar photovoltaic power plant, Tainan 150MW solar power plant 161kV transformation station system engineering construction and related equipment project and brought forward to start earlier with trial run by Apr 10<sup>th</sup>, 2020 of 40MW grid-connected network. Better yet, floating photovoltaic vehicle 5.6MWp gri-connected network was also ready earlier than expected on June 30<sup>th</sup>, 2020 and started into operation on March 31<sup>st</sup>, 2021</li> <li>● 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 22<sup>nd</sup>, 2020 and started in operation on July 15<sup>th</sup>, 2020</li> <li>● 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 “1<sup>st</sup> Digital Transformation Model Award”</li> <li>● Maintenance-free respirators were 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 products</li> <li>● 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</li> <li>● The Company joined Sin Jhong Solar Power Co., Ltd. of Da Ya Group for the 1<sup>st</sup> 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 8<sup>th</sup>, 2020</li> <li>● 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</li> </ul>
2021	<ul style="list-style-type: none"> <li>● The Company was awarded Best Group Prize in electrical engineering category in CTCI’s annual suppliers convention on March 25<sup>th</sup>, 2021</li> <li>● The Company was responsible important assignments such as, 161kV large high voltage transformers, 24kV middle pressure switch and PV BOX solar power equipment, in Tai Power solar photovoltaic generation construction in Tainan Yen-Tien 150MW. Awarded by Premier of Executive Yuan of “Rebirth of Green Tainan” appreciation letter on March 31<sup>st</sup>, 2021</li> <li>● “Charging Station Operating Center” of the Company’s Power Operating Department was officially split-up from the organization and was reinvested to set up “Fortune Electric Value Co., Ltd.”, a 100% owned subsidiary, effective from June 30<sup>th</sup>, 2021</li> <li>● Followed by the honor of being awarded by the “2020 Taoyuan City Gold Enterprise Excellence Award – Mastermind Award,” the Company was invited to join Book Launch party of “Influence Strategy: 16 stories of Sustainability and Co-Prosperity enterprises”, which was hosted by Taoyuan City Government</li> <li>● The Company’s “Transformer Electricity Surveillance System” and “Transformer Electric Current Surveillance Methods and Installation” won Gold Medal in the 2021 Taiwan Innotech Expo</li> <li>● The Company participated in the “Taoyuan – Job Hunting Capability Training Field – 2021 Career Internship Program.” Top 3 interns of the program were all interns from the Company in the result sharing competition, which set the precedence of this program to have top 3 interns all from one single enterprise, and was awarded with appreciation letter</li> <li>● The Company was contracted by Formosa I Wind Power Co., Ltd for Ultra-High Voltage pressure booster construction; the construction was completed and current delivered, as</li> </ul>

Time

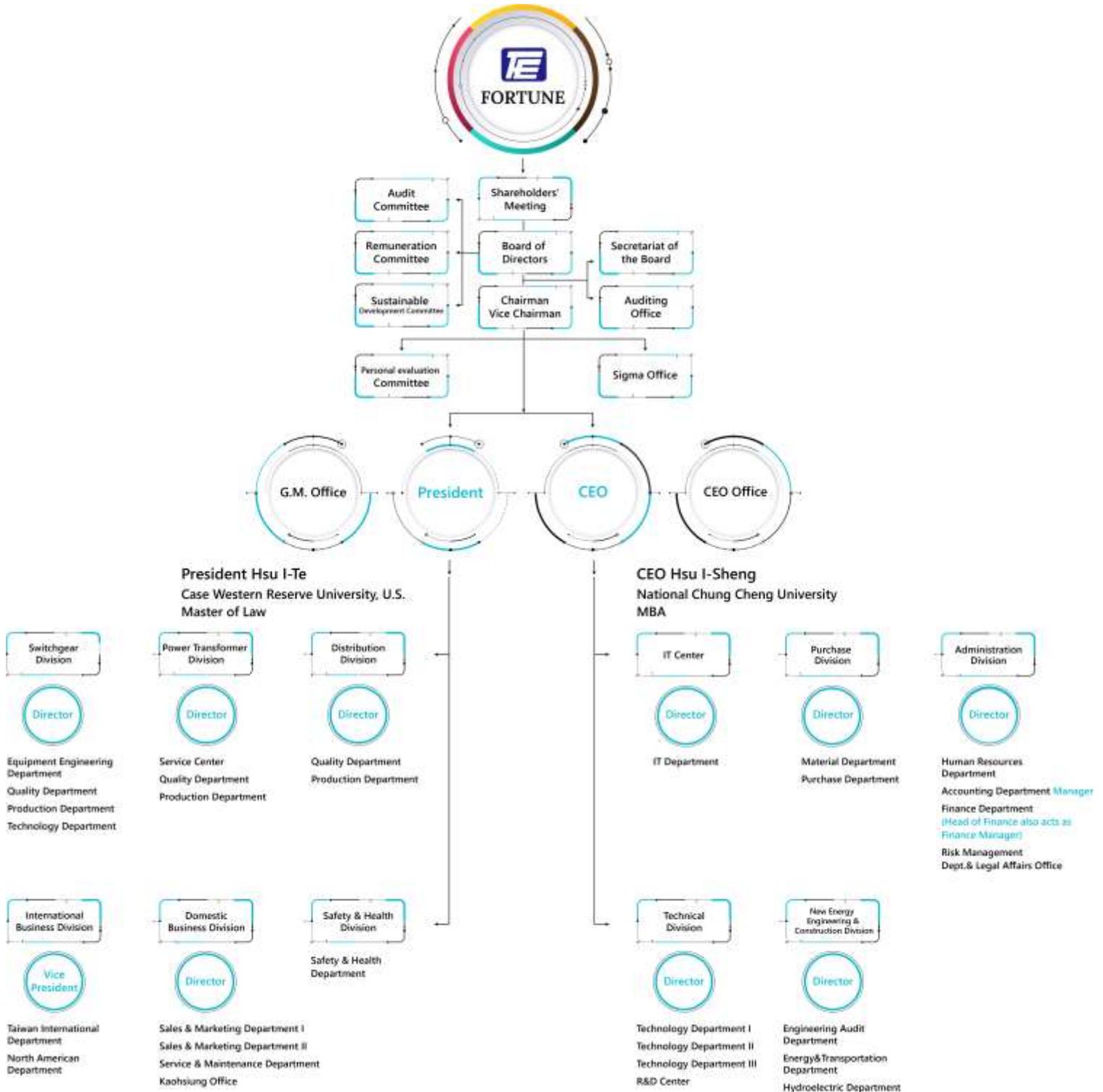
Milestone

- scheduled, on September 14th, 2021. Formosa I Wind Power Co., Ltd awarded the Company with appreciation certificate of “Outstanding Contribution - Health, Safety and Environment (HSE): 500,000 Zero-hazard working hours, from October 2019 to September 2021;” this best demonstrated that Fortune Electric Co., Ltd had met the ultra-high HSE management standards abroad and was highly recognized by international developer company
- 2022
- Hsu I-Te, General Manager of the Company, was awarded with honor as Super MVP, Top 10 amongst Top 100 in 2021 “The 14<sup>th</sup> Top 100 MVP Managers” by “Manager Today” magazine
  - In view of the gradually increasing importance of risk management, compliance, and legal matters, and in order to fulfill ESG and to implement Corporate Governance and Sustainability, further, to consider mid-term and long-term organization development, “Risk and Legal Management Department” was renamed as “Risk Management and Legal Department” which segregated Risk Management and Legal matters by their roles and responsibilities respectively
  - In March 2022, the Board of Directors approved the establishment of “Sustainability Development Committee,” aiming to strengthen corporate governance, fulfill environmental protection and social caring to ensure promoting corporate social responsibility and sustainability operating management

# 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:**

under which consisting of "System Integrating Division" and "Technique Integration Division," each with their own responsibility; 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 Management & 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

**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, outlying 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, outlying 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

Material Department: get hold of international market trend on material and propose counter measures in procurement strategy to the Company's best interest; centralized procurement resources and develop new vendors..., etc.

Procurement Department: procurement handling and payment application; assessment on quality, quantity, delivery and supplier development, in accordance with manufacturing process

**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 13<sup>th</sup>, 2021

Title	Nationality / Place of Incorporation	Name	Gender (M / F) Age group	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 81-90	109.6.12	3Y	68.7.27	19,631,986	7.52	18,533,425	7.10	13,013,864	4.99	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	Vice Chairman General Manager	Hsu, Shou-Hsiung Hsu, I-Te	Brothers Father & Son	Operational consideration
Vice Chairman	ROC	Hsu, Shou-Hsiung	M 71-81	109.6.12	3Y	58.8.26	23,047,720	8.83	22,803,419	8.73	9,417,034	3.61	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 51-60	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 41-50	109.6.12	3Y	100.6.10	2,804,169	1.07	3,048,470	1.17	10,000	0.00	0	0.00	National Chung Cheng University MBA	Fortune Electric Co., Ltd. CEO Synergy Co., Ltd. & E-Formula Technologies, Inc. Director Fortune Electric Value Company Limited Chairman & CEO	Vice Chairman	Hsu, Shou-Hsiung	Father & Son	Operational consideration
Director	ROC	Hsu, I-Te	M 51-60	109.6.12	3Y	106.6.14	1,751,455	0.67	3,948,577	1.51	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 81-90	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 61-70	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 81-90	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 41-50	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. Analysis of professional qualifications and independence the Directors  
(Established Audit Committee, in accordance with regulations, in lieu of Supervisors)

Criteria Name	Professional Qualification and Experience (Note 3)	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Hsu, Bang-Fu	<ul style="list-style-type: none"> <li>(1) Had over five years of working experience necessary for company business operation.</li> <li>(2) Currently serves as Chairman of the Company, Fortune Electric Extra High Voltage Co., LTD, and Fortune Energy Co., LTD</li> <li>(3) Master of Civil Engineering from Kyoto University, Japan</li> </ul>	<ul style="list-style-type: none"> <li>(1) Not the Chairman, 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.</li> <li>(2) 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 compensation, or a spouse</li> <li>(3) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</li> </ul>	0
Hsu, Shou-Hsiung	<ul style="list-style-type: none"> <li>(1) Had over five years of working experience necessary for the company business operation.</li> <li>(2) Currently serves as Vice Chairman of the Company and Chairman of Hua Cheng Investment Corp.</li> <li>(3) Master of Sungkyunkwan University, Korea</li> </ul>	<ul style="list-style-type: none"> <li>(1) Not a director or supervisor of the company or any of its affiliates.</li> <li>(2) Not 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.</li> <li>(3) Not the Chairman, 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</li> <li>(4) 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 compensation, or a spouse.</li> <li>(5) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</li> </ul>	0
Shu, Yi-Cheun	<ul style="list-style-type: none"> <li>(1) Had over five years of working experience necessary for the company business operation.</li> <li>(2) Currently serves as corporate representative, Chairman &amp; General Manager of Formosa Oilseed Processing Co., corporate representative and director of Ltd., of Central Union Oil Corp.; corporate representative Chairman of Lucky Eggs Co., Ltd. and Chung Hsiang International Co., Ltd.</li> <li>(3) Was Project Manager of Bank SinoPac and Vice President of Far East National Bank</li> </ul>	<ul style="list-style-type: none"> <li>(1) Not a director or supervisor of the company or any of its affiliates.</li> <li>(2) 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.</li> <li>(3) 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.</li> <li>(4) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same</li> </ul>	0

		<p>person; not a director, supervisor, or employee of that other company.</p> <p>(5) Not the Chairman, 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</p> <p>(6) 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.</p> <p>(7) 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 compensation, or a spouse</p> <p>(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</p> <p>(9) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	
Hsu, I-Sheng	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Currently serves as CEO of the Company; Chairman &amp; CEO of Fortune Value Co., LTD; Director of Synergy Co., Ltd. &amp; E-Formula Technologies, Inc.</p> <p>(3) MBA of National Chung Cheng University</p>	<p>(1) 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.</p> <p>(2) Not the Chairman, 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</p> <p>(3) 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 compensation, or a spouse</p> <p>(4) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	0
Hsu, I-Te	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Currently serves as General Manager of the Company; director of Xin He Energy Development Co., Ltd. &amp; Fortune Electric Australia Pty Ltd</p> <p>(3) Master of Case Western Reserve University, U.S.</p>	<p>(1) 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.</p> <p>(2) Not 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.</p> <p>(3) Not the Chairman, 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</p>	0

		<p>institution</p> <p>(4) 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 compensation, or a spouse.</p> <p>(5) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	
Weng, Jen-Pei	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Was Auditor General of Grand Bills Finance Corp.; Director of Sales, Accounting Director, Audit Director and General Affair Director of International Bank of Taipei</p> <p>(3) Bachelor of Department of Sales, Sanno University, Japan</p>	<p>(1) Not an employee of the company or any of its affiliates.</p> <p>(2) Not a director or supervisor of the company or any of its affiliates.</p> <p>(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.</p>	0
Hu, Len-Kuo	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Currently serves as Adjunct Professor of International Trade Department, National Chengchi University</p> <p>(3) Was external Independent Director of KGI Securities Co.; Dean of Business School of National Kaohsiung University of Science and Technology; Dean of International Trade Department and Institute of International Trade of National Chengchi University; Council Member of Council Committee Small and Medium Enterprise Administration.</p>	<p>(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.</p> <p>(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.</p>	0
Lei, Whey-Min	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Currently serves as Honorary Chairman of Alumni of International Business; permanent consultant of Taiwan Korean Trade Association..., etc.</p> <p>(3) Was Chief of on-the-job training team of Center for Public and Business Administration Education, NCCU; Dean's office secretary of Institute of International Trade of National Chengchi University; lecturer of International Trade Department and Institute of International Trade of National Chengchi University.</p>	<p>(6) Not 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.</p> <p>(7) Not the Chairman, 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</p> <p>(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.</p>	0
Liao, Chih-Hsiang	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Currently serves as Partner CPA of Chain Ye Accounting Firm.</p> <p>(3) CPA and Certified Internal Auditor of Taiwan ROC; was Assistant Manager of Audit Department of Deloitte Taiwan and Assistant Manager of Overseas Investment Department of KGI Securities.</p>	<p>(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 compensation, or a spouse</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</p> <p>(11) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	0

Note: The above-mentioned Directors did not have any conditions defined in Article 30 of the Company Act.

## 2. Diversity and Independence of Board of Directors:

### (1) Diversity of Directors:

It was stipulated in the Corporate Governance Best Practice Principles that the composition of the Board of Directors should be diversified. Directors concurrently serving as company officers should not exceed one-third of the total number of the board members, and All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. Implementation status of the Diversity policy of Board Members is as of the following:

Title	Diversified Categories Name	Composition						Professional Background				Competency								
		Nationality	Gender	Employee Identity	Age Group					CPA / Lawyer	Industry	Finance	Instructor in college	Operation Judgement	Accounting and Management	Crisis Management	Industry expertise	International Market	Leadership	Decision Making
					41-50	51-60	61-70	71-81	81-90											
Director	Hsu, Bang-Fu	R O C	M					V		V	V		V	V	V	V	V	V	V	V
	Hsu, Shou-Hsiung		M				V			V	V	V	V	V	V	V	V	V	V	V
	Shu, Yi-Cheun		M	V		V				V	V		V	V	V	V	V	V	V	V
	Hsu, I-Sheng		M	V	V					V	V		V	V	V	V	V	V	V	V
	Hsu, I-Te		M	V	V					V	V		V	V	V	V	V	V	V	V
	Weng, Jen-Pei		M						V		V	V		V	V	V	V	V	V	V
Independent Director	Hu, Len-Kuo	R O C	M			V			V	V	V	V	V	V	V		V	V	V	
	Lei, Whey-Min		M					V		V	V	V	V	V	V		V	V	V	
	Liao, Chih-Hsiang		M		V				V	V	V		V	V	V	V		V	V	V

### (2) Independence of the Board of Directors:

There are 9 members in the Company's Board of Directors, including 3 Independent Directors and 3 Directors that are also employees (33.33% and 33.33% of all members of the Board, respectively), and 3 Independent Directors. As of December 31<sup>st</sup>, 2021, Independent Directors are all in compliance with conformity mandated by Securities and Futures Bureau, Financial Supervisory Commission, and all Directors and Independent Directors did not have any matters against the 3<sup>rd</sup> and 4<sup>th</sup> paragraphs of Article 26-3 of the Securities and Exchange Act. Primary responsibility of the Board of Directors is to supervise the Company to be law-abiding, with financial transparency, real-time disclosure of material information, and perform objective and independent judgement on company's financial matters. We are in full compliance of the regulations of the Act when Board Members were selected.

**(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 13<sup>th</sup>, 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	3,948,577	1.51	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	3,048,470	1.17	10,000	0.00	0	0.00	National Chung Cheng University MBA	Synergy Co., Ltd. & E-Formula Technologies, Inc. Director Fortune Electric Value Company Limited Chairman & CEO	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 Electric Co., Ltd. Chairman	NONE	NONE	NONE	-
Power Division Division Head	ROC	Chu, Hwei-Long	M	103.01.02	250	0.00	0	0.00	0	0.00	Mingshin 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 Division / Corporate Governance / Finance (Note 2)	ROC	Hsu, I-Yang	M	106.07.03	3,046,609	1.17	0	0.00	0	0.00	Abilene Christian University Master of Communications	Fortune Electric Value Company Limited Executive Assistant to Chairman	CEO	Hsu, I-Sheng	Brothers	-
Technology Division Division Head	ROC	Lee, Hsiao-Li	M	107.06.01	0	0.00	0	0.00	0	0.00	National Taipei University of Technology Department of Electrical Engineering	NONE	NONE	NONE	NONE	-
New Energy Engineering Division Division 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 Division 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 Division Head	ROC	Chen, Meng-Yueh	M	107.10.01	253	0.00	0	0.00	0	0.00	Mingshin University of Science and Technology Mechanical Engineering	NONE	NONE	NONE	NONE	-
Information Center Division 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: Nominated and approved by Board of Directors as Head of Corporate Governance on March 22<sup>nd</sup>, 2021.

### 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								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 Compensation						
		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	
Chairman	Hsu, Bang-Fu																			
Vice Chairman	Hsu, Shou-Hsiung																			
Independent Director	Hu, Len-Kuo	13,756	13,756																	
Independent Director	Lei, Whey-Min																			
Independent Director	Liao, Chih-Hsiang																			
Director	Shu, Yi-Cheun					4,770	4,770	342	342	18,868	18,868									
Director	Weng, Jen-Pei									6.51%	6.51%									
Director & CEO	Hsu, I-Sheng																			
Director & General Manager	Hsu, I-Te											9,295	9,523	0	0	383	-	383	-	

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 27<sup>th</sup> 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			
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) and 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	7,268	7,497	-	-	2,027	2,027	383	-	383	-	9,678 3.34%	9,907 3.42%	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 31<sup>st</sup> 2021

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income (%)
Managerial Officers	General Manager	Hsu, I-Te	-	NT\$1,394,000	NT\$1,394,000	0.48 %
	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 Divison / 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\$29,112,000 and NT\$30,530,000 and ratios of remuneration paid to the abovementioned Managerial Officers to net income were 10.04% and 6.67% in 2021 and 2020, 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 2021. 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	7	0	100%	
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~~

Board Meeting Dates	Director	Resolution	Rationale of avoidance of motions and voting result
March 22 <sup>nd</sup> , 2021	Hsu, I-Te	Proposed to consent to: appointed managers to take on corporate representative of re-invested company and lift non-competition restriction.	Proposal was approved upon consent of all members present, with avoidance of interested party, Director Hsu, I-Te.
March 22 <sup>nd</sup> , 2021	Hsu, I-Te	Proposed to lift non-competition restriction of current directors.	Proposal was approved upon consent of all members present, with avoidance of interested party, Director Hsu, I-Te.
May 10 <sup>th</sup> , 2021	Hsu, I-Sheng	Proposed to consent to: appointed managers to take on corporate representative of re-invested company and lift non-competition restriction.	Proposal was approved upon consent of all members present, with avoidance of interested party, Director Hsu, I-Sheng.
May 10 <sup>th</sup> , 2021	Hsu, I-Sheng	Proposed to lift non-competition restriction of current directors.	Proposal was approved upon consent of all members present, with avoidance of interested party, Director Hsu, I-Sheng.
July 15 <sup>th</sup> , 2021	Hsu, I-Sheng	Proposed to lift non-competition restriction of managerial position holders of the Company.	Proposal was approved upon consent of all members present, with avoidance of interested party, Director Hsu, I-Sheng.
July 15 <sup>th</sup> , 2021	Hsu, I-Sheng	Proposed to lift non-competition restriction of current directors.	Proposal was approved upon consent of all members present, with avoidance of interested party, Director Hsu, I-Sheng.

(3) Implementation Status of Board Evaluations

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	Jan 1 <sup>st</sup> ~ Dec 31 <sup>st</sup> 2021	Board of Directors Individual Directors All Functional Committees	Self-evaluation by the Board of Directors Self-assessment by the Directors	As defined in the "Scope of evaluation: Board of Directors and Individual Directors," evaluation will be conducted in accordance with minimum 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:

- The Company continued to enhance information transparency and disclose Corporate Governance related information to protect Shareholders' best interest.
- 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. 2021 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	Outstanding

	C. Board composition and structure D. appointment of directors and their continued development E. internal controls	
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 8<sup>th</sup> Article in “Audit Committee Charter.”

In 2021, annual assessment tasks included: review quarterly financial statements and reports, endorsement guarantee censorship, annual profit distribution, affiliated product trading, material assessment trading, amendment of the “Assets Acquisition Handling Procedures” and effectiveness of Internal Control System. Proposals were reviewed and approved and will be submitted to the Board of Directors for discussion.

1. A total of 7 Audit Committee meetings were held in 2021. 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	7	0	100%	
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 Audit Committee resolutions should clearly state the following: Audit Committee convened dates, Sequence No., Resolution description, consent or dissent opinions of the Independent Directors, key suggestion description and result as well as action status of the Company:

1-1 Matters referred to in Article 14-5 of the Securities and Exchange Act

Board Meeting Dates	Sequence No.	Resolution	Result
March 22 <sup>nd</sup> , 2021	1 <sup>st</sup>	<p>Discussion:</p> <ol style="list-style-type: none"> <li>2020 Consolidated Financial Statements, Individual Financial Statements, and Business report</li> <li>Status of buying / selling of Forward Foreign Exchange</li> <li>Proposal for Distribution of 2020s</li> <li>Periodical (once a year) assessment of the independence of CPAs</li> <li>Drafted and initiated 2020 Internal Control System Statement</li> <li>Fortune Electric Extra High Voltage Co., Ltd., subsidiary of the Company, proposed to apply bank financing with Chang Hwa Bank and four other financial institutions to accommodate business operational needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee</li> <li>Fortune Electric (Wuhan) Ltd., sub-subsidiary of the Company, proposed to apply bank financing of USD 3 million short-term loan with The Shanghai Commercial and Savings Bank to accommodate business operational turnover needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee</li> <li>Proposed to lift non-competition restriction of current directors.</li> </ol>	<p>Proposal was approved upon consent of all members present and would be submitted to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would be submitted to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would be submitted to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would be submitted to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p>

Board Meeting Dates	Sequence No.	Resolution	Result
May 10 <sup>th</sup> , 2021	2 <sup>nd</sup>	<p>Discussion:</p> <ol style="list-style-type: none"> <li>1Q 2021 Consolidated Financial Statements</li> <li>Status of buying / selling of Forward Foreign Exchange</li> <li>Fortune Electric Extra High Voltage Co., Ltd., subsidiary of the Company, proposed to apply bank financing with Hua Nan Commercial Bank to accommodate business operational needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee</li> <li>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</li> <li>Proposed to split up Charging Station Operating Center” of the Company’s Power Operating Department to subsidiary company “Fortune Electric Value Co., Ltd.”.</li> </ol>	<p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Partial wordings, in Chinese, in the split-up proposal amendment were approved upon consent of all members present and the rest of the proposal would submit to Board for further discussion.</p>
July 15 <sup>th</sup> , 2021	3 <sup>rd</sup>	<p>Discussion:</p> <ol style="list-style-type: none"> <li>Status of buying / selling of Forward Foreign Exchange</li> <li>Fortune Electric Extra High Voltage Co., Ltd., subsidiary of the Company, proposed to apply bank financing with Mega Bills Finance CO., LTD. to accommodate business operational needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee</li> <li>Proposed to lift non-competition restriction of current directors.</li> <li>Proposed to consent to capital increase proposal from subsidiary company “Fortune Electric Value Co., Ltd.”</li> <li>Sold all shares of re-invested Fortune Electric (Wuhan) Ltd., transaction terms would be updated based upon actual scenario</li> </ol>	<p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposed was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposed was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposed was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposed was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Updated partial execution details were approved upon consent of all members present and would continue to feedback progress updates; proposal would submit to the Board for further discussion.</p>
August 9 <sup>th</sup> , 2021	4 <sup>th</sup>	<p>Discussion:</p> <ol style="list-style-type: none"> <li>2Q 2021 Consolidated Financial Statements</li> <li>Status of buying / selling of Forward Foreign Exchange</li> <li>Amendment of investment proposal for Joint-Venture, Synergy Co., Ltd., with Tai Power</li> <li>Extended contract for selling all shares of re-invested Fortune Electric (Wuhan) Ltd.,</li> </ol>	<p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p>
October 13 <sup>th</sup> , 2021	5 <sup>th</sup>	<p>Discussion:</p> <ol style="list-style-type: none"> <li>Status of buying / selling of Forward Foreign Exchange</li> <li>2<sup>nd</sup> contract extension for selling all shares of re-invested Fortune Electric (Wuhan) Ltd.,</li> </ol>	<p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p>
November 8 <sup>th</sup> , 2021	6 <sup>th</sup>	<p>Discussion:</p> <ol style="list-style-type: none"> <li>3Q 2021 Consolidated Financial Statements</li> <li>Status of buying / selling of Forward Foreign Exchange</li> <li>Fortune Electric (Wuhan) Ltd., sub-subsidiary of the Company, proposed to apply bank financing credit line with The Shanghai Commercial and Savings Bank and two other financial institutions to accommodate business operational turnover needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee</li> <li>In consideration of the business operating status of Fortune Electric (Wuhan) Ltd., sub-subsidiary company of the Company, proposing to cancel endorsement by the Company’s guarantee to Fortune Electric (Wuhan) Ltd., upon guarantee maturity.</li> <li>From November 2021 to 2022, to reduce interest cost and business needs, Fortune Electric (Wuhan) Ltd., sub-subsidiary of the Company, proposed to the Company to continue provide guarantee within a total credit limit of USD 6.8 million with permission to draw on it within quota.</li> <li>Assessment change of certified CPAs and the independence of CPAs</li> <li>Status update of sale of Fortune Electric (Wuhan) Ltd.,</li> </ol>	<p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Updated partial content was approved upon consent of all members present and the proposal would submit to the Board for further discussion.</p>
December 8 <sup>th</sup> , 2021	7 <sup>th</sup>	<p>Discussion:</p> <ol style="list-style-type: none"> <li>Status of buying / selling of Forward Foreign Exchange</li> <li>Fortune Electric (Wuhan) Ltd., sub-subsidiary of the Company, proposed to apply bank financing credit line with T Chang Hwa Bank and two other financial institutions to accommodate business operational turnover needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee</li> <li>“Fortune Electric Value Co., ltd” issued New Shares; proposed to abstain from the capital increase proposal</li> <li>Status update of sale of Fortune Electric (Wuhan) Ltd.</li> </ol>	<p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p>

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
December 7 <sup>th</sup> , 2020 (Board Meeting)	October 2020 Internal Audit execution status report	Agreed for future reference
March 22 <sup>nd</sup> , 2021 (Board Meeting & Audit Committee)	November 2020 to January 2021 Internal Audit execution status report	Agreed for future reference
May 10 <sup>th</sup> , 2021 (Board Meeting)	February to March 2021 Internal Audit execution status report	Agreed for future reference
July 15 <sup>th</sup> , 2021 (Board Meeting)	April to May 2021 Internal Audit execution status report	Agreed for future reference
August 9 <sup>th</sup> , 2021 (Board Meeting)	June 2021 Internal Audit execution status report	Agreed for future reference
November 8 <sup>th</sup> , 2021 (Board Meeting)	July to September 2021 Internal Audit execution status report	Agreed for future reference
December 8 <sup>th</sup> , 2021 (Board Meeting)	October 2021 Internal Audit execution status report	Agreed for future reference
March 23 <sup>rd</sup> , 2022 (Board Meeting & Audit Committee)	November 2021 to February 2022 Internal Audit execution status report	Agreed for future reference

Communication between Independent Directors and CPA:

Dates	Key Points	Results
November 8 <sup>th</sup> , 2021 (Audit Committee)	CPA gave out explanation regarding 3Q 2021 financial, profit and loss status and communicated with the Company about 2021 financial statements' key audit findings.	No Comments
March 23 <sup>rd</sup> , 2022 (Audit Committee)	CPA gave out explanation regarding 2021 financial, profit and loss status and communicated with the Company about 2020 financial statements' key audit conclusion report and corporate governance 3.0 financial report declaration regulation explanation	No Comments

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

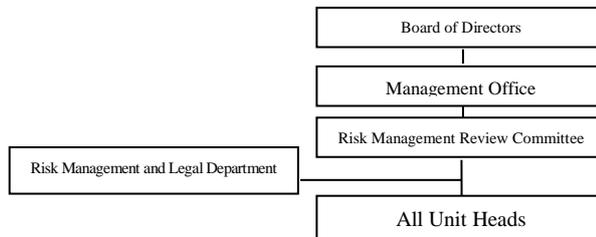
Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice 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?  (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? (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? (4) Does the company regularly evaluate the independence of CPAs?	V  V V	  V	  In the 20 <sup>th</sup> 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 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 partner of Chainye Accounting Firm and would be very beneficial to the company when he got involved in terms of business management, accounting, financials as well as corporate governance...etc Although Board Members of the Company have fulfilled the requested diversification, the Company will continue to review composition of being diversified and constantly enhance Board Member’s diversification whenever needed, especially upon re-election. Please refer to page 18 for diversification implementation status. Concrete management goal is to improve the member of the board of directors’ concept and background in Corporate Governance, Environmental Sustainability, Corporate Social Responsibility, and Legal, and supervising and guiding more effectively the company to respond to the development trends of international.  Established Remuneration Committee in accordance with regulations and all Independent Directors served as committee members.  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.  The Board of the Company reviewed independence of its certifying CPAs at least once a year 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. CPAs did not have a significant close business relationship with the Company nor any monetary loans with the Company. 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. <a href="https://www.fortune.com.tw/tw/Investor_governance_05.html#governance">https://www.fortune.com.tw/tw/Investor_governance_05.html#governance</a>	No deviation  Will implement accordingly  No deviation  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 2021, the Company has established Corporate Governance supervisor, approved by Board of Directors, to be responsible for Corporate Governance matters such as: handling of Board Meeting and Shareholders' Meeting, facilitating Directors to assume office and continuous learning, supporting Directors with materials for executing business, and assisting Directors to follow codes and acts..., etc. There were 24 hours of training in 2021 and completed filing declaration within stipulated deadline. Please refer to the Company's website for detailed course content.	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. Starting 2021, the Company has authorized Deloitte to set up a channel, "Whistle Blower Platform," for all employees to seek assistance escalate injustice behaviors violating company requests. <a href="https://www.fortune.com.tw/tw/contact_stakeholder.aspx">https://www.fortune.com.tw/tw/contact_stakeholder.aspx</a>	No deviation
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V	Stock Transfer Department of Taishin Securities Co., Limited	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 10 <sup>th</sup> 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:
- Employee should be diligent, loyal, in compliance with the Company's management guidelines and adhere to the reasonable instructions made by supervisors and managers; managers of all levels should guide subordinates in a friendly way.
  - 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.
  - No taking advantage of position power and authority for your own or other people's personal benefits.
  - No taking bribes, gifts, kickbacks, or any unlawful gains.
  - Be compliant with Labor Safety and Health Codes, maintain safety in worksites, and health and comfort of the environment.
  - 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.
  - No spreading of inappropriate speeches or pictures to result in affecting fulfilling labor contracts which led to tangible or intangible losses to the Company.
  - No fabricating, lying about attendance record nor reimburse or claim the expenses falsely.
  - 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/
  - 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.
  - Implement "Act of Gender Equality in Employment" and "Sexual Harassment Prevention Act" preventive measures.
  - Abide by "Work Rules" and committed in enterprise ethics and professional ethics establishment to maintain good labor relations
  - Act in accordance with the 6<sup>th</sup> Article in New Act of "Occupational Safety and Health Act," that professional health management service system be promoted to enhance employee management and ensure friendly work environment and warrant a safe working environment and hygiene.
2. Established association and organize strategic alliance of Satellite Plant system to ensure material quality and delivery.
3. 2021 Directors and Managerial Officers' training records:

Name & Title	Sponsoring Organization	Course Names and Hours	Course attended	Total Hours
Hsu, Bang-Fu Chairman		1. How do enterprises to innovate and optimize profitability in Digital Economy era? (3H)	1 · 2	6H
Hsu, Shou-Hsiung Vice Chairman			1 · 2	6H
Hsu, I-Te Director & General Manager	Securities and Futures Institute (1-2)	2. Best Practices of ESG - Key to be sustainable enterprise (3H)	1 · 9	23.5H
Hsu, I-Sheng Director & CEO		3. Taiwan Economic Outlook and Future Prospective in Post-Pandemic Era (2H)	1 · 2	6H
Shu, Yi-Cheun Director	Taiwan Listed Company Association (3-6)	4. 50 year of Taiwan - looking backwards and forward – talent cultivation and risk prevention (2H)	1 · 2	6H
Weng, Jen-Pei Director	Taiwan Institute of Directors (7)	5. Taiwan Industry M&A – Transformation and Innovation (3H)	1 · 2	6H
Lei, Whey-Min Independent Director	Digital Governance Association (8-9)	6. Ride on international wave of new business opportunity development (1.5H)	1 · 2	6H
Hu, Len-Kuo Independent Director		7. Take the Bull by the Horn – learn from century old Enterprises Transformation & Change (3H)	1 · 2	6H
Liao, Chih-Hsiang Independent Director		8. M&A models and Synergy Management (3H)	1 · 2	6H
		9/ International M&A Management Practices (3H)		

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 Management and Legal Department

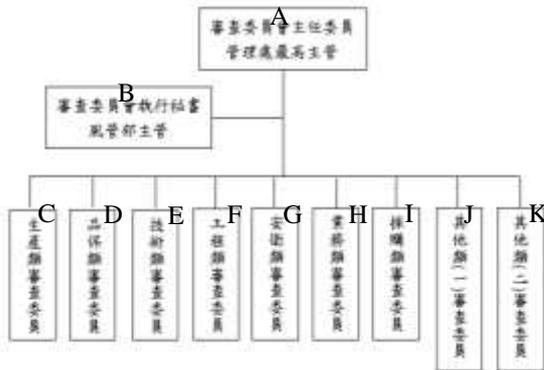
Risk management policy was made by Management division for Risk Management and Legal Department (RML Dep.) to execute and further assist all departments to set up risk management goals as well as enhancing control over risk management activities, while urging all to reduce legal risk exposures. After 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 1<sup>st</sup> 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 Management and Legal 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 (RML Dep.) 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	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		
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		
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		

■ 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 242 and page 243 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.

■ Report to the Board of Directors previous year risk control management execution status at the beginning of each year:

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

- Risk management task were conducted on schedule:  
From identified risk matters, including Operation & Environment Climate., etc. 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 higher risk levels, all units will monitor and exercise control individually and report to Risk Management and Legal Department.
- Risk Management Training implementation: up to end of 2021, for newcomer training and Risk Management Committee training, there were 47 people being trained with accumulated training hours of 77 hrs. (Due to COVID-19 pandemic eruption, majority of newcomers and manager-to-be trainings were suspended.)
- 2021 risk management results: completed 141 risk handling strategies and after assessment, 89% 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.

1. 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 4<sup>th</sup>/5<sup>th</sup> sessions and 6<sup>th</sup>/7<sup>th</sup>/8<sup>th</sup> sessions, respectively.

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

1. Members of Remuneration Committee (the Company has yet to establish Nomination Committee)

Title	Criteria	Professional Qualification and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
	Name			
Independent Director	Lei, Whey-Min	<p>1. Had over five years of working experience necessary for the company business operation.</p> <p>2. Currently serves as Honorary Chairman of Alumni of International Business; permanent consultant of Taiwan Korean Trade Association..., etc.</p> <p>3. Was Chief of on-the-job training team of Center for Public and Business Administration Education, NCCU; Dean's office secretary of Institute of International Trade of National Chengchi University; lecturer of International Trade Department and Institute of International Trade of National Chengchi University.</p> <p>4. Not having any matters as defined in Article 30 of the Company Act.</p>	An Independent Director who maintains independence, including but not limited to himself, spouse, relative within the second degree of kinship, not being an employee, director, supervisor of the Company or any of its affiliates; not having any shares of the Company; not providing 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 compensation	0
Independent Director	Hu, Len-Kuo	<p>1. Had over five years of working experience necessary for the company business operation.</p> <p>2. Currently serves as Adjunct Professor of International Trade Department, National Chengchi University</p> <p>3. Was external Independent Director of KGI Securities Co.; Dean of Business School of National Kaohsiung University of Science and Technology; Dean of International Trade Department and Institute of International Trade of National Chengchi University; Council Member of Council Committee Small and Medium Enterprise Administration.</p> <p>4. Not having any matters as defined in Article 30 of the Company Act.</p>	An Independent Director who maintains independence, including but not limited to himself, spouse, relative within the second degree of kinship, not being an employee, director, supervisor of the Company or any of its affiliates; not having any shares of the Company; not providing 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 compensation	0
Independent Director	Liao, Chih-Hsiang	<p>1. Had over five years of working experience necessary for the company business operation.</p> <p>2. Currently serves as Partner CPA of Chain Ye Accounting Firm.</p> <p>3. CPA and Certified Internal Auditor of Taiwan ROC; was Assistant Manager of Audit Department of Deloitte Taiwan and Assistant Manager of Overseas Investment Department of KGI Securities.</p> <p>4. Not having any matters as defined in Article 30 of the Company Act.</p>	An Independent Director who maintains independence, including but not limited to himself, spouse, relative within the second degree of kinship, not being an employee, director, supervisor of the Company or any of its affiliates; not having any shares of the Company; not providing 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 compensation	0

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 12<sup>th</sup>, 2020 ~ June 11<sup>th</sup> 2023. Two Remuneration Committee meetings were held in the Most Recent Year.

2021 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	2	0	100%	
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 3 <sup>rd</sup> time of the 4 <sup>th</sup> Term March 22 <sup>nd</sup> , 2021	The Company's 2020 Distribution of Directors and Employee Remuneration amount and distribution methods	Motion was approved upon consent of all members present	To be implemented in accordance with Remuneration Committee's opinion
The 4 <sup>th</sup> time of the 4 <sup>th</sup> Term November 8 <sup>th</sup> , 2021	Amendment of providing other material and allowances of The Company's Managerial Officers	Motion was approved upon consent of all members present	To be implemented in accordance with Remuneration Committee's opinion

### (5) Fulfillment of Corporate Sustainable Development & Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and reasons:

Item	Implementation Status			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and reasons
	Yes	No	Abstract	
(1) Does the company establish exclusively (or concurrently) dedicated first-line managers, authorized by the Board, to oversee and propose the corporate sustainable development implementation status and reporting to the board?	V		Sustainable Development Committee, a functional committee, was approved by the Board of Directors on March 2022. This committee will devote to continuing promoting sustainable development and management implementation to strengthen corporate governance sustenance, environmental protection, and social responsibility (ESG). From the beginning, 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
(2) Does the company establish and disclose the Corporate Sustainable Best-Practice Principles based on "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies"?	V		In 2010, the Company established risk management organization and system according to 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
(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 enhance energy efficiency and use renewable materials which have low impact on the environment?	V		Through the Energy Management System, the Company endeavors to enhance energy efficiency and improve facility energy consumption. On March 24 <sup>th</sup> , 2022, the Company was awarded by Taoyuan City Government of for Factory ECO greening project result and was granted funding of over NT\$270,000 for promoting Water Chiller and recycling of energy saving lighting equipment. In 2021, the Company spent more than 5 million NTD in Green Mark products, namely, laptops, PCs, Air Conditioning equipment, A4 size papers, and leasing of company vehicles; on March 8 <sup>th</sup> , 2022, the company obtained Green Procurement certified documents from	Implemented in accordance with the regulation and no deviation.

Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Abstract	
<p>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?</p> <p>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?</p>	V		<p>Environmental Protection Administration (EPA), Executive Yuan. This achievement ensured a bonus point for Tai Power bidding project and the Company will be awarded for Green Procurement by Taoyuan City Government later in November 2022. 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.</p> <p>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.</p>	Implemented in accordance with the regulation and no deviation.
<p>4) Social issues</p> <p>1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>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?</p> <p>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?</p> <p>4) Does the company provide its employees with career development and training sessions?</p> <p>5) Do the company’s products and services comply with relevant laws and international standards in relation to issues like customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer &amp; client protection and grievance procedure policies implemented?</p>	V		<p>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.</p> <p>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.</p> <p>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, ISO14001 and ISO50001. Budget has been allocated to establish Sports Centers and periodically implement healthy promoting plans, such as Smoking Cessation as well as Weight Loss programs; in addition to these measures, the Company promulgate Four Guidance published by Occupational Safety and Health Administration jointly with on-site medical personnel for health consciousness promotion.</p> <p>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.</p> <p>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: <a href="https://www.fortune.com.tw/tw/contact_map.html">https://www.fortune.com.tw/tw/contact_map.html</a></p>	<p>Implemented in accordance with the regulation and no deviation.</p> <p>Implemented in accordance with the regulation and no deviation.</p> <p>Implemented in accordance with the regulation and no deviation.</p> <p>Implemented in accordance with the regulation and no deviation.</p> <p>Implemented in accordance with the regulation and no deviation.</p>

Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract	
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		<p>As stipulated in the procurement operating procedures, suppliers of Fortune Electric must observe relevant regulations of ISO and RoHS, and ensure restricted use or prohibit use of the 6 major hazardous matters, as defined in RoHS. As stipulated in IP2036, “Suppliers’ safety and health management procedure”, suppliers took advantage of Work Certificate Management, Safety &amp; Hygiene Education Training, Consultative Organization Meeting, and safety patrol. 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.</p> <p>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 “Independence, Interdependence and Dependence” 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, ISO 14001 Environmental Management System, ISO45001 Occupational Health and Safety management System, and ISO50001 Energy Management have been adopted to be one of the main criteria in supplier selection.</p> <p>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&amp;D, procurement, production, operation, and services have to be observed accordingly:</p> <ol style="list-style-type: none"> <li>1. Reduce product and service’s waste of energy and resources.</li> <li>2. Decrease emission of contaminated material, toxic matters, and waste and shall handle and dispose of waste properly.</li> <li>3. Increase material or product’s recyclability and reusability.</li> <li>4. Fully maximize reusable material for sustainability.</li> <li>5. Extend product durability.</li> <li>6. Increase product and service effectiveness.</li> </ol> <p>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.</p> <p>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 1W1611 (Supplier Development Evaluation) with the aforementioned relevant operational guidelines, to jointly fulfill corporate social responsibility.</p>	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 sustainable development report and 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.
<p>(6) Describe the difference, if any, between actual practice and the corporate sustainable development principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:</p> <p>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:</p> <p>We uphold “Comfort Employee”, Comfort Customer”, “Comfort Shareholders” and “Comfort Society” missions and dedicate ourselves in Corporate Governance, rights of stakeholders; 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.</p> <p>(7) Other useful information for explaining the status of corporate sustainable development practices:</p> <p>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.</p> <p>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.</p> <p>To understand stakeholders’ reasonable expectations and needs, a special section for information asking and opinions for stakeholders has been placed in corporate website: <a href="https://www.fortune.com.tw/tw/contact_stakeholder.aspx">https://www.fortune.com.tw/tw/contact_stakeholder.aspx</a></p> <p>The Company adopted the following measures to fulfill social responsibility as well as be neighborly and care for the society:</p> <ol style="list-style-type: none"> <li>i. Major shareholders established a foundation for founder Mr. Hsu, “Mr. Hsien-Liang Hsu Social Welfare Charity Foundation”, engaged in scholarships for underprivileged</li> </ol>				

Item	Implementation Status			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Abstract	
<p>students and social welfare matters.</p> <p>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: <a href="http://www.fortune.com.tw/emp/charity/index.asp">http://www.fortune.com.tw/emp/charity/index.asp</a></p> <p>iii. Donation to Tunghai Rotary Club and Yoneyama Rotary Club for social charity relief.</p> <p>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 &amp; mountain cleaning, street cleaning and drainage dredging project.</p> <p>v. In response to government’s calling and developed tree plant to counter global warming, environmental earth-loving, ..., etc. activities.</p> <p>vi. Cooperated with Taoyuan City government and executed O3 improvement plan, demonstrating real action to preserve earth.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>x. Fulfill corporate responsibility and recruited R&amp;D and training reserved Substitute Services, to incubate R&amp;D technology talents with special skillsets.</p> <p>xi. Participated in government’s career promotion fair and reward program, to provide more job opportunities and lower unemployment rate.</p> <p>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.</p> <p>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</p> <p>xiv. The Company was awarded the 18th place in the 2015 of CommonWealth Magazine CSR Corporate Citizen Award</p> <p>xv. The Company was awarded “10th Service Quality Excellence Award” by Taoyuan City</p> <p>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.</p> <p>xvii. Awarded “2018 Innotech Expo” Platinum Medal and Silver Medal.</p> <p>xviii. Awarded “Taiwan Excellence Awards” in 2018 and 2019</p> <p>xix. 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</p> <p>xx. Won Gold Medal in the 2021 Taiwan Innotech Expo</p> <p>xxi. Hsu I-Te, General Manager of the Company, was awarded with honor as “Taiwan MVP Managers”</p>				

(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?  (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?  (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 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.
	V		The Company has established "Ethical Management Operation Procedures and Conduct Guide.". in accordance with 2 <sup>nd</sup> item of 7 <sup>th</sup> 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.
	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?  (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?  (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?  (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?  (5) Does the company regularly hold internal and external educational trainings on operational integrity?	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.
		V	To strengthen ethical corporate management, Human Resources Department and Risk Management & Legal Department oversee establishing ethical corporate management policy and preventive measures whereas Risk Management & Legal Department will cooperate and conform for execution, and report to the Board of Directors in every quarter.  <a href="https://www.fortune.com.tw/tw/Investor_integrity.html">https://www.fortune.com.tw/tw/Investor_integrity.html</a>	Will implement in accordance with regulations.
	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.
	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.
	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	V		The Company set up "Personnel Assessment	Implemented in accordance

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract	
reward/punishment system and an integrity hotline, for ease of whistleblowing? Does the Company appoint designated person appropriately to follow up with the person in question?			Committee” and designated an executive secretary to 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. <a href="https://www.fortune.com.tw/tw/contact_whistle.html">https://www.fortune.com.tw/tw/contact_whistle.html</a>	with the regulation and no 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: <a href="https://www.fortune.com.tw/tw/Investor_integrity.html">https://www.fortune.com.tw/tw/Investor_integrity.html</a>	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 4 <sup>th</sup> /5 <sup>th</sup> sessions and 6 <sup>th</sup> /7 <sup>th</sup> /8 <sup>th</sup> 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/tw/Investor\\_governance\\_03.html#governance](https://www.fortune.com.tw/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 23<sup>rd</sup>, 2022

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 22<sup>nd</sup>, 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 August 5<sup>th</sup>, 2021, implementation status and summary:

1. Proposal

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

Explanation:

- (1) The Company's 2020 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 22<sup>nd</sup>, 2021; 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: 166,515,503 votes, 99.72% of voting rights and hereby the motion carried as it was.

2. Proposal:

The Company's Profit Distribution for 2020 is hereby submitted for ratification

Explanation:

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

Resolution:

Ratification votes: 166,498,503 votes, 99.71% of voting rights and hereby the motion carried as it was.

Execution status:

Proposed to set August 7<sup>th</sup>, 2021 as cash dividend Ex-Dividend Date and would start to pay out from August 20<sup>th</sup>, 2021. (Cash dividend per share would be NT\$1.30)

Major Resolutions of the Board Meeting on May 10<sup>th</sup>, 2021 and July 15<sup>th</sup>, 2021:

Proposal:

Proposed to lift non-competition restriction of current directors.

Resolution:

1. Proposal was approved upon the attending members of Audit Committee on May 10<sup>th</sup>, 2021 and July 15<sup>th</sup>, 2021.
2. Proposal was approved upon consent of all Board members present, with avoidance of interested party, Director Hsu, I-Sheng., and has been submitted for discussion at 2022 Shareholders' meeting.

Major Resolutions of the Board Meeting on March 23<sup>rd</sup>, 2022 and May 4<sup>th</sup>, 2022:

1. Proposal:

The Company's 2021 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 4.97% and 1.22% of the 2021 cumulative net profit, which will be NT\$19,490,000 and NT\$4,770,000, respectively.

Resolution: (1) Remuneration for the Directors have been approved by all members of the Remuneration Committee on March 23 <sup>rd</sup> , 2022. (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 2021 Consolidated Financial Statements, Individual Financial Statements and Business report are hereby submitted for review and approval.
Explanation: (Omitted)
Resolution: (1)The Company's 2021 Consolidated Financial Statements and Individual Financial Statements have been prepared and approved by all members present at the Audit Committee on March 23 <sup>rd</sup> , 2022. (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 2021 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 23 <sup>rd</sup> , 2022. (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 2021 is hereby submitted for review and approval
Explanation: The Company's 2021 net profit after-tax was NT\$289,882,893, please refer to 2021 profit distribution table (omitted) for details.
Resolution: (1) Proposal has been approved by all members present at the Audit Committee on March 23 <sup>rd</sup> , 2022 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 amend "Acquisition and Disposition of Assets Handling Procedures" and hereby for your review and approval.
Resolution: (1) Amendment of "Acquisition and Disposition of Assets Procedures" has been reviewed and approved by all members present at the Audit Committee on March 23 <sup>rd</sup> , 2022. (2) Proposal was approved by all members present at the Board meeting with onward submission to the Shareholders' meeting for ratification.
6. Proposal: Proposed to convene 2022 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

### 3.5 Information on Certified Public Accountant professional fees

Unit: NT\$ thousands

Accounting Firm	CPA	Period covered by CPA audit	Audit Fee	Non-audit Fee	Subtotal	Remarks
Deloitte Taiwan	Tun-Fang Lee Tze-Li Kung	1Q 2021	4,260	925	5,185	1.CPA replacement resulted from accounting firm internal adjustment.  2. Non-audit fee: business tax, transfer pricing, legal counseling fee..., etc.
	Tze-Li Kung Tun-Fang Lee	2Q 2021				
	Tze-Li Kung Shui-Ching Lee	3Q 2021				
		Year 2021				

- (1) 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
- (2) 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:

#### 1. Regarding the former CPA

Replacement Date	Effective Q2 2021		
Replacement reasons and explanations	Due to internal job rotation and arrangement, CPA Tun-Fang Lee would be counter signer while lead signer would be succeeded by CPA Tze-Li Kung From Q3 2021 onwards, counter signer CPA Tun-Fang Lee would be succeeded by CPA Shui-Ching Lee.		
Describe whether the Company terminated, or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	Termination of appointment	N/A	N/A
	No longer accepted (continued) appointment	N/A	N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	No unqualified issues & other mentionable matters paragraph: Invested company, "Hitachi Fortune Transformer, Inc." adopting equity method, was being audited by other CPA.		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters (To be disclosed under Article 10, 6 <sup>th</sup> paragraph, 1 <sup>st</sup> item to 7 <sup>th</sup> item)	None		

## 2. Regarding the successor CPA

Name of accounting firm	Deloitte Taiwan
Name of CPA	Lead signer: CPA Tze-Li Kung Counter signer: CPA Shui-Ching Lee
Date of appointment	Lead signer: effective 2Q 2021 Counter signer: effective 3Q 2021
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3、Former CPAs' reply to the 1<sup>st</sup> item & 2<sup>nd</sup> item of 6<sup>th</sup> article in Article 10: Not Applicable

### **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	2021		As of o April 17 <sup>th</sup> , 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Hsu, Bang-Fu	(483,620)	-	(66,941)	-
Vice Chairman	Hsu, Shou-Hsiung	(53,204)	-	(100,000)	-
Director	Shu, Yi-Cheun	-	-	-	-
Director & Managerial officer	Hsu, I-Sheng	53,204	-	100,000	-
Director & Managerial officer	Hsu, I-Te	967,240	-	133,882	-
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	Hsu, I-Yang	53,204	-	100,000	-
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, Shou-Hsiung	Gift	20210305	Hsu, I-Sheng	Father & Son	53,204	41.34
Hsu, I-Sheng	Gifted	20210305	Hsu, Shou-Hsiung	Father & Son	53,204	41.34
Hsu, I-Yang	Gifted	20210305	Huang, Hsiou-Chin	Mother & Son	53,204	41.34
Hsu, I-Te	Gifted	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	Gifted	20210309	Hsu, Bang-Fu	Father & Son	53,204	41.34
Hsu, I-Te	Gifted	20211228	Chen, Yen-Fang	Mother & Son	430,416	34.84
Hsu, Bang-Fu	Gift	20211228	Hsu, I-Te	Father & Son	430,416	34.84
Hsu, I-Te	Gifted	20211228	Hsu, Bang-Fu	Father & Son	430,416	34.84
Hsu, I-Yang	Gifted	20220111	Huang, Hsiou-Chin	Mother & Son	100,000	34.85
Hsu, Shou-Hsiung	Gift	20220111	Hsu, I-Sheng	Father & Son	100,000	34.85
Hsu, I-Sheng	Gifted	20220111	Hsu, Shou-Hsiung	Father & Son	100,000	34.85
Hsu, Bang-Fu	Gift	20220321	Hsu, I-Te	Father & Son	66,941	36.44
Hsu, I-Te	Gifted	20220321	Hsu, Bang-Fu	Father & Son	66,941	36.44
Hsu, I-Te	Gifted	20220321	Chen, Yen-Fang	Mother & Son	66,941	36.44

(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 17<sup>th</sup> 2022 / 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.	24,080,936	9.22%	0	0.00%	0	0.00%	Hsu, Shou-Hsiung	Chairman of this corp.	
Hsu, Shou-Hsiung	22,803,419	8.73%	9,417,034	3.61%	0	0.00%	Huang, Hsiou-Chin Hsu, Chung-Ming, Hsu, Bang-Fu Hsu, Mei-Fang	Spouse Brothers Brother & Sister	
Hsu, Bang-Fu	18,533,425	7.10%	13,013,864	4.99%	0	0.00%	Chen, Yen-Fang Hsu, Chung-Ming, Hsu, Shou-Hsiung Hsu, Mei-Fang	Spouse Brothers Brother & Sister	
Chen, Yen-Fang	13,013,864	4.99%	18,533,425	7.10%	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 of Hsu, Chung-Ming	
Hsu, Mei-Fang	10,094,874	3.87%	0	0.00%	0	0.00%	Hsu, Chung-Ming, Hsu, Bang-Fu Hsu, Shou-Hsiung	Brother & Sister	
Huang, Hsiou-Chin	9,417,034	3.61%	22,803,419	8.73%	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 (Note)	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
Fortune Electric Value Co., Ltd.	182,000,000	80.18	0	0.00	182,000,000	80.18
Wuhan Fortune Electric Ltd.	-	100.00	0	0	-	100.00

Note: The Company adopted equity method for investment. Strategic investor was induced on Feb 2022, and shareholding of the Company reduced to 64.25% from 80.18%

## IV. Capital Overview & Financing Plans and Implementation

### 1. Capital and Shares, Corporate Bonds, Preferred Shares, Overseas Depository 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

Type	Shares	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 17<sup>th</sup>, 2022

Quantity	Structure	Government Agency	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Shares	0	1,350,000	37,240,329	203,218,014	19,250,205	261,058,548	
Shareholding ratio	0.00%	0.52%	14.27%	77.84%	7.37%	100.00%	

## (3) Shareholding distribution

Par Value: NTS10

April 17<sup>th</sup>, 2022

Class of Shareholding	Number of Shareholders	Shareholding (shares)	Percentage
1 ~ 999	4,865	931,437	0.36
1,000 ~ 5,000	11,839	23,638,705	9.05
5,001 ~ 10,000	1,493	11,885,752	4.55
10,001 ~ 15,000	418	5,353,943	2.05
15,001 ~ 20,000	272	5,095,524	1.95
20,001 ~ 30,000	195	4,991,863	1.91
30,001 ~ 40,000	89	3,193,797	1.22
40,000 ~ 50,000	62	2,893,658	1.11
50,001 ~ 100,000	116	8,485,843	3.25
100,001 ~ 200,000	33	4,613,349	1.77
200,001 ~ 400,000	16	4,886,051	1.87
400,001 ~ 600,000	11	5,384,446	2.06
600,001 ~ 800,000	6	4,330,946	1.66
800,001 ~ 1,000,000	3	2,793,968	1.07
1,000,001 or over	25	172,579,266	66.11
Total	19,443	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	Percentage
Hua Cheng Investment Corp.	24,080,936	9.22
Hsu, Shou-Hsiung	22,803,419	8.73
Hsu, Bang-Fu	18,533,425	7.10
Chen, Yen-Fang	13,013,864	4.99
Chun Sheng Fa Corp.	11,500,000	4.41
Hsu, Mei-Fang	10,094,874	3.87
Huang, Hsiou-Chin	9,417,034	3.61
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\$

Year		2021	2020	As of March 31 <sup>st</sup> , 2022	
Market Price per Share (Note 1)	Highest	52.80	57.40	45.30	
	Lowest	34.60	19.60	35.70	
	Average	44.67	42.08	41.24	
Net Worth per Share (Note 2)	Before Distribution	13.33	13.59	-	
	After Distribution	12.33	12.29	12.59	
Earnings per Share (Note 3)	Weighted Average Shares	261,058,548	261,058,548	261,058,548	
	Earnings per Share	Before adjustment	1.11	1.75	(0.03)
		After adjustment	1.11	1.75	(0.03)
Dividends per Share (Note 4)	Cash Dividends	1.00	1.30	-	
	Stock Dividends	-	-	-	
		-	-	-	
Accumulated Undistributed Dividends	-	-	-		
Return on Investment Analysis	Price / Earnings Ratio (Note 5)	37.46	20.58	-	
	Price / Dividend Ratio (Note 6)	41.58	27.70	-	
	Cash Dividend Yield Rate (Note 7)	2.41	3.61	-	

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 23<sup>rd</sup>, 2022)

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

NOTE 8: Net worth per share and earnings per shares should be filled in with data, audited by CPA in the latest quarter up to the publication date of the annual report; the rest of the data should be filled in with data up to the publication date of the annual report.

## (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 2021 profits, cash dividend of NT\$1 per share, was passed at the Board Meeting on March 23<sup>rd</sup>, 2022.

(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\$

ITEM	YEAR	2022	
Beginning Paid-in Capital		(Not applicable due no distribution of Bonus Shares)	
Dividend distribution of Current Year	Cash Dividend per Share		
	Retained earnings transferred Stock Dividend per Share		
	Capital surplus transferred Stock Dividend per Share		
Business Result Developments	Operating income		
	Operating income Year-Over-Year increase(decrease) ratio		
	Net Profit After-Tax		
	Net Profit After-Tax Year-Over-Year increase(decrease) ratio		
	Earnings per Share		
	Earnings per Share Year-Over-Year increase(decrease) ratio		
	Annual average return on investment (Price-to-Earnings Ratio reciprocal) (Note 3)		
Pro Forma Earnings per Share and Price-to-Earnings Ratio	If Retained earnings transferred to Cash Dividend per Share (Note 2)		Pro Forma Earnings per Share
			Pro Forma Annual average return on investment
	If no Capital surplus transferred		Pro Forma Earnings per Share
		Pro Forma Annual average return on investment	
	If no Capital surplus transferred but Retained earnings transferred to Cash Dividend per Share	Pro Forma Earnings per Share	
		Pro Forma Annual average return on investment	

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  $[\text{Net Profit after Tax} - \text{imputed interest on cash dividend} \times (1 - \text{tax rate})] / [\text{Weighted average number of ordinary shares outstanding for basic earnings per share} - \text{profit distributed shares} \times *]$  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:

On March 23<sup>rd</sup>, 2022, the Board of Directors approved the resolution in regard to the 2021 Employee Remuneration at Cash NT\$19,490,000 and Director's compensation at NT\$4,770,000.

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

2021 actual pay out to Employee of Cash at NT\$22,357,000, and the Directors' compensation at NT\$8,100,000, 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, Rapid DC Charging Station Construction for Car factory, 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 outlying 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	2021
Transformer		51.02%
Distribution Board		14.38%
Contract construction		17.07%
Devices for power distribution		4.58%
Electricity sales		0.14%
Other		12.81%
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. 150Kva Three-Phase Pad-Mounted Transformers, Single Phase Pad-mounted Transformer (for export), Ultra-high burning point insulation oil for transformer, MIDEL7131 Insulation Oil Analysis and testing, APP Remote Controlled multi-functional charging pole, energy control system – lone island technique development, Micro AI Energy Closet system and Y451(105-12) Low-voltage road lamp switch (magnetic)..., 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 17<sup>th</sup>, 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. Third area wind power plant is targeted to reach 15,000,000-Kilowatt while Geothermal power generation is targeted to reach 200,000-Kilowatt by 2025.
- (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) From Kyoto Protocol, Paris Agreement to United Nations Climate Change Conference, every country around the globe is paying great attention environmental issues. With all countries' promoting "Net zero CO2 emissions" as their ultimate goal, electric vehicles have become a global development trend and Taiwan is not exception to that. In 2020, 6,326 electric vehicles were sold in Taiwan. Despite the impact of COVID-19, 7,001 electric vehicles were sold in 2021, against the downtrend. It is evident that acceptance level of people in Taiwan for electric vehicles are enhancing step by step. Ever since Electric Vehicle charging station business has been established from 2011 onwards, we began to pave the road with multi-directional attempts and deep ploughing electric vehicle charging field for years and is considered to be in the leading position of Taiwan electric vehicle charging business. "EVALUE" electric vehicle charging station brand has been established since 2015 while "Car Factory Service Center" has been set up in 2016 to integrate electric vehicle charging station operation, charging equipment, and installation construction as a whole value chain. We were optimistic about the growth trend of electric vehicle and split up our charging operation business from Fortune Electric to set up Fortune Electric Value Co., Ltd. to enhance market competitiveness as well as operating results as a whole, aiming to provide charging operation service with best quality. We have rolled out various new products and innovative services to continue satisfy B2B needs as well as needs from Car Factory; furthermore, we are expanding to provide B2C business models with our strength.

## 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
2021	127,873	1.42
1Q 2022	33,896	2.43

Product Specification successfully developed	Results
Dual voltage switch single phase Pad-Mounted Transformers_25, 50, 100 and 167kVA	Successfully passed Tai Power Y067(110-08) characteristic requirement and short circuit test.
Standard underground four-way automatic switch Y234(109-04)	Sales order has been obtained.
Charging operating cloud service system	The system has been in use in our flagship station Nei Hu Charging station. By using recyclable energy, energy storage and peak-shaving of power loads, we have lowered the impact to power grid network during peak time.

### (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. In response to rising demand of household charging from residential building and community construction, we have developed lighter and slimer models with new looks so that we are riding the wave of this fast-growing market. To improve our advantages of manufacturing cost, we have designed modularized appearance to satisfy Car Factory unique branding needs and to tailor-make branded charging pole. 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 version 1.0 of parking, charging and payment in one go system integration as well as checking charging station locations, navigation, APP activation. After that has been online for two years, we have finally rolled out our version 2.0 App, which we have devoted great efforts painstakingly for one year. Version 2.0 App will provide car owners with faster and friendlier customer experience and we continue to expand platform installation and further to expand charging network in Taiwan at the same time. 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, outlying 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-insulated 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.

With the upward trend of electric vehicle market growth, we are expecting to see growing needs from car owners who use public charging station when they are away from home. As far as installation points, the Company install AC charging equipment stations to places where consumers are expecting to be away from home longer, while DC charging equipment would be installed around traffic junction points such as high-speed roads and vicinity. This would resolve the anxiety for car owners with the possibility of power storage and lack of public charging equipment; also, differentiated charging resources installation, based on car owners' usage, will provide the Company with charging fee and parking lot fee with continuous cash flow.

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 I and II offshore wind power terrestrial construction booster station and power transmission turnkey project
- Hai Nan offshore wind power terrestrial construction booster station and power transmission turnkey project
- Tai Power Phase I offshore wind power booster transformer / modules and dock pre-assembly
- 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 equipment
- 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. Completed installation of 68 EVALUE brand public power charging stations, including 11 DC fast charging equipment and 178 AC charging poles
  - Pingtung and Fangliao fast charging station construction, Yilan Porsche fast charging station construction, Porsche Chiayi Buffalo Park fast charging station construction, Formosan Naruwan Hotel Resort Taitung fast charging station construction, Panchiao Tesla fast charging station construction
- (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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> company to have passed certification by Tai Power for manufacturing underground 4W switch, which will increase said product's market shares.

- (7) Became the 1<sup>st</sup> 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 was considered at that time 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 competitiveness.
- (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:
 

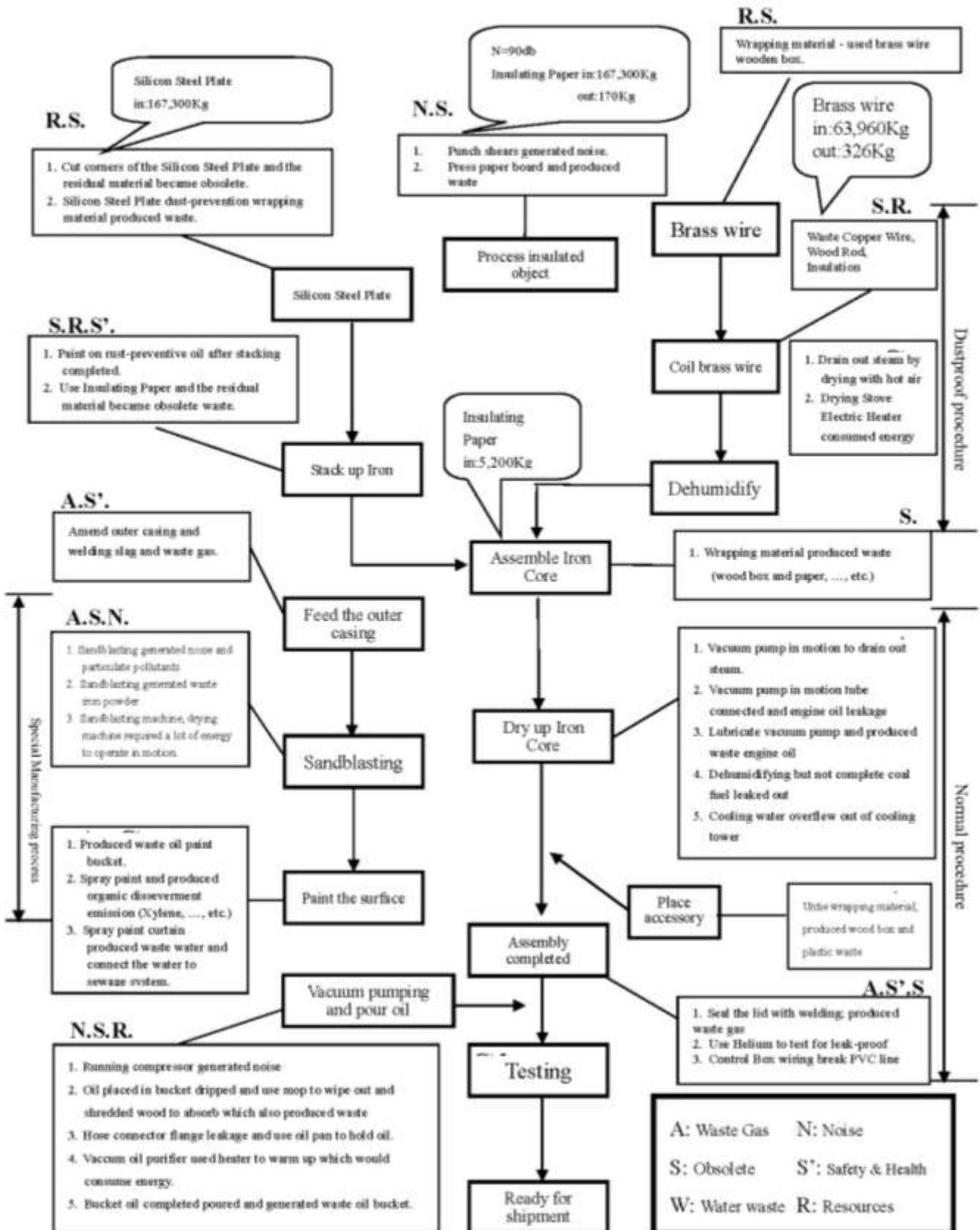
Switch box, electricity board, control board, and power distribution box, with system protection and coordination functions namely, activating, and deactivating devices, surveillance and safety detachment, in power plant, transmission and distribution system's substation, factory, public facilities,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

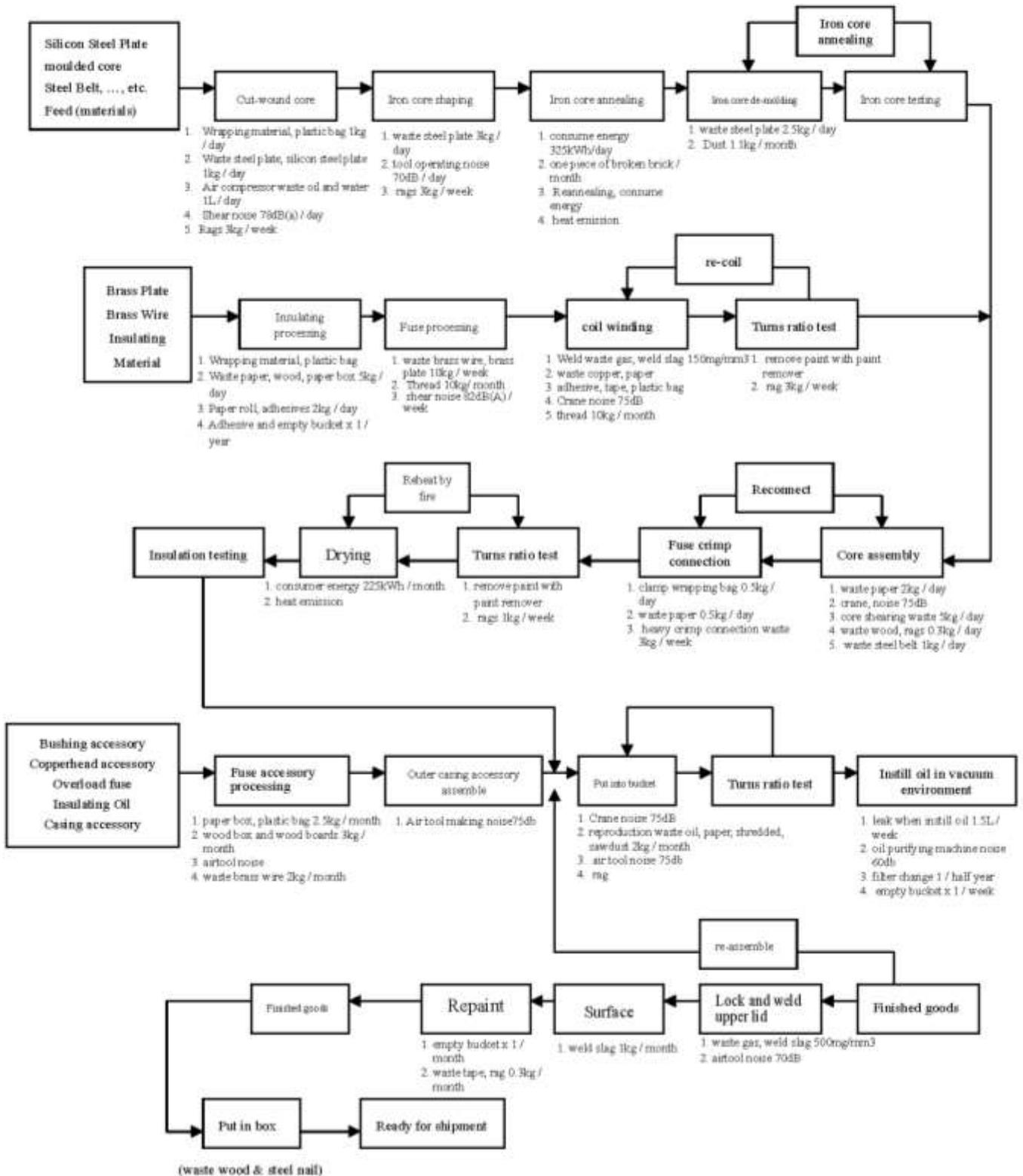
### (1) Power Transformer production Diagram:

#### Power Transformer Production Diagram

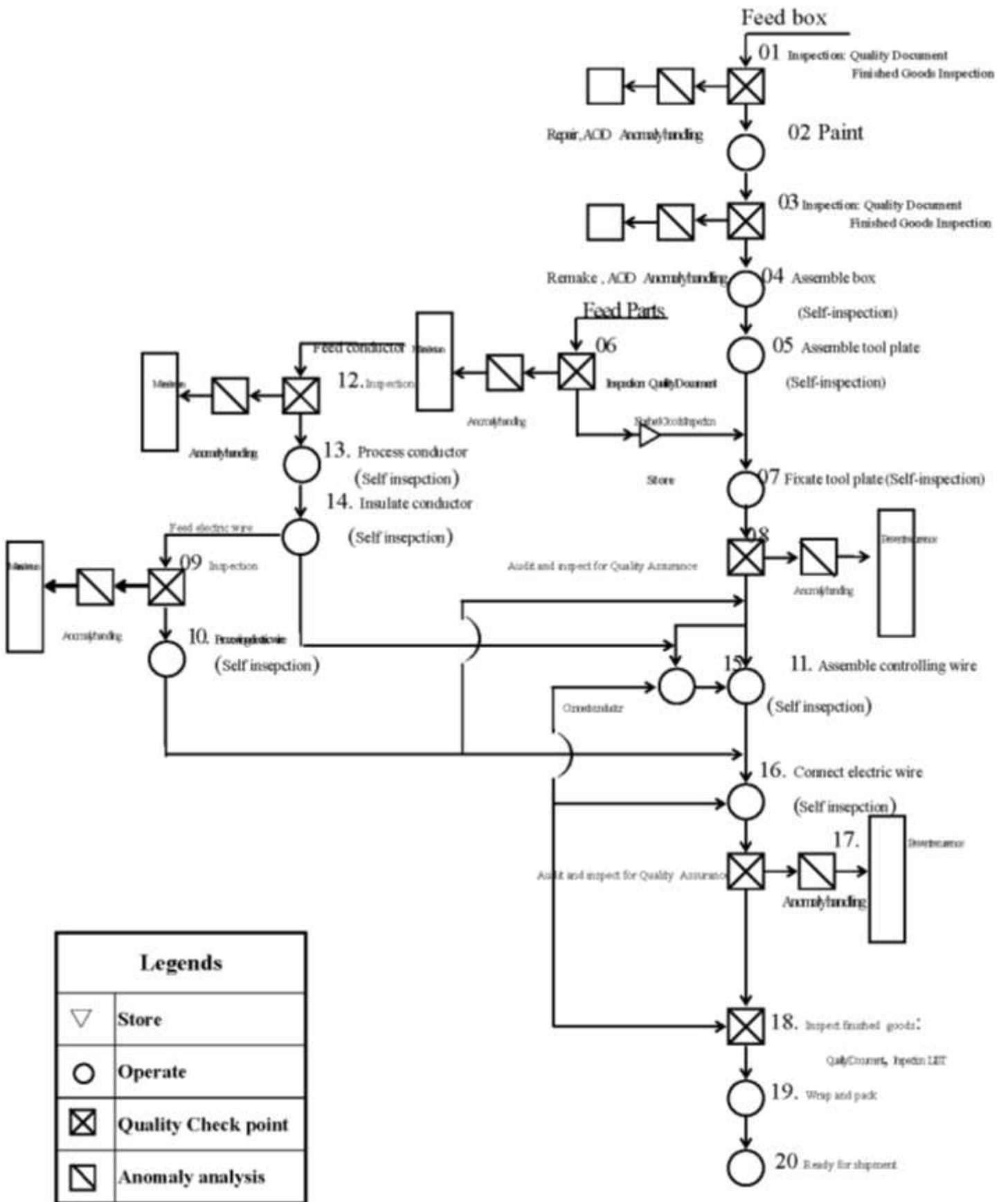


(2) Distributed transformer manufacturing diagram:

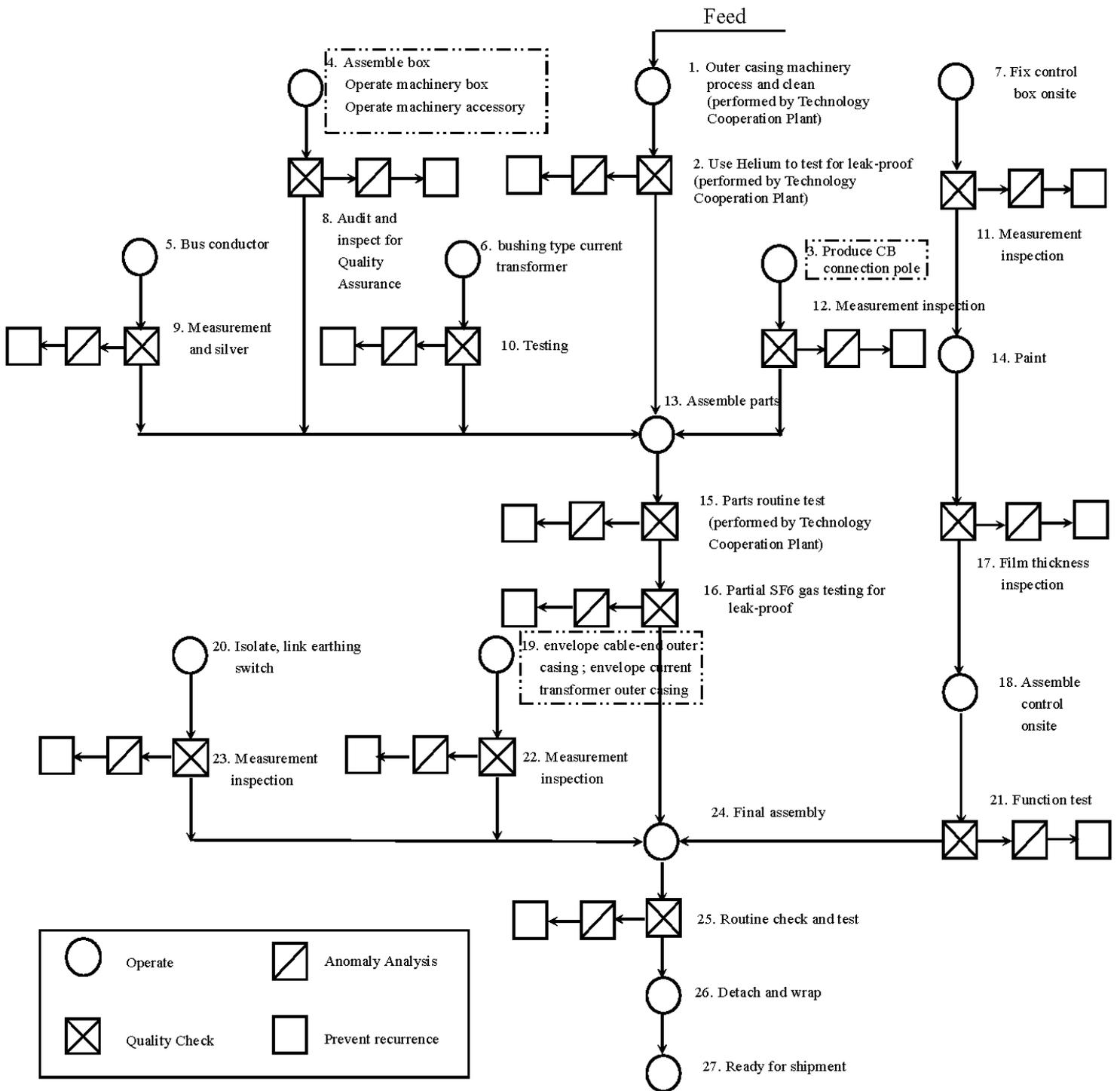
## Distributed Transformer Manufacturing Diagram



(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
Insulating Oil	Insulate transformer	ROC, U.S., Singapore, India, Sweden, Australia and Europe
Switch box	Metal-clad switch box, all sorts of switches	ROC and abroad
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

NO	2021				2020				Up to Previous Quarter in 2022			
	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	2,798,688	32	Non-interested party	A	2,366,657	30	Non-interested party	A	469,154	36	Non-interested party
2	B	1,292,603	15	Non-interested party	B	931,196	12	Non-interested party	B	0	0	Non-interested party
	Other	4,534,090	58		Other	4,698,627	58		Other	926,239	64	
	Net of sales	8,625,381	100		Net of sales	7,996,480	100		Consolidated Net of Sales	1,395,393	100	

1. Compared to 2020, current year sales to Company A increased 18.25%, 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.

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

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

Major Products	2021			2020		
	Productivity	Volume	Value	Productivity	Volume	Value
Transformer (kVA)	22,400,000	9,601,028	3,600,358	21,860,000	8,990,026	3,339,712
Distribution Board (set)	200	101	1,128,980	200	189	1,123,623
Devices for distribution (set)	53,000	44,461	409,258	31,000	10,964	319,017
Other	-	-	933,454	-	-	971,983
Total	22,400,000 kVA 200 set 53,000 set	9,601,028 kVA 101 set 44,461 set	6,072,050	21,860,000 kVA 200 set 31,000 set	8,990,026 kVA 189 set 10,964 set	5,754,335

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

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

Major Product	2021				2020			
	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)	4,036,963	2,463,871	5,299,071	1,887,400	4,621,891	2,325,186	6,467,410	1,973,299
Distribution Board (Set)	98	1,271,162	4	25,588	173	1,251,521	4	39,567
Devices for distribution (Set)	40,524	409,886	3	3,110	10,940	298,085	-	-
Other	-	910,249	-	101,913	-	846,679	-	97,560
Construction	-	1,539,976	-	-	-	1,152,273	-	-
Electricity sales	1,746,680	12,226	-	-	1,758,367	12,309	-	-
合計	4,036,963 kVA 98 set 40,524 set 1,746,680 kWh	6,607,370	5,299,071 kVA 4 set 3 set -	2,018,011	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

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		2021	2020	Up to Publication date of the Annual Report
No. of Staff	Business Management	224	227	222
	Indirect manufacturer	215	237	234
	Direct Manufacturer	305	309	286
	Total	744	773	742
Average Age		41.25	40.83	41.32
Average Seniority		11.88	10.97	11.88
Education Distribution	P.H.D.	0.13	0.26	0.14
	Master Degree	13.04	13.32	13.41
	College	59.14	58.73	58.81
	Senior High School	19.89	19.41	20.19
	Under Senior High School	7.8	8.28	7.45

## 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 1<sup>st</sup> 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 1<sup>st</sup> company in heavy-duty electric industry to have passed ISO50001 certification. 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" and Group Medical 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, Comprehensive Protection of Notifiable Infectious Diseases Insurance, Child Raising subsidy, Fertility Subsidy, Child Schooling Companion Leave, Employee injury/sickness consolation, marriage/grievance subsidy, maternity subsidy, yearend parties, and lottery draws.

- (2) Employee Daily Care

Food:	Free lunch and lunch subsidy
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

Entertainment: on-the-job further studies, subsidy of tuition fee, promoting study group, and health promotion, ..., etc. 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 by dual-ladder advancement system 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, and with rolling adjustment of training policy in response to pandemic situation, there were 1,178 people (times) in 2021 and total training hours were circa 6,182 hours and total training expenses were NT\$2,498,000

## 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 Information and Communication Security Management

1. Information and Communication Security Management framework, policy and specific management practices and resources used in management of information security were clearly stated.

(1) Information and Communication Security Management framework, and Roles and Responsibilities



### Representative of Information and Communication Security Management:

Establish and review information and communication security relevant policy and regulations, promote information security management system, and coordinate allocation of resources needed execution of information security management system

### Executive Secretary (Dedicated Information Security Chief):

Supervise and execute various tasks of information security management system, coordinate all units in the execution of all information security operation and perform self-assessment of information security execution

### Information and Communication Security Handling Team:

Executive Secretary, being appointed by Representative of Information and Communication Security Management, assembled business related personnel to form such team to plan and execute all information security operation

### Crisis Handling Team:

Crisis Handling Team is a task force in which all relevant personnel will be assembled by Executive Secretary with needs

(2) Information and Communication Security Policy:

- Implement Information Security
- Reinforce Job Quality
- Strengthen Risk Management
- Ensure Continuous Operation

(3) Specific Management Practices and resources dedicated to Information

### Security Management:

The Company established Information and Communication Security Management System according to the standard procedures laid out in ISO27001:2013 (certified period: April 2<sup>nd</sup> 2020 to April 1<sup>st</sup> 2023). Overall information and communication security management system, implementation of operation, surveillance censorship were established to continuously monitor related conformities, software and hardware facilities, to satisfy information security management goal.

The Company procure software and hardware equipment on a timely to ensure information and communication security. Maintenance contracts, as stipulated in annual plans, were arranged to ensure relevant network management equipment will function normally.

2. Any loss incurred by material information and communication security events, possible impact, and counter measures; if no reasonable estimation could be provided, facts should be disclosed: NONE

### 5.7 Important Contracts

Type of Contract	Party	Contract Period	Major Content	Restrictive Terms and Conditions
Technical Cooperation	Japan HITACHI	From January 13 <sup>th</sup> , 2019 till January 12 <sup>th</sup> , 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: 161kV and 651~750MVA 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	From September 23 <sup>rd</sup> , 2002 until termination	Gas-insulated distribution Board: below 24kV	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

Type of Contract	Party	Contract Period	Major Content	Restrictive Terms and Conditions
	GmbH	notification by either party	(inclusive)	<p>obtained.</p> <ol style="list-style-type: none"> <li>2. Cooperator has to purchase breaker from technology provider.</li> <li>3. Cooperator will not disclose to non-related third party about any information obtained from technology provider.</li> <li>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.</li> <li>5. Prior consent of the technology provider has to be sought for the contract's product, component's registration, and distribution of patent.</li> </ol>
Technical Cooperation	Japan Meidensha Corp.	July 10 <sup>th</sup> , 2017 till July 9 <sup>th</sup> , 2022	Resistor: <ol style="list-style-type: none"> <li>1. 161kV and 80MVar</li> <li>2. 161kV and 40MVar</li> <li>3. 3.33kV and 40MVar</li> <li>4. (Cooler and Radiator Type)</li> </ol>	<ol style="list-style-type: none"> <li>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.</li> <li>2. Technology provider's trademark and commercial name would not be authorized for use.</li> <li>3. 10 years after this contract's validity, technology provided by the technology provider cannot be disclosed to third party.</li> <li>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.</li> <li>5. If either fails to fulfill its obligation, bankruptcy, operation stopped or operation has material changes resulting from M&amp;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.</li> <li>6. If early termination was caused by FE, FE needed to return all technology data to technology provider.</li> <li>7. All technology transfer without technology provider's written consent is not valid.</li> </ol>
Third model Solar Photovoltaic power generator contract	Tai Power Co., Ltd, Ping Tung Branch	Contract was signed on September 2 <sup>nd</sup> , 2011. Period would be 20 years, starting from 1 <sup>st</sup> 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.

## 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

Year		Consolidated Financial Summary for The Last Five Years (Note 1)					Financial Data of Current Year up to March 31st (Note 3)
		2021	2020	2019	2018	2017	
Item							
Current Assets		7,398,719	6,453,655	6,236,861	5,039,167	5,244,308	7,949,786
Property, Plant and Equipment		1,963,885	1,982,681	2,049,431	1,317,950	1,367,183	1,954,386
Intangible assets		41,266	31,214	28,528	20,716	9,735	44,592
Other assets		518,520	224,802	271,811	449,025	447,529	502,021
Total assets		9,922,390	8,692,352	8,586,631	6,826,858	7,068,755	10,450,785
Current Liabilities	Before distribution	4,897,640	3,934,794	4,069,636	2,716,227	2,906,408	-
	After distribution	5,158,699	4,274,170	4,330,695	2,794,545	3,010,831	5,426,871
Non-current Liabilities		1,505,013	1,210,542	1,138,090	1,047,435	1,047,296	1,604,769
Total liabilities	Before distribution	6,402,653	5,145,336	5,207,726	3,763,662	3,953,704	-
	After distribution	6,663,712	5,484,712	5,468,785	3,841,980	4,058,127	7,031,640
Equity attributable to shareholders of the parent		3,479,015	3,547,016	3,378,905	3,067,582	3,113,710	3,286,378
Capital stock		2,610,585	2,610,585	2,610,585	2,610,585	2,610,585	2,610,585
Capital surplus		3,484	1,414	1,251	1,251	1,179	86,689
Retained earnings	Before distribution	902,524	950,364	776,044	467,019	517,197	-
	After distribution	641,465	610,988	514,985	388,701	412,774	634,033
Other equity interest		(37,578)	(15,347)	(8,975)	(11,273)	(15,251)	(44,929)
Treasury Stock							-
Non-controlling interest		40,722	-	-	(4,386)	1,341	132,767
Total equity	Before distribution	3,519,737	3,547,016	3,378,905	3,063,196	3,115,051	-
	After distribution	3,258,678	3,207,640	3,117,846	2,984,878	3,010,628	3,419,145

Unit: NT\$ Thousands

Year		Individual Financial Summary for The Last Five Years (Note 1)					Financial Data of Current Year up to March 31st
		2021	2020	2019	2018	2017	
Item							
Current Assets		6,104,555	5,647,095	5,841,270	4,586,165	4,765,826	Not Applicable
Property, Plant and Equipment		1,219,122	1,238,263	1,233,572	1,260,530	1,296,913	
Intangible Assets		39,313	31,181	28,493	20,679	9,694	
Other Assets		1,159,035	831,295	725,972	666,129	676,659	
Total assets		8,522,025	7,747,834	7,829,307	6,533,503	6,749,092	
Current Liabilities	Before distribution	3,704,248	3,191,311	3,414,083	2,419,524	2,588,086	
	After distribution	3,965,307	3,530,687	3,675,142	2,497,842	2,692,509	
Non-current Liabilities		1,338,762	1,009,507	1,036,319	1,046,397	1,047,296	
Total liabilities	Before distribution	5,043,010	4,200,818	4,450,402	3,465,921	3,635,382	
	After distribution	5,304,069	4,540,194	4,711,461	3,544,239	3,739,805	
Equity attributable to shareholders of the parent		3,479,015	3,547,016	3,378,905	3,067,582	3,113,710	
Capital stock		2,610,585	2,610,585	2,610,585	2,610,585	2,610,585	
Capital surplus		3,484	1,414	1,251	1,251	1,179	
Retained earnings	Before distribution	902,524	950,364	776,044	467,019	517,197	
	After distribution	641,465	610,988	514,985	388,701	412,774	
Other equity interest		(37,578)	(15,347)	(8,975)	(11,273)	(15,251)	
Treasury Stock		-	-	-	-	-	
Non-controlling interest		-	-	-	-	-	
Total Equity	Before distribution	3,479,015	3,547,016	3,378,905	3,067,582	3,113,710	
	After distribution	3,217,956	3,207,640	3,117,846	2,989,264	3,009,287	

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

Note 2: Parent company 2021 distribution of cash dividend has been approved by the Board of Directors on March 23<sup>rd</sup>, 2022, earnings per share is NT\$1.

Note 3: Financial data Up to March 31<sup>st</sup>, 2022 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 31 <sup>st</sup> (Note 3)
	2021	2020	2019	2018	2017	
Operating Revenue	9,020,094	8,471,592	7,176,598	5,996,563	5,869,690	1,395,393
Operating Margin	1,406,906	1,354,050	1,126,700	624,248	738,536	230,269
Operating income	391,966	474,093	331,055	13,147	156,783	(37,645)
Non-operating income and expenses	(26,053)	74,527	170,385	62,072	(30,815)	25,207
Income from continuing operations before income tax	365,913	548,620	501,440	75,219	125,968	(12,438)
Net income of continuing business units	287,518	457,514	415,149	53,213	91,285	(12,182)
Loss of suspended business unit	-	-	-	-	-	-
Net income	287,518	457,514	415,149	53,213	91,285	(12,182)
Other comprehensive income, net of tax	(20,578)	(28,508)	(21,122)	(3,142)	(22,670)	(7,351)
Total comprehensive income	266,940	429,006	394,027	50,071	68,615	(19,533)
Net income attributable to stockholders of the parent	289,883	457,514	410,652	60,082	92,764	(7,432)
Net income attributable to non-controlling interests	(2,365)	-	4,497	(6,869)	(1,479)	(4,750)
Total comprehensive income attributable to stockholders of the parent	269,305	429,006	389,641	55,798	70,099	(14,783)
Total comprehensive income attributable to non-controlling interests	(2,365)	-	4,386	(5,727)	(1,484)	(4,750)
Earnings per share (Note 2)	1.11	1.75	1.57	0.23	0.36	(0.03)

Unit: NT\$ Thousands

Item \ Year	Individual Financial Data for the Past 5 Years (Note 1)					Financial Data of Current Year up to March 31 <sup>st</sup>
	2021	2020	2019	2018	2017	
Operating Revenue	8,625,381	7,996,479	6,869,985	5,687,135	5,608,014	
Operating Margin	1,257,053	1,188,917	1,049,571	577,248	667,441	
Operating income	429,497	414,928	336,830	24,991	141,550	
Non-operating income and expenses	(61,800)	133,276	159,963	56,583	(14,163)	
Income from continuing operations before income tax	367,697	548,204	496,793	81,574	127,387	
Net income of continuing business units	289,883	457,514	410,652	60,082	92,764	
Loss of suspended business unit	-	-	-	-	-	
Net income	289,883	457,514	410,652	60,082	92,764	
Other comprehensive income, net of tax	(20,578)	(28,508)	(21,011)	(4,284)	(22,665)	
Total comprehensive income	269,305	429,006	389,641	55,798	70,099	
Net income attributable to stockholders of the parent	289,883	457,514	410,652	60,082	92,764	
Net income attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to stockholders of the parent	269,305	429,006	389,641	55,798	70,099	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share (Note 2)	1.11	1.75	1.57	0.23	0.36	

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 31<sup>st</sup>, 2022 have been audited by CPAs

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

Year	Accounting Firm	CPA	Audit comments
2021	Deloitte & Touche	CPA Tze-Li Kung CPA Shui-Chin Lee	No unqualified opinions
2020	Deloitte & Touche	CPA Tun-Fang Lee CPA Tze-Li Kung	No unqualified 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 unqualified 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 unqualified 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		Consolidated Financial Analysis for The Last Five Years					Current Year up to March 31st (Note)
		2021	2020	2019	2018	2017	
Financial Structure %	Debt to asset ratio	64.53	59.19	60.65	55.13	55.93	67.28
	Long term capital to property, plant, and equipment ratio	240.42	221.36	201.07	288.71	282.10	243.60
Solvency %	Current ratio	151.07	164.02	153.25	185.52	180.44	146.49
	Quick ratio	80.78	95.29	77.36	92.37	105.20	75.28
	Interest earned ratio (times)	12.96	21.34	16.17	3.52	6.12	(0.48)
Operating capacity	Accounts receivable turnover (times)	3.04	3.08	2.88	2.37	2.25	2.03
	Average collection period	120	119	127	154	162	180
	Inventory turnover (times)	2.54	2.54	2.24	2.35	2.45	1.57
	Accounts payable turnover (times)	2.36	2.38	2.48	2.58	2.48	2.61
	Average days in sales	144	144	163	155	149	233
	Property, plant and equipment turnover (times)	4.59	4.27	3.50	4.55	4.29	2.86
	Total assets turnover (times)	0.91	0.97	0.84	0.88	0.83	0.53
Profitability	Return on total assets (%)	3.35	5.55	5.73	1.11	1.59	(0.23)
	Return on stockholders' equity (%)	8.14	13.21	12.89	1.72	2.87	(1.40)
	Pre-tax income to paid-in capital (%)	14.02	21.02	19.21	2.88	4.83	(1.91)
	Profit ratio (%)	3.19	5.40	5.78	0.89	1.56	(0.87)
	Earnings per share (NTS)	1.11	1.75	1.57	0.23	0.36	(0.03)
Cash Flow	Cash flow ratio (%)	(8.94)	5.49	17.10	23.20	(12.04)	(0.61)
	Cash flow adequacy ratio (%)	29.60	97.82	41.94	10.31	21.76	38.07
	Cash reinvestment ratio (%)	(10.75)	(0.65)	9.21	9.36	(9.92)	(0.46)
Leverage	Operating leverage	3.61	2.79	3.48	56.13	5.44	(5.35)
	Financial leverage	1.08	1.06	1.11	(0.79)	1.19	0.82
<p>Analysis of financial ratio differences for the last two years up to the Publication Date of the Annual Report</p> <ol style="list-style-type: none"> <li>Income from continuing operations before income tax increased and interest decreased, as a result, Interest coverage ratio variance was 39.27%</li> <li>Consolidated profit was decreased 37.16%, as a result, profitability related variances were above 20%; consolidated revenue was increased while operating profit decreased, and operating leverage variance was over 20%</li> <li>Accounts receivable and inventory were increased while accounts payable were decreased; as a result, annual operating cash flow and capital expenditure increased so that relevant financial ratio variance was over 20% YoY</li> <li>Various financial ratios variances were huge due to loss in Q1 2022.</li> </ol>							

Note : Financial data Up to March 31st, 2022 have been audited by CPAs in Consolidated financial statements.

Items for Analysis		Year					Current Year up to March 31st
		Individual Financial Analysis for The Last Five Years					
		2021	2020	2019	2018	2017	
Financial Structure%	Debt to asset ratio	59.18	54.22	56.84	53.05	53.86	
	Long term capital to property, plant, and equipment ratio	379.03	346.36	334.05	302.20	297.28	
Solvency%	Current ratio	164.80	176.95	171.09	189.55	184.14	
	Quick ratio	88.45	98.54	83.00	93.03	106.41	Not Applicable
	Interest earned ratio (times)	20.03	33.72	25.44	4.99	7.68	
Operating capacity	Accounts receivable turnover (times)	2.96	3.02	3.00	2.45	2.37	
	Average collection period	123	121	122	149	154	
	Inventory turnover (times)	2.96	2.79	2.45	2.41	2.55	
	Accounts payable turnover (times)	2.65	2.44	2.54	2.69	2.69	
	Average days in sales	123	131	149	151	143	
	Property, plant and equipment turnover (times)	7.08	6.46	5.57	4.51	4.32	
	Total assets turnover (times)	1.01	1.03	0.88	0.87	0.83	
Profitability	Return on total assets (%)	3.75	6.05	5.94	1.15	1.63	
	Return on stockholders' equity (%)	8.25	13.21	12.74	1.94	2.91	
	Pre-tax income to paid-in capital (%)	14.08	21.00	19.03	3.12	4.88	
	Profit ratio (%)	3.36	5.72	5.98	1.06	1.65	
	Earnings per share (NT\$)	1.11	1.75	1.57	0.23	0.36	
Cash Flow	Cash flow ratio (%)	(1.59)	9.48	10.75	27.94	(16.72)	
	Cash flow adequacy ratio (%)	38.53	92.97	24.88	5.15	12.48	
	Cash reinvestment ratio (%)	(6.32)	0.69	4.97	10.45	(11.68)	
Leverage	Operating leverage	3.15	3.01	3.28	28	5.76	
	Financial leverage	1.05	1.04	1.06	5.52	1.16	

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 40.60%.
2. Consolidated profit was decreased 36.64%, as a result, profitability related variances were above 20%; consolidated revenue was increased while operating profit decreased, and operating leverage variance was over 20%.
3. Accounts receivable and inventory were increased while accounts payable were decreased; as a result, annual operating cash flow and capital expenditure increased so that relevant financial ratio variance was over 20% YoY.

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**

The Board of Directors submitted the Company's 2021 Financial Statements, Business Report and Distribution of Profit. 2021 Financial Statements have been audited by D&T accounting firm CPA Tze-Li Kung and CPA Shui-Chin Lee, 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 2022 Shareholders' Meeting

Fortune Electric Co., Ltd.

Convener of Audit Committee: Lei, Whey-Min

March 23<sup>rd</sup>, 2022

**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, 2021, 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

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March 23, 2022

## **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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 is stated as follows:

#### Occurrence of Revenue Recognition

The Group's operating revenue, which is accounted for 31.02% 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, 2021 and 2020, 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, 2021, 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 Tza-Li Gung and Suei-Chin Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 23, 2022

Notice to Readers

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

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

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of NT\$ and US\$)

ASSETS	2021		2020
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
<b>CURRENT ASSETS</b>			
Cash (Note 6)	\$ 114,912	\$ 4,151	\$ 170,816
Financial assets at amortized cost - current (Notes 9 and 33)	114,777	4,147	73,528
Contract assets (Notes 23 and 25)	671,451	24,258	671,029
Notes receivable (Note 25)	72,964	2,636	117,622
Trade receivables from unrelated parties (Notes 10 and 25)	3,134,490	113,240	2,513,847
Current tax assets (Note 27)	2,070	75	9,028
Inventories, net (Note 11)	2,668,313	96,398	2,228,848
Prepayments	171,811	6,207	116,431
Non-current assets held for sale (Note 12)	381,134	13,769	511,752
Other current assets (Notes 23 and 33)	<u>66,797</u>	<u>2,413</u>	<u>40,754</u>
Total current assets	<u>7,398,719</u>	<u>267,294</u>	<u>6,453,655</u>
<b>NON-CURRENT ASSETS</b>			
Financial assets at fair value through other comprehensive income - non-current (Note 8)	316,033	11,417	44,343
Financial assets at amortized cost - non-current (Notes 9 and 33)	3,759	135	3,859
Investments accounted for using the equity method (Note 14)	2,002	73	750
Property, plant and equipment (Notes 15 and 33)	1,963,885	70,949	1,982,681
Right-of-use assets (Notes 16 and 33)	121,537	4,391	118,977
Intangible assets (Note 17)	41,266	1,491	31,214
Deferred tax assets (Note 27)	29,973	1,083	47,118
Prepayments for equipment	38,446	1,389	5,017
Refundable deposits (Note 34)	<u>6,770</u>	<u>245</u>	<u>4,738</u>
Total non-current assets	<u>2,523,671</u>	<u>91,173</u>	<u>2,238,697</u>
<b>TOTAL</b>	<u>\$ 9,922,390</u>	<u>\$ 358,467</u>	<u>\$ 8,692,352</u>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term borrowings (Notes 18, 29 and 33)	\$ 718,384	\$ 25,953	\$ 229,917
Short-term bills payable (Notes 18 and 29)	549,679	19,858	239,790
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	4
Contract liabilities (Notes 23 and 25)	760,456	27,473	641,601
Notes payable	1	-	-
Trade payables to unrelated parties (Note 19)	2,030,815	73,368	2,060,705
Trade payables to related parties (Note 32)	86	3	99
Other payables (Note 20)	398,554	14,399	333,836
Current tax liabilities (Note 27)	39,829	1,439	32,311
Provisions (Note 21)	8,579	310	7,098
Liabilities directly associated with non-current assets held for sale (Note 12)	236,113	8,530	286,518
Lease liabilities - current (Notes 16, 29 and 32)	11,312	409	8,369
Other current liabilities	<u>143,832</u>	<u>5,196</u>	<u>94,546</u>
Total current liabilities	<u>4,897,640</u>	<u>176,938</u>	<u>3,934,794</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings (Notes 18, 29 and 33)	1,201,800	43,417	841,800
Deferred tax liabilities (Note 27)	44,512	1,608	65,761
Lease liabilities - non-current (Notes 16, 29 and 33)	111,973	4,045	111,742
Net defined benefit liabilities (Note 22)	129,401	4,675	178,859
Guarantee deposit received (Note 29)	<u>17,327</u>	<u>626</u>	<u>12,380</u>
Total non-current liabilities	<u>1,505,013</u>	<u>54,371</u>	<u>1,210,542</u>
Total liabilities	<u>6,402,653</u>	<u>231,309</u>	<u>5,145,336</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital	<u>2,610,585</u>	<u>94,313</u>	<u>2,610,585</u>
Capital surplus	<u>3,484</u>	<u>126</u>	<u>1,414</u>
Retained earnings			
Legal reserve	444,315	16,052	400,777
Special reserve	15,347	555	8,975
Unappropriated earnings	<u>442,862</u>	<u>15,999</u>	<u>540,612</u>
Total retained earnings	<u>902,524</u>	<u>32,606</u>	<u>950,364</u>
Other equity			
Exchange differences on translation of the financial statements of foreign operations	(26,619)	(962)	(24,158)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	<u>(10,959)</u>	<u>(396)</u>	<u>8,811</u>
Total other equity	<u>(37,578)</u>	<u>(1,358)</u>	<u>(15,347)</u>
Total equity attributable to owners of the Company	<u>3,479,015</u>	<u>125,687</u>	<u>3,547,016</u>
<b>NON-CONTROLLING INTERESTS</b>			
Total equity	<u>40,722</u>	<u>1,471</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 9,922,390</u>	<u>\$ 358,467</u>	<u>\$ 8,692,352</u>

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

(With Deloitte and Touche auditors' report dated March 23, 2022)

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of NT\$ and US\$, Except Earnings Per Share)**

	2021		2020 NT\$
	NT\$	US\$ (Note 4) (Unaudited)	
OPERATING REVENUES (Notes 25, 32 and 37)			
Sales	\$ 7,480,118	\$ 270,235	\$ 7,319,319
Construction revenue	<u>1,539,976</u>	<u>55,635</u>	<u>1,152,273</u>
Total operating revenues	<u>9,020,094</u>	<u>325,870</u>	<u>8,471,592</u>
OPERATING COSTS (Notes 11, 22, 26 and 32)			
Cost of goods sold	6,221,075	224,750	5,997,592
Construction costs	<u>1,392,113</u>	<u>50,293</u>	<u>1,119,950</u>
Total operating costs	<u>7,613,188</u>	<u>275,043</u>	<u>7,117,542</u>
GROSS PROFIT	<u>1,406,906</u>	<u>50,827</u>	<u>1,354,050</u>
OPERATING EXPENSES (Notes 22, 26, 32 and 34)			
Selling and marketing expenses	655,262	23,673	560,598
General and administrative expenses	223,058	8,058	179,979
Research and development expenses	127,873	4,620	127,381
Expected credit loss	<u>8,747</u>	<u>316</u>	<u>11,999</u>
Total operating expenses	<u>1,014,940</u>	<u>36,667</u>	<u>879,957</u>
PROFIT FROM OPERATIONS	<u>391,966</u>	<u>14,160</u>	<u>474,093</u>
NON-OPERATING INCOME AND EXPENSES			
Interest income (Note 26)	1,347	48	392
Other income (Note 26)	37,737	1,363	27,483
Government grants	6,667	241	12,498
Other gains and losses (Note 26)	(42,651)	(1,540)	61,509
Finance costs (Notes 26 and 32)	(30,586)	(1,105)	(26,977)
Share of gain (loss) of associates and joint ventures (Note 14)	<u>1,433</u>	<u>52</u>	<u>(378)</u>
Total non-operating income and expenses	<u>(26,053)</u>	<u>(941)</u>	<u>74,527</u>
PROFIT BEFORE INCOME TAX	365,913	13,219	548,620
INCOME TAX EXPENSE (Note 27)	<u>78,395</u>	<u>2,832</u>	<u>91,106</u>
NET PROFIT FOR THE YEAR	<u>287,518</u>	<u>10,387</u>	<u>457,514</u>

(Continued)

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of NT\$ and US\$, Except Earnings Per Share)**

	<u>2021</u>		<u>2020</u>
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
<b>OTHER COMPREHENSIVE INCOME AND LOSS</b>			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans (Note 22)	\$ 2,066	\$ 75	\$ (27,669)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(19,770)	(714)	(10,639)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	(413)	(15)	5,533
	<u>(18,117)</u>	<u>(654)</u>	<u>(32,775)</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of the financial statements of foreign operations	(2,461)	(89)	3,593
Cash flow hedges	-	-	674
	<u>(2,461)</u>	<u>(89)</u>	<u>4,267</u>
Total other comprehensive loss	<u>(20,578)</u>	<u>(743)</u>	<u>(28,508)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 266,940</u>	<u>\$ 9,644</u>	<u>\$ 429,006</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>			
Owners of the Company	\$ 289,883	\$ 10,472	\$ 457,514
Non-controlling interests	(2,365)	(85)	-
	<u>\$ 287,518</u>	<u>\$ 10,387</u>	<u>\$ 457,514</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the Company	\$ 269,305	\$ 9,729	\$ 429,006
Non-controlling interests	(2,365)	(85)	-
	<u>\$ 266,940</u>	<u>\$ 9,644</u>	<u>\$ 429,006</u>

(Continued)

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**(In Thousands of NT\$ and US\$, Except Earnings Per Share)**

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	<u>2021</u>		<u>2020</u>
	<u>NT\$</u>	<u>US\$ (Note 4)</u>	<u>NT\$</u>
		<u>(Unaudited)</u>	
EARNINGS PER SHARE (Note 28)			
From continuing operations			
Basic	<u>\$1.11</u>	<u>\$0.06</u>	<u>\$1.75</u>
Diluted	<u>\$1.11</u>	<u>\$0.06</u>	<u>\$1.75</u>

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

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of NT\$ and US\$)**

	Equity Attributable to Owners of the Company						Other Equity (Notes 8 and 24)						
	Share Capital (Note 24)	Capital Surplus (Note 24)	Retained Earnings (Note 24)			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
			Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE AT JANUARY 1, 2020	\$ 2,610,585	\$ 1,251	\$ 360,334	\$ 11,273	\$ 404,437	\$ 776,044	\$ (27,751)	\$ 19,450	\$ (674)	\$ (8,975)	\$ 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)	(22,136)	3,593	(10,639)	674	(6,372)	(28,508)	-	(28,508)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	435,378	435,378	3,593	(10,639)	674	(6,372)	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
Appropriation of 2020 earnings													
Legal reserve	-	-	43,538	-	(43,538)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	6,372	(6,372)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$1.3 per share	-	-	-	-	(339,376)	(339,376)	-	-	-	-	(339,376)	-	(339,376)
	-	-	43,538	6,372	(389,286)	(339,376)	-	-	-	-	(339,376)	-	(339,376)
Unclaimed cash dividends from shareholders	-	157	-	-	-	-	-	-	-	-	157	-	157
Changes in percentage of ownership interests in subsidiaries	-	1,913	-	-	-	-	-	-	-	-	1,913	43,087	45,000
Net profit for the year ended December 31, 2021	-	-	-	-	289,883	289,883	-	-	-	-	289,883	(2,365)	287,518
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	1,653	1,653	(2,461)	(19,770)	-	(22,231)	(20,578)	-	(20,578)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	291,536	291,536	(2,461)	(19,770)	-	(22,231)	269,305	(2,365)	266,940
BALANCE AT DECEMBER 31, 2021	\$ 2,610,585	\$ 3,484	\$ 444,315	\$ 15,347	\$ 442,862	\$ 902,524	\$ (26,619)	\$ (10,959)	\$ -	\$ (37,578)	\$ 3,479,015	\$ 40,722	\$ 3,519,737
BALANCE AT DECEMBER 31, 2021 (IN U.S. DOLLARS)	\$ 94,313	\$ 126	\$ 16,052	\$ 555	\$ 15,999	\$ 32,606	\$ (962)	\$ (396)	\$ -	\$ (1,358)	\$ 125,687	\$ 1,471	\$ 127,158

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

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of NT\$ and US\$)**

	2021		2020 NT\$
	NT\$	US\$ (Note 4) (Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax	\$ 365,913	\$ 13,219	\$ 548,620
Adjustments for:			
Depreciation expense	122,609	4,430	118,783
Amortization expense	17,310	625	11,422
Expected credit loss recognized on trade receivables	8,747	316	11,999
Net loss on financial instruments at fair value through profit or loss	-	-	4
Finance costs	30,586	1,105	26,977
Interest income	(1,347)	(49)	(392)
Share of loss of associate	(1,433)	(52)	378
Loss on disposal of property, plant and equipment (Reversal) write-down of inventories	1,022 (203)	37 (7)	77 2,268
Unrealized net gain on foreign currency exchange	(3,065)	(111)	(307)
Provisions	1,481	54	920
Gain on remeasurement of lease arrangements	(517)	(19)	-
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	(4)	-	(1,333)
Contract assets	(422)	(15)	(134,952)
Notes receivable	40,179	1,452	(31,904)
Trade receivables	(592,648)	(21,411)	(51,065)
Inventories	(342,534)	(12,375)	102,932
Prepayments	(52,879)	(1,910)	47,210
Other current assets	(23,127)	(836)	37,868
Contract liabilities	125,630	4,539	(294,627)
Notes payable	1	-	-
Trade payables	(105,846)	(3,824)	1,386
Trade payables to related parties	(13)	-	87
Other payables	64,116	2,316	10,881
Other current liabilities	51,810	1,872	19,072
Net defined benefit liabilities	(47,392)	(1,712)	(56,880)
Cash generated from operations	(342,026)	(12,356)	369,424
Interest received	1,342	48	392
Interest paid	(29,418)	(1,063)	(28,021)
Income tax paid	(67,852)	(2,451)	(125,718)
Net cash (used in) generated from operating activities	<u>(437,954)</u>	<u>(15,822)</u>	<u>216,077</u>

(Continued)

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of NT\$ and US\$)**

	<u>2021</u>		<u>2020</u>
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of financial assets as fair value through other comprehensive income	\$ (291,460)	\$ (10,529)	\$ -
Purchase of financial assets at amortized cost	(41,149)	(1,486)	(71,656)
Payments for property, plant and equipment	(67,228)	(2,429)	(62,631)
Proceeds from disposal of property, plant and equipment	3,832	138	879
Increase in refundable deposits	(5,412)	(196)	(924)
Payments for intangible assets	(26,253)	(948)	(11,003)
Increase in prepayments for equipment	<u>(49,797)</u>	<u>(1,799)</u>	<u>(18,195)</u>
Net cash used in investing activities	<u>(477,467)</u>	<u>(17,249)</u>	<u>(163,530)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings	508,855	18,383	128,774
Proceeds from short-term bills payable	309,889	11,195	40,343
Proceeds from long-term borrowings	360,000	13,006	100,000
Proceeds from guarantee deposits received	4,947	179	8,127
Repayment of the principal portion of lease liabilities	(12,352)	(446)	(10,986)
Issue of cash dividends	(339,376)	(12,261)	(261,058)
Change in non-controlling interests	45,000	1,626	-
Unclaimed share	<u>157</u>	<u>6</u>	<u>163</u>
Net cash generated from financing activities	<u>877,120</u>	<u>31,688</u>	<u>5,363</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>			
	<u>(7,227)</u>	<u>(45)</u>	<u>8,703</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(45,528)	(1,428)	66,613
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>214,509</u>	<u>7,532</u>	<u>147,896</u>
<b>CASH AT THE END OF THE YEAR</b>	<u>\$ 168,981</u>	<u>\$ 6,104</u>	<u>\$ 214,509</u> (Continued)

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of NT\$ and US\$)

	December 31		
	2021		2020
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
CASH IN THE CONSOLIDATED BALANCE SHEETS	\$114,912	\$ 4,151	\$170,816
CASH INCLUDED IN DISPOSAL GROUPS HELD FOR SALE	<u>54,069</u>	<u>1,953</u>	<u>43,693</u>
CASH IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS	<u>\$168,981</u>	<u>\$ 6,104</u>	<u>\$214,509</u>

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

(With Deloitte and Touche auditors' report dated March 23, 2022)

(Concluded)

## FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of U.S. Dollars)

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#### 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\$27.68 and NT\$28.48 to US\$1.00 as of December 31, 2021 and 2020, 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 23, 2022.

#### 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)

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.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: 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 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	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 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

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

##### **b. Basis of preparation**

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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

d. Basis of consolidation

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

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

See Note 13 Tables 5 and 6 for the detailed information of subsidiaries including the percentage of ownership and main business.

e. 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.

f. 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.

g. 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 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.

h. 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.

i. 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.

### j. Impairment of property, plant and equipment, right-of-use asset and intangible assets

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.

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.

### k. 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.

## 1. 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 amortized cost and investments in equity instruments at FVTOCI.

##### i. 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.

ii. 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 31.

### 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.

m. 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.

1) 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.

2) Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

n. 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.

o. 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.

p. 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.

q. 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.

r. 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 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

### s. U.S. dollar amounts (unaudited)

A translation of the New Taiwan dollar (NT\$) amounts into U.S. dollars in the consolidated financial statements for December 31, 2021 is included solely for the convenience of the readers and is unaudited, and has been made at the exchange rate set forth in the statistical release of the U.S. Federal Reserve Board of the United States, which was NT\$28.68 to US\$1.00 as of December 31, 2021. The translation should not be construed as a representation that the NT\$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 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

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 25	\$ 27
Checking accounts and demand deposits	<u>4,126</u>	<u>5,971</u>
	<u>\$ 4,151</u>	<u>\$ 5,998</u>

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

	<u>December 31</u>	
	2021	2020
Bank balance	0.001%-0.200%	0.001%-0.120%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2021	2020
<u>Financial liabilities at FVTPL - current</u>		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ -</u>

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)
<u>December 31, 2020</u>			
Buy	NTD/USD	2021.03.02	NTD79/USD3

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

	<u>December 31</u>	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Unlisted shares		
Ordinary shares - Raynergy Tek Incorporation	\$ 923	\$ 1,557
Ordinary shares - E-Formula Technologies, Inc.	1,093	-
Ordinary shares - Hsin He Energy Co., Ltd.	8,870	-
Ordinary shares - Synergy Co., Ltd.	<u>531</u>	<u>-</u>
	<u>\$ 11,417</u>	<u>\$ 1,557</u>

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. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	2021	2020
<u>Pledged time deposits</u>		
Current	\$ 4,147	\$ 2,582
Non-current	<u>135</u>	<u>136</u>
	<u>\$ 4,282</u>	<u>\$ 2,718</u>

Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. TRADE RECEIVABLES

	<u>December 31</u>	
	2021	2020
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 114,893	\$ 89,859
Less: Allowance for impairment loss	<u>(1,653)</u>	<u>(1,592)</u>
	<u>\$ 113,240</u>	<u>\$ 88,267</u>

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, 2021

	<b>Not Past Due</b>	<b>1 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 275 Days</b>	<b>276 to 640 Days</b>	<b>Over 641 Days</b>	<b>Total</b>
Expected credit loss rate	0.03%	0.52%	0.00%	0.12%	1.36%	17.65%	
Gross carrying amount	\$ 65,553	\$ 12,991	\$ 5,610	\$ 10,939	\$ 11,928	\$ 7,872	\$114,893
Loss allowance (Lifetime ECLs)	<u>(19)</u>	<u>(68)</u>	<u>-</u>	<u>(13)</u>	<u>(163)</u>	<u>(1,390)</u>	<u>(1,653)</u>
Amortized cost	<u>\$ 65,534</u>	<u>\$ 12,923</u>	<u>\$ 5,610</u>	<u>\$ 10,926</u>	<u>\$ 11,765</u>	<u>\$ 6,482</u>	<u>\$113,240</u>

December 31, 2020

	<b>Not Past Due</b>	<b>1 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 275 Days</b>	<b>276 to 640 Days</b>	<b>Over 641 Days</b>	<b>Total</b>
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)	<u>-</u>	<u>(5)</u>	<u>(3)</u>	<u>(14)</u>	<u>(218)</u>	<u>(1,352)</u>	<u>(1,592)</u>
Amortized cost	<u>\$ 53,254</u>	<u>\$ 10,639</u>	<u>\$ 832</u>	<u>\$ 11,133</u>	<u>\$ 7,684</u>	<u>\$ 4,725</u>	<u>\$ 88,267</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 1,592	\$ 1,292
Add: Net remeasurement of loss allowance	316	421
Less: Amounts written off	(301)	-
Less: Transfer to held for sale	-	(193)
Foreign exchange gains and losses	<u>46</u>	<u>72</u>
Balance at December 31	<u>\$ 1,653</u>	<u>\$ 1,592</u>

## 11. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Finished goods	\$ 20,981	\$ 9,780
Work in progress	59,745	57,180
Raw materials	<u>15,672</u>	<u>11,300</u>
	<u>\$ 96,398</u>	<u>\$ 78,260</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$224,750 thousand and \$209,539 thousand, respectively.

The cost of goods sold for the years ended December 31, 2021 and 2020 included write-down of inventories (reversal of write-down of inventories) of \$(7) thousand and \$80 thousand, respectively. Previous write-downs were reversed as a result of inventory devaluation.

## 12. NON-CURRENT ASSETS AS HELD FOR SALE

### 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:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$ 1,953	\$ 1,534
Notes receivable	162	-
Trade receivables	7,090	8,065
Inventories, net	2,273	5,700
prepayments	219	306
Property, plant and equipment	1,065	1,374
Right-of-use assets	742	750
Other	<u>265</u>	<u>240</u>
Non-current assets held for sale	<u>\$ 13,769</u>	<u>\$ 17,969</u>
Short-term borrowings	\$ 6,131	\$ 5,358
Contract liabilities	421	171
Trade payables	1,673	4,375
Other payables	269	144
Other	<u>36</u>	<u>12</u>
Liabilities directly associated with non-current assets held for sale	<u>\$ 8,530</u>	<u>\$ 10,060</u>

### 13. SUBSIDIARIES

#### Subsidiaries Included in the Consolidated Financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remarks
			2021	2020	
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Trade business, Investment Holding, Agents business	100.00	100.00	
	Fortune Electric America Inc.	Agents business	100.00	100.00	
	Fortune Electric Extra High Voltage Co., Ltd.	Transformers manufacturing, machining and trading	100.00	100.00	
	Fortune Energy Co., Ltd.	Manufacture of power generation, transmission and distribution machinery	100.00	100.00	a
	Fortune Electric Australia Pty Ltd.	Trade business	100.00	100.00	c
	Fortune Electric Value Company Limited	Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment/systems/technology	80.18	-	d
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	100.00	100.00	b
	Wuhan Fortune Co., Ltd.	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	100.00	-	e
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	Trading	100.00	100.00	

#### Remarks:

- a. The deregistration of Wuhan Huarong Co., Ltd. was completed on August 5, 2019.
- b. 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.
- c. The 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 was expected to be completed on July 31, 2021. Fortune Electric (Wuhan) Ltd. and its subsidiaries were classified as 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 12.
- d. 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 trading.
- e. Fortune Electric Technology Co., Ltd. was established on May 6, 2021 in Taipei City, and the Company acquired 100% ownership of Fortune Electric Technology Co., Ltd. The primary business of Fortune Electric Technology Co., Ltd. is Electric vehicle charging operation services, planning and construction

of various charging stations, research and development and sales of electric vehicle charging related equipment, systems, and technology. The Company passed the resolution of the board of directors on May 10, 2021 to split and transfer the business related to the electric vehicle charging operation business department to Fortune Electric Technology Co., Ltd. The split-up base date was June 30, 2021. On September 27, 2021, the Company subscribed for additional new shares of Fortune Electric Technology Co., Ltd. at a percentage different from its existing ownership percentage, reducing its controlling interest from 100% to 80.18%.

- f. Wuhan Fortune Co., Ltd. was established on October 26, 2021 in Wuhan, China and Power Energy International Ltd acquired 100% ownership of Wuhan Fortune Co., Ltd. The primary business of Fortune Electric Australia Pty Ltd. is production and sale of transformer tanks, machining, mechanical and electrical products, metal surface corrosion treatment.

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

##### Investments in Associates

	<u>December 31</u>	
	2021	2020
<u>Associates that are not individually material</u>		
E-Total Link	\$ <u>73</u>	\$ <u>26</u>

##### 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.

	<u>For the Year Ended December 31</u>	
	2021	2020
The Group's share of:		
Net income (loss) for the year	\$ 52	\$ (13)
Other comprehensive income (loss)	<u>(7)</u>	<u>1</u>
Total comprehensive income (loss) for the year	\$ <u>45</u>	\$ <u>(14)</u>

For the main business and products, location and registration information of the above associate, refer to Table 5.

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

#### 15. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	2021	2020
Assets used by the Group	\$ 70,943	\$ 69,610
Assets leased under operating leases	<u>6</u>	<u>7</u>
	\$ <u>70,949</u>	\$ <u>69,617</u>

a. Assets used by the Group

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 22,325	\$ 54,838	\$ 54,048	\$ 5,326	\$ 7,178	\$ 143,715
Additions	-	224	1,231	33	941	2,429
Disposals	-	-	(149)	(215)	(99)	(463)
Transfer (Note 1)	-	-	-	-	96	96
Transfer (Note 2)	-	-	327	-	224	551
Reclassified	-	-	-	-	46	46
Effects of foreign currency exchange differences	646	1,585	1,560	154	206	4,151
Balance at December 31, 2021	<u>\$ 22,971</u>	<u>\$ 56,647</u>	<u>\$ 57,017</u>	<u>\$ 5,298</u>	<u>\$ 8,592</u>	<u>\$ 150,525</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ 20,597	\$ 47,095	\$ 2,394	\$ 4,019	\$ 74,105
Depreciation expense	-	1,096	1,715	267	631	3,709
Disposals	-	-	(148)	(193)	(56)	(397)
Reclassified	-	-	-	-	24	24
Effects of foreign currency exchange differences	-	595	1,361	70	115	2,141
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 22,288</u>	<u>\$ 50,023</u>	<u>\$ 2,538</u>	<u>\$ 4,733</u>	<u>\$ 79,582</u>
Carrying amount at December 31, 2021	<u>\$ 22,971</u>	<u>\$ 34,359</u>	<u>\$ 6,994</u>	<u>\$ 2,760</u>	<u>\$ 3,859</u>	<u>\$ 70,943</u>
<u>Cost</u>						
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	<u>\$ 22,325</u>	<u>\$ 54,838</u>	<u>\$ 54,048</u>	<u>\$ 5,326</u>	<u>\$ 7,178</u>	<u>\$ 143,715</u>
<u>Accumulated depreciation</u>						
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	<u>\$ -</u>	<u>\$ 20,597</u>	<u>\$ 47,095</u>	<u>\$ 2,394</u>	<u>\$ 4,019</u>	<u>\$ 74,105</u>
Carrying amount at December 31, 2020	<u>\$ 22,325</u>	<u>\$ 34,241</u>	<u>\$ 6,953</u>	<u>\$ 2,932</u>	<u>\$ 3,159</u>	<u>\$ 69,610</u>

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, 2021 and 2020 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 33.

b. Assets leased under operating leases

	<b>Buildings</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ 27
Effects of foreign currency exchange differences	<u>1</u>
Balance at December 31, 2021	<u>\$ 28</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 20
Depreciation expense	1
Effects of foreign currency exchange differences	<u>1</u>
Balance at December 31, 2021	<u>\$ 22</u>
Carrying amount at December 31, 2021	<u>\$ 6</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 13
Transfers from assets used by the Group	<u>14</u>
Balance at December 31, 2020	<u>\$ 27</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 9
Additions	1
Transfers from assets used by the Group	<u>10</u>
Balance at December 31, 2020	<u>\$ 20</u>
Carrying amount at December 31, 2020	<u>\$ 7</u>

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:

	<u>December 31</u>	
	2021	2020
Year 1	\$ <u>      -</u>	\$ <u>      -</u>

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 33.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 3,634	\$ 3,521
Buildings	586	443
Transportation equipment	<u>171</u>	<u>214</u>
	<u>\$ 4,391</u>	<u>\$ 4,178</u>

	<u>For the Year Ended December 31</u>	
	2021	2020
Additions to right-of-use assets	<u>\$ 919</u>	<u>\$ 56</u>
Right-of-use assets transferred to disposal group held for sale	<u>\$ -</u>	<u>\$ 750</u>
Depreciation charge for right-of-use assets		
Land	\$ 160	\$ 155
Buildings	162	129
Transportation equipment	<u>168</u>	<u>150</u>
	<u>\$ 490</u>	<u>\$ 434</u>

### b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 409</u>	<u>\$ 294</u>
Non-current	<u>\$ 4,045</u>	<u>\$ 3,294</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020

Land	1.24%-1.26%	1.24%-1.26%
Buildings	1.26%	1.26%
Transportation equipment	1.24%-1.26%	1.24%-1.30%

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 not have 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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 486</u>	<u>\$ 422</u>
Expenses relating to low-value asset leases	<u>\$ 358</u>	<u>\$ 225</u>
Total cash outflow for leases	<u>\$ (1,345)</u>	<u>\$ (1,088)</u>

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 33.

## 17. INTANGIBLE ASSETS

<u>Cost</u>	<b>Computer Software</b>
Balance at January 1, 2020	\$ 2,435
Additions	386
Reclassifications	109
Net exchange differences	<u>128</u>
Balance at December 31, 2020	<u>\$ 3,058</u>

(Continued)

	<b>Computer Software</b>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 1,483
Amortization expense	401
Net exchange differences	<u>78</u>
Balance at December 31, 2020	<u>\$ 1,962</u>
Carrying amount at December 31, 2020	<u>\$ 1,096</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 3,058
Additions	948
Reclassifications	40
Disposals	(1)
Net exchange differences	<u>89</u>
Balance at December 31, 2021	<u>\$ 4,134</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 1,962
Amortization expense	625
Disposals	(1)
Net exchange differences	<u>57</u>
Balance at December 31, 2021	<u>\$ 2,643</u>
Carrying amount at December 31, 2021	<u>\$ 1,491</u> (Concluded)

The above computer software is amortized on a straight-line basis over its estimated useful life of 3 to 10 years.

## 18. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Secured borrowings (Note 33)</u>		
Issuance letters of credit	<u>\$ 2,150</u>	<u>\$ 551</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	17,666	3,511
Issuance letters of credit	<u>6,137</u>	<u>4,011</u>
	<u>23,803</u>	<u>7,522</u>
	<u>\$ 25,953</u>	<u>\$ 8,073</u>

The ranges of weighted average effective interest rate on bank loans were 0.53%-1% and 0.47%-2.15% per annum as of December 31, 2021 and 2020, respectively.

b. Short-term bills payable

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Commercial paper	\$ 19,870	\$ 8,427
Less: Unamortized discounts on bills payable	<u>(12)</u>	<u>(7)</u>
	<u>\$ 19,858</u>	<u>\$ 8,420</u>

Outstanding short-term bills payable were as follows:

December 31, 2021

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Collateral</b>
<u>Commercial paper</u>					
Dah Chung Bills	\$ 3,613	\$ 2	\$ 3,611	1.04%	N/A
The Shanghai Commercial & Saving Bank	3,613	1	3,612	1.04%	N/A
China Bills	3,613	6	3,607	1.04%	N/A
Mega Bills	3,613	1	3,612	1.04%	N/A
Grand Bills	3,613	1	3,612	1.04%	N/A
Taiwan Cooperative Bills	<u>1,805</u>	<u>1</u>	<u>1,804</u>	1.02%	N/A
	<u>\$ 19,870</u>	<u>\$ 12</u>	<u>\$ 19,858</u>		

December 31, 2020

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Collateral</b>
<u>Commercial paper</u>					
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	<u>1,756</u>	<u>2</u>	<u>1,754</u>	1.10%	N/A
	<u>\$ 8,427</u>	<u>\$ 7</u>	<u>\$ 8,420</u>		

c. Long-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Secured borrowings (Note 33)</u>		
Bank of Taiwan	\$ 18,064	\$ 17,556
Mega International Commercial Bank	<u>8,736</u>	<u>8,490</u>
	<u>26,800</u>	<u>26,046</u>
<u>Unsecured borrowings</u>		
Yuanta Bank	10,838	-
Bank SinoPac	3,612	-
Hwa Nan Commercial Bank	<u>2,167</u>	<u>3,512</u>
	<u>16,617</u>	<u>3,512</u>
	<u>\$ 43,417</u>	<u>\$ 29,558</u>

The original term of the borrowings from Bank of Taiwan was from December 4, 2013 to April 19, 2022. In April 2021, the Company negotiated the new loan period from April 19, 2019 to May 25, 2023 with the bank. The weighted average effective interest rate of the borrowings was 1.20% per annum for the years ended December 31, 2021 and 2020.

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% per annum for the years ended December 31, 2021 and 2020.

The original term of the borrowings from Yuanta Bank was from March 29, 2019 to March 29, 2021. In June 2021, the Company negotiated the new loan period from May 5, 2021 to May 20, 2024 with the bank. The weighted average effective interest rate of the borrowings was 1.15% per annum for the year ended December 31, 2021.

The original term of the borrowings from Bank of SinoPac was from December 20, 2021 to September 30, 2023. The weighted average effective interest rate of the borrowings was 1.10% per annum for the year ended December 31, 2021.

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 1.30% per annum for the years ended December 31, 2021 and 2020. The Company redeemed \$1,345 thousands debt payments during 2021.

## 19. TRADE PAYABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Operating	<u>\$ 73,368</u>	<u>\$ 72,356</u>

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

## 20. OTHER PAYABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Accrued payroll	\$ 4,602	\$ 5,531
Export payable	2,527	1,628
Payable for compensation of employees and remuneration of directors	876	1,069
Design fees payable	1,384	966
Commission payable	808	232
Interest payable	53	33
Others	<u>4,149</u>	<u>2,263</u>
	<u>\$ 14,399</u>	<u>\$ 11,722</u>

## 21. PROVISIONS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Warranties	\$ 114	\$ -
Onerous contracts	<u>196</u>	<u>249</u>
	<u>\$ 310</u>	<u>\$ 249</u>

- a. The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under contracts for the sale of goods.
- b. 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.

## 22. 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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 16,579	\$ 15,974
Fair value of plan assets	<u>(11,904)</u>	<u>(9,694)</u>
Net defined benefit liabilities	<u>\$ 4,675</u>	<u>\$ 6,280</u>

Movements in net defined benefit liabilities were as follows:

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2021	<u>\$ 15,974</u>	<u>\$ (9,694)</u>	<u>\$ 6,280</u>
Current service cost	171	-	171
Net interest expense (income)	<u>48</u>	<u>(30)</u>	<u>18</u>
Recognized in profit or loss	<u>219</u>	<u>(30)</u>	<u>189</u>
Remeasurement			
Return on plan assets	-	(149)	(149)
Actuarial loss - changes in demographic assumptions	(81)	-	(81)
Actuarial loss - experience adjustments	<u>155</u>	<u>-</u>	<u>155</u>
Recognized in other comprehensive income	<u>74</u>	<u>(149)</u>	<u>(75)</u>
Contributions from the employer	-	(1,901)	(1,901)
Benefits paid	(150)	150	-
Effects of foreign currency exchange differences	<u>462</u>	<u>(280)</u>	<u>182</u>
Balance at December 31, 2021	<u>\$ 16,579</u>	<u>\$ (11,904)</u>	<u>\$ 4,675</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ 134	\$ 166
Selling and marketing expenses	28	34
General and administrative expenses	17	24
Research and development expenses	<u>10</u>	<u>14</u>
	<u>\$ 189</u>	<u>\$ 238</u>

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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.60%	0.30%
Expected return rate of plan assets	0.30%	0.30%
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.25% increase	<u>\$ (356)</u>	<u>\$ (371)</u>
0.25% decrease	<u>\$ 368</u>	<u>\$ 384</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 355</u>	<u>\$ 370</u>
0.25% decrease	<u>\$ (345)</u>	<u>\$ (360)</u>

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.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
The expected contributions to the plan for the next year	<u>\$ 877</u>	<u>\$ 711</u>
The average duration of the defined benefit obligation	8.78 years	9.5 years

### 23. 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:

	<b>December 31, 2021</b>		
	<b>Within 1 Year</b>	<b>More Than 1 Year</b>	<b>Total</b>
<u>Assets</u>			
Refundable deposits (included in other current assets)	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 15</u>
Contract assets	<u>\$ 23,755</u>	<u>\$ 503</u>	<u>\$ 24,258</u>
<u>Liabilities</u>			
Contract liabilities	<u>\$ 9,856</u>	<u>\$ 754</u>	<u>\$ 10,610</u>

	<b>December 31, 2020</b>		
	<b>Within 1 Year</b>	<b>More Than 1 Year</b>	<b>Total</b>
<u>Assets</u>			
Refundable deposits (included in other current assets)	\$ 45	\$ 2	\$ 47
Contract assets	<u>\$ 21,027</u>	<u>\$ 2,534</u>	<u>\$ 23,561</u>
<u>Liabilities</u>			
Contract liabilities	<u>\$ 7,821</u>	<u>\$ 1,807</u>	<u>\$ 9,628</u>

## 24. EQUITY

### a. Share capital - ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Number of shares authorized (in thousands)	<u>275,000</u>	<u>275,000</u>
Shares authorized	<u>\$ 99,350</u>	<u>\$ 96,559</u>
Number of shares issued and fully paid (in thousands)	<u>261,059</u>	<u>261,059</u>
Shares issued	<u>\$ 94,313</u>	<u>\$ 91,664</u>

### b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Treasury share transactions	\$ 37	\$ 36
Unclaimed cash dividends	20	14
<u>May only be used to offset a deficit (2)</u>		
Changes in percentage of ownership interests in subsidiaries	<u>69</u>	<u>-</u>
	<u>\$ 126</u>	<u>\$ 50</u>

- 1) 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.
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposal or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

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 26(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. 1090150022, 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 2020 and 2019, which have been approved in the shareholders' meetings on June 13, 2021 and June 12, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	<u>\$ 1,573</u>	<u>\$ 1,420</u>
Special reserve	<u>\$ 158</u>	<u>\$ (81)</u>
Cash dividends	<u>\$ 12,261</u>	<u>\$ 12,261</u>
Cash dividends per share	<u>\$ 0.05</u>	<u>\$ 0.05</u>

The appropriations of earnings for 2021 has been proposed by the Company's board of directors on March 22, 2021, were as follows:

	<b>For the Year Ended December 31, 2021</b>
Legal reserve	<u>\$ 1,053</u>
Special reserve	<u>\$ 803</u>
Cash dividends	<u>\$ 9,431</u>
Cash dividends per share (NT\$)	<u>\$ 1</u>

The above appropriation for cash dividends had been resolved by the shareholders in their meeting to be held on June 15, 2022.

d. Other equity items

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (848)	\$ (926)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	<u>(114)</u>	<u>78</u>
Balance at December 31	<u>\$ (962)</u>	<u>\$ (848)</u>

2) Unrealized valuation gain on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 309	\$ 649
Recognized for the year		
Unrealized gain - equity instruments	<u>(705)</u>	<u>(340)</u>
Balance at December 31	<u>\$ (396)</u>	<u>\$ 309</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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	<u>-</u>	<u>22</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

e. Noncontrolling interests

	<b>For the Year Ended December 31, 2021</b>
Balance at January	\$ -
Noncontrolling interests arising from acquisition of subsidiaries	1,556
Share in loss for the year	<u>(85)</u>
Balance at December 31	<u>\$ 1,471</u>

## 25. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from sale of goods		
Transformers	\$ 166,249	\$ 161,752
Distribution panels	46,848	45,333
Distribution equipment	14,920	10,466
Sale of power	442	432
Others	41,776	39,015
Construction contracts	<u>55,635</u>	<u>40,459</u>
	<u>\$ 325,870</u>	<u>\$ 297,457</u>

### a. Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Notes receivable	<u>\$ 2,636</u>	<u>\$ 4,130</u>	<u>\$ 3,005</u>
Trade receivables (Note 10)	<u>\$ 113,240</u>	<u>\$ 88,267</u>	<u>\$ 94,904</u>
Contract assets			
Retentions receivable	\$ 2,703	\$ 11,213	\$ 4,403
Amounts due from customers for construction contracts	<u>21,555</u>	<u>12,348</u>	<u>14,420</u>
	<u>\$ 24,258</u>	<u>\$ 23,561</u>	<u>\$ 18,823</u>
Contract liabilities			
Retentions payable	\$ 9,995	\$ 8,126	\$ 20,019
Amounts due to customers for construction contracts	615	1,502	641
Advance receipts	<u>16,863</u>	<u>12,900</u>	<u>12,379</u>
	<u>\$ 27,473</u>	<u>\$ 22,528</u>	<u>\$ 33,039</u>

The Group applies the same risk characteristics as the trade receivables for the same types of contracts. Refer to Note 10 for the details.

### b. Disaggregation of revenue

Refer to Note 37 for information about the disaggregation of revenue.

## 26. NET PROFIT

### a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	\$ 18	\$ 10
Others	<u>30</u>	<u>4</u>
	<u>\$ 48</u>	<u>\$ 14</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Export tax rebate income	\$ 1,098	\$ 870
Operating lease rental income	2	2
Claims income	<u>263</u>	<u>93</u>
	<u>\$ 1,363</u>	<u>\$ 965</u>

### c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation income	\$ -	\$ 1,942
Net foreign exchange gains (losses)	647	137
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	-	28
Gain on remeasurement of lease arrangements	19	-
Loss on disposal of property, plant and equipment	(37)	(3)
Others	<u>(2,169)</u>	<u>55</u>
	<u>\$ (1,540)</u>	<u>\$ 2,159</u>

### d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank overdrafts and loans	\$ 1,003	\$ 860
Interest on lease liabilities	56	55
Other finance costs	<u>46</u>	<u>32</u>
	<u>\$ 1,105</u>	<u>\$ 947</u>

e. Depreciation, amortization and employee benefits expense

	2021			2020		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit expenses						
Salary	\$ 17,463	\$ 11,387	\$ 28,850	\$ 17,535	\$ 10,413	\$ 27,948
Labor insurance	1,695	764	2,459	1,447	662	2,109
Retirement expenses						
Defined contribution plans	649	329	978	586	287	873
Defined benefit plans	134	55	189	166	72	238
Remuneration of directors	<u>-</u>	<u>640</u>	<u>640</u>	<u>-</u>	<u>748</u>	<u>748</u>
	<u>\$ 19,941</u>	<u>\$ 13,175</u>	<u>\$ 33,116</u>	<u>\$ 19,734</u>	<u>\$ 12,182</u>	<u>\$ 31,916</u>
Depreciation expense	<u>\$ 3,662</u>	<u>\$ 768</u>	<u>\$ 4,430</u>	<u>\$ 3,438</u>	<u>\$ 733</u>	<u>\$ 4,171</u>
Amortization expense	<u>\$ 231</u>	<u>\$ 394</u>	<u>\$ 625</u>	<u>\$ 110</u>	<u>\$ 291</u>	<u>\$ 401</u>

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, 2021 and 2020 which have been approved by the Company's board of directors on March 23, 2022 and March 22, 2021, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2021	2020
Compensation of employees	4.97%	3.86%
Remuneration of directors	1.22%	1.40%

Amount

	For the Year Ended December 31	
	2021	2020
	Cash	Cash
Compensation of employees	\$ 704	\$ 785
Remuneration of directors	172	284

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, 2021 and 2020.

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gain	\$ 1,079	\$ 1,581
Foreign exchange loss	<u>(432)</u>	<u>(1,444)</u>
Net gain	<u>\$ 647</u>	<u>\$ 137</u>

## 27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
<u>Current tax</u>		
In respect of the current period	\$ 3,074	\$ 2,812
Adjustments for prior periods	<u>(79)</u>	<u>10</u>
	<u>2,995</u>	<u>2,822</u>
<u>Deferred tax</u>		
In respect of the current year	(333)	383
Adjustments for prior periods	<u>170</u>	<u>(6)</u>
	<u>(163)</u>	<u>377</u>
Income tax expense recognized in profit or loss	<u>\$ 2,832</u>	<u>\$ 3,199</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Profit before tax from continuing operations	<u>\$ 13,219</u>	<u>\$ 19,263</u>
Income tax expense calculated at the statutory rate	\$ 2,753	\$ 3,864
Non deductible expenses in determining taxable income	(57)	(680)
Income tax on unappropriated earnings	273	185
Using investment credits	(165)	(174)
Effect of different tax rates of appropriations of foreign earnings in other tax law	(305)	
Unrecognized deductible temporary differences	317	-
Unrecognized loss carryforwards	(75)	-
Adjustments to prior years' tax	<u>91</u>	<u>4</u>
Income tax expense recognized in profit or loss	<u>\$ 2,832</u>	<u>\$ 3,199</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current period		
Remeasurement of defined benefit plans	\$ (15)	\$ 194
Total income tax recognized in other comprehensive income	<u>\$ (15)</u>	<u>\$ 194</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Current tax assets</u>		
Tax refund receivable	<u>\$ 75</u>	<u>\$ 317</u>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 1,439</u>	<u>\$ 1,135</u>

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, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Defined benefit plans	\$ 1,256	\$ (342)	\$ (15)	\$ 36	\$ 935
Inventory write-downs	17	(1)	-	-	16
Allowance for impaired receivables	131	(70)	-	4	65
Deferred revenue	170	(170)	-	5	5
Unrealized exchange loss	17	(18)	-	1	-
Others	<u>63</u>	<u>(3)</u>	<u>-</u>	<u>2</u>	<u>62</u>
	<u>\$ 1,654</u>	<u>\$ (604)</u>	<u>\$ (15)</u>	<u>\$ 48</u>	<u>\$ 1,083</u>
<u>Deferred tax liabilities</u>					
Land value increment tax	\$ 1,426	\$ -	\$ -	\$ 42	\$ 1,468
Share of profit of subsidiaries	883	(770)	-	25	138
Others	<u>-</u>	<u>3</u>	<u>-</u>	<u>(1)</u>	<u>2</u>
	<u>\$ 2,309</u>	<u>\$ (767)</u>	<u>\$ -</u>	<u>\$ 66</u>	<u>\$ 1,608</u>

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
<u>Deferred tax assets</u>						
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	<u>50</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>63</u>
	<u>\$ 1,860</u>	<u>\$ (301)</u>	<u>\$ 194</u>	<u>\$ (196)</u>	<u>\$ 97</u>	<u>\$ 1,654</u>
<u>Deferred tax liabilities</u>						
Land value increment tax	\$ 1,355	\$ -	\$ -	\$ -	\$ 71	\$ 1,426
Share of profit of subsidiaries	767	(76)	-	-	192	883
Others	<u>33</u>	<u>-</u>	<u>-</u>	<u>(35)</u>	<u>2</u>	<u>-</u>
	<u>\$ 2,155</u>	<u>\$ (76)</u>	<u>\$ -</u>	<u>\$ (35)</u>	<u>\$ 265</u>	<u>\$ 2,309</u>

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 2019 have been assessed by the tax authorities.

## 28. 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

	<u>For the Year Ended December 31</u>	
	2021	2020
Profit for the period attributable to owners of the Company	<u>\$ 10,472</u>	<u>\$ 16,064</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
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	<u>626</u>	<u>692</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>261,685</u>	<u>261,571</u>

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.

## 29. EQUITY TRANSACTION WITH NON-CONTROLLING INTERESTS

On September 27, 2021, the Group subscribed for additional new shares of Fortune Electric Value Company Limited at a percentage different from its existing ownership percentage, and reduced its continuing interest from 100% to 80.18%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	<b>Fortune Electric Value Company Limited</b>
Consideration received	\$ 4,335
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>(4,404)</u>
Differences recognized from equity transactions	<u>\$ (69)</u>
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ (69)</u>

## 30. 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.

## 31. 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, 2021 and 2020 approximate their fair values.

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

Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ -	\$ 10,886	\$ 531	\$ 11,417
<u>December 31, 2020</u>				

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ -	\$ 1,557	\$ -	\$ 1,557

Financial liabilities at FVTPL

Derivatives	\$ -	\$ -	\$ -	\$ -
-------------	------	------	------	------

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

c. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
FVTPL		
Financial assets at amortized cost (1)	\$ 133,774	\$ 110,877
Financial assets at FVTOCI		
Equity instruments	11,417	1,557
<u>Financial liabilities</u>		
Amortized cost (2)	185,696	140,444

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 35.

Sensitivity analysis

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.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit or loss (Note)	\$ 161	\$ 127

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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 942	\$ 1,237
Financial liabilities	32,599	17,199
Cash flow interest rate risk		
Financial assets	7,348	3,649
Financial liabilities	61,084	33,069

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, 2021 and 2020 would have increased/decreased by \$497 thousand and \$294 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.

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, 2021 and 2020 would have increased/decreased by \$114 thousand and \$16 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, 2021 and 2020, the Group had available unutilized overdraft and bank loan facilities of approximately \$224,980 thousand and \$225,196 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, 2021

	<b>Weighted Average Effective Interest Rate (%)</b>	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities		\$ 24,009	\$ 66,473	\$ 19,762	\$ 1,779	\$ -
Lease liabilities		40	79	343	965	4,103
Variable interest rate liabilities	1.31	3,616	4,555	15,765	44,254	-
Fixed interest rate liabilities	0.97	<u>19,881</u>	<u>2,106</u>	<u>6,170</u>	<u>-</u>	<u>-</u>
		<u>\$ 47,546</u>	<u>\$ 73,213</u>	<u>\$ 42,040</u>	<u>\$ 46,998</u>	<u>\$ 4,103</u>

Additional information about the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 462</u>	<u>\$ 965</u>	<u>\$ 532</u>	<u>\$ 532</u>	<u>\$ 532</u>	<u>\$ 2,507</u>

December 31, 2020

	<b>Weighted Average Effective Interest Rate (%)</b>	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>
<u>Non-derivative financial liabilities</u>						
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	<u>12,467</u>	<u>990</u>	<u>3,040</u>	<u>-</u>	<u>-</u>
		<u>\$ 24,419</u>	<u>\$ 64,049</u>	<u>\$ 36,641</u>	<u>\$ 32,358</u>	<u>\$ 4,091</u>

Additional information about the maturity analysis for lease liabilities

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 345</u>	<u>\$ 866</u>	<u>\$ 517</u>	<u>\$ 517</u>	<u>\$ 517</u>	<u>\$ 2,540</u>

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, 2021 and 2020, the aggregate undiscounted principal amounts of these bank loans amounted to \$23,491 thousand and \$12,467 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

<u>Net settled</u>	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
Foreign exchange forward contracts	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>

### 32. 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

<u>Related Party Name</u>	<u>Relationship With The Group</u>
E-Total Link	Associates
Hua Cheng Investment Co., Ltd.	Others

b. Sale of goods

<b>Related Party Category/Name</b>	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Associates	\$ <u>          2</u>	\$ <u>          -</u>

c. Purchase of goods

<b>Related Party Category/Name</b>	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Associates	\$ <u>          93</u>	\$ <u>         101</u>

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

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

Line Items	Related Party Category/Name	December 31	
		2021	2020
Accounts payable	Associates	\$ <u>3</u>	\$ <u>3</u>

The outstanding trade payables from related parties are unsecured.

- e. Lease arrangements - Group is lessee

Line Item	Related Party Category/Name	December 31	
		2021	2020
Lease liabilities - current	Other related party	\$ <u>6</u>	\$ <u>6</u>

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Cost of goods sold - manufacturing expense</u>		
Other related party	\$ 1	\$ 1
<u>Operating expense</u>		
Other related party	5	4

- f. Lease arrangements - Group is lessor

Lease arrangements - Group is lessor under operating leases

The Group leases out office to its associate - Hua Cheng Investment Co., Ltd. under operating leases with lease terms of 1 year. 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, 2021 and 2020, the balance of operating lease receivables was \$0 thousand and \$2 thousand. Lease income recognized for the years ended December 31, 2021 and 2020 was both \$2 thousand.

- g. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 2,205	\$ 2,365
Termination benefits	<u>77</u>	<u>75</u>
	\$ <u>2,282</u>	\$ <u>2,440</u>

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

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Refundable deposits (current portion is included in other current assets)	\$ 849	\$ 482
Pledged deposits (classified as financial assets at amortized cost)	942	1,237
Property, plant and equipment	33,808	33,800
Right-of-use assets (classified as disposal held for sale on)	<u>742</u>	<u>750</u>
	<u>\$ 36,341</u>	<u>\$ 36,269</u>

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2021 were as follows:

- a. As of December 31, 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$4,798 thousand, ¥59,128 thousand, €558 thousand and Kr1,309 thousand and Fr163 thousand.
- b. As of December 31, 2021, promissory note of \$50,343 thousand was made for bank financing, endorsements and the investee company's sales performance guarantee.
- c. 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 \$56 thousand and \$27 thousand for the year ended December 31, 2021, which was included in operating expenses.
- d. 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.
- e. The Ministry of Economic Affairs offered government grant for establishing solar power system at the land subsidence in Pingtung County and Morakot disaster area. Regarding the solar energy project, Taiwan Power Company has signed a purchase and sale of electricity contract with the Company. The contract stated that Taiwan Power Company will purchase electricity from the Company for 20 years based on the ground-based solar power purchase rates announced by the Ministry of Economic Affairs. The power selling revenue for the years ended December 31, 2021 and 2020 was \$442 thousand and \$432 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.

### 35. 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, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount (NTD)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 25,596	27.6800 (USD:NTD)	\$ 708,498
USD	146	6.3720 (USD:RMB)	<u>4</u>
			<u>\$ 708,502</u>
<u>Financial liabilities</u>			
Monetary items			
USD	9,427	27.6800 (USD:NTD)	\$ 260,939
USD	560	6.3270 (USD:RMB)	<u>1,550</u>
			<u>\$ 262,489</u>

December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount (NTD)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,182	28.4800 (USD:NTD)	\$ 489,343
USD	2,486	6.5067 (USD:RMB)	<u>70,801</u>
			<u>\$ 560,144</u>
<u>Financial liabilities</u>			
Monetary items			
USD	6,834	28.4800 (USD:NTD)	\$ 194,632
USD	147	6.5067 (USD:RMB)	<u>4,187</u>
			<u>\$ 198,819</u>

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 were as follows:

Foreign Currency	For the Year Ended December 31			
	2021		2020	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	\$ 600	1 (NTD:NTD)	\$ 49
RMB	4.3526 (RMB:NTD)	<u>47</u>	4.3506 (RMB:NTD)	<u>88</u>
		<u>\$ 647</u>		<u>\$ 137</u>

### 36. 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. (Table 4)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 7)
- 11) Information on investees. (Table 5)

#### 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 6)

- 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, 5-6)
- 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 8)

### 37. 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	
	2021	2020	2021	2020
Electrical department	\$ 270,235	\$ 256,998	\$ 17,317	\$ 21,830
Construction department	55,635	40,459	4,901	1,135
Segment revenues	<u>\$ 325,870</u>	<u>\$ 297,457</u>	22,218	22,965
Government grant			241	439
Other income			1,363	965
Interest income			48	14
Share of the loss of associate			52	(13)
Other gains and losses			(1,540)	2,159
Finance costs			(1,105)	(947)
General and administrative expense			<u>(8,058)</u>	<u>(6,319)</u>
Profit before tax			<u>\$ 13,219</u>	<u>\$ 19,263</u>

Segment revenues reported above represent revenues generated from external customers. There were no inter-segment sales during the years ended December 31, 2021 and 2020.

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

	<u>Depreciation and Amortization</u>	
	<u>2021</u>	<u>2020</u>
Electrical department	<u>\$ 5,055</u>	<u>\$ 4,572</u>

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 25.

e. Information about major customers

Included in the total revenues of electrical and turnkey departments of \$325,870 thousand and \$297,458 thousand in 2021 and 2020, respectively.

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Customer A	\$ 101,109	\$ 83,099
Customer B	46,698	Note
Customer C	Note	32,696

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, 2021**

**(In Thousands of U.S. Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit 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 Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	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	\$ 62,843	\$130,000	\$ 6,800	\$ 550 ¥ 400	\$ -	5.41	\$ 75,412	Y	N	Y	
		Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	62,843	41,546	39,740	34,026	-	31.64	75,412	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: \$125,687 x 50% = \$62,843

Note 2: The maximum limit is equal to 60% of the Company's net equity: \$125,687 x 60% = \$75,412

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2021**

**(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, 2021				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Fortune Electric Co., Ltd.	<u>Shares</u>							
	Raynergy Tek Incorporation	-	Financial assets at fair value through other comprehensive income	3,031	\$ 923	8.05	\$ 923	
	ProMOSTech Co., Ltd.	-	Financial assets at fair value through other comprehensive income	26	-	0.06	-	
	E-Formula Technologies Inc.	-	Financial assets at fair value through other comprehensive income	25,275	1,093	15.00	1,093	
	Hsin He Energy Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,200	8,870	5.52	8,870	
	Synergy Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,471	531	14.71	531	

Note: The information of investments in subsidiaries and associates is provided in Tables 5 and 6.

**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, 2021**

**(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	\$ 17,925	10.29	90 days	\$ -	-	Accounts payable	\$ 5,120	6.91	-

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric Co., Ltd.	Subsidiaries	\$ 5,120	-	\$ -		\$ 4,814	\$ -

**TABLE 5**

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(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, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 1)	Note
				December 31, 2021	December 31, 2020	Shares (Thousand)	%	Carrying Value			
Fortune Electric Co., Ltd.	Power Energy International Ltd.	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	Trading, investment holding, agent business	\$ 5,075	\$ 4,443	3,800	100	\$ 2,804	\$ (2,720)	\$ (2,720)	Investee is a subsidiary (Note 2)
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Business agents	107	104	1	100	665	128	128	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	20,405	10,831	141,200	100	17,607	11,608	11,608	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	50	49	100	25	73	207	52	Associate
	Fortune Electric Co., Ltd.	10F, No. 368, Sec. 1, Fusing S. Rd., Da'an District., Taipei City 106, Taiwan	Manufacture of power generation transmission and distribution machinery	36	35	100	100	29	(2)	(2)	Investee is a subsidiary
	Fortune Electric Australia Pty, Ltd.	Level 7, 60, York Street, Sydney NSW 2000, Australia	Trading,	368	357	500	100	396	32	32	Investee is a subsidiary
	Fortune Electric Value Company Limited	14F., No. 191, Fuxing N. Rd., Songshan District., Taipei City	Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment/systems/technology	6,575	-	18,200	80.18	5,950	(780)	(694)	Investee is a subsidiary (Note 3)
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Wuhan, China	Transformers, capacitors, power distribution equipment manufacturing	6,500	6,500	-	100	5,239	(2,798)	(2,798)	Investee is a subsidiary
	Wuhan Fortune Co., Ltd.	Wuhan, China	Transformers, capacitors, power distribution equipment manufacturing	500	-	-	100	604	95	95	Investee is a subsidiary (Note 4)
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	Wuhan, China	Trading,	RMB 500 thousand	RMB 500 thousand	-	100	RMB1,572 Thousand	RMB 560 thousand	RMB 560 thousand	Investee is a subsidiary

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

Note 2: The shareholder meeting of Power Energy International Ltd. approved appropriations of cash dividends of \$3,057 thousands for 2021.

Note 3: On June 30, 2021, Fortune Electric Value Company Limited became a subsidiary and the Group's percentage of ownership was 100%; as a result, Fortune Electric Value Company Limited was included in the Group since then.

Note 4: On November 26, 2021, Wuhan Fortune Co., Ltd. was established as a subsidiary and the Group's percentage of ownership was 100%; as a result, Wuhan Fortune Co., 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, 2021

(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, 2021 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (Note 3)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outward	Inward							
Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	\$ 6,500	Indirect	\$ 6,000	\$ -	\$ -	\$ (6,000)	\$ (2,799)	100	\$ (2,799)	\$ (5,239)	\$ -	
Wuhan Fortune Electric Ltd.	Transformers, capacitors, power distribution equipment manufacturing	500	Indirect	-	500	-	(500)	95	100	95	604	-	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA
\$6,500	\$6,000	\$75,412

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

Note 2: The investment income/loss was recognized based on the average exchange rate from January 1, 2021 to December 31, 2021; the other accounts were all based on prevailing exchange rate as of December 31, 2021.

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.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

(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	Accounts receivable	\$ 113	With non-related parties	0.03	
		Fortune Electric (Wuhan) Co., Ltd.	a	Sales	119	With non-related parties	0.04	
		Fortune Electric America Inc.	a	Accounts receivable	1,384	With non-related parties	0.39	
		Fortune Electric America Inc.	a	Operating expenses	1,808	Under arm's length terms	0.55	
		Fortune Electric America Inc.	a	Other payable	100	With non-related parties	0.03	
		Fortune Electric America Inc.	a	Sales	1,384	With non-related parties	0.42	
		Fortune Electric Extra High Voltage Co., Ltd.	a	Purchases	17,485	With non-related parties	5.50	
		Fortune Electric Extra High Voltage Co., Ltd.	a	Prepaid expense	2,191	With non-related parties	0.61	
		Fortune Electric Extra High Voltage Co., Ltd.	a	Accounts payable	5,120	With non-related parties	1.43	
		Fortune Electric Extra High Voltage Co., Ltd.	a	Sales	19	With non-related parties	0.01	
		Wuhan Fortune Trade Co., Ltd.	a	Purchases	634	With non-related parties	0.19	
		Wuhan Fortune Co., Ltd.	a	Prepaid expense	32	With non-related parties	0.01	
		Wuhan Fortune Co., Ltd.	a	Accounts payable	38	With non-related parties	0.01	
		Wuhan Fortune Co., Ltd.	a	Purchases	403	With non-related parties	0.12	
		Fortune Electric Value Company Limited	a	Accounts receivable	610	With non-related parties	0.17	
		Fortune Electric Value Company Limited	a	Sales	325	With non-related parties	0.10	
		Fortune Electric Value Company Limited	a	Purchases	728	With non-related parties	0.22	
		Fortune Electric Value Company Limited	a	Accounts payable	758	With non-related parties	0.21	
		Fortune Electric Value Company Limited	a	Other receivable	45	With non-related parties	0.01	
		Fortune Electric Australia Pty, Ltd.	a	Sales	693	With non-related parties	0.21	
		Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric America Inc.	b	Accounts receivable	2,293	With non-related parties	0.64
			Fortune Electric America Inc.	b	Sales	2,289	With non-related parties	0.70
		Fortune Electric Value Company Limited	Wuhan Fortune Co., Ltd.	b	Prepaid expense	19	With non-related parties	0.01
			Wuhan Fortune Trade Co., Ltd.	b	Purchases	287	With non-related parties	0.09
			Wuhan Fortune Co., Ltd.	b	Purchases	169	With non-related parties	0.05

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.

**TABLE 8****FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Hsu, Shou-Syong	23,898,936	9.15
Hua Cheng Investment Co., Ltd.	22,903,419	8.77
Hsu, Bang-Fu	18,600,366	7.12
Chen, Yan-Fen	13,080,805	5.01

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 trustor 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, 2020 and 2021, 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, 2021 and 2020, 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 2021. 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 2021 are stated as follows :

### Occurrence of operating revenue

Among the operating revenue of Fortune Electric Co., Ltd. in 2021, the revenue from a single major customer accounted for 32.43% 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 of 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 Gung, Tza-Li

CPA Lee, Suei-Chin

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

Reference number of the FSC approval letter,  
No. Financial-Supervisory-  
Securities-Auditing-1100356048

March 23, 2022

**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, 2021 and 2020**

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash (Note 6)	\$ 16,117	-	\$ 130,160	2
1136	Current financial assets at amortized cost (Notes 9 and 32)	19,135	-	28,306	-
1140	Contract asset (Notes 21 and 23)	671,451	8	671,029	9
1150	Notes receivable (Note 23)	72,964	1	117,622	2
1170	Account receivable, net (Notes 10 and 23)	2,993,783	35	2,502,071	32
1180	Account receivable due from related parties, net (Note 31)	45,644	1	5,922	-
1220	Current tax assets (Note 25)	2,070	-	8,567	-
130X	Current inventories (Note 11)	2,065,326	24	1,969,735	25
1410	Prepayments (Note 31)	160,710	2	173,811	2
1470	Other current assets (Notes 21, 31, 32)	57,355	1	39,872	1
11XX	Total current assets	<u>6,104,555</u>	<u>72</u>	<u>5,647,095</u>	<u>73</u>
	<b>Non-current assets</b>				
1517	Non-current financial assets at fair value through other comprehensive income (Note 8)	316,033	4	44,343	1
1535	Non-current financial assets at amortized cost (Notes 9 and 32)	3,759	-	3,759	-
1550	Investments accounted for using equity method (Note 12)	761,851	9	708,447	9
1600	Property, Plant and equipment (Notes 13 and 32)	1,219,122	14	1,238,263	16
1755	Right-of-use assets (Notes 14 and 31)	10,488	-	18,638	-
1780	Intangible assets (Note 15)	39,313	1	31,181	-
1840	Deferred tax assets (Note 21)	29,973	-	47,118	1
1915	Prepayments for business facilities	31,386	-	4,625	-
1920	Guarantee deposits paid (Note 32)	5,545	-	4,365	-
15XX	Total Non-current assets	<u>2,417,470</u>	<u>28</u>	<u>2,100,739</u>	<u>27</u>
1XXX	Total assets	<u>\$ 8,522,025</u>	<u>100</u>	<u>\$ 7,747,834</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current Liabilities</b>				
2100	Current borrowings (Note 16 and 32)	\$ 512,047	6	\$ 159,566	2
2120	Current financial liabilities at fair value through profit or loss (Note 7)	-	-	4	-
2130	Current contract liabilities (Notes 21 and 23)	750,210	9	641,601	8
2150	Notes payable	1	-	-	-
2170	Accounts payable (Note 17)	1,883,697	22	1,978,131	26
2180	Account payable to related parties (Note 31)	167,159	2	21,675	-
2200	Other payables (Note 18)	287,627	3	295,146	4
2230	Current tax liabilities (Note 25)	39,763	-	32,311	-
2250	Provisions (Note 19)	8,579	-	7,098	-
2280	Current lease liabilities (Note 14 and 31)	4,832	-	6,564	-
2300	Other current liabilities	50,333	1	49,215	1
21XX	Total liabilities	<u>3,704,248</u>	<u>43</u>	<u>3,191,311</u>	<u>41</u>
	<b>Non-current liabilities</b>				
2540	Long-term borrowings (Notes 16 and 32)	1,141,800	13	741,800	10
2570	Deferred tax liabilities (Note 25)	44,512	1	65,761	1
2580	Non-current lease liabilities (Notes 14 and 31)	5,722	-	12,673	-
2640	Net defined benefit liability, non-current (Note 20)	129,401	2	178,859	2
2645	Guarantee deposits received	17,327	-	10,414	-
25XX	Total non-current liabilities	<u>1,338,762</u>	<u>16</u>	<u>1,009,507</u>	<u>13</u>
2XXX	Total liabilities	<u>5,043,010</u>	<u>59</u>	<u>4,200,818</u>	<u>54</u>
	<b>Equity</b>				
3110	Ordinary Share	2,610,585	31	2,610,585	34
3200	Capital surplus	3,484	-	1,414	-
	Retained earnings				
3310	Legal reserve	444,315	6	400,777	5
3320	Special reserve	15,347	-	8,975	-
3350	Unappropriated retained earnings	442,862	5	540,612	7
3300	Total retained earnings	<u>902,524</u>	<u>11</u>	<u>950,364</u>	<u>12</u>
	Other equity				
3410	Exchange difference on translation of foreign financial statements	( 26,619 )	( 1 )	( 24,158 )	-
3420	Unrealized Gain or Losses on FVTOCI Financial Assets	( 10,959 )	-	8,811	-
3400	Other equity interest	( 37,578 )	( 1 )	( 15,347 )	-
3XXX	Total equity	<u>3,479,015</u>	<u>41</u>	<u>3,547,016</u>	<u>46</u>
	Total liabilities and equity	<u>\$ 8,522,025</u>	<u>100</u>	<u>\$ 7,747,834</u>	<u>100</u>

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, 2021 and 2020**

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

Code		2021		2020	
		Amount	%	Amount	%
	Operating revenue( Notes 23, 31 and 32 )				
4100	Sales	\$ 7,085,405	82	\$ 6,844,206	86
4520	Construction revenue	<u>1,539,976</u>	<u>18</u>	<u>1,152,273</u>	<u>14</u>
4000	Total operating revenue	<u>8,625,381</u>	<u>100</u>	<u>7,996,479</u>	<u>100</u>
	Operating costs ( Notes 11, 20, 24, and 31 )				
5110	Sales costs	5,964,015	69	5,679,135	71
5520	Construction cost	<u>1,404,313</u>	<u>16</u>	<u>1,128,427</u>	<u>14</u>
5000	Operating costs	<u>7,368,328</u>	<u>85</u>	<u>6,807,562</u>	<u>85</u>
5900	Gross profit from operations	<u>1,257,053</u>	<u>15</u>	<u>1,188,917</u>	<u>15</u>
	Operating expenses ( Notes 20, 24, 31 and 33 )				
6100	Selling expenses	548,160	6	488,472	6
6200	Administrative expenses	157,510	2	144,774	2
6300	Research and development expense	118,149	2	128,744	2
6450	Expected credit loss	<u>3,737</u>	<u>-</u>	<u>11,999</u>	<u>-</u>
6000	Total operating expenses	<u>827,556</u>	<u>10</u>	<u>773,989</u>	<u>10</u>
6900	Net operating income	<u>429,497</u>	<u>5</u>	<u>414,928</u>	<u>5</u>
	Non-operating income and expenses				
7100	Interest revenue ( Note 24 )	855	-	202	-
7190	Other income ( Note 24 )	37,832	-	27,535	-
7190	Government grants income ( Note 4 )	6,667	-	12,498	-
7020	Other gains and losses ( Note 24 )	( 30,459 )	-	2,003	-
7050	Financial Cost ( Note 24 and 31 )	( 19,319 )	-	( 16,754 )	-
7070	Share of profit (loss) of Associates & Joint Ventures accounted for using equity method ( Note 12 )	( <u>57,376</u> )	( <u>1</u> )	<u>107,792</u>	<u>2</u>
7000	Total non-operating income and expenses	( <u>61,800</u> )	( <u>1</u> )	<u>133,276</u>	<u>2</u>

( continued on next page )

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Code		2021		2020	
		Amount	%	Amount	%
7900	Profit before tax	\$ 367,697	4	\$ 548,204	7
7950	Tax expense ( Note 25 )	<u>77,814</u>	<u>1</u>	<u>90,690</u>	<u>1</u>
8200	Profit	<u>289,883</u>	<u>3</u>	<u>457,514</u>	<u>6</u>
	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)	2,066	-	( 27,669 )	( 1 )
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	( 19,770 )	-	( 10,639 )	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 25)	( <u>413</u> )	<u>-</u>	<u>5,533</u>	<u>-</u>
		( <u>18,117</u> )	<u>-</u>	( <u>32,775</u> )	( <u>1</u> )
8360	Components of other comprehensive income that may be reclassified subsequently to profit or loss:				
8363	Cash flow hedge	-	-	674	-
8370	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method	( <u>2,461</u> )	<u>-</u>	<u>3,593</u>	<u>-</u>
		( <u>2,461</u> )	<u>-</u>	<u>4,267</u>	<u>-</u>
8300	Other total comprehensive income	( <u>20,578</u> )	<u>-</u>	( <u>28,508</u> )	( <u>1</u> )
8500	Total comprehensive income	<u>\$ 269,305</u>	<u>3</u>	<u>\$ 429,006</u>	<u>5</u>
	Earnings per share ( Note 26 )				
9710	Basic	<u>\$ 1.11</u>		<u>\$ 1.75</u>	
9810	Diluted	<u>\$ 1.11</u>		<u>\$ 1.75</u>	

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, 2021 and 2020**

Unit: In Thousands of New Taiwan Dollars, Except Earning per Share  
Other equity interest (Note 4, 8 and 22)

Code		Ordinary share (Note 22)	Capital surplus (Note 22)	Retained (Note 22 and 26)			Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on assets at fair value through other comprehensive income	Cash flow hedge	Total	Total Equity
				Legal reserve	Special reserve	Unappropriated Retained Earnings						
A1	Balance, January 1, 2020	\$2,610,585	\$ 1,251	\$ 360,334	\$ 11,273	\$ 404,437	\$ 776,044	(\$ 27,751)	\$ 19,450	(\$ 674)	(\$ 8,975)	\$3,378,905
B1	Appropriations 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 after tax	-	-	-	-	( 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
B1	Appropriation of 2020 earnings											
B1	Legal reserve appropriated	-	-	43,538	-	( 43,538 )	-	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	6,372	( 6,372 )	-	-	-	-	-	-
B5	Cash dividends – NT\$ 1.3/per share	-	-	-	-	( 339,376 )	( 339,376 )	-	-	-	-	( 339,376 )
		-	-	43,538	6,372	( 389,286 )	( 339,376 )	-	-	-	-	( 339,376 )
C17	Unclaimed cash dividends	-	157	-	-	-	-	-	-	-	-	157
M7	Changes in ownership interests in subsidiaries	-	1,913	-	-	-	-	-	-	-	-	1,913
D1	Net profit for 2021	-	-	-	-	289,883	289,883	-	-	-	-	289,883
D3	Other comprehensive income(loss) for 2021 after tax	-	-	-	-	1,653	1,653	( 2,461 )	( 19,770 )	-	( 22,231 )	( 20,578 )
D5	Total comprehensive income(loss)	-	-	-	-	291,536	291,536	( 2,461 )	( 19,770 )	-	( 22,231 )	269,305
Z1	Balance, December 31, 2021	\$2,610,585	\$ 3,484	\$ 444,315	\$ 15,347	\$ 442,862	\$ 902,524	(\$ 26,619)	(\$ 10,959)	\$ -	(\$ 37,578)	\$3,479,015

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, 2021 and 2020**

Unit: In Thousands of New Taiwan Dollars

Code		2021	2020
	Cash flows from operating activities		
A00010	Profit before tax	\$ 367,697	\$ 548,204
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	75,985	73,285
A20200	Amortization expense	16,914	11,422
A20300	Expected credit loss	3,737	11,999
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	-	4
A20900	Financial cost	19,319	16,754
A21200	Interest income	( 855 )	( 202 )
A22400	Share of loss (profit) of Associates & Joint Ventures Accounted for Using Equity Method	57,376	( 107,792 )
A22500	Loss (gain) on disposal	662	77
A29900	Gain on lease modifications	( 516 )	-
A23700	Provisions for liability	1,481	920
A23800	(Gain)Loss on inventory valuation	( 203 )	2,268
A30000	Changes in operating assets and liabilities, net		
A31110	Financial instruments at fair value through profit or loss	( 4 )	( 1,333 )
A31125	Contract asset	( 422 )	( 134,952 )
A31130	Note receivable	44,658	( 39,625 )
A31150	Account receivable	( 516,155 )	( 1,476 )
A31160	Receivable from related parties	( 39,722 )	( 5,922 )
A31200	Inventories	( 108,382 )	126,345
A31230	Accounts payable	11,277	315,845
A31240	Other current assets	( 18,370 )	( 9,427 )
A32125	Contract liability	111,976	( 288,965 )
A32130	Notes payable	1	-
A32150	Accounts payable	( 93,307 )	( 4,017 )
A32160	Payable to related parties	145,484	( 435 )
A32180	Other payable	( 6,286 )	16,065
A32230	Other current liabilities	1,301	( 28,430 )
A32240	Net defined benefit liability	( 47,392 )	( 56,880 )
A33000	Cash generated from operations	26,254	443,732

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Code		2021	2020
A33100	Interest received	\$ 894	\$ 202
A33300	Interest paid	( 18,438 )	( 17,640 )
A33500	Income tax paid	( 67,534 )	( 123,633 )
AAAA	Net cash flows (out) from operating activities	( 58,824 )	302,661
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	( 291,460 )	-
B00040	Acquisition of financial assets at amortized cost	9,171	( 29,478 )
B02200	Investments accounted for using equity method	( 134,947 )	( 11,173 )
B02700	Acquisition of property, plant and equipment	( 54,097 )	( 54,445 )
B02800	Proceeds from disposal of property, plant and equipment	1,178	879
B03800	Increase in refundable deposits	( 1,194 )	( 962 )
B04500	Acquisition of intangible assets	( 25,716 )	( 11,003 )
B05000	Cash outflows from business demerger	( 10,272 )	-
B07100	Increase in prepayments for business facilities	( 43,608 )	( 16,862 )
B07600	Dividends received	84,619	-
BBBB	Net cash flows from investing activities	( 466,326 )	( 123,044 )
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term loans	352,481	130,518
C01600	Payments of finance lease liabilities	400,000	-
C03000	Guarantee deposit received	6,913	6,161
C04500	Cash dividends paid	( 339,376 )	( 261,058 )
C04020	Payments of lease liabilities	( 9,068 )	( 8,752 )
C09900	Unclaimed cash dividends	157	163
CCCC	Net cash flows (out) from financing activities	411,107	( 132,968 )
EEEE	Net increase(decrease) in cash	( 114,043 )	46,649
E00100	Cash at beginning of the year	130,160	83,511
E00200	Cash at end of period	\$ 16,117	\$ 130,160

The accompany 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, 2021 and 2020**

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

**1. General Information**

Fortune Electric Co., Ltd (the “Company”) was incorporated in August 1969. The Company is 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 23, 2022.

**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, “IFRS”) 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:
- (2) The IFRSs endorsed by the FSC for application starting from 2022

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
“Annual Improvements to IFRSs Standards 2018~2020”	January 1, 2022 ( Note 1 )
Amendments to IFRS 3 Reference to the Conceptual Framework”	January 1, 2022 ( Note 2 )
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022 ( Note 3 )
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling Contract”	January 1, 2022 ( Note 4 )

Note 1: 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 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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.

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB ( Note 1 )
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS17 and IFRS 9 – comparative information”	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 2 )
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 ( Note 3 )
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 ( Note 4 )

- 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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 3: 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.
- Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning

obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

(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 the financial instruments which are measured at fair values 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 are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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 an asset or liability, either directly (i.e., as prices) or indirectly (i.e., as derived from prices); and
3. Level 3 inputs are unobservable inputs for an asset or liability.

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 denominated in foreign currencies and measured at historical cost, which are translated at the exchange rate at the date of the transaction, will not to be 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, work in progress and raw materials. Inventories are stated at the lower of cost or net realizable value. Comparisons of cost and net realizable value are based on individual items, except for inventories of the same type. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The cost of inventories is calculated using the weighted-average method.

(6) Investment in Subsidiaries

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

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. In addition, changes in other rights and interests of subsidiaries that the company is entitled to are recognized based on the shareholding ratio.

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 an asset after reversal of impairment loss shall not exceed the carrying amount that would have been determined as recognized impairment loss, net of book value after amortization.

Unrealized profits or losses on downstream transactions between the Company and its subsidiaries are eliminated in the individual financial statements. 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 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.

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.

Except for self-owned land which is not depreciated, depreciation of other property, plant and equipment is recognized separately using a straight-line basis for each significant component over their useful lives. The Company examines the estimated useful lives, residual values and depreciation methods at least at the end of each year and defers the impact of changes in applied accounting estimates.

(9) Intangible Assets

1. Acquire 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 difference between 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. 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 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 in the individual statements of balance sheets when the Company becomes a party to the contractual provisions of the instruments.

When initially recognizing financial assets and financial liabilities, if the financial assets and financial liabilities are not measured at fair value through profit or loss, they will be measured at fair value plus transaction costs, directly attributable to the acquisition or issuance of the financial assets or financial liabilities. 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 conventional transactions of financial assets are recognized and derecognized on the trade date accounting.

(1) Measurement Category

The categories of financial assets held by the Company are those measured at amortized cost and investments in equity instruments evaluated at fair value through other comprehensive profit or loss

#### A. Financial assets measured at amortized costs

The financial investments made by the Company are measured and categorized by amortized costs, if they meet the following two conditions at the same time:

- a. They are held in a business model where financial assets are kept to collect contractual cash flows; and
- b. The cash flows derived from contractual terms of specific financial assets under consideration are used as the sole payments for the principals and interests of the outstanding principals.

Financial assets, which are measured at amortized cost (including cash, pledged certificates of deposit, notes receivable and accounts receivable measured at amortized cost) after initially recognized, are measured at amortised cost of their gross carrying amount decided by the effective interest method minus any impairment losses. And any foreign currency exchange gain or loss is recognized in profit or loss.

Except the below two conditions, interest income is calculated by effective interest rate multiplied by the total book value of the financial assets:

- a. For credit-impaired financial assets acquired or created, interest income is calculated using the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets.
- b. For financial assets that are not acquired or initial credit impairment but subsequently become credit impairments, they should use the effective interest rate multiplied by the amortized cost of financial assets to calculate interest income from the next reporting period after derogation.

#### B. Investments in equity instruments measured at fair value through other comprehensive income or loss

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 option 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, the Company measures and recognizes loss allowances for expected credit losses of the financial assets at amortized cost (including accounts receivable) and impairment losses on contract assets.

For accounts receivable and contract assets, the Company will recognize allowance for expected credit losses (ECLs) over the period of their existence. For other financial assets, the Company first evaluate whether the credit risk has increased significantly since the initial recognition. If no significant increase is found, the allowance loss is to be recognized at the 12-month expected credit loss. If there has been a significant increase, it will be recognized as the expected credit loss at the duration period.

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 debtors to pay off their 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 profit and loss is recognized as other comprehensive profit without reducing 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 financial asset expires, 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 in its entirety, 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 in its entirety, the cumulative gain or loss that had been

recognized in other comprehensive income is transferred directly to retained earnings, without reclassified as 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 as 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 liabilities 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 remeasurement (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 30.

### (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 for the purpose of managing 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 gain or loss from follow-up measurement is recognized directly in profit or loss, but the point of recognition in profit or loss for derivatives that are designated as effective hedging instruments is determined by the characteristics 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.

(12) Provision (Liability Reserve)

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 liquidated obligation.

1. Onerous contract

When the unavoidable 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.

2. Warranty

The warranty obligation to guarantee the conformity of products to the agreed specifications is based on management's best estimate of the expenses required to settle the Company's liabilities and is recognized when the company has recognized revenue from the related products.

(13) Revenue Recognition

The Company identifies performance obligations in customer contracts and the transaction price will be apportioned to each performance obligation. The income will be recognized when each performance obligation is met.

If the time interval between the transfer of goods or services and the collection of payment due is less than one year, the transaction price of the significant financing components of the contract shall not be adjusted.

1. Sales 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 prices and has the rights to use the goods when the goods arrive at the locations designated by the customer, when the goods are shipped and when the goods are loaded onto the ships, and the customer 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. Receipts of advances from products are recognized as contractual liabilities before the products meet specified conditions.

## 2. Construction Revenue

In the process of construction, the asset is the real estate construction contract controlled by the customer. The company recognizes the revenue 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 revenue 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 completes the contract.

## (14) 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 terms of a lease transfers substantial portion of the risks and rewards incidental to the ownership of the asset to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

Under an operating lease, the lease payment after deduction of the lease incentives 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 added to the target asset and recognized as an expense on a straight-line basis over the lease term.

### 2. The Company as Lessee

Except for leases of low-value underlying assets which are subject to the recognition exemption, and the lease payments of short-term leases which are recognized as expenses over the lease terms on a straight-line basis, the Company recognizes all other leases as right-of-use assets and lease liabilities at the inception date of the lease.

Right-of-use assets are measured at cost (includes the initial measurement of the lease liabilities, the lease payments made before the commencement date of the lease less the lease incentives received, the original direct cost and the estimated cost of reinstatement of the subject asset). Subsequent measurement is calculated at cost less the 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 readily determined, the incremental lessee's borrowing rate is applied.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. During the lease period or under the residual value guarantee, if the expected payment amount changes, resulting in changes in future lease payments, the company will remeasure the lease liabilities and relatively adjust the right-of-use assets. If the book value of the right-to-use asset is decreased to zero, the residual remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

(15) 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 are 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.

(16) 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 (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.

(17) Taxation

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

1. Current Tax

The 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 of the Republic of China, income tax on unappropriated earnings shall be recognized in the annual resolution by the shareholders' meeting.

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, based on historical experience and other relevant factors, 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. 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 as a result of the pandemic. The estimates and underlying assumptions are reviewed on an ongoing basis. If the revision of an estimate affects only the current period, it is recognized in the period in which it is revised. If such a revision affects both the current and future periods, it will be recognized in the current period of the revision and in the future period.

6. Cash

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and working capital	\$ 700	\$ 760
Bank notes and demand deposits	<u>15,417</u>	<u>129,400</u>
	<u>\$ 16,117</u>	<u>\$ 130,160</u>

The interest rate range of bank deposits on the balance sheet date is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank deposits	0.001% ~ 0.2%	0.001% ~ 0.2%

7. Financial instruments at Fair Value Through Profit or Loss

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets - Current</u>		
Derivative instruments (non-designated hedge)		
Forward Exchange		
Contracts	\$ <u>          -</u>	\$ <u>          4</u>

On the balance sheet date, the forward exchange contracts which are not applicable to hedge accounting and have not yet matured are as follows:

<u>December 31,</u> <u>2020</u>	<u>Currency</u>	<u>Maturity Date</u>	<u>Contract Amount</u> <u>( In Thousands )</u>
Buy	NTD to USD	March 2, 2021	NTD79/USD3

The purpose of conducting forward exchange transactions by the Company 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, these forward exchange contracts do not apply to hedge accounting.

8. Financial assets at fair value through other comprehensive income

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Non-current</u>		
Domestic investment		
Unlisted (OTC) common stock		
Raynergy Tek Inc.	\$ 25,556	\$ 44,343
Hsin He Energy Co., Ltd.	245,515	-
E-Formular Technologies, Inc	30,252	-
Synergy Co., Ltd.	<u>14,710</u>	<u>-</u>
	<u>\$ 316,033</u>	<u>\$ 44,343</u>

The Company invests in the common stocks of the aforementioned companies for medium- and long-term strategic purposes and expects to make profits from long-term investments. Management of the company considers that the inclusion of short-term fair value fluctuations of 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.

In the 1st quarter of 2022, the company acquired 25,275 thousand shares of Hsin He Energy Co., Ltd. at the price of NTD 252,750 thousand, equaling 15% of Hsin He Energy Co., Ltd. company's shareholding. Hsin He Energy Co., Ltd. is primarily engaged in the development of renewable energy and the construction of solar power plants.

In the 2nd quarter of 2021, the Company acquired 1,200 thousand shares of E-Formular Technologies, Inc at a price of NTD24,000 thousand, representing a 5.52% stake. E-Formular is mainly engaged in telecom base station construction, energy saving and designing of energy management systems.

In the 4<sup>th</sup> quarter of 2021, the Company acquired 1,471 thousand shares of Synergy Co., Ltd at the price of NTD14,710 thousand, equaling 14.71% of Synergy Co., Ltd. Synergy Co., Ltd. is mainly engaged in the development of renewable energy, the installation of solar power plants, and the maintenance of offshore wind power.

9. Financial assets measured at amortised cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Pledged CD</u>		
Current	\$ 19,135	\$ 28,306
Non-current	<u>3,759</u>	<u>3,759</u>
	<u>\$ 22,894</u>	<u>\$ 32,065</u>

For information on pledged financial assets measured at amortized cost, please refer to Note 32.

10. Account Receivable

	<u>December 31 2021</u>	<u>December 31, 2020</u>
<u>Account Receivable</u> at amortized cost		
Total Carrying Amount	\$ 3,034,274	\$ 2,547,404
Less: Loss Allowance	( <u>40,491</u> )	( <u>45,333</u> )
	<u>\$ 2,993,783</u>	<u>\$ 2,502,071</u>

The Company's average credit extension period for product sales is 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 showing that the counterparty 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, 2021

	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%	0.00%	0.00%	0.00%	3.02%	24.25%	
Total carrying amount	\$ 2,186,435	\$ 181,701	\$ 138,580	\$ 243,710	\$ 133,514	\$ 150,334	\$ 3,034,274
Loss allowance (Lifetime expected credit losses)	-	-	-	-	( 4,032)	( 36,459)	( 40,491)
At amortized cost	<u>\$ 2,186,435</u>	<u>\$ 181,701</u>	<u>\$ 138,580</u>	<u>\$ 243,710</u>	<u>\$ 129,482</u>	<u>\$ 113,875</u>	<u>\$ 2,993,783</u>

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 641 days	Total
Expected credit losses ratio	0.00%	0.04%	0.36%	0.13%	2.75%	22.25%	
Total carrying 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	<u>\$ 1,504,888</u>	<u>\$ 302,997</u>	<u>\$ 23,707</u>	<u>\$ 317,065</u>	<u>\$ 218,846</u>	<u>\$ 134,568</u>	<u>\$ 2,502,071</u>

Movements of the loss allowance for accounts receivable:

	2021	2020
Balance, beginning of the year	\$ 45,333	\$ 33,334
Add: expected credit loss	3,737	11,999
Subtract: Write-offs for the year	( 8,326)	-
Subtract: Split and transferred	( 253)	-
Balance, end of the year	<u>\$ 40,491</u>	<u>\$ 45,333</u>

11. Net balance of inventories

	December 31, 2021	December 31, 2020
Finished goods	\$ 348,979	\$ 246,820
Work in process	1,388,923	1,419,921
Raw materials	327,424	302,994
	<u>\$ 2,065,326</u>	<u>\$ 1,969,735</u>

In 2021 and 2020, the cost of goods sold related to inventory was NT\$5,950,622 thousand and NT\$5,666,182 thousand respectively. The cost of goods sold in 2021 and 2020 includes the inventory valuation losses (gain from price recovery of inventory) of NT\$2,268 thousand and (NT\$203 thousand). In 2020, 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.

12. Investment accounted for using equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	\$ 759,849	\$ 707,697
Associates	<u>2,002</u>	<u>750</u>
	<u>\$ 761,851</u>	<u>\$ 708,447</u>

(1) Investments in subsidiaries

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Power Energy International Ltd. (Power Energy Company)	\$ 77,604	\$ 225,366
Fortune Electric America Inc. (North American Division)	18,419	15,345
Fortune Electric Extra High Voltage Co., LTD. (Fortune Extra High Voltage Company)	487,366	455,234
Fortune Energy CO., LTD. (Fortune Energy Company)	804	861
Fortune Electric Australia Pty Ltd (Australian Company)	10,956	10,891
Fortune Electric Value Co., LTD. (Fortune Electric Value Company)	<u>164,700</u>	<u>-</u>
	<u>\$ 759,849</u>	<u>\$ 707,697</u>

% of Ownership and Voting Rights Held by  
the Company

<u>Subsidiaries</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Power Energy Company	100.00%	100.00%
North America Company	100.00%	100.00%
Fortune High Voltage Company	100.00%	100.00%
Fortune Energy Co., LTD. (Note 1)	100.00%	100.00%
Australian Company (Note 2)	100.00%	100.00%
Fortune Electric Value Company (Note 3)	80.18%	-%

For the years of 2021 and 2020, 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 5 "information of the invested company, location and other related information."

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 31 for the balance as of December 31, 2021 and 2020.

Note 1: Fortune Energy CO., LTD. was established in Taipei on February 27, 2020. The Company's investment and shareholding ratio is 100%. Fortune Energy Co., LTD. 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.

Note 3: Fortune Electric Value Co., LTD. was established in Taipei on May 6, 2021. It is mainly engaged in the businesses of electric vehicle charging and operation services, including the design and establishment of various charging stations, research and development of electric vehicle charging-related equipment, systems, and technologies, as well as sales.

(2) Investments in associates

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Individual insignificant associates</u>		
E-Total Link	<u>\$ 2,002</u>	<u>\$ 750</u>

Summary Information of Individual insignificant associates

In 2017, the company established E トータルリンク (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 NT\$ 1,385 thousand. The summary information is as follows:

	<u>2021</u>	<u>2020</u>
Share of profit of the company		
Net Profit (loss)	\$ 1,433	(\$ 378)
Other comprehensive income	( 181)	( 25)
Total comprehensive income	<u>\$ 1,252</u>	<u>(\$ 403)</u>

For details of the investment subsidiaries indirectly owned by the company, please refer to Appendix Table 5 "information of the invested company, location and other related information."

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 period. Management believes there is no material impact on the financial statements of E-Total Link, which had not been audited.

### 13. Property, Plant and Equipment

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Assets used by the Company	\$ 1,218,861	\$ 1,238,067
Assets subject to operating leases	<u>261</u>	<u>196</u>
	<u>\$ 1,219,122</u>	<u>\$ 1,238,263</u>

#### (1) Assets used by the Company

	<u>Land</u>	<u>Building s</u>	<u>Machine ry Equipme nt</u>	<u>Solar Equipme nt</u>	<u>Other Equipme nt</u>	<u>Total</u>
<u>Cost</u>						
			\$			\$
Balance at January 1, 2021	\$ 635,827	\$ 677,148	9 1,040,70	\$ 151,688	\$ 175,889	1 2,681,26
Additions	-	6,093	27,783	920	19,301	54,097
Disposals	-	-	( 4,137)	( 5,944)	( 2,740)	(12,821)
Transfer (Note 1)	-	-	-	-	2,659	2,659
Transfer (Note 2)	-	-	8,771	-	2,856	11,627
Partition and transfer	-	-	(10,356)	-	(25,135)	(35,491)
Transfers to assets subject to operating leases	-	( 397)	-	-	-	( 397)
			<u>\$</u>			<u>\$</u>
Balance at January 1, 2021	<u>\$ 635,827</u>	<u>\$ 682,844</u>	<u>0 1,062,77</u>	<u>\$ 146,664</u>	<u>\$ 172,830</u>	<u>5 2,700,93</u>
<u>Accumulated depreciation</u>						
						\$
Balance at January 1, 2021	\$ -	\$ 377,959	\$ 898,766	\$ 68,177	\$ 98,292	4 1,443,19
Depreciation	-	15,061	32,328	7,390	12,120	66,899
Disposals	-	-	( 4,095)	( 5,325)	( 1,561)	(10,981)
Partition and transfer	-	-	(10,265)	-	( 6,470)	(16,735)
Transfers to assets subject to operating leases	-	( 303)	-	-	-	( 303)
						<u>\$</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 392,717</u>	<u>\$ 916,734</u>	<u>\$ 70,242</u>	<u>\$ 102,381</u>	<u>4 1,482,07</u>
						<u>\$</u>
Net balance at January 1, 2021	<u>\$ 635,827</u>	<u>\$ 299,189</u>	<u>\$ 141,943</u>	<u>\$ 83,511</u>	<u>\$ 77,597</u>	<u>7 1,238,06</u>
Net balance at	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 76,422</u>	<u>\$ 70,449</u>	<u>\$</u>

January 1, 2021	<u>635,827</u>	<u>290,127</u>	<u>146,036</u>			<u>1,218,861</u>
<u>Cost</u>						
			\$			\$
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 ( Note 2 )	-	-	3,331	-	9,691	13,022
Transfers to assets subject to operating leases	-	( 397)	-	-	-	( 397)
Balance at December 31, 2020	<u>\$ 635,827</u>	<u>\$ 677,148</u>	<u>\$ 1,040,709</u>	<u>\$ 151,688</u>	<u>\$ 175,889</u>	<u>\$ 2,681,261</u>
<u>Accumulated depreciation</u>						
						\$
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	<u>\$ -</u>	<u>\$ 377,959</u>	<u>\$ 898,766</u>	<u>\$ 68,177</u>	<u>\$ 98,292</u>	<u>\$ 1,443,194</u>
Net balance at January 1, 2020	<u>\$ 635,827</u>	<u>\$ 313,120</u>	<u>\$ 129,128</u>	<u>\$ 91,217</u>	<u>\$ 64,168</u>	<u>\$ 1,233,460</u>
Carrying amount at December 31, 2020	<u>\$ 635,827</u>	<u>\$ 299,189</u>	<u>\$ 141,943</u>	<u>\$ 83,511</u>	<u>\$ 77,597</u>	<u>\$ 1,238,067</u>

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 2021 and 2020, and 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 32.

(2) Operating leases

	<u>Buildings</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 794
Transfers from assts used by the Company	<u>397</u>
Balanced at December 31, 2021	<u>\$ 1,191</u>
 <u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 598
Transfers from assets used by the Company	303
Accumulated depreciation	<u>29</u>
Balance at December 31, 2021	<u>\$ 930</u>
 Net Balance at January 1, 2021	<u>\$ 196</u>
Net Balance at December 31, 2021	<u>\$ 261</u>
 <u>Cost</u>	
Balance at January 1, 2020	\$ 397
Transfers from assets used by the Company	<u>397</u>
Balance at December 31, 2020	<u>\$ 794</u>
 <u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 285
Transfers from assets used by the Company	286
Depreciation expense	<u>27</u>
Balance at December 31, 2020	<u>\$ 598</u>
 Net amount at January 1, 2020	<u>\$ 112</u>
Net amount at December 31, 2020	<u>\$ 196</u>

The Company leases out buildings on operating leases for a period of one year. The lessees do not have purchase options to acquire the assets at the expiry of the lease period.

The maturity amount of operating lease payments receivable from the buildings is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Year 1	<u>\$ 24</u>	<u>\$ 5</u>

Depreciation expenses are accrued in 55 years on a straight-line basis.  
For the amount of property, plant, and equipment set as a loan guarantee, please refer to Note 32.

14. Lease agreements

(1) Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount		
Land	\$ -	\$ 619
Buildings	5,857	12,620
Transportation equipment	<u>4,631</u>	<u>5,399</u>
	<u>\$ 10,488</u>	<u>\$ 18,638</u>
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 14,721</u>	<u>\$ 1,040</u>
Depreciation of right-of use assets		
Land	\$ 844	\$ 1,521
Buildings	4,140	3,660
Transportation equipment	<u>4,073</u>	<u>3,592</u>
	<u>\$ 9,057</u>	<u>\$ 8,773</u>

(2) Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount		
Current	<u>\$ 4,832</u>	<u>\$ 6,564</u>
Non-current	<u>\$ 5,722</u>	<u>\$ 12,673</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	1.26%	1.26%
Buildings	1.26%	1.26%
Transportation equipment	1.26%	1.26%

(3) Other lease information

The Company leases its self-owned property, plant, and equipment. Please refer to Note 13.

	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	<u>\$ 6,144</u>	<u>\$ 10,981</u>
Expenses relating to low-value asset leases	<u>\$ 12,225</u>	<u>\$ 5,624</u>
Total cash (outflow) for leases	<u>(\$ 27,702)</u>	<u>(\$ 25,652)</u>

The Company has opted for the exemption from the recognition of certain asset leases that qualify as short-term leases and several asset leases that qualify as low-value asset leases and does not recognize the related right-of-use assets and lease liabilities for these leases.

15. Intangible Assets

	<u>Computer software</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 72,907
Acquired separately	11,003
Reclassified	<u>3,107</u>
Balanced at December 31, 2020	<u>\$ 87,017</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$ 44,414
Amortized expense	<u>11,422</u>
December 31, 2020	<u>\$ 55,836</u>
Carrying amount at Balance at December 31, 2020	<u>\$ 31,181</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 87,017
Acquired separately	25,716
Reclassified	1,110
Partition and transfer	<u>( 2,828)</u>
Balance at December 31, 2021	<u>\$ 111,015</u>
<u>Accumulated amortization</u>	
Balance January 1, 2021	\$ 55,836
Amortized expense	16,914
Partition and transfer	<u>( 1,048)</u>
Balance at December 31, 2021	<u>\$ 71,702</u>
Carrying amount at December 31, 2021	<u>\$ 39,313</u>

The above -mentioned computer software is amortized on a straight-line basis for three to five years of durability.

16. Loans

(1) Short-term loans

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Secured loan</u> ( Note 32 )		
Usance Letter of Credit	\$ 59,512	\$ 15,686
<u>Unsecured loans</u>		
Line of Credit	377,000	100,000
Forward letter of credit	<u>75,535</u>	<u>43,880</u>
	<u>\$ 512,047</u>	<u>\$ 159,566</u>

The interest rates of bank loans were 0.53% ~ 1.00% and 0.47% ~ 2.15% on December 31, 2021 and 2020 respectively.

(2) Long-term loans

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Guaranteed loan for more than one year</u> ( Note 32 )		
Bank of Taiwan	\$ 500,000	\$ 500,000
Mega Bank	<u>241,800</u>	<u>241,800</u>
	<u>741,800</u>	<u>741,800</u>
<u>Guaranteed loan for more than one year</u>		
Yuanta Bank	300,000	-
Bank SinoPac	<u>100,000</u>	<u>-</u>
	<u>400,000</u>	<u>-</u>
	<u>\$ 1,141,800</u>	<u>\$ 741,800</u>

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 April 19, 2022. In April 2021, the company agreed with the bank that the new loan period is from May 25, 2021 to May 25, 2023. The annual interest rates were both set at 1.20% as of December 31, 2021 and 2020.

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 1.25% and 1.275% as of December 31, 2021 and 2020 respectively.

It is agreed that the loan of Yuanta Bank can be circulated during the credit period. During the agreed credit period, the initial loan period is from March 29, 2019 to March 29, 2021. In June 2021, the company agreed with the bank that the new loan period is from May 20, 2021 to May 20, 2024. The annual interest rate was 1.15% as of December 31, 2021.

It is agreed that the loan of Bank Sinopac can be circulated during the credit period. During the agreed credit period, the initial loan period is from December 28,

2021 to September 30, 2023. The annual interest rate was 1.10% as of December 31, 2021.

17. Accounts Payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Arising from operations	<u>\$ 1,883,697</u>	<u>\$ 1,978,131</u>

The Company establishes a financial risk management policy to ensure that all accounts payables are repaid within the credit commitment period.

18. Other Payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Salary	\$ 105,299	\$ 132,293
Export	43,030	46,365
Remuneration to employees and directors and supervisors	24,260	30,457
Design	38,302	27,496
Commission	20,065	6,593
Interest	1,187	306
Other	<u>55,484</u>	<u>51,636</u>
	<u>\$ 287,627</u>	<u>\$ 295,146</u>

19. Provisions

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Warranty	\$ 3,142	\$ -
Onerous contract	<u>5,437</u>	<u>7,098</u>
	<u>\$ 8,579</u>	<u>\$ 7,098</u>

(1)Warranty liability is the best estimate on the present value of future economic benefit outflows provided by the company's management in accordance with the product sales agreements. This estimate is based on historical warranty experience.

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

20. 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 implements the pension system and benefit plans in accordance with the R.O.C. Labor Standards Law. The payment of the pension is based on the length of service and average salary for the six-month period prior to the approved retirement date. 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present Value of a Defined Benefit Obligation	\$ 458,914	\$ 454,940
Fair value of plan assets	( <u>329,513</u> )	( <u>276,081</u> )
Net defined benefit liability	<u>\$ 129,401</u>	<u>\$ 178,859</u>

Movements of the net defined benefit liability are as follows:

	<u>Present Value of a defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance, January 1, 2020	<u>\$ 435,159</u>	( <u>\$ 227,089</u> )	<u>\$ 208,070</u>
Current service cost	5,391	-	5,391
Interest expense ( income )	<u>2,994</u>	( <u>1,609</u> )	<u>1,385</u>
Recognized in profit or loss	<u>8,385</u>	( <u>1,609</u> )	<u>6,776</u>
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	<u>18,422</u>	-	<u>18,422</u>
Recognized in other comprehensive income	<u>35,145</u>	( <u>7,476</u> )	<u>27,669</u>

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(Continued)

	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Contributed by the Company	\$ -	( \$ 63,656 )	( \$ 63,656 )
Benefits paid	( 23,749 )	23,749	-
Balance, December 31, 2020	<u>\$ 454,940</u>	<u>( \$ 276,081 )</u>	<u>\$ 178,859</u>
Balance, January 1, 2021	\$ 454,940	( \$ 276,081 )	\$ 178,859
Current service cost	4,720	-	4,720
Interest expense ( income )	1,339	( 833 )	506
Recognized in profit or loss	<u>6,059</u>	<u>( 833 )</u>	<u>5,226</u>
Remeasurement			
Return on plan assets	-	( 4,135 )	( 4,135 )
Actuarial loss (gain) arising from changes in financial assumptions	( 2,229 )	-	( 2,229 )
Actuarial loss (gain) arising from experience adjustments	<u>4,298</u>	<u>-</u>	<u>4,298</u>
Recognized in other comprehensive income	<u>2,069</u>	<u>( 4,135 )</u>	<u>( 2,066 )</u>
Contributed by the Company	<u>-</u>	<u>( 52,618 )</u>	<u>( 52,618 )</u>
Benefits paid	( 4,154 )	4,154	-
Balance, December 31, 2021	<u>\$ 458,914</u>	<u>( \$ 329,513 )</u>	<u>\$ 129,401</u>

The amount of defined benefit plans recognized in profit or loss is summarized by function as follows:

	2021	2020
Operating cost	\$ 3,718	\$ 4,715
Selling expenses	770	973
Administrative expenses	473	692
Research and Development Expenses	<u>265</u>	<u>396</u>
	<u>\$ 5,226</u>	<u>\$ 6,776</u>

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.
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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discounted rate	0.60%	0.30%
Expected return rate on plan assets	0.30%	0.30%
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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount Rate		
Increase 0.25%	( \$ <u>9,852</u> )	( \$ <u>10,560</u> )
Decrease 0.25%	<u>\$ 10,182</u>	<u>\$ 10,933</u>
Future salary increase rate		
Increase 0.25%	<u>\$ 9,828</u>	<u>\$ 10,549</u>
Decrease 0.25%	( <u>\$ 9,563</u> )	( <u>\$ 10,249</u> )

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.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Forecast amount within one year	<u>\$ 24,643</u>	<u>\$ 20,238</u>
Average maturity period of defined benefit obligations	8.78 Years	9.5 Years

## 21. 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 amounts expected to be receivable or payable within one year or longer than one year of the balance sheet date, the relevant accounts are listed as follows :

	<u>December 31, 2021</u>		
	<u>Within 1 Year</u>	<u>Longer than 1 Year</u>	<u>Total</u>
<u>Assets</u>			
Refundable deposits (included in other current assets )	<u>\$ 418</u>	<u>\$ 3</u>	<u>\$ 421</u>
Contract assets	<u>\$ 657,534</u>	<u>\$ 13,917</u>	<u>\$ 671,451</u>
<u>Liabilities</u>			
Contract liabilities	<u>\$ 272,829</u>	<u>\$ 20,857</u>	<u>\$ 293,686</u>

	December 31, 2020		
	Within 1 Year	Longer than 1 Year	Total
<u>Assets</u>			
Refundable deposits (included in other current assets)	\$ 1,287	\$ 51	\$ 1,338
Contract assets	\$ 598,859	\$ 72,170	\$ 671,029
<u>Liabilities</u>			
Contract liabilities	\$ 222,742	\$ 51,464	\$ 274,206

22. Equity

(1) Capital - common stock

	December 31, 2021	December 31, 2020
Authorized shares (in thousands)	275,000	275,000
Authorized capitals	\$ 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, 2021	December 31, 2020
<u>Can be used to offset a deficit, distributed as cash dividends or expansion capital stocks(1)</u>		
Treasury stock transactions	\$ 1,033	\$ 1,033
Unclaimed cash dividends	538	381
<u>Can be used to offset a deficit(2)</u>		
Recognition of changes in ownership interests in subsidiaries	1,913	-
	\$ 3,484	\$ 1,414

1. 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.
2. This type of capital surplus refers to the effect of equity transactions recognized for changes in the Company's equity when the Company has not effectively acquired or disposed of shares in a subsidiary, or the adjustments to the capital surplus recognized by the equity method for the Company's subsidiaries.

(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 in accordance with the provisions of laws. 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. The Company delegates to the Board of Directors the authority to resolve, by special resolution, that all or a portion of the dividends and bonuses payable shall be paid in cash and submitted to the shareholders' meeting. Regarding the remuneration policy of employees and directors, please Note 24(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. 1090150022 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 2020 and 2019 earnings proposed by the Company's Board of Directors meeting held on June 13, 2022, and June 12, 2021 are as follows :

	<u>2020</u>	<u>2019</u>
Legal reserve	\$ 43,538	\$ 40,443
Special reserve	\$ 6,372	(\$ 2,298)
Cash dividends	\$ 339,376	\$ 261,058
Cash dividends per share (NT\$)	\$ 1.30	\$ 1

The appropriations of earnings for 2021 proposed by the Company's Board of Directors on March 23, 2020 are as follows:

	<u>2021</u>
Legal reserve	\$ 29,154
Special reserve	\$ 22,231
Cash dividends	\$ 261,058
Cash dividends per share (NT\$)	\$ 1

The above appropriations 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 15, 2022.

(4) Other equity items

1. Exchange differences arising on translation of the financial statements of foreign operations

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	(\$ 24,158)	(\$ 27,751)
Exchange differences arising on translation of foreign operations	( 2,461)	3,593
Balance, end of year	<u>(\$ 26,619)</u>	<u>(\$ 24,158)</u>

2. Unrealized gain (loss) on financial assets at FVTOCI

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 8,811	\$ 19,450
Unrealized gain or losses Equity instruments		
Equity instrument	( 19,770)	( 10,639)
Balance, end of year	<u>(\$ 10,959)</u>	<u>\$ 8,811</u>

3. Hedging instrument – cash flow hedge

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ -	(\$ 674)
Gain (loss) arising on Changes in the fair Value of hedging instruments		
Exchange rate risk – Forward exchange contracts	-	674
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

23. Net Revenue

	<u>2021</u>	<u>2020</u>
Revenue from contract with customers		
Sales revenue		
Power transformer	\$ 4,351,271	\$ 4,298,485
Distribution Transformer	1,296,750	1,291,088
Electricity	412,996	298,085
Other	12,226	12,309
Other	1,012,162	944,239
Construction revenue	<u>1,539,976</u>	<u>1,152,273</u>
	<u>\$ 8,625,381</u>	<u>\$ 7,996,479</u>

(1) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	<u>\$ 72,964</u>	<u>\$ 117,622</u>	<u>\$ 77,997</u>
Accounts receivable (Note 11)	<u>\$ 2,993,783</u>	<u>\$ 2,502,071</u>	<u>\$ 2,512,594</u>
Contract asset			
Construction retainage receivable	\$ 74,817	\$ 319,343	\$ 125,397
Contracts receivable	<u>596,634</u>	<u>351,686</u>	<u>410,680</u>
	<u>\$ 671,451</u>	<u>\$ 671,029</u>	<u>\$ 536,077</u>
Contract liabilities			
Construction retainage receivable	\$ 276,658	\$ 231,432	\$ 570,135
Contracts payable	17,028	42,774	18,250
Advance receipts	<u>456,524</u>	<u>367,395</u>	<u>342,181</u>
	<u>\$ 750,210</u>	<u>\$ 641,601</u>	<u>\$ 930,566</u>

The credit risk management of contract assets adopted by the Company is the same as that of accounts receivable. Please refer to Note 10.

(2) Revenue from Contracts with Customers  
2021

	Electrical & Mechanical Department	Turnkey Department	Total
Sales revenue	<u>\$ 7,085,405</u>	<u>\$ -</u>	<u>\$ 7,085,405</u>
Construction revenue	<u>-</u>	<u>1,539,976</u>	<u>1,539,976</u>
	<u>\$ 7,085,405</u>	<u>\$ 1,539,976</u>	<u>\$ 8,625,381</u>

2020

	Electrical & Mechanical Department	Turnkey Department	Total
Sales revenue	<u>\$ 6,844,206</u>	<u>\$ -</u>	<u>\$ 6,844,206</u>
Construction revenue	<u>-</u>	<u>1,152,273</u>	<u>1,152,273</u>
	<u>\$ 6,844,206</u>	<u>\$ 1,152,273</u>	<u>\$ 7,996,479</u>

24. Net Income

(1) Interest income

	2021	2020
Bank deposits	\$ 20	\$ 84
Other	835	118
	<u>\$ 855</u>	<u>\$ 202</u>

## (2) Other income

	<u>2021</u>	<u>2020</u>
Export tax rebate	\$ 30,391	\$ 24,786
Rental receipt		
operating lease rental	152	109
Income indemnity	<u>7,289</u>	<u>2,640</u>
	<u>\$ 37,832</u>	<u>\$ 27,535</u>

## (3) Other profit and loss

	<u>2021</u>	<u>2020</u>
Financial assets and liabilities interest (loss)		
Financial assets (mandatorily measured at fair value through profit or loss)	(\$ 1)	\$ 817
Loss on disposal of property, plant and equipment	( 662 )	( 77 )
Net gain and loss on foreign currency exchange	9,336	( 2,805 )
Compensate income	-	4,517
Contract amendment interests	516	-
Other	<u>( 39,648 )</u>	<u>( 449 )</u>
	<u>\$ 30,459</u>	<u>\$ 2,003</u>

## (4) Financial cost

	<u>2021</u>	<u>2020</u>
Bank loan interest	\$ 17,769	\$ 16,448
Interest of lease liabilities	265	295
Other financial cost	<u>1,285</u>	<u>11</u>
	<u>\$ 19,319</u>	<u>\$ 16,754</u>

## (5) Depreciation, Amortization, and Employee benefits expenses

	<u>2021</u>			<u>2020</u>		
	<u>Operating Cost</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Operating Cost</u>	<u>Operating Expenses</u>	<u>Total</u>
Employee benefits expenses						
Salary	\$421,801	\$237,094	\$658,895	\$437,965	\$237,165	\$675,130
Labor and Health Insurance	41,220	18,278	59,498	36,464	17,325	53,789
Pension						
Defined contribution plan	15,207	8,112	23,319	14,709	7,868	22,577
Defined benefit plan	3,718	1,508	5,226	4,715	2,061	6,776
Compensation to directors	-	17,732	17,732	-	21,299	21,299
Other employee benefits	<u>22,475</u>	<u>7,960</u>	<u>30,435</u>	<u>19,320</u>	<u>7,071</u>	<u>26,391</u>
	<u>\$504,421</u>	<u>\$290,684</u>	<u>\$795,105</u>	<u>\$513,173</u>	<u>\$292,789</u>	<u>\$805,962</u>
Depreciation	<u>\$ 62,546</u>	<u>\$ 13,349</u>	<u>\$ 75,985</u>	<u>\$ 59,532</u>	<u>\$ 13,753</u>	<u>\$ 73,285</u>
Amortization	<u>\$ 6,430</u>	<u>\$ 10,511</u>	<u>\$ 16,914</u>	<u>\$ 3,128</u>	<u>\$ 8,294</u>	<u>\$ 11,422</u>

As of December 31, 2021 and 2020, the number of employees of the Company is 772 and 769 respectively. Among them, the number of directors who are not concurrently employees is 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 2021 and 2020 by the Board of Directors on March 23, 2022 and March 22, 2021 respectively as follows:

Estimated percentage

	<u>2021</u>	<u>2020</u>
Employee compensation	4.97%	3.86%
Directors' remuneration	1.22%	1.40%

Amount

	<u>2021</u>	<u>2020</u>
	<u>Cash</u>	<u>Cash</u>
Employee compensation	\$ 19,490	\$ 22,357
Directors' remuneration	4,770	8,100

If there is still any change in the amount of the annual 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 amounts of appropriations of employee compensation and directors' remuneration and the amounts recognized in the parent only financial statements of 2020, 2019 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)

	<u>2021</u>	<u>2020</u>
Exchange interest total amount	\$ 21,428	\$ 38,320
Exchange loss total amount	( <u>12,092</u> )	( <u>41,125</u> )
Net gain and loss	<u>\$ 9,336</u>	<u>( \$ 2,805 )</u>

25. Income tax

(1) Key items of income tax expense recognized in profit or loss

	<u>2021</u>	<u>2020</u>
Current income tax expense		
Recognized in the current year	\$ 76,894	\$ 74,409
Tax on undistributed earnings	7,567	5,262
Adjustments on prior years	( 2,130 )	287
	<u>82,331</u>	<u>79,958</u>
Deferred income tax benefit		
Recognized in the current year	( 9,221 )	10,901
Adjustment on prior years	4,704	( 169 )
	<u>( 4,517 )</u>	<u>10,732</u>
Income tax expense recognized in profit or loss	<u>\$ 77,814</u>	<u>\$ 90,690</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	<u>2021</u>	<u>2020</u>
Income before tax	<u>\$ 367,697</u>	<u>\$ 548,204</u>
Income tax expense at the statutory rate	\$ 73,539	\$ 109,641
Nondeductible (deductible) items	( 2,490 )	( 19,368 )
Additional income tax on unappropriated earnings	7,567	5,262
Investment Tax Credit	( 4,559 )	( 4,963 )
Effects of separate taxation for foreign capitals returning to Taiwan	( 8,462 )	-
Unrecognized deductible temporary difference	9,645	-
Income tax adjustments on prior years adjustments on current year	<u>2,574</u>	<u>118</u>
Income tax expense recognized in profit or loss	<u>\$ 77,814</u>	<u>\$ 90,690</u>

(2) Income tax expense recognized in other comprehensive income

	<u>2021</u>	<u>2020</u>
<u>Deferred income tax</u>		
Recognized in the current year		
— Remeasurement of defined benefit obligation	( \$ 413 )	\$ 5,533
Income tax expense recognized in other comprehensive income	<u>( \$ 413 )</u>	<u>\$ 5,533</u>

(3) Income tax assets and liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Income tax assets</u>		
Income tax refund receivable	\$ <u>2,070</u>	\$ <u>8,567</u>
<u>Income tax liabilities</u>		
Income tax payable	\$ <u>39,763</u>	\$ <u>32,311</u>

(4) Deferred income tax assets and liabilities

The changes of the deferred income tax assets and liabilities were as follows:

2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred income tax assets</u>				
Defined benefit and pension plans	\$ 35,772	(\$ 9,478)	(\$ 413)	\$ 25,881
Inventory valuation losses	482	( 40)	-	442
Bad Debt deferral period	3,723	( 1,932)	-	1,791
Export income cost adjustment item	4,848	( 4,704)	-	144
Unrealized exchange loss	503	( 503)	-	-
Other	<u>1,790</u>	<u>( 75)</u>	<u>-</u>	<u>1,715</u>
	<u>\$ 47,118</u>	<u>( \$ 16,732)</u>	<u>( \$ 413)</u>	<u>\$ 29,973</u>
<u>Deferred income tax liabilities</u>				
Land value increment tax	\$ 40,621	\$ -	\$ -	\$ 40,621
Unrealized exchange gain or loss	-	77	-	77
Share of profit or loss of subsidiaries accounted for using equity method	<u>25,140</u>	<u>( 21,326)</u>	<u>-</u>	<u>3,814</u>
	<u>\$ 65,761</u>	<u>( \$ 21,249)</u>	<u>\$ -</u>	<u>\$ 44,512</u>

2020

	Balance, Beginning of Year	Recognized in Profit or loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred income tax assets</u>				
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	<u>1,502</u>	<u>288</u>	<u>-</u>	<u>1,790</u>
	<u>\$ 50,163</u>	<u>( \$ 8,578)</u>	<u>\$ 5,533</u>	<u>\$ 47,118</u>

( Continued on next page )

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Balance, End of Year
<u>Deferred income tax liabilities</u>				
Land value increment tax	\$ 40,621	\$ -	\$ -	\$ 40,621
Share of profit or loss of subsidiaries accounted for using equity method	<u>22,986</u>	<u>2,154</u>	<u>-</u>	<u>25,140</u>
	<u>\$ 63,607</u>	<u>\$ 2,154</u>	<u>\$ -</u>	<u>\$ 65,761</u>

(5) Income tax examination

The tax authorities have examined income tax of the Company prior to 2018.

26. Earnings per share

The net income and weighted average number of ordinary shares outstanding used to calculate earnings per share are as below:

Current year net income	<u>2021</u> <u>\$ 289,883</u>	<u>2020</u> <u>\$ 457,514</u>
<u>Number of shares</u>		Unit: Thousand shares
Calculation of weighted average number of common stock shares	<u>2021</u> 261,059	<u>2020</u> 261,059
The effect of potentially dilutive ordinary shares:		
Employee compensation	<u>626</u>	<u>692</u>
The calculation of diluted EPS is based on the weighted average number of ordinary shares	<u>261,685</u>	<u>261,751</u>

When the Company chooses to pay employees in stock or cash, for the purpose of calculating diluted earnings per share, it is assumed that employee compensation will be paid in stock, and the weighted average number of shares outstanding will be included in the calculation of diluted earnings per share when the potential common stock has a dilutive effect. 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.

27. Partial Acquisition or disposal of subsidiary – no influence on control

On September 27, 2021, the Company failed to increase its shareholding in Fortune Electric Australia Pty. Ltd. through cash capital increment in proportion to its shareholding, resulting in a decrease in its shareholding from 100% to 80.18%.

Since the above transaction did not change the Company's control over Fortune Electric Australia, the Company treated it as equity transaction. Please refer to Note 29 of the Company's consolidated financial statements for the description of the partial acquisition of Fortune Electric Australia Pty. Ltd.

28. Division by Acquisition

The company split its electric vehicle charging operation business department to Fortune Electric Australia through division by acquisition, and exchanged for new shares of the Australian Company at NT\$ 61,000 thousand. The Company took June 30, 2021 as the base date for the acquisition. The relevant information is as follows:

	<u>June 30, 2021</u>
Cash and cash equivalents	\$ 10,272
Net accounts receivable	20,706
Inventory	10,335
Advance payments	1,824
Property, plant, equipment	18,756
Intangible asset	1,780
Prepayment for business facilities	4,110
Right-of-use asset	4,377
Refundable deposit	14
	<u>\$ 72,174</u>
Lease liabilities	\$ 4,383
Accounts payable	1,127
Other payables	2,114
Contract liabilities	3,367
Other current liabilities	183
	<u>\$ 11,174</u>

29. Asset risk management

The formulation of the company's capital structure management strategy is based on the industry scale of the company's business, the future growth and development prospects of the industry, to determine the company's appropriate market share, and accordingly plan the required production capacity, plant equipment and corresponding capital expenditures required to achieve this production capacity. Then, based on the characteristics of the industry, the Company measures the required working capital and cash to make an overall plan for the scale of various assets required for the Company's long-term development.

The Company's management periodically examines the capital structure and weights the probable costs and risks associated with different capital structures. In general, the Company adopts a prudent risk management strategy.

### 30. Financial Instruments

- (1) Fair value information: 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, 2021 and 2010.

- (3) Fair value information: Financial instruments measured at fair value on a recurring basis

#### Fair-Value Hierarchy

##### December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity investment instrument				
— Domestic unlisted (OTC) stocks	\$ _____ -	\$ 301,323	\$ 14,710	\$ 316,033

##### December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity investment instrument				
— Domestic Unlisted (OTC) stocks	\$ _____ -	\$ 44,343	\$ _____ -	\$ 44,343

#### Financial liabilities

##### measured at fair value through profit or loss

Derivative	\$ _____ -	(\$ _____ 4)	\$ _____ -	(\$ _____ 4)
------------	------------	--------------	------------	--------------

There were no transfers between Level 1 and Level 2 fair value measurements in 2021 and 2020.

- (3) Categories of financial instruments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 3,156,947	\$ 2,792,205
Financial assets measured at fair value through other comprehensive income		
Equity investment	316,033	44,343

instrument

Financial liabilities

Financial liabilities measured at  
fair value through profit or  
loss

	-	4
Amortized cost ( Note 2 )	4,009,658	3,206,732

Note 1: Including cash, financial assets measured at amortized cost, notes receivable, accounts receivable, accounts receivable - related parties and refundable deposits.

Note 2: Including financial liabilities measured at amortized cost, such as short-term borrowings, notes payable, accounts payable, accounts payable - related parties, other payables, long-term borrowings and guarantee deposits.

(4) Financial risk management objectives

The Company's major financial instruments include cash, equity instrument investment, account receivables, account 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 Company 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 Company'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 Company 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)) and in 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 Company 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 it 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 34.

#### 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. One percent (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, and adjusts the year-end translation by a 1% change in exchange rates. 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.

	<u>Impact of US dollar</u>	
	<u>2021</u>	<u>2020</u>
Profit or Loss (i)	<u>\$ 4,495</u>	<u>\$ 3,628</u>

(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 loan 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 :

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value interest rate		
— Financial assets	\$ 22,894	\$ 32,066
— Financial liabilities	145,601	178,803
Cash flow interest rate risk		

– Financial assets	12,142	86,919
– Financial liabilities	1,518,800	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 outstanding at the balance sheet date are all circulating outside at the reporting period. The rate of change used in the internal reporting of interest rates to the executive 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 2021 and 2020 will decrease or increase by \$15,067 thousand and \$7,549 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.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk exposure at the balance sheet date.

If the equity price rises or falls by 1%, the other comprehensive income before tax in 2021 and 2020 will increase or decrease by 3,160 thousand and 443 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, 2021 and December 31, 2020, the unused bank loan and bill company financing lines were 5,666,013 thousand and 5,783,940 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 immediately enforcing the right. Other non-derivative financial liabilities maturity analysis is prepared according to the agreed repayment dates.

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, 2021

	Weighted Average Effective Interest Rate (%)	Payable on demand less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years
<u>Non-derivatives</u>					
<u>financial</u>					
<u>liabilities</u>					
Non-interest-bearing liabilities			\$		
Lease liabilities		\$514,878	1,719,437	\$509,871	\$ 46,603
Floating rate instrument	1.11	100,093	-	277,000	1,164,870
Fix interest rate instrument	0.75	<u>2,055</u>	<u>41,150</u>	<u>92,408</u>	<u>-</u>
			<u>\$</u>		<u>\$</u>
		<u>\$617,459</u>	<u>1,761,453</u>	<u>\$882,918</u>	<u>1,217,377</u>

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	<u>\$ 4,938</u>	<u>\$ 5,904</u>	<u>\$ -</u>	<u>\$ -</u>

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
<u>Non-derivative</u>					
<u>financial</u>					
<u>liabilities</u>					
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	<u>116,150</u>	<u>2,653</u>	<u>41,860</u>	<u>-</u>
		<u>\$ 379,527</u>	<u>\$1,711,274</u>	<u>\$ 776,985</u>	<u>\$ 809,689</u>

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	<u>\$ 6,765</u>	<u>\$ 12,893</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2021 and 2020, the undiscounted principal balance of these bank loans are 102,054 thousand and 115,259 thousand, respectively.

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

The liquidity analysis of derivative financial instruments, in the case of derivatives with net delivery, is prepared on the basis of undiscounted contractual net cash inflows and outflows.

December 31, 2020

<u>Net settlement</u>	Payable on			
	demand or Less than 1 Month	1 – 3 Months	3 Months – 1 Year	1 – 5 Years
Forward exchange contracts	\$ -	( \$ 4 )	\$ -	\$ -

31. 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

<u>Related Party Name</u>	<u>Related Party Categories</u>
Fortune Electric (Wuhan) Ltd.	
Wuhan Fortune Trade Co., Ltd.	Subsidiary
Fortune Electric Value Co., LTD. (Fortune Electric Value Company)	Subsidiary
Wuhan Fortune Electric Co., Ltd	Subsidiary
Fortune Electric America Inc. ( North American Division )	Subsidiary
Fortune Electric Extra High Voltage Co., Ltd. ( Fortune Electric Extra High Voltage Company )	Subsidiary ( Note )
Fortune Electric Australia PTY LTD ( Australian Company )	Subsidiary
E-Total Link	Associate
Hua Heng Investment Co., Ltd. (Hua Cheng Investment Company)	Other related parties

(2) Operating revenue

<u>Item</u>	<u>Related Party Categories/Name</u>	<u>2021</u>	<u>2020</u>
Revenue from sales of goods	Subsidiaries	\$ 70,401	\$ 6,664
	Associates	64	-
		<u>\$ 70,465</u>	<u>\$ 6,664</u>

For other transactions with related parties, the price and payment and collection terms are equivalent to those of non-related parties.

(3) Purchases

<u>Related Party Categories/Name</u>	<u>2021</u>	<u>2020</u>
Subsidiaries		
Fortune Electric Extra High Voltage	\$ 496,174	\$ 348,478
Other	48,916	54,127
Associates	2,565	2,874
	<u>\$ 547,655</u>	<u>\$ 405,479</u>

The purchase price and payment terms are equivalent to those of non-related parties.

- (4) Receivable from related parties (excluding loans to related parties and contract assets)

Items	Related Party Categories/Name	December 31, 2021	December 31, 2020
Receivables	Subsidiaries		
	Australian Company	\$ -	\$ 5,922
	North America Company	38,317	-
	Other	<u>7,327</u>	<u>-</u>
		<u>\$ 45,644</u>	<u>\$ 5,922</u>
Other receivables (Classified under other current assets)	Subsidiaries	<u>\$ 1,237</u>	<u>\$ -</u>

The outstanding receivables from related parties are not guaranteed, and no allowance for losses is provided for account receivables from related parties in 2021 and 2020.

- (5) Payable to related parties (Excluding loans from related parties)

Item	Related Party Categories/Name	December 31, 2021	December 31, 2020
Payable to related parties	Subsidiaries		
	North America Company	\$ 2,772	\$ 4,035
	Fortune Electric Value	20,991	-
	Fortune Electric Extra High Voltage	141,720	17,270
	Other Associates	1,590	271
		<u>86</u>	<u>99</u>
		<u>\$ 167,159</u>	<u>\$ 21,675</u>

The balance of outstanding accounts payable to related parties did not provide guarantees.

- (6) Prepayment

Related Party Categories/Name	December 31, 2021	December 31, 2020
Subsidiaries		
Fortune Electric Extra High Voltage	\$ 60,656	\$ 65,728
Other	<u>1,135</u>	<u>-</u>
	<u>\$ 61,791</u>	<u>\$ 65,728</u>

- (7) Lease Agreement

Acquisition of Right-of-use asset

Related Party Categories/Name	2021	2020
Other related parties	<u>\$ 168</u>	<u>\$ -</u>

	Related Party Categories/Name	December 31, 2021	December 31, 2020
Lease liabilities -Current	Other related parties	<u>\$ 170</u>	<u>\$ 170</u>

<u>Related Party Categories/Name</u>	<u>2021</u>	<u>2020</u>
<u>Financial costs</u>		
Other associates	\$ <u>1</u>	\$ <u>3</u>
<u>Cost of goods sold –</u>		
<u>Manufacturing expense</u>		
Other related parties	\$ <u>34</u>	\$ <u>34</u>
<u>Operating cost</u>		
Other related parties	\$ <u>134</u>	\$ <u>134</u>

(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 for both contracts are for one year.

The total rental payments to be collected in the future are summarized as follows :

<u>Related Party Categories/Name</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	\$ 24	\$ 52
Associates	-	57
	\$ <u>24</u>	\$ <u>109</u>

The lease income is summarized as follows:

<u>Related Party Categories/Name</u>	<u>2021</u>	<u>2020</u>
Subsidiaries	\$ 95	\$ 52
Other associates	57	-
Associates	-	57
	\$ <u>152</u>	\$ <u>109</u>

(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:

<u>Related Party Categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries		
Fortune Electric (Wuhan)	\$ 188,224	\$ 370,240
Fortune Electric Extra		
High Voltage	<u>1,100,000</u>	<u>750,000</u>
	\$ <u>1,288,224</u>	\$ <u>1,120,240</u>

(10) Other related party transaction

<u>Related Party Categories/Name</u>	<u>Operating Expense</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries		
North American Company	\$ 50,057	\$ 50,214
Fortune Electric (Wuhan)	244	1,363
	<u>\$ 50,301</u>	<u>\$ 51,577</u>

(11) Compensation of key management personnel

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 61,021	\$ 67,344
Post-employment benefits	2,131	2,150
	<u>\$ 63,152</u>	<u>\$ 69,494</u>

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.

32. Pledged asset

The following assets of bid bond, performance bond and long-term and short-term loans are provided for sales as collateral

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Refundable deposits ( Current portion is included in other current assets )	\$ 22,469	\$ 13,551
Pledge of certificate of deposit ( Financial assets at amortized cost )	22,894	32,065
Property, plant and equipment, net	<u>953,795</u>	<u>962,637</u>
	<u>\$ 999,158</u>	<u>\$ 1,008,253</u>

33. 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, 2021, the balance of unused L/C amount total \$4,798 thousand, ¥59,128 thousand, € 558,000, kr1,309 thousand and chf163 thousand.
- (2)As of December 31, 2021, a total of 1,393,487 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 Meidensha Corporation, with 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. However, prior written consent from Meidensha is required before the Company can sell its technically codeveloped products internationally. For product technical cooperation with Meidensha, the Company paid 2,000 thousand yen as well as 3% of the net sales of the products codeveloped. The remuneration paid were \$1,553 thousand and \$756 thousand for the years ended December 31, 2021 and 2020, respectively, included in operating expenses.
- (4)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.
- (5)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, 2021 and 2020 was \$12,227 thousand and \$12,309 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.

34. 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, 2021

	Foreign Currencies ( In Thousands )	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 22,370	27.68 ( USD : NT dollar )	<u>\$ 619,022</u>
<u>Non-Monetary items</u>			
Investments accounted for using equity method			
USD	3,469	27.68 ( USD : NT dollar )	<u>\$ 96,023</u>

( Continued on next page )

(Continued)

	Foreign Currencies ( In Thousands )	Exchange Rate	Carrying Amount
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	\$ 6,123	27.68 ( USD : NT dollar )	<u>\$ 169,485</u>
<u>December 31, 2020</u>			
	Foreign Currencies ( In Thousands )	Exchange Rate	Carrying Amount
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	\$ 17,182	28.4800 ( USD : NT dollar )	<u>\$ 489,343</u>
<u>Non-Monetary items</u>			
Investments accounted for using equity method			
USD	8,452	28.4800 ( USD : NT dollar )	<u>\$ 240,711</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	4,442	28.4800 ( USD : NT dollar )	<u>\$ 126,508</u>

Significant exchange gains and losses (realized and unrealized) were as follows:

	2021		2020	
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 )	<u>\$ 9,336</u>	1 ( NT Dollar : NT Dollar )	<u>\$ 2,805</u>

35. 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. Information on investee companies. (Note 5)
- (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 6 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 1,5 and 6 attached and Note 31 )
    - (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 7 attached)

Fortune Electric Co., Ltd.  
Providing endorsements or guarantees for others  
For the year ended December 31, 2021

Table 1

Unit: Amount 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	Note
		Name	Nature of Relationship											
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Ltd.	Sub-Subsidiary	\$ 1,739,507	\$ 370,955 (13,000 thousand USD)	\$ 188,224 (6,800 thousand USD)	\$ 169,616 (550 thousand USD and 400 thousand CNY)	\$ -	5.41%	\$ 2,087,409	Y	N	Y	
0	Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage	Subsidiary	1,739,507	1,150,000	1,100,000	941,836	-	31.64%	2,087,409	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.,  $\$3,479,015 \times 50\% = \$1,739,507$ .

Note 2: The total amount of endorsements or guarantees shall not exceed 60% of the Company's net worth, i.e.,  $\$3,479,015 \times 60\% = \$2,087,409$ .

Fortune Electric Co., Ltd.  
Marketable Securities Held  
For the year ended December 31, 2021

Table 2

Unit: Amount 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.	<u>Stock</u> Raynergy Tek Incorporation	—	Financial assets at fair value through other comprehensive income	3,031	\$ 25,556	8.05%	\$ 25,556	
	ProMOS Technologies Inc.	—	Financial assets at fair value through other comprehensive income	26	-	0.06%	-	
	Hsin He Energy Co., Ltd.	—	Financial assets at fair value through other comprehensive income	25,275	245,515	15.00%	245,515	
	E-Formular Technologies. Inc	—	Financial assets at fair value through other comprehensive income	1,200	30,252	5.52%	30,252	
	Synergy Co., Ltd.	—	Financial assets at fair value through other comprehensive income	1,471	14,710	14.71%	14,710	

Note : Information on investment in subsidiaries and associates, please refer to Table 5 and Table 6.

Fortune Electric Co., Ltd.  
Purchase or sales of goods from or to related parties reaching NT\$100 million or more than 20 percent of paid-in capital or more  
2021

Table 3

Unit: Amount 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
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Balance	% to Total	
Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	Purchases	\$ 496,174	10.29%	90 Days	—	—	\$ 141,720	6.91%	

Fortune Electric Co., Ltd.  
 Receivables from related parties reaching NT\$100 million or more than 20% of the paid-in capital  
 For the year ended December 31, 2021

Table 4

Unit: Amount in Thousands of New Taiwan Dollars  
 Unless Specified Otherwise

Company with Accounts Receivables	Name of Counterparty	Relationship	Receivable from Related Parties Balance of Payment (Note 1)	Turnover Rate	Overdue amounts due from related parties		Accounts Overdue from Related Parties Accounts Received after overdue	Allowance for Loss
					Amount	Disposal		
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric Co., Ltd.	Parent-subsiary	\$ 141,720	-	\$ -		\$ 133,245	\$ -

Note 1: Please enter the accounts receivable from related parties, notes and bills, and other receivables...etc. separately.

Note 2: Paid-in capital means the paid-in capital of the parent company. If the issuer's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital is determined based on 10% of the equity vested in the owners of the parent company on the balance sheet.

Fortune Electric Co., Ltd.  
Names, Locations, and related Information of Investees...related information  
January 1 to December 31, 2021

Table 5

Unit: Amount in Thousands of New Taiwan Dollars  
Unless Specified Otherwise

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Percentage of Ownership (%)	Carrying Value			
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	\$ 140,475	\$ 126,528	3,800 thousand shares	100.00	\$ 77,604	(\$ 76,115)	(\$ 76,115)	Subsidiary( Note 2)
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Agent business	2,949	2,949	1 thousand shares	100.00	18,419	3,549	3,549	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	487,366	32,132	32,132	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	2,002	5,734	1,433	Associate
	Fortune Energy Co., Ltd.	No. 368, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City	Transformers, capacitors, power distribution equipment manufacturing	1,000	1,000	100 thousand shares	100.00	804	( 57)	( 57)	Subsidiary
	Fortune Electric Australia Pty Ltd.	Level 7, 60 York. Street, Sydney NSW 2000, Australia	Trade business	10,173	10,173	500 thousand shares	100.00	10,956	895	895	Subsidiary
	Fortune Electric Value Co., LTD.	14F, No. 191, Fuxing N. Rd., Da'an Dist., Taipei City	Electric vehicle charging and operation services, design and establishment of charging stations, R&D of equipment, systems and technologies, and sales.	182,000	-	18,200 thousand shares	80.18	164,700	( 21,578)	( 19,213)	Subsidiary( Note 3)

Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	US\$ 6,500 thousand	US\$ 6,500 in thousands	-	100.00	US\$ 5,239 thousand	( US\$2,798 thousand)	( US\$2,798 thousand )	Sub-subsidiary
	Wuhan Fortune Electric Co., Ltd	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	US\$ 500 thousand	-	-	100.00	US\$ 604 thousand	US\$95 thousand	US\$95 thousand	Sub-subsidiary ( Note 4 )
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Trade business	RMB500 thousand	RMB500 in thousands	-	100.00	RMB1,572 thousand	RMB 560 thousand	RMB 560 thousand	Sub sub-subsidiary

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: Power Energy International distributed \$84,619 thousand from its earnings for the year of 2020.

Note 3: On June 31, 2021, the company split its electric vehicle charging operation business department through division by acquisition, which was incorporated into the consolidated entity.

Note 4: On October 26, 2021, Power Energy International established a 100% owned subsidiary, Wuhan Fortune Electric Co., Ltd. , which was incorporated into the consolidated entity.

Fortune Electric Co., Ltd.  
Information on investments in the Mainland Area  
January 1 to December 31, 2021

Table 6

Unit: Amount in Thousands of New Taiwan Dollars  
Unless Specified Otherwise

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 3)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note 3)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflows	Inflows							
Fortune Electric (Wuhan) Ltd.	Transformer, capacitor, distribution board and distribution equipment manufacturing industry.	\$ 179,920 ( US\$6,500 thousand )	Reinvestment in mainland companies through reinvestment in existing companies in the third area	\$ 166,080 ( US\$6,000 thousand )	\$ -	\$ -	\$ 166,080 ( US\$6,000 thousand )	(\$ 78,643) (US\$ 2,799 thousand )	100.00%	(\$ 78,643) (US\$ 2,799 thousand )	\$ 145,012 (US\$ 5,239 thousand )	\$ -	
Wuhan Fortune	Transformer,	13,840	Reinvestment	-	13,840	-	13,840	2,630	100.00%	2,640	16,721	-	

Electric Co., Ltd.	capacitor, distribution board and distribution equipment manufacturing industry.	(US\$ 500 thousand )	in mainland companies through reinvestment in existing companies in the third area	( US\$500 thousand )	(US\$ 500 thousand )	US\$ 95 thousand	US\$ 95 thousand	US\$ 604 thousand		
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Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Investment Limit for Mainland Area as Regulated by MOEAIC
\$179,920 ( US\$ 6,500 thousand )	\$166,080 ( US\$ 6,000 thousand )	\$2,087,409

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, 2021, the rest are calculated at the spot exchange rate at the end of December, 2021.

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.

Fortune Electric Co., Ltd.  
Information on major shareholders  
December 31, 2021

Table 7

Major Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Hua Cheng Investment Co., Ltd.	23,898,936	9.15%
Hsu Shou Hsiung	22,903,419	8.77%
Hsu Bang Fu	18,600,366	7.12%
Chen Yen Fen	13,080,805	5.01%

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.

§ THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS §

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Fortune Electric Co., Ltd.  
Statement of cash and cash equivalents  
December 31, 2021

Table 1

Unit: Amount in Thousands of New Taiwan  
Dollars  
Unless Specified Otherwise

Item	Amount
Petty cash	\$ 700
Check deposit	3,275
Demand deposit ( Note )	<u>12,142</u>
Total	<u>\$ 16,117</u>

Note: Statement of foreign currency as follows:

Currency Name	Foreign currency amount ( NT\$ )	Exchange rate for NT dollars
AUD	\$ 463,998.83	20.0800
USD	22,389.04	27.6800
CNY	2,371.45	4.3440
CAD	55.70	21.6200
EUR	291.56	31.3200
JPY	0.32	0.2405
CHF	176.83	30.1750
HKD	287.84	3.5490
SEK	0.01	3.0700

Fortune Electric Co., Ltd.  
Statement of prepayments  
December 31, 2021

Table 2

Unit: Amounts in Thousands of New Taiwan  
Dollar

Client Name	Amount
Related party – Fortune Electric Extra High Voltage Co., Ltd.	\$ 60,656
Client A	15,210
Client B	14,023
Client C	12,926
Others ( Note )	57,895
	<u>\$ 160,710</u>

Note : The amount of individual client included in others does not exceed 5% of the account balance.

Fortune Electric Co., Ltd.  
Statement of receivables  
December 31, 2021

Table 3

Unit: Amounts in Thousands of New Taiwan  
Dollar

Client Name	Amount
Client A	\$ 443,576
Client B	290,497
Client C	241,084
Client D	160,547
Others ( Note )	<u>1,898,570</u>
	3,034,274
Minus: Allowance for loss	<u>40,491</u>
	<u>\$ 2,993,783</u>

Note : The amount of individual client does not exceed 5% of the account balance.

Fortune Electric Co., Ltd.  
Statement of Inventories  
December 31, 2021

Table 4

Unit: Amounts in Thousands of New Taiwan  
Dollar

Item	Amount	
	Cost	Net Realizable Value
Finished goods	\$ 348,979	\$ 566,812
Work in process	1,391,131	2,195,444
Raw materials	327,424	329,429
Minus : Allowance for inventory valuation and obsolescence losses	( <u>2,208</u> )	<u>-</u>
	<u>\$ 2,065,326</u>	<u>\$ 3,091,685</u>

Fortune Electric Co., Ltd.  
Statement of contract assets and contract liabilities  
2021

Table 5

Unit: Amounts in Thousands of New Taiwan Dollar

	Estimate Year of completion	Total construction price	Estimate Construction total cost	Completion ratio (%)	Construction contract receivables				Construction contract payables				Contract assets	
					Balance, beginning of year	Construction cost	Construction profit (loss)	Completion carry forward	Balance, end of year	Balance, beginning of year	Increase this year	Completion carry forward	Balance, end of year	(Contract liabilities)
<b>Contract assets</b>														
Construction contract receivables														
TK20120	2022	\$ 166,994	\$ 134,219	70.00	\$ -	\$ 93,953	\$ 22,944	\$ -	\$ 116,897	\$ 42,774	\$ 42,774	\$ -	\$ 85,548	\$ 31,349
TK13006	2021	214,077	219,698	99.86	213,778	3,766	( 3,766)	-	213,778	192,883	-	-	192,883	20,895
TK17001	2021	249,743	306,108	99.99	222,022	68,647	( 40,951)	-	249,718	62,516	134,459	-	196,975	52,743
TK16001	2021	384,310	483,631	100.00	384,272	( 31,199)	31,237	-	384,310	352,029	32,281	-	384,310	-
TK19001	2021	173,371	159,388	97.96	49,844	110,346	9,644	-	169,834	39,883	38,277	-	78,160	91,674
TK1980A	2021	2,539,404	2,230,578	99.99	1,279,660	1,140,085	119,405	-	2,539,150	1,248,035	891,142	-	2,139,177	399,973
TK13004	2021	200,245	289,620	100.00	200,225	( 7,196)	3,135	196,164	-	196,820	-	196,820	-	-
TK148V7	2021	95,238	85,392	100.00	23,810	-	-	23,810	-	23,810	-	23,810	-	-
TK208S3	2021	194,966	179,368	100.00	194,946	( 7,009)	3,195	191,132	-	171,570	-	171,570	-	-
AS18840	2021	68,032	58,473	100.00	-	( 28)	28	-	-	-	-	-	-	-
TA16003	2021	-	-	100.00	-	-	537	537	-	-	-	-	-	-
TA17001	2021	-	-	100.00	-	-	( 378)	( 378)	-	-	-	-	-	-
Total		<u>\$ 4,286,380</u>	<u>\$ 4,146,475</u>		<u>\$ 2,568,557</u>	<u>\$ 1,371,365</u>	<u>\$ 145,030</u>	<u>\$ 411,265</u>	<u>\$ 3,673,687</u>	<u>\$ 2,330,320</u>	<u>\$ 1,138,933</u>	<u>\$ 392,200</u>	<u>\$ 3,077,053</u>	596,634
Construction retention receivable														74,817
Total														<u>\$ 671,451</u>
<b>Contract liabilities</b>														
Construction contract payables														
TK2280A	2026	\$ 371,014	\$ 341,333	0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,000	\$ -	\$ 12,000	\$ 12,000
TK12002	2021	299,941	680,674	99.33	290,537	17,577	( 10,183)	-	297,931	268,984	30,367	-	299,351	1,420
TK13003	2021	<u>360,769</u>	<u>647,955</u>	99.00	<u>340,974</u>	<u>15,371</u>	<u>816</u>	-	<u>357,161</u>	<u>291,852</u>	<u>68,917</u>	-	<u>360,769</u>	<u>3,608</u>
Total		<u>\$ 1,031,724</u>	<u>\$ 1,669,962</u>		<u>\$ 631,511</u>	<u>\$ 32,948</u>	<u>(\$ 9,367)</u>	<u>\$ -</u>	<u>\$ 655,092</u>	<u>\$ 560,836</u>	<u>\$ 111,284</u>	<u>\$ -</u>	<u>\$ 672,120</u>	17,028
Construction retention payables														276,658
Advance receipts														456,524
Total														<u>\$ 750,210</u>

Fortune Electric Co., Ltd.  
Statement of changes in investments accounted for using equity method  
2021

Table 6

Unit: Amount in Thousands of New Taiwan Dollars  
Unless Specified Otherwise

Investees	Balance, January 1, 2021			Changes							Balance, December 31, 2021			Note
	No. of Shares (in Thousand)	%	Amount	No. of Shares (in Thousand)	Increase	Earning Distribution	Share of Profit or Loss of Subsidiaries and Associates Accounted for Using Equity Method	Exchange Differences on Translation of Foreign Financial Statements	Capital surplus – Changes In Ownership Interests	No. of Shares (in Thousand)	%	Amount		
Investments accounted for using equity method														
Unlisted companies														
Power Energy International Ltd.	3,800 thousand shares	100.00	\$ 225,366	-	\$ 13,947	( \$ 84,619 )	( \$ 76,115 )	( \$ 975 )	\$ -	3,800 thousand shares	100.00	\$ 77,604	-	
North American Division	1 thousand shares	100.00	15,345	-	-	-	3,549	( 475 )	-	1 thousand shares	100.00	18,419	-	
Fortune Electric Extra High Voltage Co., Ltd	141,200 thousand shares	100.00	455,234	-	-	-	32,132	-	-	141,200 thousand shares	100.00	487,366	-	
E-Total Link	100 shares	25.00	750	-	-	-	1,433	( 181 )	-	100 shares	25.00	2,002	-	
Fortune Energy CO., LTD.	100 thousand shares	100.00	861	-	-	-	( 57 )	-	-	100 thousand shares	100.00	804	-	
Australian company	500 thousand shares	100.00	10,891	-	-	-	895	( 830 )	-	500 thousand shares	100.00	10,956	-	
Fortune Electric Value Co., LTD.			-	18,200 thousand shares	182,000	-	( 19,213 )	-	1,913	18,200 thousand shares	80.18	164,700	-	
Total			\$ 708,447		\$ 195,947	( \$ 84,619 )	( \$ 57,376 )	( \$ 2,461 )	\$ 1,913			\$ 761,851		

Note 1 : As of the end of 2021, the company's investment under the equity method had no pledge or guarantee.

Fortune Electric Co., Ltd.  
Statement of bank loans  
December 31, 2021

Table 7

Unit : Amounts in Thousands of New Taiwan Dollars

Type of Creditor	Contract Period	Annual Interest Rate (%)	Balance	Loan Commitments
<b>Short-term loans</b>				
Taipei Fubon Commercial Bank	Jul 19, 2021- Apr 15, 2022	0.80-0.87	\$ 178,511	\$ 350,000
Bank of Taiwan	Aug 9, 2021- Apr 29, 2022	0.69-0.79	17,793	400,000
Hua Nan Commercial Bank	Aug 2, 2021- Jun 17, 2022	0.53-0.80	41,719	650,000
Chang Hwa Commercial Bank	Jul 19, 2021- Jun 18, 2022	0.80-1.00	40,800	500,000
First Commercial Bank	Sep 15, 2021- Jun 22, 2022	0.80-0.86	129,583	600,000
Land Bank of Taiwan	Oct 1, 2021- Apr 26, 2022	0.82-0.96	3,641	300,000
En Tie Bank	Dec 27, 2021- Jan 19, 2022	0.86	<u>100,000</u>	<u>200,000</u>
			<u>512,047</u>	<u>3,000,000</u>
<b>Long-term loans</b>				
Bank of Taiwan	May 25, 2021- May 25, 2024	1.20	500,000	500,000
Mega International Commercial Bank	Dec 31, 2020- Oct 23, 2021	1.25	241,800	241,800
Bank SinoPac	Dec 20, 2021- Sep 30, 2023	1.10	100,000	100,000
Yuanta Bank	Dec 22, 2021- May 20, 2024	1.15	<u>300,000</u>	<u>300,000</u>
			<u>1,141,800</u>	<u>1,141,800</u>
			<u>\$ 1,653,847</u>	<u>\$ 4,141,800</u>

Note : At the end of the year 2021, the amount financed by banks and Bills Finance Companies with no loan balance was about NT\$5,408,200 thousand; so, the total amount financed of the Company was about NT\$9,550,000 thousand. As of December 31, 2021, after deducting NT\$1,653,847 thousand of long-term and short-term bank loans and NT\$2,230,140 thousand of used amount financed of fulfillment guarantee, the unused amount financed is about NT\$5,666,013 thousand.

Fortune Electric Co., Ltd.  
Statement of accounts payables  
December 31, 2021

Table 8

Unit : Amounts in Thousands of New Taiwan  
Dollars

<u>Vendor Name</u>	<u>Amount</u>
Accounts payables	
Others (Note)	<u>\$ 1,883,697</u>

Note : The amount of individual vendor does not exceed 5% of the account balance.

Fortune Electric Co., Ltd.  
Statement of operating cost  
For 2021

Table 9

Unit : Amounts in Thousands of New Taiwan  
Dollars

Item	Amount
Direct raw materials	
Raw material, beginning of year	\$ 302,994
Add ( less ) : material purchased	5,362,936
Raw materials, end of year	( <u>327,424</u> )
	5,338,506
Direct labor	124,196
Manufacturing expenses	<u>605,845</u>
Manufacturing cost	6,068,547
Add ( less ) : Work in process, beginning of year	1,422,331
Transferred to R&D cost	( 27,697 )
Work in process, end of year	( <u>1,391,131</u> )
Cost of finished goods	6,072,050
Add( less ) : Finished goods, beginning of year	246,820
Finished goods, end of year	( 348,979 )
Transferred to equipment	( 2,659 )
Transferred to construction cost	28
Transferred to R&D cost	( 4,963 )
Split and transferred	( 9,100 )
Gains on inventory value recoveries	( 202 )
Income from Sale of Scrap	( 1,354 )
Other	( <u>1,020</u> )
Subtotal	5,950,621
Electric sales cost	10,801
Charging station cost	<u>2,593</u>
Cost of goods sold subtotal	5,964,015
Construction cost	<u>1,404,313</u>
Total operating cost	<u>\$ 7,368,328</u>

Fortune Electric Co., Ltd.  
Statement of operating expenses  
2021

Table 10

Unit : Amounts in Thousands of New Taiwan  
Dollars

Item	Marketing Expenses	Administrativ e Expenses	R&D Expense	Total
Export expense	\$ 105,533	\$ -	\$ -	\$ 105,533
Payroll and allowance (including pension)	213,755	110,035	56,838	380,628
Marketing expenses	50,057	-	-	50,057
Insurance	32,124	6,004	5,303	43,431
Research expense	-	-	33,355	33,355
Service expense	7,294	15,676	2,708	25,678
Others ( Note )	<u>139,397</u>	<u>25,795</u>	<u>19,945</u>	<u>185,137</u>
	<u>\$ 548,160</u>	<u>\$ 157,510</u>	<u>\$ 118,149</u>	823,819
Account Receivable- Expected Credit Loss and Gain				<u>3,737</u>
Total				<u>\$ 827,556</u>

Note : The amount of each item in others does not exceed 5% of the account balance.

Fortune Electric Co., Ltd.  
Summary statement of current period employee benefits, depreciation, depletion and  
amortization expenses by function  
For 2021 and 2020

Table 11

Unit : Amounts in Thousands of New Taiwan  
Dollars

	2021			2020		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Employee Benefit Expense						
Salary	\$ 421,801	\$ 237,094	\$ 658,895	\$ 437,965	\$ 237,165	\$ 675,130
Labor and health insurance	41,220	18,278	59,498	36,464	17,325	53,789
Pension						
Defined contribution plan	15,207	8,112	23,319	14,709	7,868	22,577
Defined benefit plan	3,718	1,508	5,226	4,715	2,061	6,776
Board compensation	-	17,732	17,732	-	21,299	21,299
Other employee benefit	<u>22,475</u>	<u>7,960</u>	<u>30,435</u>	<u>19,320</u>	<u>7,071</u>	<u>26,391</u>
	<u>\$ 504,421</u>	<u>\$ 290,684</u>	<u>\$ 795,105</u>	<u>\$ 513,173</u>	<u>\$ 292,789</u>	<u>\$ 805,962</u>
Depreciation	<u>\$ 62,546</u>	<u>\$ 13,439</u>	<u>\$ 75,985</u>	<u>\$ 59,532</u>	<u>\$ 13,753</u>	<u>\$ 73,285</u>
Amortization	<u>\$ 6,403</u>	<u>\$ 10,511</u>	<u>\$ 16,914</u>	<u>\$ 3,128</u>	<u>\$ 8,294</u>	<u>\$ 11,422</u>

Note:

- 1.As of December 31, 2021 and 2020, the Company had 772 and 769 employees respectively. The numbers in both years of non-employee directors are 7.
- 2.The company whose shares are listed on TWSE or traded on TPEX shall disclose the following information:
  - (1)The average employee benefit expense of this year is NT\$1,060 thousand (total employee benefit expense of this year - total directors' remuneration) / number of employees of this year - number of non-employee's directors).  
The average employee benefit expense of the previous year was NT\$1,030 thousand (total employee benefit expense of the previous year - total directors' remuneration) / number of employees of the previous year - number of non-employee's directors).
  - (2) The average salary cost of this year is 861 thousand (total salary cost of this year / "number of employees in this year - number of non-employees directors ").  
The average salary cost of the previous year is 886 thousand (total salary cost of the previous year / "number of employees in the previous year - number of non-employees directors ").
  - (3) The change of average employee salary expenses is (2.82%) (average employee salary expenses of this year - average employee salary expenses of the previous year) / average employee salary expenses of the previous year).
  - (4) The Company has no supervisor, and the audit committee has replaced the supervisor in accordance with Article.

(5) The company's salary and compensation policy are as follows :

A. Directors

In accordance with Article 27 of the Articles of Corporation, 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 total amount of appropriation shall be resolved by the Board of Directors.

B. Managers

The Company's compensation policy for managers should refer to the level of competitiveness prevailing in the same industry., so as to attract external talents. The Company should also consider that they devote their time, their responsibilities, their personal performance, operating performance and the rationality of future risks of the Company, and regularly performing compensation policy and related systems reviews.

C. Employees

In order to ensure that the Company's salary policy complies with relevant laws and regulations, the Company's overall salary policy not only takes into account the internal fairness and external market salary range, but also refers to the general level of payment in the same industry from time to time, and regularly evaluates the organization's operating performance and external environment competitiveness, timely implements various salary adjustment and reward systems, and shares the Company's operating results, so as to attract, motivate and retain talents .

**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 31 <sup>st</sup> , 2021	December 31 <sup>st</sup> , 2020	Difference	
				Amount	%
Current Assets		7,398,719	6,453,655	945,064	14.64
Property, Plant and Equipment		1,963,885	1,982,681	(18,796)	(0.95)
Equity Method investment		2,002	750	1,252	166.93
Intangible Assets		41,266	31,214	10,052	32.20
Other Assets		516,518	224,052	292,466	130.53
Total Assets		9,922,390	8,692,352	1,230,038	14.15
Current Liabilities		4,897,640	3,934,794	962,846	24.47
Long-term Liabilities		1,505,013	1,210,542	294,471	24.33
Total Liabilities		6,402,653	5,145,336	1,257,317	24.44
Equity Attributable to Shareholders of the Parent		3,479,015	3,547,016	(68,001)	(1.92)
Capital Stock		2,610,585	2,610,585	0	0.00
Capital Surplus		3,484	1,414	2,070	146.39
Retained Earnings		902,524	950,364	(47,840)	(5.03)
Other Equity		(37,578)	(15,347)	22,231	144.86
Non-controlling Equity		40,722	0	40,722	100.00
Total Equity		3,519,737	3,547,016	(27,279)	(0.77)

Explanation: (variance over 20%)

1. Used equity method investment to decrease recognition of investment loss of E-Total Link.
2. Intangible Assets increased mainly due to procurement of software equipment
3. Other Assets increased mainly due to re-invest Hsin He Energy Co.,
4. To respond to working capital and re-investment fund needs, short-term loan, short-term ticket and long-term loan were increased.
5. Increase in capital gain mainly due to recognition of subsidiary shareholding and face value difference
6. Other equity was increased, mainly due to yearend valuation adjustment of "other financial assets at fair value through profit or loss."
7. Non-controlling Equity was increased due shareholding of Fortune Electric Value Co., Ltd was reduced from 100% to 80.18%

### 7.2 Analysis of Financial Performance

#### (1) Business Results Comparative Analysis

Unit: NT\$ Thousands

Item	Year	2021	2020	Difference	
				Amount	%
Gross Sales		9,020,094	8,471,592	548,502	6.47
Cost of Sales		7,613,188	7,117,542	495,646	6.96
Gross Profit		1,406,906	1,354,050	52,856	3.90
Operating Expenses		1,014,940	879,957	134,983	15.34
Operating net profit		391,966	474,093	(82,127)	(17.32)
Non-operating Income and Gains		(26,053)	74,527	(100,580)	(134.96)
Income Before Tax		365,913	548,620	(182,707)	(33.30)
Income Tax Expense		78,395	91,106	(12,711)	(13.95)
Net income of continuing business units		287,518	457,514	(169,996)	(37.16)
Other comprehensive income, net of tax		(20,578)	(28,508)	(7,930)	(27.82)
Total comprehensive income		266,940	429,006	(162,066)	(37.78)

Explanation:

1. Revenue was increased mainly due to growth of business in private sector and government business sales.
2. Operating expense was increased YoY, mainly due compensation to employees of subsidiary company due to contract termination of subsidiary company employees
3. Contract termination loss was recognized, in comparison to YoY compensation profit, led to Non-operating gain decreased
4. Other comprehensive income, net of tax was decreased, mainly due to recognize "remeasurement of benefit plan" as positive

(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, outlying 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 at that time 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

Year	2021
Cash flow - Operating activities	(437,954)
Cash flow - Investing activities	(477,467)
Cash flow - Financing activities	877,120
Effect of exchange rate to cash and cash equivalents	(7,227)
Net decrease in cash	(45,528)
Increase/decrease explanation:	
(1) Net cash flow used in operating mainly resulted from Accounts receivable and inventory increased	
(2) Net cash flow used in investing activities was mainly to make investment and for procuring manufacturing related equipment.	
(3) Net cash flow in of financing was due to increase in long-term, short-term loans and short-term notes payable	

#### 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
\$ 168,981	\$484,679	\$ 503,660	\$ 150,000	-	-
Analysis of change of Cash flow in the Next Year					
(1) Operating activities: mainly resulted from profitability in 2022					
(2) Investing activities: mainly 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				
				2021	2022	2023	2024	2025
Fixed Assets and Software equipment	Operating capital / loans	2021	\$ 722,918	\$434,738	\$288,180	-	-	-

#### 2. Expected Benefits:

In response to government Green Energy Policy, the Company reinvested in Renewable Energy Power company to make financial investment as well as securer factory planting equipment and construction orders. 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 29<sup>th</sup>, 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. Recently, 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 135~139 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 whereas 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.

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
New Type Modularized AMI Electric Meter – low voltage	85%	8,000	December 2022	Material is key success factor
TTU adjoining LTE communication Modules DNP3.0 63-5	89%	3,000	December 2022	Communication technique is key success factor
TTU Transformer surveillance	89%	2,500	December 2022	Communication technique is key success factor

4. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: NONE ◦

5. Change of technology (including Information and Communication Security Risk) & Industry change and its impact and countermeasures to the Company's financial business:

Technology is changing by the second, energy transformation and at the same time, government's actively promoting for SMART electricity transmission network, amongst them: wind power energy generation, solar energy generation as well as Green Energy. In view of the fact that people's awareness of environmental protection are heightened, 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, further created Transformer Terminal Unit (TTU), and install electric vehicle charging pole, actively fight for energy saving installation and SMART electricity meter projects as well as developing Energy Management System (EMS). 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 above 23% and around 40%, respectively. 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:  
Key indicators of this industry are "Factory Productivity" and "Market Share" and relevant figures please refer to page 59 and 68 for details. In addition, "Quality Yield", as stipulated in  $6\sigma$ , individual quality goals have been set up for Chung Li Plant, Kuan Yin II Plant and Kuan Yin III plants at  $4.345\sigma$ ,  $4.35\sigma$ , and  $5.32\sigma$ , 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 financial 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/tw/Investor\\_governance\\_031.html](https://www.fortune.com.tw/tw/Investor_governance_031.html)

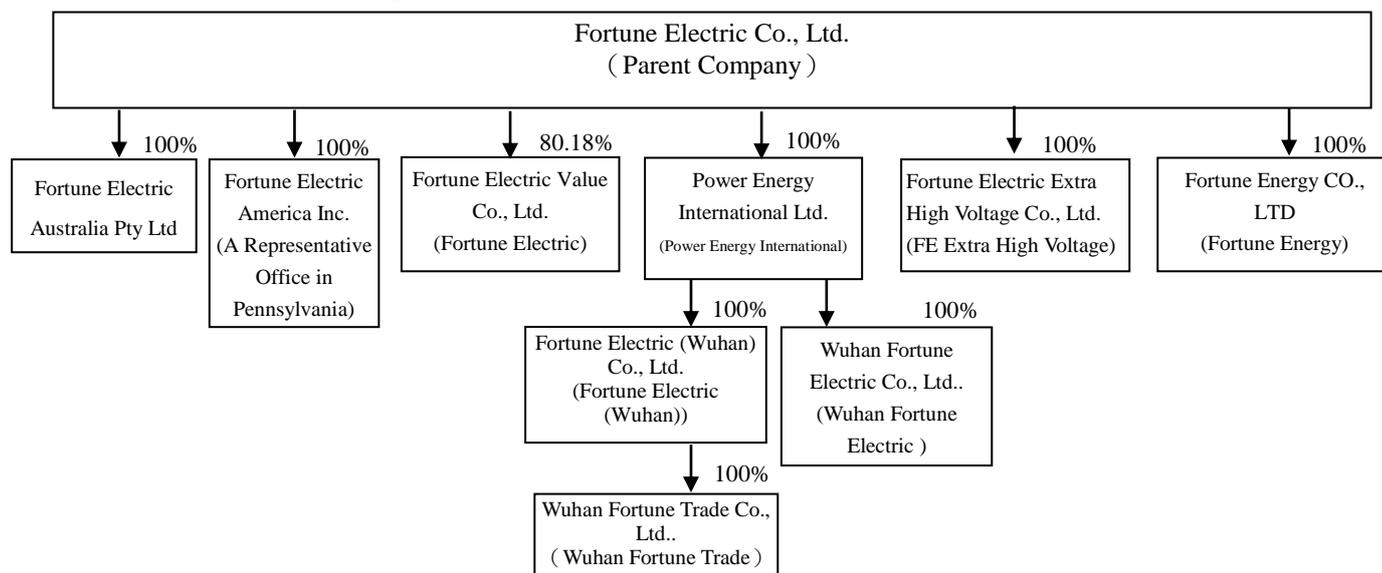
## VIII. Special Disclosure

### 8.1 Information about the Affiliated Companies

Consolidated Business Report

#### Fortune Electric Co., Ltd and Affiliated Companies 2021 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
Fortune Electric Value Co., Ltd.	2021	Fortune Electric's Affiliated Company	Shareholding	Manufacturing of electric vehicle charging operation service, various charging station planning and constructing, R&D and sales of electric vehicle charging related equipment, system, and technique
Wuhan Fortune Electric Co., Ltd..	2021	Fortune Electric's Affiliated Company	Shareholding	Transformers, capacitors, distribution boards and distribution equipment manufacturing

Note: The Company acquired 100% shareholding of former Hitachi Fortune Electric Transformer Co., Ltd. On March 31<sup>st</sup>, 2019.

## Appendix I

### Fortune Electric Co., Ltd and Affiliated Companies Basic Information of all Affiliates December 31<sup>st</sup>, 2021

Unit: NT\$ unless otherwise specified

Name of Company	Date of Incorporation	Address	Paid-in Capital	Major business and products
Fortune Electric Co., Ltd.	August 26 <sup>th</sup> , 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 13 <sup>th</sup> , 2002	2 <sup>nd</sup> 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 26 <sup>th</sup> , 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 2 <sup>nd</sup> , 2013	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	US\$100,000	Distributor
Fortune Electric Extra High Voltage Co., Ltd.(Note)	December 17 <sup>th</sup> , 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 20 <sup>th</sup> , 2014	NO. 2832 Dong Si Who Avenue, Wuhan, China	RMB 500,000	Import/export business of all types of products, and technique
Fortune Energy CO., LTD	February 11 <sup>th</sup> , 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 10 <sup>th</sup> , 2020	L7 60-62 YORK ST SYDNEY NSW 2000	AUD500,000	Export trading business
Fortune Electric Value Co., Ltd.	May 6 <sup>th</sup> , 2021	10F., No. 368, Sec. 1, Fuxing S. Rd., Ta-An Dist., Taipei City	227,000	Manufacturing of electric vehicle charging operation service, various charging station planning and constructing, R&D and sales of electric vehicle charging related equipment, system, and technique
Wuhan Fortune Electric Ltd	June 15 <sup>th</sup> , 2021	No. 2832, Xihu Avenue, Dongxihu District, Wuhan, Hubei, China 430023	USD500,000	Manufacturing transformers, capacitors, distribution boards and distribution equipment manufacturing

Note: The Company acquired 100% shareholding of former Hitachi Fortune Electric Transformer Co., Ltd. On March 31<sup>st</sup>, 2019.

## Appendix II

### Fortune Electric Co., Ltd and Affiliated Companies Directors and General Manager Information December 31<sup>st</sup>, 2021

Name of Company	Title	Name or Representative	Shareholding	
			Shares	Ratio (%)
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
Fortune Electric Value Co., Ltd.	Chairman	Fortune Electric Co., Ltd. Representative: Hsu, I-Sheng	18,200,000	80.18
Wuhan Fortune Electric Ltd.	Chairman	Power Energy International Ltd. Representative: Sun, Shih-Ming	-	100.00

## Appendix III

### Fortune Electric Co., Ltd. And Affiliated Company 2021 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	8,522,025	5,043,010	3,479,015	8,625,381	429,497	289,883	1.11
Power Energy International Ltd.	USD3,800,000	161,791	84,187	77,604	-	(4)	(76,115)	(20.03)
Fortune Electric (Wuhan) Co., Ltd.	USD6,500,000	381,287	236,275	145,012	243,721	236,402	(78,643)	-
Fortune Electric America Inc.	USD100,000	122,220	103,801	18,419	153,614	3,549	3,549	3,549
Wuhan Fortune Trade Co., Ltd..	RMB500,000	8,893	2,064	6,829	25,892	2,411	2,425	-
Fortune Electric Extra High Voltage Co., Ltd.	1,412,000	1,665,708	1,178,342	487,366	649,634	31,756	32,132	0.23
Fortune Energy CO., LTD	1,000	803	-	803	-	-	(57)	(0.57)
Fortune Electric Australia Pty Ltd.	AUD500,000	37,746	26,791	10,955	25,006	528	895	1.79
Fortune Electric Value Co., Ltd.	227,000	267,620	62,198	205,422	56,097	(17,301)	(21,578)	(0.95)
Wuhan Fortune Electric Ltd.	USD500,000	29,446	12,725	16,721	26,364	2,932	2,640	-

## **Appendix IV**

### Statement of Consolidated Financial Statements of the Affiliates

We hereby declare that:

From January 1st to December 31st, 2021, 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