Fortune Electric Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the
Six Months Ended June 30, 2015 and 2014 and
Independent Auditor's Review Report

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	June 30, 2015 (Reviewed) NT$	June 30, 2015 (Reviewed) US$ (Note)	December 31, 2014 (Audited) NT$	June 30, 2014 (Reviewed) NT$
CURRENT ASSETS				
Cash and cash equivalents	$ 209,091	$ 6,776	$ 406,531	$ 281,903
Financial assets at fair value through profit or loss - current	2,759	90	10,758	-
Derivative financial assets for hedging - current	-	-	366	-
Debt investments with no active market - current	12,451	403	12,451	7,886
Notes receivable	12,109	392	19,196	57,088
Trade receivables from unrelated parties	2,063,019	66,851	1,999,102	1,532,061
Trade receivables from related parties	32,593	1,056	76,908	154
Amounts due from customers for construction contracts	491,861	15,938	269,342	91,755
Current tax assets	-	-	8,410	10,523
Inventories, net	1,788,558	57,957	1,469,972	1,880,593
Prepayments	97,264	3,152	106,094	103,208
Other current assets	28,728	931	54,483	28,507
Total current assets	4,738,433	153,546	4,433,613	3,993,678
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current	700	23	882	-
Available-for-sale financial assets - non-current	77,100	2,498	82,825	89,375
Financial assets measured at cost - non-current	27,000	875	27,000	-
Investments accounted for using equity method	521,238	16,890	540,884	217,533
Property, plant and equipment	1,475,187	47,803	1,488,148	1,497,337
Intangible assets	15,646	507	11,217	7,892
Deferred tax assets	62,422	2,023	62,536	58,190
Prepayments for equipment	-	-	1,000	488
Refundable deposits	7,589	246	4,505	1,541
Long-term prepayments for lease	27,774	900	28,853	27,446
Total non-current assets	2,214,656	71,765	2,247,850	1,899,802
TOTAL	$ 6,953,089	$ 225,311	$ 6,681,463	$ 5,893,480

LIABILITIES AND EQUITY	June 30, 2015 (Reviewed) NT$	June 30, 2015 (Reviewed) US$ (Note)	December 31, 2014 (Audited) NT$	June 30, 2014 (Reviewed) NT$
CURRENT LIABILITIES				
Short-term borrowings	$ 275,136	$ 8,916	$ 473,312	$ 499,634
Financial liabilities at fair value through profit or loss - current	1,622	53	5,803	202
Notes payable	100	3	-	-
Trade payables	1,661,981	53,856	1,226,336	1,151,621
Amounts due to customers for construction contracts	26,543	860	8,908	32,095
Other payables	295,727	9,582	216,847	212,401
Current tax liabilities	27,652	896	41,505	6,628
Advance receipts	600,227	19,450	533,691	431,465
Other current liabilities	45,554	1,476	96,640	74,042
Total current liabilities	2,934,542	95,092	2,603,042	2,408,088
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current	4,194	136	3,186	203
Long-term borrowings	591,800	19,177	591,800	225,920
Deferred tax liabilities	61,858	2,004	56,459	52,266
Accrued pension liabilities	272,034	8,815	271,864	257,636
Other non-current liabilities	1,901	62	3,624	4,687
Total non-current liabilities	931,787	30,194	926,933	540,712
Total liabilities	3,866,329	125,286	3,529,975	2,948,800
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital				
Ordinary shares	2,610,585	84,594	2,610,585	2,610,585
Capital surplus	1,033	34	1,033	1,033
Retained earnings				
Legal reserve	297,468	9,639	271,477	271,477
Special reserve	-	-	2,118	2,118
Unappropriated earnings	181,564	5,884	252,774	61,152
Total retained earnings	479,032	15,523	526,369	334,747
Other equity				
Exchange differences on translating foreign operations	11,933	387	23,533	2,518
Unrealized loss on available-for-sale financial assets	(22,300)	(723)	(16,575)	(10,025)
Unrealized gain on cash flow hedges	368	12	366	-
Total other equity	(9,999)	(324)	7,324	(7,507)
Total equity attributable to owners of the Company	3,080,651	99,827	3,145,311	2,938,858
NON-CONTROLLING INTERESTS	6,109	198	6,177	5,822
Total equity	3,086,760	100,025	3,151,488	2,944,680
TOTAL	$ 6,953,089	$ 225,311	$ 6,681,463	$ 5,893,480

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT$30.86 to US$1.00 at June 30, 2015, the base rate announced by Bank of Taiwan. Such translation should not be construed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

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

(With Deloitte & Touche review report dated August 7, 2015)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2015		2014	2015		2014
	NT$	US$ (Note)	NT$	NT$	US$ (Note)	NT$
OPERATING REVENUES						
Sales	$ 1,094,791	$ 35,476	$ 968,783	$ 1,922,661	$ 62,303	$ 1,855,431
Construction revenue	245,171	7,944	55,146	443,817	14,381	117,616
Total operating revenues	1,339,962	43,420	1,023,929	2,366,478	76,684	1,973,047
OPERATING COSTS						
Cost of goods sold	801,279	25,965	818,341	1,471,540	47,684	1,482,226
Construction cost	239,083	7,747	54,913	436,452	14,143	117,848
Total operating costs	1,040,362	33,712	873,254	1,907,992	61,827	1,600,074
GROSS PROFIT	299,600	9,708	150,675	458,486	14,857	372,973
OPERATING EXPENSES						
Selling and marketing expenses	69,621	2,256	79,449	146,904	4,761	204,280
General and administrative expenses	37,225	1,206	25,640	66,079	2,141	51,382
Research and development expenses	33,432	1,083	17,939	56,997	1,847	37,363
Total operating expenses	140,278	4,545	123,028	269,980	8,749	293,025
PROFIT FROM OPERATIONS	159,322	5,163	27,647	188,506	6,108	79,948
NON-OPERATING INCOME AND EXPENSES						
Other gains and losses	1,015	33	1,187	(6,218)	(201)	3,423
Share of the loss of associates	(10,806)	(350)	(6,575)	(19,646)	(637)	(8,387)
Other income	278	9	552	599	20	1,533
Net income on financial assets at fair value through profit or loss	(1,351)	(44)	(408)	5,461	177	3,750
Interest expenses	(4,215)	(137)	(4,728)	(9,466)	(307)	(8,625)
Total non-operating income and expenses	(15,079)	(489)	(9,972)	(29,270)	(948)	(8,306)
PROFIT BEFORE INCOME TAX	144,243	4,674	17,675	159,236	5,160	71,642
INCOME TAX EXPENSE	(31,957)	(1,035)	(3,182)	(49,856)	(1,616)	(14,043)
NET PROFIT FOR THE PERIOD	112,286	3,639	14,493	109,380	3,544	57,599
OTHER COMPREHENSIVE INCOME AND LOSS						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	(2,999)	(97)	(4,939)	(11,750)	(381)	(1,781)
Unrealized gain (loss) on available-for-sale financial assets	(6,250)	(203)	6,425	(5,725)	(185)	(3,650)
Cash flow hedges	156	5	(842)	2	-	-
Total other comprehensive income and loss	(9,093)	(295)	644	(17,473)	(566)	(5,431)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 103,193	$ 3,344	$ 15,137	$ 91,907	$ 2,978	$ 52,168
NET PROFIT ATTRIBUTABLE TO:						
Owners of the Company	$ 112,268	$ 3,638	$ 13,829	$ 109,298	$ 3,542	$ 56,977
Non-controlling interests	18	1	664	82	2	622
	$ 112,286	$ 3,639	$ 14,493	$ 109,380	$ 3,544	$ 57,599

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2015		2014	2015		2014
	NT$	US$ (Note)	NT$	NT$	US$ (Note)	NT$
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the Company	$ 103,233	$ 3,345	$ 14,586	$ 91,975	$ 2,980	$ 51,590
Non-controlling interests	(40)	(1)	551	(68)	(2)	578
	$ 103,193	$ 3,344	$ 15,137	$ 91,907	$ 2,978	$ 52,168
EARNINGS PER SHARE						
Basic	$0.43	$0.01	$0.05	$0.42	$0.01	$0.22
Diluted	$0.43	$0.01	$0.05	$0.42	$0.01	$0.22

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

(With Deloitte & Touche review report dated August 7, 2015) (Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands, Except Amount Per Share)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company												
			Retained Earnings				Other Equity						
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Controlling Interests	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2014	$ 2,610,585	$ 1,033	$ 260,029	$ 46,837	$ 54,443	$ 361,309	$ 4,255	$ (6,375)	$ -	$ (2,120)	$ 2,970,807	$ 5,244	$ 2,976,051
Appropriation of 2013 earnings													
Legal reserve	-	-	11,448	-	(11,448)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(44,719)	44,719	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(83,539)	(83,539)	-	-	-	-	(83,539)	-	(83,539)
	-	-	11,448	(44,719)	(50,268)	(83,539)	-	-	-	-	(83,539)	-	(83,539)
Net income (loss) for the six months ended June 30, 2014	-	-	-	-	56,977	56,977	-	-	-	-	56,977	622	57,599
Other comprehensive income (loss) for the six months ended June 30, 2014, net of income tax	-	-	-	-	-	-	(1,737)	(3,650)	-	(5,387)	(5,387)	(44)	(5,431)
Total comprehensive income (loss) for the six months ended June 30, 2014	-	-	-	-	56,977	56,977	(1,737)	(3,650)	-	(5,387)	51,590	578	52,168
BALANCE AT JUNE 30, 2014	$ 2,610,585	$ 1,033	$ 271,477	$ 2,118	$ 61,152	$ 334,747	$ 2,518	$ (10,025)	$ -	$ (7,507)	$ 2,938,858	$ 5,822	$ 2,944,680
BALANCE AT JANUARY 1, 2015	$ 2,610,585	$ 1,033	$ 271,477	$ 2,118	$ 252,774	$ 526,369	$ 23,533	$ (16,575)	$ 366	$ 7,324	$ 3,145,311	$ 6,177	$ 3,151,488
Appropriation of 2014 earnings													
Legal reserve	-	-	25,991	-	(25,991)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,118)	2,118	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(156,635)	(156,635)	-	-	-	-	(156,635)	-	(156,635)
	-	-	25,991	(2,118)	(180,508)	(156,635)	-	-	-	-	(156,635)	-	(156,635)
Net income (loss) for the six months ended June 30, 2015	-	-	-	-	109,298	109,298	-	-	-	-	109,298	82	109,380
Other comprehensive income (loss) for the six months ended June 30, 2015, net of income tax	-	-	-	-	-	-	(11,600)	(5,725)	2	(17,323)	(17,323)	(150)	(17,473)
Total comprehensive income (loss) for the six months ended June 30, 2015	-	-	-	-	109,298	109,298	(11,600)	(5,725)	2	(17,323)	91,975	(68)	91,907
BALANCE AT JUNE 30, 2015	$ 2,610,585	$ 1,033	$ 297,468	$ -	$ 181,564	$ 479,032	$ 11,933	$ (22,300)	$ 368	$ (9,999)	$ 3,080,651	$ 6,109	$ 3,086,760
BALANCE AT JUNE 30, 2015 (IN U.S. DOLLARS)	$ 84,594	$ 34	$ 9,639	$ -	$ 5,884	$ 15,523	$ 387	$ (723)	$ 12	$ (324)	$ 99,827	$ 198	$ 100,025

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

(With Deloitte & Touche review report dated August 7, 2015)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Six Months Ended June 30		
	2015		2014
	NT$	US$ (Note)	NT$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	$ 159,236	$ 5,160	$ 71,642
Adjustments for:			
Depreciation expenses	40,126	1,300	43,144
Amortization expenses	3,013	98	1,759
Reversal of impairment loss on trade receivables	(832)	(27)	(1,641)
Net loss on financial assets at fair value through profit or loss	2,357	76	202
Interest expenses	9,466	307	8,625
Interest income	(570)	(18)	(745)
Share of loss of associates	19,646	637	8,387
Gain on disposal of property, plant and equipment	(230)	(7)	(865)
Write-down of inventories	3,569	116	-
Reversal of write-down of inventories	-	-	(15,040)
Unrealized net loss on foreign currency exchange	1,004	32	3,698
Prepayment for lease	385	12	373
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss	2,651	86	218
Notes receivable	7,050	228	(23,574)
Trade receivables	(64,239)	(2,082)	(21,580)
Trade receivables from related parties	44,315	1,436	(154)
Amounts due from customers for construction contracts	(222,519)	(7,211)	(11,445)
Inventories	(322,155)	(10,439)	(345,087)
Prepayments	7,566	245	(4,213)
Other current assets	25,736	834	42,532
Derivative financial instrument for hedging	468	15	-
Notes payable	-	-	(6,739)
Trade payables	183,838	5,957	155,686
Amounts due to customers for construction contracts	256,228	8,303	(35,769)
Other payables	(73,086)	(2,368)	(16,308)
Receipts in advance	66,935	2,169	(78,764)
Other current liabilities	(33,451)	(1,084)	(8,616)
Accrued pension liabilities	170	6	639
Cash generated from (used in) operations	116,677	3,781	(233,635)
Interest received	570	18	745

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Six Months Ended June 30		
	2015		2014
	NT$	US$ (Note)	NT$
Interest paid	$ (13,451)	$ (436)	$ (7,275)
Income tax paid	(49,689)	(1,610)	(10,470)
Net cash generated from (used in) operating activities	54,107	1,753	(250,635)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of associates	-	-	(141,200)
Payments for property, plant and equipment	(28,556)	(925)	(62,501)
Proceeds from disposal of property, plant and equipment	1,238	40	2,132
(Increase) decrease in refundable deposits	(3,091)	(100)	2,154
Payments for intangible assets	(8,933)	(289)	(4,154)
Decrease in prepayments for business facilities	1,000	32	2,240
Net cash used in investing activities	(38,342)	(1,242)	(201,329)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayments of) proceeds from short-term borrowings	(194,196)	(6,293)	89,752
Proceeds from long-term borrowings	-	-	141,200
(Refund of) proceeds from guarantee deposits received	(1,722)	(56)	21
Net cash (used in) generated from financing activities	(195,918)	(6,349)	230,973
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(17,287)	(560)	(154)

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Reviewed, Not Audited)

	For the Six Months Ended June 30		
	2015		2014
	NT$	US$ (Note)	NT$
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (197,440)	$ (6,398)	$ (221,145)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	406,531	13,174	503,048
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 209,091	$ 6,776	$ 281,903

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT$30.86 to US$1.00 at June 30, 2015, the base rate announced by Bank of Taiwan. Such translation should not be construed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

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

(With Deloitte & Touche review report dated August 7, 2015) (Concluded)

1. GENERAL INFORMATION

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

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

For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company's stocks are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors and authorized for issue on August 7, 2015.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version would not have any material impact on the Group's accounting policies:

1) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

2) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) Revision to IAS 28 "Investments in Associates and Joint Ventures"

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

4) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required by the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

5) Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and cash flow hedges. However, the application of the above amendments will not have any impact on the net profit for the period, other comprehensive income for the period, and total comprehensive income for the period.

6) Revision to IAS 19 "Employee Benefits"

Remeasurement of the defined benefit plans is presented separately as other equity.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

There is no significant impact in this period after the revised IAS19 was initially applied from January 1, 2015.

7) Amendments to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

8) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

   Recognition and measurement of financial assets

   With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

   For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

   a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

   b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

   Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

   The impairment of financial assets

   IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

   For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) Amendment to IAS 19: Amendment in 2013

The amended IAS 19 states that if contributions from employees or third parties are not linked to service, these contributions affect the remeasurement of the net defined benefit liability (asset). If the contributions are linked solely to service, the employees' service rendered in that period in which they are paid, these contributions may be recognized as a reduction of service cost in the same period. If the contributions depend on the number of years of service, an entity is required to attribute these contributions to service periods as a reduction of service cost.

3) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

4) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments" were amended in this annual improvement.

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

5) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property", were amended in this annual improvement.

6) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 "Property, Plant and Equipment" requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 "Intangible Assets" requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

7) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

8) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. In addition, the amendments clarify that the offsetting disclosures are not explicitly required for all interim periods; however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 under specific conditions.

IAS 34 was amended to clarify that other disclosure information required by IAS 34 should be included in interim financial statements. If the Group includes the information in other statements (such as management commentary or risk report) issued at the same time, it is not required to repeat the disclosure in the interim financial statements. However, it is required to include a cross-reference from the interim financial statements to that issued statements that is available to users on the same terms and at the same time as the interim financial statements.

9) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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 IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of consolidation

Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership June 30, 2015	% of Ownership December 31, 2014	% of Ownership June 30, 2014	Remark
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Investment Holding	100	100	100	-
	Fortune Electric America Inc.	Agents business	100	100	100	-
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	100	100	100	-
Fortune Electric (Wuhan) Ltd.	Wuhan Huarong Co., Ltd.	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	60	60	60	-
	Wuhan Fortune Trade Co., Ltd.	Trade business	100	100	-	Note 1

Note 1: Invested on October 20, 2014; included as consolidation entity on that day.

Note 2: In the table included in the consolidated financial statements of subsidiaries, January 1 to June 30, 2015 and 2014 were based on the same period unreviewed financial statements.

c. Retirement benefit costs

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 liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents 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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

d. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2014.