Fortune Electric Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2018 and 2017

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands)

ASSETS	March 31, 2018 (Reviewed) NT$	March 31, 2018 (Reviewed) US$ (Note)	December 31, 2017 (Audited) NT$	March 31, 2017 (Reviewed) NT$
CURRENT ASSETS				
Cash	$ 98,417	$ 3,381	$ 110,650	$ 110,197
Financial assets at fair value through profit or loss	684	24	126	653
Derivative financial assets for hedging	-	-	10	48
Financial assets at amortized cost - current	5,165	178	-	-
Contract assets	516,733	17,754	-	-
Debt investments with no active market - current	-	-	5,165	5,374
Notes receivable	33,763	1,160	82,229	35,213
Trade receivables from unrelated parties	2,398,460	82,407	2,807,155	2,268,191
Trade receivables from related parties	-	-	2,067	-
Amounts due from customers for construction contracts	-	-	334,278	454,538
Current tax assets	527	18	541	582
Inventories, net	1,693,185	58,175	1,781,574	2,000,757
Prepayments	166,316	5,714	71,044	75,096
Other current assets	65,457	2,249	49,469	58,722
Total current assets	4,978,707	171,060	5,244,308	5,009,371
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income	15,552	534	-	-
Available-for-sale financial assets	-	-	-	110,325
Financial assets at amortized cost - non-current	1,272	44	-	-
Financial assets measured at cost	-	-	30,310	27,000
Debt investments with no active market - non-current	-	-	1,272	1,272
Investments accounted for using equity method	328,041	11,271	325,400	396,184
Property, plant and equipment	1,359,656	46,716	1,367,183	1,398,182
Intangible assets	9,335	321	9,735	11,734
Deferred tax assets	79,669	2,737	54,534	58,885
Prepayments for equipment	8,271	284	8,271	3,705
Refundable deposits	4,110	141	4,071	4,508
Long-term prepayment for lease	23,919	822	23,671	23,355
Total non-current assets	1,829,825	62,870	1,824,447	2,035,150
TOTAL	$ 6,808,532	$ 233,930	$ 7,068,755	$ 7,044,521
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	$ 564,520	$ 19,396	$ 867,280	$ 772,723
Financial liabilities at fair value through profit or loss	5	-	311	3,086
Derivative financial liabilities for hedging	-	-	27	-
Contract liabilities	545,867	18,755	-	-
Notes payable	-	-	3,261	-
Trade payables to unrelated parties	1,348,983	46,349	1,570,611	1,355,685
Trade payable to related parties	10,268	353	-	4,935
Amounts due to customers for construction contracts	-	-	28	23,477
Other payables	151,923	5,220	191,596	161,518
Current tax liabilities	62	2	22	30,869
Provision	67,492	2,319	-	-
Deferred revenue	-	-	235,057	459,454
Other current liabilities	42,664	1,466	38,215	46,521
Total current liabilities	2,731,784	93,860	2,906,408	2,858,268
NON-CURRENT LIABILITIES				
Long-term borrowings	741,800	25,487	741,800	611,800
Deferred tax liabilities	67,163	2,308	57,437	51,858
Net defined benefit liabilities	220,949	7,591	244,742	230,587
Guarantee deposit received	13,450	462	3,317	2,152
Total non-current liabilities	1,043,362	35,848	1,047,296	896,397
Total liabilities	3,775,146	129,708	3,953,704	3,754,665
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	2,610,585	89,695	2,610,585	2,610,585
Capital surplus	1,179	41	1,179	1,033
Retained earnings				
Legal reserve	345,050	11,855	345,050	319,994
Special reserve	11,231	386	11,231	18,469
Unappropriated earnings	95,234	3,272	160,916	348,889
Total retained earnings	451,515	15,513	517,197	687,352
Other equity				
Exchange differences on translating foreign operations	(10,940)	(376)	(15,234)	(22,430)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	(19,981)	(686)	-	-
Unrealized gain or loss on available-for-sale financial assets	-	-	-	10,925
Unrealized gain or loss on cash flow hedges	-	-	(17)	48
Total other equity	(30,921)	(1,062)	(15,251)	(11,457)
Total equity attributable to owners of the Company	3,032,358	104,187	3,113,710	3,287,513
NON-CONTROLLING INTERESTS	1,028	35	1,341	2,343
Total equity	3,033,386	104,222	3,115,051	3,289,856
TOTAL	$ 6,808,532	$ 233,930	$ 7,068,755	$ 7,044,521

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$29.105 to US$1.00 at March 31, 2018, 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 May 7, 2018)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31		
	2018		2017
	NT$	US$ (Note)	NT$
OPERATING REVENUES			
Sales	$ 1,167,270	$ 40,105	$ 1,145,270
Construction revenue	80,611	2,770	45,147
Total operating revenues	1,247,881	42,875	1,190,417
OPERATING COSTS			
Cost of goods sold	987,892	33,942	936,243
Construction cost	207,301	7,123	66,695
Total operating costs	1,195,193	41,065	1,002,938
GROSS PROFIT	52,688	1,810	187,479
OPERATING EXPENSES			
Selling and marketing expenses	89,154	3,063	90,518
General and administrative expenses	28,794	989	27,645
Research and development expenses	21,849	751	21,477
Total operating expenses	139,797	4,803	139,640
PROFIT (LOSS) FROM OPERATIONS	(87,109)	(2,993)	47,839
NON-OPERATING INCOME AND EXPENSES			
Other income	11,750	404	3,071
Other gains and losses	(763)	(26)	(4,589)
Share of profit of associates	2,602	89	1,616
Finance costs	(7,777)	(267)	(5,931)
Total non-operating income and expenses	5,812	200	(5,833)
PROFIT (LOSS) BEFORE INCOME TAX	(81,297)	(2,793)	42,006
INCOME TAX EXPENSE (BENEFIT)	(12,536)	(430)	6,942
NET PROFIT (LOSS) FOR THE PERIOD	(68,761)	(2,363)	35,064

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31		
	2018		2017
	NT$	US$ (Note)	NT$
OTHER COMPREHENSIVE INCOME AND LOSS			
Items that may be not be reclassified subsequently to profit or loss:			
Unrealized loss on investments in equity instruments designated as at fair value through other comprehensive income	$ (22,406)	$ (769)	$ -
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,744	94	-
	(19,662)	(675)	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	4,277	147	(10,873)
Unrealized gain on available-for-sale financial assets	-	-	10,850
Share of the other comprehensive income (loss) of associates accounted for using the equity method	39	1	(87)
Cash flow hedges	17	1	(235)
	4,333	149	(345)
Total other comprehensive income and loss	(15,329)	(526)	(345)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ (84,090)	$ (2,889)	$ 34,719
NET PROFIT (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	$ (68,426)	$ (2,351)	$ 35,427
Non-controlling interests	(335)	(12)	(363)
	$ (68,761)	$ (2,363)	$ 35,064
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	$ (83,777)	$ (2,878)	$ 35,201
Non-controlling interests	(313)	(11)	(482)
	$ (84,090)	$ (2,889)	$ 34,719

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31		
	2018		2017
	NT$	US$ (Note)	NT$
EARNINGS (LOSS) PER SHARE			
Basic	$ (0.26)	$ (0.01)	$ 0.14
Diluted	$ (0.26)	$ (0.01)	$ 0.14

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$29.105 to US$1.00 at March 31, 2018, 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 May 7, 2018) (Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(In Thousands)
(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 Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Total	Controlling Interests	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	$ 2,610,585	$ 1,033	$ 319,994	$ 18,469	$ 313,462	$ 651,925	$ (11,589)	$ 75	$ -	$ 283	$ (11,231)	$ 3,252,312	$ 2,825	$ 3,255,137
Net income (loss) for the three months ended March 31, 2017	-	-	-	-	35,427	35,427	-	-	-	-	-	35,427	(363)	35,064
Other comprehensive income (loss) for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	-	(10,841)	10,850	-	(235)	(226)	(226)	(119)	(345)
Total comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	35,427	35,427	(10,841)	10,850	-	(235)	(226)	35,201	(482)	34,719
BALANCE AT MARCH 31, 2017	$ 2,610,585	$ 1,033	$ 319,994	$ 18,469	$ 348,889	$ 687,352	$ (22,430)	$ 10,925	$ -	$ 48	$ (11,457)	$ 3,287,513	$ 2,343	$ 3,289,856
BALANCE AT JANUARY 1, 2018	$ 2,610,585	$ 1,179	$ 345,050	$ 11,231	$ 160,916	$ 517,197	$ (15,234)	$ -	$ -	$ (17)	$ (15,251)	$ 3,113,710	$ 1,341	$ 3,115,051
Effect of retrospective application	-	-	-	-	-	-	-	-	2,425	-	2,425	2,425	-	2,425
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,610,585	1,179	345,050	11,231	160,916	517,197	(15,234)	-	2,425	(17)	(12,826)	3,116,135	1,341	3,117,476
Net loss for the three months ended March 31, 2018	-	-	-	-	(68,426)	(68,426)	-	-	-	-	-	(68,426)	(335)	(68,761)
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	2,744	2,744	4,294	-	(22,406)	17	(18,095)	(15,351)	22	(15,329)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	(65,682)	(65,682)	4,294	-	(22,406)	17	(18,095)	(83,777)	(313)	(84,090)
BALANCE AT MARCH 31, 2018	$ 2,610,585	$ 1,179	$ 345,050	$ 11,231	$ 95,234	$ 451,515	$ (10,940)	$ -	$ (19,981)	$ -	$ (30,921)	$ 3,032,358	$ 1,028	$ 3,033,386
BALANCE AT MARCH 31, 2018 (IN U.S. DOLLARS)	$ 89,695	$ 41	$ 11,855	$ 386	$ 3,272	$ 15,513	$ (376)	$ -	$ (686)	$ -	$ (1,062)	$ 104,187	$ 35	$ 104,222

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

(With Deloitte & Touche review report dated May 7, 2018)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31		
	2018		2017
	NT$	US$ (Note)	NT$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before income tax	$ (81,297)	$ (2,793)	$ 42,006
Adjustments for:			
Depreciation expenses	20,816	715	20,943
Amortization expenses	1,685	58	1,977
Impairment loss recognized on trade receivables	(3,006)	(103)	303
Net gain on financial assets at fair value through profit or loss	(679)	(23)	2,433
Finance costs	7,777	267	5,931
Interest income	(112)	(4)	(660)
Share of (profit) loss of associates	(2,602)	(89)	(1,616)
Loss on disposal of property, plant and equipment	5	-	3
Reversal of write-downs of inventories	(327)	(11)	337
Unrealized net loss on foreign currency exchange	2,717	93	5,507
Prepayment for lease	177	6	222
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss	(185)	(6)	3,018
Notes receivable	48,630	1,671	14,834
Contract assets	25,904	890	-
Trade receivables	240,051	8,248	(80,653)
Trade receivables from related parties	2,067	71	15,083
Amounts due from customers for construction contracts	-	-	(12,372)
Inventories	88,482	3,040	(83,492)
Prepayments	(94,858)	(3,259)	14,770
Other current assets	(15,975)	(549)	14,308
Contract liabilities	251,563	8,643	-
Notes payable	(3,261)	(112)	-
Trade payables	(165,717)	(5,694)	(39,239)
Trade payables to related parties	10,268	353	4,935
Amounts due to customers for construction contracts	-	-	3,529
Other payables	(35,291)	(1,213)	(103,224)
Receipts in advance	-	-	(29,948)
Provisions	23,097	794	-
Other current liabilities	4,449	152	(10,324)
Net defined benefit liabilities	(23,793)	(817)	(26,926)
Cash from (used in) operations	300,585	10,328	(238,315)
Interest received	112	4	660
Interest paid	(8,603)	(296)	(6,159)
Income tax paid	14	-	(719)
Net cash generated from (used in) operating activities	292,108	10,036	(244,533)

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31		
	2018		2017
	NT$	US$ (Note)	NT$
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using equity method	$ -	$ -	$ (1,385)
Payments for property, plant and equipment	(12,089)	(415)	(10,285)
Increase in refundable deposits	(45)	(2)	(1,845)
Payments for intangible assets	(1,285)	(44)	(950)
Decrease in prepayments	-	-	490
Net cash used in investing activities	(13,419)	(461)	(13,975)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	(305,125)	(10,483)	398,091
Repayments of long-term borrowings	-	-	(130,000)
Refund of (proceeds from) guarantee deposits received	10,133	348	(500)
Net cash generated from (used in) financing activities	(294,992)	(10,135)	267,591
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	4,070	139	(9,323)
NET DECREASE IN CASH	(12,233)	(421)	(240)
CASH AT THE BEGINNING OF THE PERIOD	110,650	3,802	110,437
CASH AT THE END OF THE PERIOD	$ 98,417	$ 3,381	$ 110,197

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$29.105 to US$1.00 at March 31, 2018, 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 May 7, 2018) (Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(In Thousands of U.S. Dollars)
(Reviewed, Not Audited)

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 approved by the Company’s board of directors on May 7, 2018.

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

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

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 IFRSs endorsed and issued into effect by the FSC would not have any material impact on the company and the entities controlled by the company’s (the “Group”) accounting policies:

1) IFRS 9 “Financial Instruments” and related amendment

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement and impairment of financial assets have been applied retrospectively from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount (NTD)		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	$ 30,310	$ 32,735	a)
Pledged time deposits	Loans and receivables	Amortized cost	6,437	6,437	b)
Notes receivable and trade receivables	Loans and receivables	Amortized cost	2,891,451	2,891,451	c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying Amount as of January 1, 2018	Other Equity Effect on January 1, 2018	Remark
	NTD	NTD	NTD	NTD	NTD	
FVTOCI	$ -					a)
Equity instruments						
Add: Remeasurement from financial assets at amortized cost (IAS 39)		$ 30,310	$ 2,425			
	-	30,310	2,425	$ 32,735	$ 2,425	
Amortized cost	-					b) and c)
Add: Reclassification from loans and receivables (IAS 39)		2,897,888	-			
	-	2,897,888	-	2,897,888	-	
	$ -	$ 2,928,198	$ 2,425	$ 2,930,623	$ 2,425	

a) Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $2,425 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

b) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

c) Notes receivable and trade receivables that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

Hedge accounting

Under the Group's previous hedge accounting policy of IAS 39, the spot element of forward contracts was designated as a cash flow hedging instrument for the foreign currency risk of forecasted purchases of equipment, the forward element of forward contracts was excluded from the designated hedging relationships, and the related changes are recognized directly in profit or loss. On adoption of IFRS 9, the Group elected not to apply the treatment of hedging cost for forward contracts retrospectively. Furthermore, due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets and financial liabilities for hedging from January 1, 2018.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

If the customer has retained a portion of payment to the Group in accordance with the term of the contract in order to protect the customer from the contractor’s possible failure to adequately complete its obligations under the contract, such payment arrangement does not include a significant financing component and is recognized as a contract asset before the contractual obligation is completed under IFRS 15. Prior to the application of IFRS 15, retention receivables under construction contract was recognized as a receivable and was discounted to reflect time value of money in accordance with IAS 39.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, the net effect of the progress billings, cost incurred and recognized profit (loss) of a construction contract was recognized as amount due from (to) customer for construction contract under IAS 11, and the receivable was recognized or deferred revenue was recognized reduced when revenue was recognized for the contract under IAS 18.

If a contract with a customer becomes onerous, the Group recognizes impairment of related inventories or provisions for onerous contracts. Prior to the application of IFRS 15, expected loss on construction contract was recognized and adjusted to amounts due from (to) customers for construction contracts.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete on January 1, 2018 and recognize the cumulative effect of the change in the retained earnings on January 1, 2018.

For all contract modifications that occurred on or before December 31, 2017, the Group did not apply the requirements in IFRS 15 individually to each of the modifications, and identified the performance obligations, determined and allocated transaction price in the manner that reflected the aggregate effect of all modifications that occurred before December 31, 2017. This reduced the complexity and cost of retrospective application, and resulted in financial information hat closely aligns with the financial information that would be available under IFRS 15 without the expedient.

Impact on assets, liabilities and equity for current period

	As Originally Stated (NTD)	Adjustments Arising from Initial Application (NTD)	Restated (NTD)
Contract assets	$ -	$ 542,637	$ 542,637
Trade receivables from unrelated parties	2,807,155	(163,964)	2,643,191
Amounts due from customers for construction contracts	334,278	(334,278)	-
Total effect on assets	$ 3,141,433	$ 44,395	$ 3,185,828

(Continued)

	As Originally Stated (NTD)	Adjustments Arising from Initial Application (NTD)	Restated (NTD)
Contract liabilities	$ -	$ 294,064	$ 294,064
Trade payables from unrelated parties	1,570,611	(58,979)	1,511,632
Amounts due to customers for construction contracts	28	(28)	-
Deferred revenue	235,057	(235,057)	-
Provisions	-	44,395	44,395
Total effect on liabilities	$ 1,805,696	$ 44,395	$ 1,850,091

(Concluded)

The difference between the amount that results from applying IFRS 15 and the amount that results from applying IAS 11 and IAS 18 for 2018 is summarized below:

	March 31, 2018 (NTD)
Increase in trade receivables from unrelated parties	$ 147,147
Increase in amounts due from customers for construction contracts	302,094
Decrease in contract assets	(516,733)
Decrease in assets	$ (67,492)
Increase in trade payables from unrelated parties	$ 119,571
Increase in amounts due to customers for construction contracts	7
Increase in deferred revenue	426,289
Decrease in contract liabilities	(545,867)
Decrease in provisions	(67,492)
Decrease in liabilities	$ (67,492)

3) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments clarify that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Prior to the amendment, in assessing a deferred tax asset, the Group assumed that it will recover the asset at its carrying amount when estimating probable future taxable profit. When the amendments become effective in 2018, the amendments shall be applied retrospectively.

4) IFRIC 22“Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
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 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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

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

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

4) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

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

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

These interim 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 and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

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 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, 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. 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)

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.

Subsidiaries included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership March 31, 2018	% of Ownership December 31, 2017	% of Ownership March 31, 2017
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	100

Note: Subsidiaries included in consolidated financial statements, January 1 to March 31, 2018 and 2017 were based on the same period of unreviewed financial statements.

d. Other significant accounting policies

For the summary of other significant accounting policies, except for the following, please refer to the consolidated financial statements for the year ended December 31, 2017.

1) Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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 issue 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.

a) Financial assets

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

i. Measurement category

<u>2018</u>

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

i) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset.

ii) Financial assets at amortized cost

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

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

- 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 time deposits, trade receivables and notes receivable at amortized cost, are measured at amortized cost, which equals to gross carrying amount determined by 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 a financial asset, except for:

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

- Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

iii) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation 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, they 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.

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on the financial asset.

ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii) Loans and receivables

Loans and receivables (including trade receivables, cash, debt investments with no active market) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

ii. Impairment of financial assets

<u>2018</u>

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

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the 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 ECL.

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount 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 does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the individual credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For any available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

iii. 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.

Before 2018, on derecognition of a financial asset 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. From 2018, 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 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 that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b) Equity instruments

Debt and equity instruments issued by a group entity 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 a group entity are recognized at the proceeds received, net of direct issue costs.

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, issue or cancellation of the Company's own equity instruments.

c) Financial liabilities

i. Subsequent measurement

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

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability.

ii. Derecognition of financial liabilities

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

2) Revenue recognition

<u>2018</u>

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

For contract where the period between the date the Group transfers a promised good or service to a customer and the date 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.

a) Revenue from sale of goods

Revenue from sale of goods comes from sales of transformers, distribution panels, low voltage switch 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 receivable is recognized concurrently. When the customer initially purchases the goods, the transaction price received is recognized as a contract liability until the goods have been reached to the specified conditions.

b) Construction contract revenue

The customer controls the property as it is constructed 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 obligation. A contract asset is recognized during the construction and is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date, then the Group recognizes a contract liability for the difference. Certain payment retained by the customer as specified in the contract is intended to ensure that the Group adequately completes all its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

a) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

i. The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

ii. The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

iii. The amount of revenue can be measured reliably;

iv. It is probable that the economic benefits associated with the transaction will flow to the Group; and

v. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

b) Rendering of services

Service income is recognized when services are provided.
Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

c) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

3) Employee benefits

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.

4) Taxation

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 effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

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, 2017.