

Fortune Electric Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2021 and 2020**

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands)

	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)	March 31, 2020 (Reviewed)
	NT\$	US\$ (Note)	NT\$	NT\$
ASSETS				
CURRENT ASSETS				
Cash	\$ 68,062	\$ 2,385	\$ 170,816	\$ 116,085
Financial assets at amortized cost - current	101,542	3,559	73,528	3,044
Contract assets	838,312	29,378	671,029	652,435
Notes receivable	48,547	1,701	117,622	23,186
Trade receivables from unrelated parties	1,835,374	64,320	2,513,847	2,623,402
Current tax assets	-	-	9,028	8,567
Inventories, net	2,772,965	97,178	2,228,848	2,774,687
Prepayments	110,971	3,889	116,431	125,576
Non-current assets held for sale	480,991	16,856	511,752	-
Other current assets	33,655	1,179	40,754	48,664
Total current assets	<u>6,290,419</u>	<u>220,445</u>	<u>6,453,655</u>	<u>6,375,646</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income	297,093	10,412	44,343	54,982
Financial assets at amortized cost - non-current	3,859	135	3,859	3,859
Investments accounted for using the equity method	676	24	750	989
Property, plant and equipment	1,975,352	69,226	1,982,681	2,037,970
Right-of-use assets	119,159	4,176	118,977	147,860
Intangible assets	36,196	1,268	31,214	26,468
Deferred tax assets	41,188	1,443	47,118	50,239
Prepayments for equipment	8,747	307	5,017	5,185
Refundable deposits	4,913	172	4,738	4,356
Total non-current assets	<u>2,487,183</u>	<u>87,163</u>	<u>2,238,697</u>	<u>2,331,908</u>
TOTAL	<u>\$ 8,777,602</u>	<u>\$ 307,608</u>	<u>\$ 8,692,352</u>	<u>\$ 8,707,554</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 279,376	\$ 9,791	\$ 229,917	\$ 492,519
Short-term bills payable	374,728	13,132	239,790	199,692
Financial liabilities at fair value through profit or loss	-	-	4	1,524
Derivative financial liabilities for hedging	-	-	-	81
Contract liabilities	1,017,831	35,670	641,601	1,145,258
Trade payables to unrelated parties	1,773,662	62,157	2,060,705	2,034,355
Trade payables to related parties	-	-	99	15
Other payables	538,203	18,861	333,836	503,621
Current tax liabilities	34,930	1,224	32,311	75,305
Provisions	5,433	190	7,098	6,348
Liabilities directly associated with non-current assets held for sale	279,803	9,806	286,518	-
Lease liabilities - current	8,594	301	8,369	9,889
Other current liabilities	92,160	3,230	94,546	31,052
Total current liabilities	<u>4,404,720</u>	<u>154,362</u>	<u>3,934,794</u>	<u>4,499,659</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	831,800	29,150	841,800	741,800
Deferred tax liabilities	59,768	2,095	65,761	62,476
Lease liabilities - non-current	111,863	3,920	111,742	117,281
Net defined benefit liabilities	142,825	5,005	178,859	161,277
Guarantee deposit received	11,479	402	12,380	4,833
Total non-current liabilities	<u>1,157,735</u>	<u>40,572</u>	<u>1,210,542</u>	<u>1,087,667</u>
Total liabilities	<u>5,562,455</u>	<u>194,934</u>	<u>5,145,336</u>	<u>5,587,326</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	2,610,585	91,487	2,610,585	2,610,585
Capital surplus	1,414	50	1,414	1,251
Retained earnings				
Legal reserve	400,777	14,045	400,777	360,334
Special reserve	8,975	314	8,975	11,273
Unappropriated earnings	210,380	7,373	540,612	147,395
Total retained earnings	<u>620,132</u>	<u>21,732</u>	<u>950,364</u>	<u>519,002</u>
Other equity				
Exchange differences on translating foreign operations	(25,795)	(904)	(24,158)	(29,979)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	8,811	309	8,811	19,450
Cash flow hedges	-	-	-	(81)
Total other equity	<u>(16,984)</u>	<u>(595)</u>	<u>(15,347)</u>	<u>(10,610)</u>
Total equity attributable to owners of the Company	<u>3,215,147</u>	<u>112,674</u>	<u>3,547,016</u>	<u>3,120,228</u>
Total equity	<u>3,215,147</u>	<u>112,674</u>	<u>3,547,016</u>	<u>3,120,228</u>
TOTAL	<u>\$ 8,777,602</u>	<u>\$ 307,608</u>	<u>\$ 8,692,352</u>	<u>\$ 8,707,554</u>

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\$28.535 to US\$1.00 at March 31, 2021, 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 10, 2021)

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 March 31		
	2021		2020
	NT\$	US\$ (Note)	NT\$
OPERATING REVENUE			
Sales	\$ 896,180	\$ 31,406	\$ 1,442,643
Construction revenue	<u>699,812</u>	<u>24,525</u>	<u>234,069</u>
Total operating revenue	<u>1,595,992</u>	<u>55,931</u>	<u>1,676,712</u>
OPERATING COSTS			
Cost of goods sold	756,534	26,512	1,202,741
Construction cost	<u>618,655</u>	<u>21,681</u>	<u>217,706</u>
Total operating costs	<u>1,375,189</u>	<u>48,193</u>	<u>1,420,447</u>
GROSS PROFIT	<u>220,803</u>	<u>7,738</u>	<u>256,265</u>
OPERATING EXPENSES			
Selling and marketing expenses	133,222	4,669	178,442
General and administrative expenses	43,365	1,520	37,416
Research and development expenses	<u>26,002</u>	<u>911</u>	<u>35,261</u>
Total operating expenses	<u>202,589</u>	<u>7,100</u>	<u>251,119</u>
PROFIT FROM OPERATIONS	<u>18,214</u>	<u>638</u>	<u>5,146</u>
NON-OPERATING INCOME AND EXPENSES			
Interest income	550	19	132
Other income	6,147	215	5,681
Other gains and losses	(2,376)	(83)	2,582
Share of profit or loss of associates	10	1	(148)
Finance costs	<u>(7,563)</u>	<u>(265)</u>	<u>(6,010)</u>
Total non-operating income and expenses	<u>(3,232)</u>	<u>(113)</u>	<u>2,237</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	14,982	525	7,383
INCOME TAX EXPENSE	<u>5,838</u>	<u>205</u>	<u>3,367</u>
NET PROFIT FROM CONTINUING OPERATIONS	<u>9,144</u>	<u>320</u>	<u>4,016</u>
NET PROFIT FOR THE PERIOD	<u>9,144</u>	<u>320</u>	<u>4,016</u>

(Continued)

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 March 31		
	2021		2020
	NT\$	US\$ (Note)	NT\$
OTHER COMPREHENSIVE INCOME AND LOSS			
Exchange differences on translating foreign operations	\$ (1,637)	\$ (57)	\$ (2,212)
Share of the other comprehensive income of associates accounted for using the equity method	-	-	(16)
Cash flow hedges	<u>-</u>	<u>-</u>	<u>593</u>
Total other comprehensive income and loss	<u>(1,637)</u>	<u>(57)</u>	<u>(1,635)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 7,507</u>	<u>\$ 263</u>	<u>\$ 2,381</u>
EARNINGS PER SHARE			
Basic	<u>\$ 0.04</u>	<u>\$ -</u>	<u>\$ 0.02</u>
Diluted	<u>\$ 0.03</u>	<u>\$ -</u>	<u>\$ 0.02</u>

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\$28.535 to US\$1.00 at March 31, 2021, 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 10, 2021)

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						Other Equity				Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Total	
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2020	\$ 2,610,585	\$ 1,251	\$ 360,334	\$ 11,273	\$ 404,437	\$ 776,044	\$ (27,751)	\$ 19,450	\$ (674)	\$ (8,975)	\$ 3,378,905
Appropriation of 2019 earnings											
Cash dividends distributed by the Company - NT\$1 per share	-	-	-	-	(261,058)	(261,058)	-	-	-	-	(261,058)
Net income for the three months ended March 31, 2020	-	-	-	-	4,016	4,016	-	-	-	-	4,016
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	(2,228)	-	593	(1,635)	(1,635)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	4,016	4,016	(2,228)	-	593	(1,635)	2,381
BALANCE AT MARCH 31, 2020	\$ 2,610,585	\$ 1,251	\$ 360,334	\$ 11,273	\$ 147,395	\$ 519,002	\$ (29,979)	\$ 19,450	\$ (81)	\$ (10,610)	\$ 3,120,228
BALANCE AT JANUARY 1, 2021	\$ 2,610,585	\$ 1,414	\$ 400,777	\$ 8,975	\$ 540,612	\$ 950,364	\$ (24,158)	\$ 8,811	\$ -	\$ (15,347)	\$ 3,547,016
Appropriation of 2020 earnings											
Cash dividends distributed by the Company - NT\$1.3 per share	-	-	-	-	(339,376)	(339,376)	-	-	-	-	(339,376)
Net income for the three months ended March 31, 2021	-	-	-	-	9,144	9,144	-	-	-	-	9,144
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	(1,637)	-	-	(1,637)	(1,637)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	9,144	9,144	(1,637)	-	-	(1,637)	7,507
BALANCE AT MARCH 31, 2021	\$ 2,610,585	\$ 1,414	\$ 400,777	\$ 8,975	\$ 210,380	\$ 620,132	\$ (25,795)	\$ 8,811	\$ -	\$ (16,984)	\$ 3,215,147
BALANCE AT MARCH 31, 2021 (IN U.S. DOLLARS)	\$ 91,487	\$ 50	\$ 14,045	\$ 314	\$ 7,373	\$ 21,732	\$ (904)	\$ 309	\$ -	\$ (595)	\$ 112,674

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\$28.535 to US\$1.00 at March 31, 2021, 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 10, 2021))

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2021		2020
	NTS	US\$ (Note)	NTS
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	\$ 14,982	\$ 525	\$ 7,383
Adjustments for:			
Depreciation expenses	30,248	1,060	28,301
Amortization expenses	3,667	129	2,737
Expected credit loss recognized (reversed) reversed on trade receivables	5,940	208	(477)
Net gain on financial instruments at fair value through profit or loss	-	-	1,524
Finance costs	7,563	265	6,010
Interest income	(550)	(19)	(132)
Share of loss of associates	(10)	(1)	148
(Gain) loss on disposal of property, plant and equipment	(10)	(1)	45
Reversal of write-downs of inventories	(439)	(15)	(143)
Unrealized net loss on foreign currency exchange	(265)	(9)	(1,865)
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	(4)	-	(1,333)
Notes receivable	62,255	2,182	62,495
Contract assets	(167,283)	(5,862)	(116,358)
Trade receivables	773,227	27,097	78,810
Inventories	(552,345)	(19,357)	(274,987)
Prepayments	(23,861)	(836)	46,480
Other current assets	7,552	265	31,028
Contract liabilities	377,323	13,223	204,452
Trade payables	(334,292)	(11,715)	(145,194)
Trade payables to related parties	(99)	(4)	3
Other payables	(140,893)	(4,938)	(84,464)
Provisions	(1,665)	(58)	170
Other current liabilities	58	2	(41,898)
Net defined benefit liabilities	(36,034)	(1,263)	(46,793)
Cash (used in) generated from operations	25,065	878	(244,058)
Interest received	545	19	150
Interest paid	(6,549)	(229)	(4,666)
Income tax paid	6,879	241	(786)
Net cash generated from (used in) operating activities	<u>25,940</u>	<u>909</u>	<u>(249,360)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at amortized cost	(252,750)	(8,858)	-
Purchase of financial assets at amortized cost	(28,014)	(982)	(1,172)

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2021		2020
	NT\$	US\$ (Note)	NT\$
Payments for property, plant and equipment	\$ (13,478)	\$ (472)	\$ (9,667)
Proceeds from disposal of property, plant and equipment	2,517	88	15
Increase in refundable deposits	(175)	(6)	(529)
Payments for intangible assets	(8,350)	(292)	(676)
Increase in prepayments	<u>(6,201)</u>	<u>(217)</u>	<u>(6,301)</u>
Net cash generated used in investing activities	<u>(306,451)</u>	<u>(10,739)</u>	<u>(18,330)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	92,198	3,231	240,082
Proceeds from short-term bills payable	134,938	4,729	-
Proceeds from long-term borrowings	(10,000)	(351)	-
Proceeds from guarantee deposits received	-	-	580
Refund of guarantee deposits received	(901)	(32)	-
Repayment of the principal portion of lease liabilities	<u>(2,979)</u>	<u>(104)</u>	<u>(2,683)</u>
Net cash generated from financing activities	<u>213,256</u>	<u>7,473</u>	<u>237,979</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES			
	<u>(1,376)</u>	<u>(48)</u>	<u>(2,100)</u>
NET DECREASE IN CASH	(68,631)	(2,405)	(31,811)
CASH AT THE BEGINNING OF THE PERIOD	<u>214,509</u>	<u>7,517</u>	<u>147,896</u>
CASH AT THE END OF THE PERIOD	<u>\$ 145,878</u>	<u>\$ 5,112</u>	<u>\$ 116,085</u>
	March 31		
	2021		2020
	NT\$	US\$ (Note)	NT\$
Cash in the consolidated balance sheets	\$ 68,062	\$ 2,385	\$ 116,085
Cash included in disposal group held for sale	<u>77,816</u>	<u>2,727</u>	<u>-</u>
Cash in the consolidated statements of cash flows	<u>\$ 145,878</u>	<u>\$ 5,112</u>	<u>\$ 116,085</u>

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\$28.535 to US\$1.00 at March 31, 2021, 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 10, 2021)

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (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 10, 2021.

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

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

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

The Group elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

For the hedging relationships that are subject to the reform, the Group applies the following temporary exceptions:

- 1) The changes to the hedging relationship that are needed to reflect the changes required by the reform are treated as a continuation of the existing hedging relationship.
- 2) If an alternative benchmark rate that is reasonably expected to be separately identifiable within a period of 24 months, the Group designates the rate as a non-contractually specified risk component.

- 3) After a cash flow hedging relationship is amended, the amount accumulated in the gain/(loss) on hedging instruments of cash flow hedge is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
 - 4) The Group allocates the hedged items of a group hedge that is subject to the reform to subgroups based on whether the hedged items have been changed to reference an alternative benchmark rate, and designates the hedged benchmark rate separately.
- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 8)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

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

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

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

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

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

Note 8: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

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

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

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

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

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

3) Annual Improvements to IFRS Standards 2018-2020

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

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

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

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

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

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

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

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

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

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

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

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

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

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;

- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

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

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

9) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Group will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the 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).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Subsidiaries included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership			Remark
			March 31, 2021	December 31, 2020	March 31, 2020	
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Trade business, Investment Holding, Agents business	100.00	100.00	100.00	
	Fortune Electric America Inc.	Agents business	100.00	100.00	100.00	
	Fortune Electric Extra High Voltage Co., Ltd.	Transformers manufacturing, machining and trading	100.00	100.00	100.00	
	Fortune Electric Energy Co., Ltd.	Power generation, transmission and power distribution equipment manufacturing	100.00	100.00	100.00	1)
	Fortune Electric Australia Pty, Ltd	Manufacture of power generation transmission and distribution machinery	100.00	100.00	-	2)
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	100.00	100.00	100.00	3)
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	Trade business	100.00	100.00	100.00	3)

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

- 2) Fortune Electric Australia Pty Ltd. was established on November 10, 2020 in Sydney, Australia and the Company acquired 100% ownership of Fortune Electric Australia Pty Ltd. The primary business of Fortune Electric Australia Pty Ltd. is trade business.
 - 3) The Company's board of directors authorized the chairman of the board of directors to sign the equity sale contract of Fortune Electric (Wuhan) Ltd. and its subsidiaries on July 24, 2020. The equity sale contract was signed on August 14, 2020, and is expected to be completed on July 31, 2021. Fortune Electric (Wuhan) Ltd. and its subsidiaries had been classified to non-current assets held for sale and liabilities directly associated with non-current assets held for sale.
 - 4) Subsidiaries included in consolidated financial policies, except for the following, please refer to the consolidated financial statements for the year ended December 31, 2020.
- d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement 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

2) Other long-term employee benefits

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

3) 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.

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, 2020.