Fortune Electric Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2021 and 2020

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands)

	September 30, 2021 (Reviewed)		December 31, 2020 (Audited)	September 30, 2020 (Reviewed)
ASSETS	**NT$**	**US$ (Note)**	**NT$**	**NT$**
CURRENT ASSETS				
Cash	$ 193,751	$ 6,957	$ 170,816	$ 712,639
Financial assets at amortized cost - current	34,592	1,242	73,528	3,071
Contract assets	1,150,474	41,310	671,029	945,741
Notes receivable	136,715	4,909	117,622	26,574
Trade receivables from unrelated parties	2,392,359	85,902	2,513,847	2,687,420
Current tax assets	2,079	75	9,028	8,567
Inventories, net	3,021,487	108,491	2,228,848	2,741,391
Prepayments	313,069	11,241	116,431	65,254
Non-current assets held for sale	424,376	15,238	511,752	505,112
Other current assets	45,894	1,647	40,754	41,323
Total current assets	7,714,796	277,012	6,453,655	7,737,092
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income	304,789	10,944	44,343	14,967
Financial assets at amortized cost - non-current	3,759	135	3,859	3,859
Investments accounted for using equity method	1,405	50	750	869
Property, plant and equipment	1,965,382	70,570	1,982,681	1,989,545
Right-of-use assets	122,294	4,391	118,977	121,916
Intangible assets	44,823	1,609	31,214	24,831
Deferred tax assets	29,483	1,059	47,118	42,177
Prepayments for equipment	13,388	481	5,017	6,073
Refundable deposits	6,335	228	4,738	4,714
Total non-current assets	2,491,658	89,467	2,238,697	2,208,951
TOTAL	$ 10,206,454	$ 366,479	$ 8,692,352	$ 9,946,043
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	$ 1,203,040	$ 43,197	$ 229,917	$ 1,172,585
Short-term bills payable	404,392	14,520	239,790	419,528
Financial liabilities at fair value through profit or loss	-	-	4	4,339
Contract liabilities	1,145,730	41,139	641,601	1,027,117
Trade payables to unrelated parties	2,015,496	72,370	2,060,705	1,994,053
Trade payables to related parties	2	-	99	28
Other payable	222,795	8,000	333,836	261,674
Current tax liabilities	2,443	88	32,311	5,587
Provisions	5,439	195	7,098	4,946
Liabilities directly associated with non-current assets held for sale	267,139	9,592	286,518	291,784
Lease liabilities - current	11,250	404	8,369	9,306
Other current liabilities	147,386	5,293	94,546	91,291
Total current liabilities	5,425,112	194,798	3,934,794	5,282,238
NON-CURRENT LIABILITIES				
Long-term borrowings	1,111,800	39,921	841,800	941,800
Deferred tax liabilities	51,496	1,849	65,761	63,086
Lease liabilities - non-current	113,170	4,064	111,742	113,579
Net defined benefit liabilities	135,300	4,858	178,859	154,520
Guarantee deposit received	17,699	635	12,380	10,414
Total non-current liabilities	1,429,465	51,327	1,210,542	1,283,399
Total liabilities	6,854,577	246,125	5,145,336	6,565,637
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	2,610,585	93,737	2,610,585	2,610,585
Capital surplus	3,331	119	1,414	1,251
Retained earnings				
Legal reserve	444,315	15,954	400,777	400,777
Special reserve	15,347	551	8,975	8,975
Unappropriated earnings	271,205	9,738	540,612	409,310
Total retained earnings	730,867	26,243	950,364	819,062
Other equity				
Exchange differences on translating foreign operations	(28,436)	(1,021)	(24,158)	(29,927)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	(7,493)	(269)	8,811	(20,565)
Total other equity	(35,929)	(1,290)	(15,347)	(50,492)
Total equity attributable to owners of the Company	3,308,854	118,809	3,547,016	3,380,406
NON-CONTROLLING INTERESTS	43,023	1,545	-	-
Total equity	3,351,877	120,354	3,547,016	3,380,406
TOTAL	$ 10,206,454	$ 366,479	$ 8,692,352	$ 9,946,043

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$27.85 to US$1.00 at September 30, 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.

(With Deloitte & Touche review report dated November 8, 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 September 30			For the Nine Months Ended September 30		
	2021		2020	2021		2020
	NT$	US$ (Note)	NT$	NT$	US$ (Note)	NT$
OPERATING REVENUE						
Sales	$ 1,719,384	$ 61,737	$ 1,959,348	$ 4,443,262	$ 159,543	$ 4,996,089
Construction revenue	262,949	9,442	421,821	1,514,299	54,373	869,767
Total operating revenue	1,982,333	71,179	2,381,169	5,957,561	213,916	5,865,856
OPERATING COSTS						
Cost of goods sold	1,436,463	51,579	1,594,205	3,706,982	133,105	4,076,019
Construction cost	273,012	9,803	372,531	1,389,387	49,888	794,123
Total operating costs	1,709,475	61,382	1,966,736	5,096,369	182,993	4,870,142
GROSS PROFIT	272,858	9,797	414,433	861,192	30,923	995,714
OPERATING EXPENSES						
Selling and marketing expenses	79,021	2,837	130,455	391,853	14,070	418,585
General and administrative expenses	51,118	1,835	48,862	162,463	5,834	126,921
Research and development expenses	31,850	1,144	28,434	87,883	3,156	97,225
Total operating expenses	161,989	5,816	207,751	642,199	23,060	642,731
PROFIT FROM OPERATIONS	110,869	3,981	206,682	218,993	7,863	352,983
NON-OPERATING INCOME AND EXPENSES						
Other income	3,795	136	6,971	20,949	752	16,781
Interest income	76	3	70	1,005	36	274
Other gains and losses	(43,671)	(1,568)	95	(51,504)	(1,849)	5,252
Share of profit or loss of associates	598	21	(86)	777	28	(258)
Finance costs	(6,029)	(216)	(7,468)	(21,902)	(786)	(19,996)
Total non-operating income and expenses	(45,231)	(1,624)	(418)	(50,675)	(1,819)	2,053
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	65,638	2,357	206,264	168,318	6,044	355,036
INCOME TAX EXPENSE	19,335	694	32,204	48,503	1,742	50,960
NET PROFIT FOR THE PERIOD	46,303	1,663	174,060	119,815	4,302	304,076
OTHER COMPREHENSIVE INCOME AND LOSS						
Items that may be not be reclassified subsequently to profit or loss:						
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(2,055)	(74)	5,215	(16,304)	(585)	(40,015)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	(487)	(17)	3,338	(4,156)	(149)	(2,150)
Cash flow hedges	-	-	-	-	-	674
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(21)	(1)	3	(122)	(4)	(26)
	(508)	(18)	3,341	(4,278)	(153)	(1,502)
Total other comprehensive income and loss	(2,563)	(92)	8,556	(20,582)	(738)	(41,517)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 43,740	$ 1,571	$ 182,616	$ 99,233	$ 3,564	$ 262,559

(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 September 30			For the Nine Months Ended September 30		
	2021		2020	2021		2020
	NT$	US$ (Note)	NT$	NT$	US$ (Note)	NT$
NET PROFIT ATTRIBUTABLE TO:						
Owners of the Company	$ 46,367	$ 1,665	$ 174,060	$ 119,879	$ 4,304	$ 304,076
Non-controlling interests	(64)	(2)	-	(64)	(2)	-
	$ 46,303	$ 1,663	$ 174,060	$ 119,815	$ 4,302	$ 304,076
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the Company	$ 43,804	$ 1,573	$ 182,616	$ 99,297	$ 3,566	$ 262,559
Non-controlling interests	(64)	(2)	-	(64)	(2)	-
	$ 43,740	$ 1,571	$ 182,616	$ 99,233	$ 3,564	$ 262,559
EARNINGS PER SHARE						
Basic	$0.18	$0.01	$0.67	$0.46	$0.02	$1.16
Diluted	$0.18	$0.01	$0.67	$0.46	$0.02	$1.16

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(With Deloitte & Touche review report dated November 8, 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												
			Retained Earnings				Other Equity						
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Valuation 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, 2020	$ 2,610,585	$ 1,251	$ 360,334	$ 11,273	$ 404,437	$ 776,044	$ (27,751)	$ 19,450	$ (674)	$ (8,975)	$ 3,378,905	$ -	$ 3,378,905
Appropriation of 2019 earnings													
Legal reserve	-	-	40,443	-	(40,443)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,298)	2,298	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(261,058)	(261,058)	-	-	-	-	(261,058)	-	(261,058)
	-	-	40,443	(2,298)	(299,203)	(261,058)	-	-	-	-	(261,058)	-	(261,058)
Net income for the nine months ended September 30, 2020	-	-	-	-	304,076	304,076	-	-	-	-	304,076	-	304,076
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of income tax	-	-	-	-	-	-	(2,176)	(40,015)	674	(41,517)	(41,517)	-	(41,517)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	304,076	304,076	(2,176)	(40,015)	674	(41,517)	262,559	-	262,559
BALANCE AT SEPTEMBER 30, 2020	$ 2,610,585	$ 1,251	$ 400,777	$ 8,975	$ 409,310	$ 819,062	$ (29,927)	$ (20,565)	$ -	$ (50,492)	$ 3,380,406	$ -	$ 3,380,406
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	$ -	$ 3,547,016
Appropriation 2020 earnings													
Legal reserve	-	-	43,538	-	(43,538)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	6,372	(6,372)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(339,376)	(339,376)	-	-	-	-	(339,376)	-	(339,376)
	-	-	43,538	6,372	(389,286)	(339,376)	-	-	-	-	(339,376)	-	(339,376)
Cash dividends undistributed by the Company	-	4	-	-	-	-	-	-	-	-	4	-	4
Changes in percentage of ownership interests in subsidiaries	-	1,913	-	-	-	-	-	-	-	-	1,913	43,087	45,000
Net income for the nine months ended September 30, 2021	-	-	-	-	119,879	119,879	-	-	-	-	119,879	(64)	119,815
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	(4,278)	(16,304)	-	(20,582)	(20,582)	-	(20,582)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	119,879	119,879	(4,278)	(16,304)	-	(20,582)	99,297	(64)	99,233
BALANCE AT SEPTEMBER 30, 2021	$ 2,610,585	$ 3,331	$ 444,315	$ 15,347	$ 271,205	$ 730,867	$ (28,436)	$ (7,493)	$ -	$ (35,929)	$ 3,308,854	$ 43,023	$ 3,351,877
BALANCE AT SEPTEMBER 30, 2021 (IN U.S. DOLLARS)	$ 93,737	$ 119	$ 15,954	$ 551	$ 9,738	$ 26,243	$ (1,021)	$ (269)	$ -	$ (1,290)	$ 118,809	$ 1,545	$ 120,354

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(With Deloitte & Touche review report dated November 8, 2021)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30		
	2021		2020
	NT$	US$ (Note)	NT$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Income before income tax from continuing operations	$ 168,318	$ 6,044	$ 355,036
Adjustments for:			
Depreciation expenses	91,684	3,292	88,451
Amortization expenses	12,375	444	8,361
Impairment loss recognized (reversed) on trade receivables	(7,540)	(271)	7,052
Net loss on financial instruments at fair value through profit or loss	-	-	4,339
Finance costs	21,902	786	19,996
Interest income	(1,005)	(36)	(274)
Share of (profit) loss of associates	(777)	(28)	258
Loss on disposal of property, plant and equipment	275	10	32
Write-downs of inventories	-	-	3,801
Reversal of write-downs of inventories	(439)	(16)	-
Unrealized net loss on foreign currency exchange	472	17	8,385
Reversal of provisions	(1,659)	(60)	(1,232)
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	(4)	-	(1,333)
Contract assets	(479,445)	(17,215)	(409,664)
Notes receivable	(28,307)	(1,016)	58,839
Trade receivables	158,412	5,688	(173,815)
Inventories	(748,253)	(26,867)	(457,831)
Prepayments	(223,617)	(8,029)	91,689
Other current assets	(4,209)	(151)	33,017
Contract liabilities	508,781	18,269	111,640
Trade payables	(119,142)	(4,278)	(32,557)
Trade payables to related parties	(97)	(3)	16
Other payables	(117,144)	(4,206)	(63,727)
Other current liabilities	58,787	2,111	18,315
Net defined benefit liabilities	(43,559)	(1,564)	(53,550)
Cash used in operations	(754,191)	(27,079)	(384,756)
Interest received	1,056	38	281
Interest paid	(20,579)	(739)	(19,441)
Income tax paid	(66,903)	(2,402)	(114,514)
Net cash used in operating activities	(840,617)	(30,182)	(518,430)

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30		
	2021		2020
	NT$	US$ (Note)	NT$
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through other comprehensive income	$ (252,750)	$ (9,075)	$ -
Purchase of financial assets at amortized cost	-	-	(1,199)
Proceeds from sale of financial assets at amortized cost	39,036	1,402	-
Payments for property, plant and equipment	(48,941)	(1,757)	(46,160)
Proceeds from disposal of property, plant and equipment	3,400	122	751
Increase in refundable deposits	(1,602)	(58)	(895)
Payments for intangible assets	(24,875)	(893)	(4,666)
Increase in prepayments for equipment	(18,570)	(667)	(14,363)
Net cash used in investing activities	(304,302)	(10,926)	(66,532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	1,026,308	36,851	1,030,243
Repayments of short-term bills payable	164,602	5,910	220,081
Proceeds from long-term borrowings	270,000	9,695	200,000
Proceeds from guarantee deposits received	5,319	191	6,161
Repayment of the principal portion of lease liabilities	(7,985)	(287)	(8,212)
Change in non-controlling interests	45,000	1,616	-
Dividends paid to owners of the Company by cash	(339,372)	(12,186)	(261,058)
Net cash generated from financing activities	1,163,872	41,790	1,187,215
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(5,164)	(185)	(1,706)
NET INCREASE IN CASH	13,789	497	600,547
CASH AT THE BEGINNING OF THE PERIOD	214,509	7,702	147,896
CASH AT THE END OF THE PERIOD	$ 228,298	$ 8,199	$ 748,443

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	September 30		
	2021		2020
	NT$	US$ (Note)	NT$
Cash in the consolidated balance sheets	$ 193,751	$ 6,957	$ 712,639
Cash included in disposal group held for sale	34,547	1,240	35,804
Cash in the consolidated statements of cash flows	$ 228,298	$ 8,197	$ 748,443

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$27.85 to US$1.00 at September 30, 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.

(With Deloitte & Touche review report dated November 8, 2021) (Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 November 8, 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. The IFRSs endorsed by the FSC for application starting from 2022

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

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

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

1) 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.

2) 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.

3) 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 shall restate its comparative information when it initially applies the aforementioned amendments.

4) 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.

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.

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined 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 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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) 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.

4) 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.

5) 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 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 consolidated 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 value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an 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 an 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.

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 September 30, 2021	% of Ownership December 31, 2020	% of Ownership September 30, 2020	Remark
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)
	Fortune Electric technology Co., Ltd.	Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment/systems/technology	80.18	-	-	4)
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) Fortune Electric Technology Co., Ltd. was established on May 6, 2021 in Taipei City, and the Company acquired 100% ownership of Fortune Electric Technology Co., Ltd. The primary business of Fortune Electric Technology Co., Ltd. is Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment, systems, and technology. The Company passed the resolution of the board of directors on May 10, 2021 to split and transfer the business related to the electric vehicle charging operation business department to Fortune Electric Technology Co., Ltd. The split-up base date is June 30, 2021. On September 27, 2021, the Company subscribed for additional new shares of Fortune Electric Technology Co., Ltd. at a percentage different from its existing ownership percentage, reducing its controlling interest from 100% to 80.18%.

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.