(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

FORTUNE ELECTRIC CO., LTD.

Parent Company Only Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To Fortune Electric Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Fortune Electric Co., Ltd. (the 'Company'), which comprise the parent company only balance sheets as of December 31, 2019 and 2020, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Fortune Electric Co., Ltd. as of December 31, 2020 and 2019, and its financial performance and its parent company only cash flow for years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of Fortune Electric Co., Ltd. for the year of 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements of Fortune Electric Co., Ltd. for the year of 2020 are stated as follows：

Occurrence of operating revenue

Among the operating revenue of Fortune Electric Co., Ltd. in 2020, the revenue from the main single customer accounted for 29.60% of the operating revenue of the whole year. As the operating revenue from the single customer had a significant impact on the financial statements of Fortune Electric Co., Ltd. this year, the revenue from the main single customer of Fortune Electric Co., Ltd. is identified as a key audit matter. Please refer to NOTE 4 to the financial statements for the details of the information about the accounting policy for recognizing revenue.

Our key audit procedures performed in respect of the above area included the following：

1. Understand and test the design and operating effectiveness of the internal controls over revenue recognition from occurrence of operating revenue.
2. Obtain the sample of the single customer's annual sales details and perform detail item substantive tests, and inspect customer order, delivery order and customer' signed receipt and other vouching confirm whether there is any abnormal situation in the occurrence of business income.

Responsibilities of Management and those charged with Governance for the Parent Company Only Financial Statements

The management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statement, management is responsible for assessing Fortune Electric Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, (including the audit committee), are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally, will always detected a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Auditing standards generally, we exercise professional judgment and maintain professional skepticism throughout the audit. We also：

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fortune Electric Co., Ltd.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty existed related to events or conditions that may cast significant doubt on Fortune Electric Co., Ltd.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including the Notes), and whether the parent company only financial statement represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Fortune Electric Co., Ltd. to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit).

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, (including related safeguards).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of Fortune Electric Co., Ltd.'s the parent company only financial statements for the year ended 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

CPA Li Tung Feng	CPA Kung Tse Li
Reference number of the FSC approval letter, No. Taiwan-Financial-Securities-VI-0930128050	Reference number of the FSC approval letter, No. Financial-Supervisory-Securities-Auditing-1000028068

March 22, 2021

Notices to Readers

The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance, and its cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Fortune Electric Co., Ltd

Individual Balance Sheet

As of December 31, 2020 and 2019

Unit：In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets				
1100	Cash（Notes 4 and 6）	$ 130,160	2	$ 83,511	1
1110	Financial assets at fair values through profit or loss（Notes 4 and 7）	-	-	68	-
1136	Current financial assets at amortised cost（Notes 4, 10 and 34）	28,306	-	1,315	-
1140	Contract asset（Notes 4, 22 and 24）	671,029	9	536,077	7
1150	Notes receivable（Note 24）	117,622	2	77,997	1
1170	Account receivable, net（Notes 4, 11 and 24）	2,502,071	32	2,512,594	32
1180	Accounts receivable due from related parties, net（Note 33）	5,922	-	-	-
1220	Current tax assets（Notes 4 and 26）	8,567	-	8,567	-
130X	Current inventories（Notes 4 and 12）	1,969,735	25	2,101,040	27
1410	Prepayments（Note 33）	173,811	2	489,656	6
1470	Other current assets（Notes 22, 33 and 34）	39,872	1	30,445	1
11XX	Total current assets	5,647,095	73	5,841,270	75
	Non-current assets				
1517	Non-current financial assets at fair value through other comprehensive income（Notes 4 and 8）	44,343	1	54,982	1
1535	Non-current financial assets at amortised cost（Notes 4, 10 and 34）	3,759	-	1,272	-
1550	Investments accounted for using equity method（Notes 4 and 13）	708,447	9	585,889	7
1600	Property, plant and equipment（Notes 4, 10 and 34）	1,238,263	16	1,233,572	16
1755	Right-of-use assets（Notes 4, 15 and 33）	18,638	-	26,371	-
1780	Intangible assets（Notes 4 and 16）	31,181	-	28,493	-
1840	Deferred tax assets（Notes 4 and 26）	47,118	1	50,163	1
1915	Prepayments for business facilities	4,625	-	3,892	-
1920	Guarantee deposits paid（Note 34）	4,365	-	3,403	-
15XX	Total non-current assets	2,100,739	27	1,988,037	25
1XXX	Total assets	$ 7,747,834	100	$ 7,829,307	100
Code	**Liabilities and equity**				
	Current liabilities				
2100	Current borrowings（Notes 17 and 34）	$ 159,566	2	$ 29,048	1
2120	Current financial liabilities at fair value through profit or loss（Notes 4 and 7)	4	-	1,401	-
2126	Financial liabilities for hedging Notes 4 and 9）	-	-	674	-
2130	Current contract liabilities（Notes 4, 22 and 24）	641,601	8	930,566	12
2170	Accounts payable（Note 18）	1,978,131	26	1,982,148	25
2180	Accounts payable to related parties（Note 33）	21,675	-	22,110	-
2200	Other payables（Note 19）	295,146	4	279,967	4
2230	Current tax liabilities（Note 4 and 26）	32,311	-	75,986	1
2250	Provisions（Notes 4 and 20 ）	7,098	-	6,178	-
2280	Current lease liabilities（Notes 4, 15 and 33）	6,564	-	8,360	-
2300	Other current liabilities	49,215	1	77,645	1
21XX	Total current liabilities	3,191,311	41	3,414,083	44
	Non-current liabilities				
2540	Long-term borrowings（Notes 17 and 34）	741,800	10	741,800	9
2570	Deferred tax liabilities（Notes 4 and 26）	65,761	1	63,607	1
2580	Non-current lease liabilities（Notes 4, 15 and 33）	12,673	-	18,589	-
2640	Net defined benefit liability, non-current（Notes 4 and 21）	178,859	2	208,070	3
2645	Guarantee deposits received	10,414	-	4,253	-
25XX	Total non-current liabilities	1,009,507	13	1,036,319	13
2XXX	Total liabilities	4,200,818	54	4,450,402	57
	Equity				
3110	Ordinary share	2,610,585	34	2,610,585	33
3200	Capital surplus	1,414	-	1,251	-
	Retained earnings				
3310	Legal reserve	400,777	5	360,334	5
3320	Special reserve	8,975	-	11,273	-
3350	Unappropriated retained earnings	540,612	7	404,437	5
3300	Total retained earnings	950,364	12	776,044	10
	Other equity				
3410	Exchange differences on translation of foreign financial statements	(24,158)	-	(27,751)	-
3420	Unrealized Gain or Losses on FVTOCI Financial Assets	8,811	-	19,450	-
3430	Cash flow hedge	-	-	(674)	-
3400	Other equity interest	(15,347)	-	(8,975)	-
3XXX	Total equity	3,547,016	46	3,378,905	43
	Total liabilities and equity	$ 7,747,834	100	$ 7,829,307	100

The accompanying notes are an integral part of these parent company only financial statements.

Chairman：Hsu, Bang-Fu　　Manager：Hsu, I-Sheng, Hsu, I-Te.　　Accounting Supervisor：Chiu, Hsu-Lan

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Fortune Electric Co., Ltd
Individual Statements of Comprehensive Income
For the years ended December 31, 2019 and 2020

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

		2020		20191	
Code		Amount	%	Amount	%
	Operating revenue（Notes 4, 24, 33 and 35）				
4100	Sale	$ 6,844,206	86	$ 5,858,785	85
4520	Construction revenue	1,152,273	14	1,011,200	15
4000	Total Operating revenue	7,996,479	100	6,869,985	100
	Operating costs（Notes 4, 12, 21, 25 and 33）				
5110	Sales costs	5,679,135	71	4,815,080	70
5520	Construction cost	1,128,427	14	1,005,334	15
5000	Operating costs	6,807,562	85	5,820,414	85
5900	Gross profit from operations	1,188,917	15	1,049,571	15
	Operating expenses（Notes 21, 25, 33 and 35）				
6100	Selling expenses	500,471	6	437,261	6
6200	Administrative expenses	144,774	2	128,823	2
6300	Research and development expense	128,744	2	146,657	2
6000	Total operating expenses	773,989	10	712,741	10
6900	Net operating income	414,928	5	336,830	5
	Non-operating income and expenses				
7100	Interest revenue（Note 25）	202	-	650	-
7190	Other income（Note 25）	27,535	-	134,653	2
7140	Gain from bargain purchase - acquisition of subsidiaries（Notes 4 and 13）	-	-	209,682	3
7190	Government grants income（Note 4）	12,498	-	9,716	-
7020	Other gains and losses（Note 25）	2,003	-	(142,503)	(2)
7050	Financial costs（Notes 25 and 33）	(16,754)	-	(20,323)	-
7070	Share of Profit (loss) of Associates & Joint Ventures Accounted for Using Equity Method（Note 13）	107,792	2	(31,912)	(1)
7000	Total non-operating income and expenses	133,276	2	159,963	2

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Code		2020 Amount	2020 %	2019 Amount	2019 %
7900	Profit before tax	$ 548,204	7	$ 496,793	7
7950	Tax expense (Notes 4 and 26)	90,690	1	86,141	1
8200	Profit	457,514	6	410,652	6
	Other comprehensive income				
8310	Components of other comprehensive income that will not be reclassified to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 21)	(27,669)	(1)	(29,137)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(10,639)	-	11,275	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 26)	5,533	-	5,828	-
		(32,775)	(1)	(12,034)	-
8360	Components of other comprehensive income that may be reclassified subsequently to profit or loss:				
8363	Cash flow hedge (Note 9)	674	-	(674)	-
8370	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method	3,593	-	(8,303)	-
		4,267	-	(8,977)	-
8300	Total other comprehensive income	(28,508)	(1)	(21,011)	-
8500	Total comprehensive income	$ 429,006	5	$ 389,641	6
	Earnings per share (Note 27)				
9710	Basic	$ 1.75		$ 1.57	
9810	Diluted	$ 1.75		$ 1.57	

The accompanying notes are an integral part of the parent company only financial statements.

Chairman：Hsu, Bang-Fu　　Manager：Hsu, I-Sheng, Hsu, I-Te　　Accounting Supervisor：Chiu, Hsu-Lan

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Fortune Electric Co., Ltd
Individual Statement of Changes in Equity
For the years ended December 31, 2020 and 2019

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

Code		Ordinary share (Note 23)	Capital surplus (Note 23)	Retained earnings (Notes 21, 23 and 26): Legal Reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated Retained Earnings	Retained earnings: Total	Other equity interest (Notes 4, 9 and 23): Exchange differences on translation of foreign financial statements	Other equity interest: Unrealised gains (losses) on assets at fair value through other comprehensive income	Other equity interest: Cash flow hedge	Other equity interest: Total	Total Equity
A1	Balance, January 1, 2019	$ 2,610,585	$ 1,251	$ 354,326	$ 15,251	$ 97,442	$ 467,019	($ 19,448)	$ 8,175	$ -	($ 11,273)	$ 3,067,582
	Appropriations of 2018 earnings											
B1	Legal reserve appropriated	-	-	6,008	-	(6,008)	-	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	(3,978)	3,978	-	-	-	-	-	-
B5	Cash dividends－NT $ 0.30/per share	-	-	-	-	(78,318)	(78,318)	-	-	-	-	(78,318)
		-	-	6,008	(3,978)	(80,348)	(78,318)	-	-	-	-	(78,318)
D1	Net profit for 2019	-	-	-	-	410,652	410,652	-	-	-	-	410,652
D3	Other comprehensive income(loss) for 2019 after tax	-	-	-	-	(23,309)	(23,309)	(8,303)	11,275	(674)	2,298	(21,011)
D5	Total comprehensive income(loss) for 2019	-	-	-	-	387,343	387,343	(8,303)	11,275	(674)	2,298	389,641
Z1	Balance, December 31, 2019	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											
B1	Legal reserve appropriated	-	-	40,443	-	(40,443)	-	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	(2,298)	2,298	-	-	-	-	-	-
B5	Cash dividends－NT $ 1/per share	-	-	-	-	(261,058)	(261,058)	-	-	-	-	(261,058)
		-	-	40,443	(2,298)	(299,203)	(261,058)	-	-	-	-	(261,058)
C17	Unclaimed cash dividends	-	163	-	-	-	-	-	-	-	-	163
D1	Net profit for 2020	-	-	-	-	457,514	457,514	-	-	-	-	457,514
D3	Other comprehensive income(loss) for 2020	-	-	-	-	(22,136)	(22,136)	3,593	(10,639)	674	(6,372)	(28,508)
D5	Total comprehensive income(loss) for 2020	-	-	-	-	435,378	435,378	3,593	(10,639)	674	(6,372)	429,006
Z1	Balance, December 31, 2020	$ 2,610,585	$ 1,414	$ 400,777	$ 8,975	$ 540,612	$ 950,364	($ 24,158)	$ 8,811	$ -	($ 15,347)	$ 3,547,016

The accompanying notes are an integral part of the parent company only financial statements.

Chairman：Hsu, Bang-Fu Manager：Hsu, I-Sheng, Hsu, I-Te Accounting Supervisor：Chiu, Hsu-Lan

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Fortune Electric Co., Ltd

Individual Statements of Cash Flows

For the year ended December 31, 2020 and 2019

Unit：In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flows from operating activities		
A00010	Profit before tax	$ 548,204	$ 496,793
A20010	Adjustments to reconcile profit (loss)：		
A20100	Depreciation expense	73,285	69,640
A20200	Amortization expense	11,422	9,862
A20300	Expected credit loss	11,999	16,043
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	4	1,333
A20900	Financial cost	16,754	20,323
A21200	Interest income	(202)	(650)
A22400	Share of loss (profit) of Associates & Joint Ventures Accounted for Using Equity Method	(107,792)	31,912
A22500	Loss (gain) on disposal of property, plant and equipment	77	109
A23200	loss on disposal of associates	-	142,667
A23800	(Gain)Loss on inventory valuation	2,268	(1,167)
A29900	Gain recognized in bargain purchase transaction	-	(209,682)
A30000	Changes in operating assets and liabilities, net		
A31110	Financial instruments at fair value through profit or loss	(1,333)	4,257
A31125	Contract asset	(134,952)	60,990
A31130	Notes receivable	(39,625)	(47,615)
A31150	Accounts receivable	(1,476)	(630,108)
A31160	Receivables from related parties	(5,922)	8,164
A31200	Inventories	126,345	(265,278)
A31230	Accounts payable	315,845	(443,483)
A31240	Other current assets	(9,427)	77,690
A32125	Contract liability	(288,965)	397,781
A32150	Accounts payable	(4,017)	520,427
A32160	Payables to related parties	(435)	(16,187)
A32180	Other payable	16,065	150,648
A32200	Provision for liabilities	920	(3,656)
A32230	Other current liabilities	(28,430)	45,218
A32240	Net defined benefit liability	(56,880)	(43,842)
A33000	Cash generated from operations	443,732	392,189

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Code		2020	2019
A33100	Interest received	$ 202	$ 650
A33300	Interest paid	(17,640)	(21,608)
A33500	Income tax paid	(123,633)	(4,123)
AAAA	Net cash flows from operating activities	302,661	367,108
	Cash flows from investing activities		
B00040	Acquisition of financial assets at amortised cost	(29,478)	(1,315)
B02200	Investments accounted for using equity method	(11,173)	-
B02700	Acquisition of property, plant and equipment	(54,445)	(35,272)
B02800	Proceeds from disposal of property, plant and equipment	879	-
B03800	Decrease (increase) in refundable deposits	(962)	252
B04500	Acquisition of intangible assets	(11,003)	(9,987)
B07100	Increase in prepayments for business facilities	(16,862)	(7,227)
BBBB	Net cash flows from investing activities	(123,044)	(53,549)
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term loans	130,518	(184,701)
C03000	Guarantee deposit received	6,161	-
C03100	Refund of guarantee deposits received	-	(10,879)
C04500	Cash dividends paid	(261,058)	(78,318)
C04020	Payments of lease liabilities	(8,752)	(4,526)
C09900	Unclaimed cash dividends	163	-
CCCC	Net cash flows from financing activities	(132,968)	(278,424)
EEEE	Net increase in cash	46,649	35,135
E00100	Cash at beginning of period	83,511	48,376
E00200	Cash at end of period	$ 130,160	$ 83,511

The accompanying notes are an integral part of the parent company only financial statements.

Chairman：Hsu, Bang-Fu Manager：Hsu, I-Sheng, Hsu, I-Te Accounting Supervisor：Chiu, Hsu-Lan

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Fortune Electric Co., Ltd

NOTEs to Individual Financial Statements

For the years ended December 31, 2020 and 2019

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

1、 General Information

Fortune Electric Co., Ltd (the "Company") was incorporated in August 1969. Mainly engaged in the manufacturing, processing, trading and engineering contracting of power transformer, distribution panels, high and low voltage switch and substation equipment. In April 1997, the company's shares were listed on the Taiwan Stock Exchange (TWSE). The parent company only financial statements were expressed in the Company's functional Currency New Taiwan Dollars.

2、 The date of Authorization for issuance of Financial Statements and Procedures for Authorization

The accompanying parent company only financial statements were approved and authorized for issue by the company's board of directors on March 22, 2021.

3、 Application of new and revised international financial reporting standards

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

Except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the company's accounting policies：

1. Amendments to IFRS 3"Definition of a Business"

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2. Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform”

   Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. For affected hedging relationship, please refer to note 32.

3. Amendments to IAS 1 and IAS 8 "Definition of Material"

   The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to “could reasonably be expected to influence” and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

4. Amendments to IFRS 16 "Covid-19-Related Rent Concessions"

   The Group selected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Before the application of the amendment, the Group shall determine whether the abovementioned rent concessions shall be accounted for as lease modifications.

   The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

(2) The IFRSs issued by IASB as endorsed and issued into effect by FSC

New／Revised／Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 4"Extension of the Temporary Exemption from Applying IFRS 9"	Effective from the date of issue
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2 "	Effective for annual reporting periods beginning after January 1, 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2 "

The amendments to IFRS 9, IFRS 7 and IFRS 16 provide specific practical expedient when the impact caused by the interest rate benchmark reform.

Changes in the basis for determining the contractual cash flows

Changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform shall be applied by revising the effective interest rate.

Hedge accounting

The amendment adds additional temporary exceptions from hedging relationships affected by interest rate benchmark reform.

(1) Modifying the hedging relationship to reflect the changes required by interest rate benchmark reform is regarded as the continuation of the existing hedging relationship, and will not constitute the cessation of the existing hedging relationship or the designation of a new hedging relationship.

(2) When a risk component not specified in the contract is designated as a hedged item, if the new target interest rate is not individually identifiable on the designated day, the enterprise can immediately designate it as a hedged item as long as it reasonably expects that the target interest rate will become a separately identifiable risk component within 24 months.

(3) After the modification of the cash flow hedging relationship, the amount accumulated in the profit and loss of the cash flow hedging instrument shall be deemed to be based on the new modification benchmark rate.

(4) The hedged items of the project group affected by interest rate benchmark reform should be allocated into two subgroups：the contract that has been changed to another benchmark rate and the contract that has not been changed, and the benchmark rate risk to be avoided should be specified for each subgroup.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

New／Revised／Amended Standards and Interpretations	Effective Date Issued 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 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／Revised／Amended Standards and Interpretations are effective for annual periods.

Note 2： 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 3：The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first 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 beginning 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 beginning on or after January 1, 2022.

Note 6：This amendment will be deferred for annual reporting periods beginning on or after January 1, 2023.

Note 7：This amendment is applicable to changes in accounting estimates and accounting policies for annual reporting periods beginning on or after January 1, 2023.

1. Amendments to IFRS 10 and IAS 28 "Sales or contributions of assets between an investor and its associate/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 to compare 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 percent. 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.

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).

7. Amendment to IAS 1 "disclosure of accounting policies"

   The amendment specifies that the company shall determine the material accounting policy information to be disclosed in accordance with the definition of material. Accounting policy information is material if it can be reasonably expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendment clarifies：

   - The accounting policy information related to immaterial transactions, other events or circumstances is immaterial and the company does not need to disclose such information.
   - The company may judge that the relevant accounting policy information is materially because of the nature of transactions, other matters or circumstances, even if the amount is not significant.
   - Not all accounting policy information related to material transactions, other matters or circumstances is material.

   In addition, the amendment and examples indicate that the information on accounting policies may be material if it is relevant to a material transaction, other matter or circumstance and if：

(1) The company changed its accounting policies during the reporting period, and such changes resulted in material changes in the financial statement information;

(2) The company chooses the accounting policies applicable to it from the options permitted by the standards;

(3) The company establish accounting policies in accordance with IAS 8 "accounting policies, changes in accounting estimates and errors" due to lack of specific standards;

(4) The company discloses the relevant accounting policies that it has to use significant judgments or assumptions; or

(5) Complicated accounting rules are involved and financial statements users rely on such information to understand such major transactions, other matters or situations.

8. Amendments to IAS 8 "definition of accounting estimates"

The revised accounting estimate refers to the monetary amount affected by measurement uncertainty in the financial statements. When applying accounting policies, the company may have to measure financial statement items in terms of monetary amounts that cannot be directly observed but must be estimated. Therefore, it is necessary to use measurement techniques and input to establish accounting estimates for this purpose. If the effect of changes in a measurement technology or an input on accounting estimates is not the correction of prior period errors, such changes are changes in accounting estimates.

In addition to the above effects, as of the date of publication of the parent company only financial statements, the company continues to evaluate the impact of amendments to other standards and interpretations on its financial position and financial performance, and the relevant impact will be disclosed when the evaluation is completed.

4、 <u>Summary of Significant Accounting Policies</u>

(1) Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of Preparation

The accompanying financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable：

1. Level 1 fair value measurements：are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 fair value measurements：are those derived from 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).
3. Level 3 fair value measurements：are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When preparing the parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to “investments accounted for using the equity method”, “share of profits of subsidiaries for using the equity method in the parent company only financial statements” and related equity items.

(3) Standard of Current and Noncurrent Assets and Liabilities

Current assets including：

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

Current liabilities including：

1. Liabilities held primarily for the purpose of trading.
2. Liabilities due to be settled within 12 months after the reporting period (even if an agreement to refinance or to reschedule payments on a long-term basis is

completed after the balance sheet date and before the financial reports are authorized for issue; and

3. It does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Those that are not classified as current assets or current liabilities are classified as non-current assets or non-current liabilities.

(4) Foreign Currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations (including the subsidiaries or associates, joint ventures or branches of the country in which the country of operation or currency is used) are translated into NT$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

(5) Inventories

Inventories including finished goods, are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The costs of inventories sold or consumed are determined using the weighted-average method.

(6) Investment in Subsidiaries

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

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

When the Company evaluates the impairment, it considers the cash-generating unit as a whole in the financial report and compares its receivable carrying amount. If the receivable amount of the asset increases, the amount of the impairment loss is recognized as gain on reversal of impairment loss. However, the carrying amount of the asset after the impairment loss shall not exceed the amount of the asset that is not recognized as impairment loss. The carrying amount after amortization.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and lateral transactions between subsidiaries are recognized in the Parent Company only financial statements only to the extent of interests in the subsidiary that are not related to the Company.

(7) Investment in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

The company accounts for its investments in an associate using the equity method.

Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes its share in the changes in the equities of an associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When an associate issues new shares, if the Company does not subscribe according to the shareholding ratio, resulting in a change in the shareholding ratio, and thus make the net equity of the investment increase or decrease, its increase or decrease adjusts the additional paid-in capital, the acquisition of equity method to recognize the change in the net equity of an associate and the use of equity method investment. However, if the amount recognized in other comprehensive profits and losses related to the associate is reclassified in proportion to the reduction if it is not subscribed or acquired in proportion to the shareholding. If additional paid-in capital should be debited for the adjustment mentioned in the preceding paragraph, and the balance of the additional paid-in capital generated by the investment using the equity method is insufficient, the balance shall be debited to the retained surplus.

When the loss share of the company to an associate equals or exceeds its equity in the associate (including the book value of the investment in the associate under the equity method and other long-term equity substantially belonging to the net investment component of the company to the associate), the company shall stop recognizing further losses. The company recognizes additional losses and liabilities only to the extent of legal obligations, presumptive obligations or payments made on behalf of associate.

When the Company evaluates the impairment, it considers the cash-generating unit as a whole in the financial report and compares its receivable carrying amount. The carrying amount of the asset after the impairment loss shall not exceed the amount of the asset that is not recognized as impairment loss. Any reversal of impairment loss shall be recognized to the extent of subsequent increase in the recoverable amount of the investment.

The company stops using the equity method from the date when its investment is no longer an associate, and its retained interest in the original associate is measured by fair value. The difference between the fair value and the disposal price and the investment book value on the date when the equity method is stopped is included in the current profit and loss. In addition, the basis of accounting treatment for all amounts recognized in other comprehensive profits and losses related to the associate is the same as that for the associate to directly dispose of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture, or an investment in a joint venture becomes an investment in an associate, the company continues to use the equity method instead of re measuring the retained equity.

The profits and losses arising from the upstream, downstream and lateral transactions between the company and its associate is recognized in parent company only financial statements, only to the extent unrelated to the company's equity in an associate.

(8) Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment.

Freehold land is not depreciated. Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(9) Intangible Assets

1. Acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates being accounted for on a prospective basis.

2. Derecognition

When the intangible assets are derecognized, the net disposal price and the carrying amount of the asset is recognized in the current profit and loss.

(10) Impairment of Tangible and Intangible Assets

The Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

For the inventory recognized in the customer contract, impairment shall be recognized first according to the provision for inventory write-down, and secondly, the impairment loss shall be recognized according to the amount of the book value of the relevant assets at the contract cost exceeds the remaining amount from providing good or service expects to receive and the remaining amount after deducting the directly related costs, and the book value of the related assets of the contract cost shall be included in the cash-generating unit, to evaluate the impairment of the cash-generating unit.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit or contract cost in prior years. A reversal of an impairment loss（minus amortization or depreciation）is recognized in profit or loss.

(11) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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 fair value through profit or loss are recognized immediately in profit or loss.

1. Financial Assets

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

   (1) Measurement Category

   The Company's financial assets consist of the following categories: financial assets at FVTPL, financial assets measured at amortised cost and investments in equity instruments measured at FVTPL through other comprehensive income.

   A. Financial assets at FVTPL

   Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss, including the Company's investment in equity instruments that are not measured by the Company's other comprehensive gains and losses, which are measured at fair value through profit or loss and non-conforming investment in debt instruments that are measured at amortized cost or measured at fair value through other comprehensive gains and losses.

   The Company measures the financial assets at fair value and recognizes the

   transaction costs in profit or loss (not including any dividends and interest) and recognizes the gain or loss in profit or loss. Determination of fair values please refer to Note 32.

   B. Measured at amortized cost

   Amortized cost classification applies predominantly to debt instruments which meet the following 2 criteria：

   a. The business model of the company which owns such financial assets is to collect the contractual cash flows; and

b. The contractual cash flows of specific financial asset under consideration are on account of repayment of principal and interest and they occur on specified dates.

Financial assets (including Cash and pledge Certificate of Deposit, notes and accounts receivable carried at amortized cost) should be amortized using the effective interest rate method. Under the effective interest method, the interest income recognized is calculated by applying the market interest rate to the carrying amount and the difference between the interest income so recognized and the interest income paid. Any foreign currency exchange gains and losses are recognized in profit or loss.

Except the following two approaches, interest income is calculated by effective interest rate multiplying the total book value of the asset：

a. Purchased or initiated credit impairment financial assets, interest income is calculated by multiplying the credit adjusted effective interest rate by the amortized cost of financial assets.

b. Non-purchasing or initial credit impairment, but financial assets that subsequently become credit impairments should be use the effective interest rate multiplied by the amortized cost of financial assets to calculate interest income from the next reporting period after derogation.

C. Measured at fair value through other comprehensive gains and losses.

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value are presented in other comprehensive income, and accumulated in other equity. On disposal of investments, accumulated gains and losses are directly transferred to retained earnings and are not reclassified as gains and losses.

Dividends on investments in equity instruments measured at fair value through other comprehensive profits and losses are recognized in profits and losses when the company's right to receive payments is established, unless the dividends clearly represent the recovery of part of the investment cost.

(2) Impairment of financial assets

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable) and impairment losses on contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

The expected credit loss is the weighted-average credit loss weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from the possible default of the financial instrument within 12 months following the report. The expected credit loss during the duration represents the expected credit loss arising from all possible defaults of the financial instrument during the expected duration.

For the purpose of internal credit risk management, the company determines that the following circumstances represent the default of financial assets without considering the collateral held：

A. There is internal or external information indicating that it is impossible for the debtor to pay off its debts.

B. Overdue for more than 90 days, unless there is reasonable and verifiable information indicates that the delayed default benchmark is more appropriate.

Impairment losses on all financial assets are reduced by the provision account, provided that the provision for losses on investments in debt instruments measured at fair value through other comprehensive gains and losses is recognized as other comprehensive gains and losses and does not reduce their book value.

(3) Derecognition of Financial Assets and Contract Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, 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.

2. Equity Instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3. Financial Liabilities

(1) Subsequent Measurement

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

Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading.

Financial liabilities held for trading are measured at fair value, and the profits or losses arising from the re measurement (excluding any dividends or interests paid on the financial liabilities) are recognized in profit or loss. For the determination of fair value, please refer to Note 32.

(2) Derecognition of Financial Liabilities

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

4. Derivative Financial Instruments

The derivative instruments signed by the company are Forward Exchange Contracts, to manage exposure to currency rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL. (12) Hedge Accounting

The company designated some hedging instruments in a cash flow hedge. The hedging of exchange rate risk of firm commitment is treated as cash flow hedge.

For designated hedging instruments that meet the requirements of cash flow hedge, the changes in fair value of hedging instruments that are effective hedging are recognized in other comprehensive profits and losses, while those that are hedge ineffectiveness are immediately recognized in profits and losses.

When the hedged item is recognized in profit or loss, the amount previously recognized in other comprehensive profit or loss will be reclassified to profit or loss in the same period and recognized in the parent company only comprehensive income statement under the item related to the hedged item. However, when the hedging of the expected transaction will be recognized as non-financial assets or non-financial liabilities, the amount originally recognized in other comprehensive profits and losses will be transferred from equity to the original cost of the non-financial assets or non-financial liabilities.

The company will only postpone the termination of hedging accounting when the hedging relationship no longer meets the requirements of hedge accounting, including the maturity, sale, cancellation or exercise of hedging instruments. The amount previously recognized as other comprehensive gains and losses during the period of hedging is still included in the equity prior to the expected transaction occurs, and when the expected transaction no longer expects to occur, the amount previously recognized in other comprehensive profit and loss will be recognized as profit and loss immediately.

(13) Provisions

The amount recognized as the provision is the best estimate of the expenditure required to liquidate the obligation on the balance sheet date, taking into account the risks and uncertainties of the obligations. Provision is measured at the discounted value of the estimated cash flow of the liquidation obligation.

<u>Onerous contract</u>

When the inevitable cost of the company's expected performance of its contractual obligations exceeds the expected economic benefits from the contract, the current obligations arising from the onerous contract shall be recognized as provision.

(14) Revenue Recognition

The Company recognizes revenue when performance obligations are satisfied. The transaction price is apportioned to each performance obligation and the income is recognized when each performance obligation is met.

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

1. Sale of Goods

Sales revenue comes from the sales of transformers, distribution boards, high and low voltage switches and distribution equipment. Since the customer already set the price and has the right to use the goods when the goods arrive at the place designated by the customer, when the goods are shipped and when the goods are loaded on the ship, and has the main responsibility for resale, and bears the risk of obsolescence of the goods, the company recognized the revenue and accounts receivable at that time. Receipt of advances from products is recognized as contractual liabilities before the products meet specified conditions.

2. Construction revenue

In the process of construction, the real estate is the real estate construction contract controlled by the customer. The company recognizes the income over time gradually. Since the cost of construction is directly related to the degree of fulfillment of the performance obligations, the company measures the completion progress by the proportion of the actual cost to the expected total cost. The company gradually recognizes contract assets during the construction process and transfers them into accounts receivable when bill is issued. If the construction payment received exceeds the recognized revenue, the difference is recognized as a contractual liability. The construction retention money withheld by the client in accordance with the terms of the contract is intended to ensure that the company fulfills all its contractual obligations and is recognized as contract assets before the company recognized as contract assets before the company completed contract.

(15) Leases

The company assesses whether the contract is (or includes) a lease on the effective date of the contract.

1. The Company as lessor

When the lease term transfers substantial all the risks and rewards incidental to ownership of an asset transfer to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

When the company sublets the right to use assets, it uses the right-of-use asset (not the underlying assets) to determine the classification of the sublease. However, if the principal lease is a short-term lease for which the company applies recognition exemption, the sublease is classified as an operating lease.

Under an operating lease, the lease payment after deduction of the lease inducement is recognized as income on a straight-line basis during the relevant lease term. The original direct cost incurred in obtaining the operating lease is the book value of the underlying asset, and is recognized as an expense on a straight-line basis during the lease term.

2. The Company as lessee

Except for payments for low-value asset leases and short-term leases which are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are measured at cost (comprises the initial measurement of lease liabilities adjusted for lease payments and initial direct costs made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets). Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented separately in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

The lease liability was initially measured at the present value of the lease payment. If the interest rate implicit in the lease is easy to determine, the lease payment should be discounted by the interest rate. If the interest rate is not easy to determine, the incremental borrowing rate of the lessee is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in future lease payments resulting from a change in an index or a rate used to determine those payments, or a change in the assessment of an option to purchase an underlying asset, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. Lease liabilities are presented on a separate line in the parent company only balance sheets.

(16) Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

If the government grants is used to compensate for expenses or losses incurred, or for the purpose of providing immediate financial support to the company without future related costs, it is recognized as profit or loss during the period in which it can be collected.

(17) Employee Benefits

1. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

2. Retirement benefits

   For defined retirement benefit plans, the cost of providing benefit is recognized when the employees have rendered service entitling them to the contribution.

   Defined benefit costs (including service cost, net interest and remeasurement) under the defined retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement （including actuarial profit and loss and the interest deduction of return on plan assets） recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

   Net defined benefit liability (asset) represents the actual deficit（surplus) in the Company’s defined benefit plan. Net defined benefit asset shall not exceed the present value of the allocation from the plan or the reduction of future allocation.

3. Other long-term employee benefits

The accounting treatment for other long-term employee benefits is the same as that for defined retirement benefit plans, except that the relevant remeasurement is recognized in profit or loss.

(18) Taxation

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

1. Current Tax

The consolidated company determines the income (loss) for the current period in accordance with the regulations established by each income tax reportable jurisdiction, and calculates the income tax payable (recoverable).

Pursuant to Income Tax Act, income tax on unappropriated earnings is recognized in the year the shareholders resolution.

Adjustments of prior years' tax liabilities are added to the current year's tax provision.

2. Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. Critical Accounting Judgment and Key Sources of Estimation and Uncertainty

In the application of the aforementioned Company's accounting policies, the Company management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Company has considered the economic implications of COVID-19 on critical accounting estimates and will continue evaluating the impact on its financial position and financial performance as a result of the pandemic. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revisions and future periods if the revisions affect both current and future periods..

6. Cash and Cash Equivalents

	December 31,2020	December 31,2019
Cash and deposits in banks		
Bank notes and demand deposits	$ 760	$ 730
	129,400	82,781
	$ 130,160	$ 83,511

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

	December 31,2020	December 31,2019
Bank Deposits	0.001%～0.2%	0.001%～0.38%

7. Financial instruments at Fair Value Through Profit or Loss

	December 31,2020	December 31,2019
Financial assets - Current		
Derivative instruments（non designated hedge）		
Forward Exchange Contracts	$ -	$ 68
Financial liabilities - Current		
Derivative instruments（non designated hedge）		
Forward Exchange Contracts	($ 4)	($ 1,401)

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

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2020			
Buy	NTD to USD	03/02/2021	NTD79/USD3
December 31, 2019			
Buy	NTD to USD	1/10/2020-10/5/2020	NTD62,329/USD2,047
Buy	NTD to CNY	109.1/9/2020	NTD964/CNY222
Buy	NTD to EUR	1095/13/2020-9/1/2020	NTD16,473/EUR489

The purpose of the company's forward exchange transactions is to reduce the risk of foreign currency assets and liabilities due to exchange rate fluctuations. The forward exchange contracts held by the company do not meet the hedge effectiveness requirements, therefore, do not apply to hedge accounting.

8. Financial assets at fair value through other comprehensive income

	December 31,2020	December 31,2019
Non-current		
Domestic investment		
Unlisted (OTC) common stock		
Raynergy Tek Inc.	$ 44,343	$ 54,982

The Company invests in the common stock of Raynergy Tek Inc. for medium- and long-term strategic purposes and expects to make a profit from long-term investments. The Management of the company considers that the inclusion of short-term fair value fluctuations in such investment in profit and loss is inconsistent with the aforementioned long-term investment plans and therefore choose designated such investment as measured at fair value through other comprehensive gains and losses.

9. Hedge Accounting

	December 31,2020	December 31,2019
Financial liabilities - current		
Cash flow hedge		
－Forward exchange contracts	$ -	($ 674)

The company's hedging strategy is to sign forward exchange contracts to avoid exchange rate risk of specific foreign currency income and receipts and disbursements position. Adjust the book value of non-financial hedged items when the expected sales transaction actually occurs.

For the hedges of highly probable forecasted sales and purchases, as the critical terms (i.e. the notional amount, life and underlying) of the forward foreign exchange contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates.

The hedge ineffectiveness of hedging relationship mainly comes from the impact of the credit risk between the company and the counterparty on the fair value of forward exchange contracts. This credit risk will not affect the changes in the fair value of the hedged items due to changes in exchange rate, and the changes in the time point of the hedged expected transaction. During the period of hedging, there is no other source of hedge ineffectiveness.

The following tables summarize the information relating to the hedges to foreign currency risk：

December 31,2019

Hedging instrument	Contract Amount	Maturity Date	Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness
Forward exchange contracts	NTD 20,001/USD645	4/22/2020	($ 674)

Hedged item	Increase (Decrease) in Value Used for Calculating Hedge Ineffectiveness	Balance in Other Equity (Continuing Hedges)
Cash flow hedge		
Forecast transaction（Capital expenditure）	$ 674	($ 674)

The company sells transformers to foreign customers and signs raw material purchase agreement with foreign suppliers. All of them have signed forward exchange contracts to avoid the exchange rate risk that may arise from the expected future sales and purchase transactions. These forward exchange contracts are designated as cash flow hedge. The amounts recognized in other comprehensive income and loss of forward exchange contracts related to the above-mentioned expected future transactional risk in 2020 and 2019 were $674,000 and ($674,000) respectively. These transactions will reclassify the amount previously deferred in equity to profit or loss when they occur.

10. Financial assets measured at amortised cost

	December 31,2020	December 31,2019
Pledged CD		
Current	$ 28,306	$ 1,315
Non-current	3,759	1,272
	$ 32,065	$ 2,587

For information on pledged financial assets measured at amortized cost, please refer to Note 34.

11. Accounts Receivable

	December 31,2020	December 31,2019
Accounts Receivable		
at amortised cost		
Total carrying amount	$ 2,547,404	$ 2,545,928
Less：Loss allowance	(45,333)	(33,334)
	$ 2,502,071	$ 2,512,594

The payment term granted to customers is due 90 days to 180. days from the invoice date. The impairment assessment of accounts receivable (including accounts receivable-related parties) is based on individual assessment, aging analysis, historical experience and analysis of customers' current financial situation to estimate the amount that cannot be recovered.

The company recognizes the allowance for the loss of accounts receivable according to the expected credit loss during the period of existence. The expected credit loss during the period of existence is calculated by using provision matrix, which considers the past default records of customers, the current financial situation and the economic situation of the industry. As the company's historical experience of credit loss shows that there is no significant difference in loss types among different customer groups, the provision matrix does not further differentiate customer groups, and only sets the expected credit loss rate based on days overdue of receivables.

If there is evidence that the other party of the transaction is facing serious financial difficulties and the company cannot reasonably expect the recoverable amount, the company will directly write off the relevant receivables, but will continue to pursue recourse activities. The amount recovered due to pursue recourse is recognized in profit and loss.

The company measures the allowance for the loss of accounts receivable according to provision matrix as follows：

December 31, 2020

	Not past due	Past due 1～60 days	Past due 61～90 days	Past due 91～275 days	Past due 276～640 days	Past due more than 641days	Total
Expected credit losses ratio	0.00%	0.04%	0.36%	0.13%	2.75%	22.25%	
Total currying amount	$ 1,504,888	$ 303,132	$ 23,792	$ 317,465	$ 225,041	$ 173,086	$ 2,547,404
Loss allowance（Lifetime expected credit losses）	-	(135)	(85)	(400)	(6,195)	(38,518)	(45,333)
At amortized cost	$ 1,504,888	$ 302,997	$ 23,707	$ 317,065	$ 218,846	$ 134,568	$ 2,502,071

December 31, 2019

	Not past due	Past due 1～60 days	Past due 61～90 days	Past due 91～275 days	Past due 276～640 days	Past due more than 641days	Total
Expected credit losses ratio	0.00%	0.04%	0.57%	0.67%	1.97%	11.98%	
Total currying amount	$ 1,530,296	$ 248,930	$ 21,418	$ 112,434	$ 434,056	$ 198,794	$ 2,545,928
Loss allowance（Lifetime expected credit losses）	-	(92)	(123)	(754)	(8,551)	(23,814)	(33,334)
At amortized cost	$ 1,530,296	$ 248,838	$ 21,295	$ 111,680	$ 425,505	$ 174,980	$ 2,512,594

Movements of the loss allowance for accounts receivable：

	2020	2019
Balance, beginning of year	$ 33,334	$ 17,291
Add：expected credit losses	11,999	16,043
Balance, end of year	$ 45,333	$ 33,334

12. Inventories

	December 31, 2020	December 31, 2019
Finished goods	$ 246,820	$ 391,559
Work in process	1,419,921	1,393,495
Raw materials	302,994	315,986
	$ 1,969,735	$ 2,101,040

In 2020 and 2019 the cost of goods sold related to inventory was NT$5,666,182 thousand and NT$4,803,401 thousand respectively. The cost of goods sold in 2020 and 2019 includes the inventory valuation losses (gain from price recovery of inventory) of NT$2,268 thousand and (NT$1,167 thousand). In 2019, the rise in the net realizable value of inventories was due to the use of inventories for which the inventory valuation losses have been listed in the middle of the year.

Investment accounted for using equity method

	December 31,2020	December 31,2019
Subsidiaries	$ 707,697	$ 584,736
Associates	750	1,153
	$ 708,447	$ 585,889

(1) Investments in subsidiaries

	December 31,2020	December 31,2019
Power Energy International Ltd. (Power Energy Company)	$ 225,366	$ 213,205
Fortune Electric America Inc. (North American Division)	15,345	13,456
Fortune Electric Extra High Voltage Co., Ltd.	455,234	358,075
Fortune Energy CO., LTD.	861	-
Fortune Electric Australia Pty Ltd (Australian Company)	10,891	-
	$ 707,697	$ 584,736

	% of Ownership and Voting Rights Held by the Company	
Subsidiaries	December 31,2020	December 31,2019
Power Energy Company	100.00%	100.00%
North America Company	100.00%	100.00%
Fortune High Voltage Company (Note 28)	100.00%	100.00%
Fortune Energy CO., LTD. (Note 1)	100.00%	-
Australian Company (Note 2)	100.00%	-

For the years of 2020 and 2019, share of the profit or loss of subsidiaries accounted for using equity method and other comprehensive profit and loss share are recognized according to the financial statements of the subsidiaries audited by accountants in the same period.

For details of the investment subsidiaries indirectly owned by the company, please refer to Appendix Table 4 "information of the invested company, location and other related information.

For the disclosure of the company's acquisition of Fortune Electric Extra High Voltage Co., Ltd., please refer to (2) of investment in associates and Note 30 to the consolidated financial statements.

The company provides endorsement and guarantee for bank loans of subsidiaries Fortune Electric (Wuhan) Ltd. and Fortune Electric Extra High Voltage Co., Ltd. Please refer to Note 33 for the balance as of December 31, 2020 and 2019.

Note 1： Fortune Energy CO., LTD. was established in Taipei on February 27, 2020. The company's investment and shareholding ratio is 100%. It is mainly engaged in power generation, transmission and distribution and machinery manufacturing business.

Note 2：Fortune Electric Australia Pty Ltd was established in Sydney, Australia on November 10, 2020. The company's investment and shareholding ratio is 100%. It is mainly engaged in import trade business.

(2) Investments in associates

	December 31,2020	December 31,2019
Individual insignificant associates		
E-Total Link	$ 750	$ 1,153

1. Associates with significant influence

The company originally established 日立華城變壓器股份有限公司 (renamed Fortune Electric Extra High Voltage Co., Ltd. since June 24,2019) as a joint venture with Hitachi Manufacturing Co., Ltd. of Japan. The paid in capital was 1,412,000 thousand. The company invested 564,800 thousand and obtained 40% equity. It was an associate invested by the company with the equity method. However, on March 31, 2019, the company voluntarily transferred 84,720,000 shares, with the shareholding ratio increased from 40% to 100%. The company has gained control, so it has been incorporated into the consolidated individual since March 31, 2019. Gain recognized in bargain purchase transaction by the company is $ 209,682 thousand, which is separately listed in the parent company only statement of comprehensive income.

The following summary financial information is prepared on the basis of IFRSs financial statements of associates and reflects the adjustments made when adopting the equity method.

Fortune Electric Extra High Voltage Co., Ltd.

	2019（Note）
Operating revenue	$ 100,406
Net loss	($ 73,398)
Total comprehensive loss	($ 73,398)

Note：Information before obtaining control from January 1 to March 31, 2019.

2. Summarized information of individual insignificant associates

In 2017, the company established E トータリンク（E-Total Link）in Japan as a joint venture with Hamaden Electrical Design and Installation and other companies, and obtained 25% of its equity at a price of $ 1,385 thousand. The summary information is as follows:

	2020	2019
Share of profit of the company		
Net loss	($ 378)	($ 195)
Other comprehensive income	(25)	-
Total comprehensive income	($ 403)	($ 195)

For information on the nature of business, main operating location and country of incorporation of the above-mentioned associates, please refer to Appendix Table 4 “information of the investee company, location and other related information”.

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

13. Property, plant and equipment

	December 31, 2020	December 31, 2019
Assets used by the Company	$ 1,238,067	$ 1,233,460
Assets subject to operating leases	196	112
	$ 1,238,263	$ 1,233,572

(1) Assets used by the Company

	Land	Buildings	Machinery Equipment	Solar Equipment	Other equipment	Total
Cost						
Balance at January 1, 2020	$ 635,827	$ 675,778	$1,018,331	$ 151,688	$ 151,491	$2,633,115
Additions	-	1,767	39,681	-	12,997	54,445
Disposals	-	-	(20,634)	-	(982)	(21,616)
Transfers（Note 1）	-	-	-	-	2,692	2,692
Transfers（Note2）	-	-	3,331	-	9,691	13,022
Transfers to assets subject to operating leases	-	(397)	-	-	-	(397)
Balance at December 31, 2020	$ 635,827	$ 677,148	$1,040,709	$ 151,688	$ 175,889	$2,681,261
Accumulated depreciation						
Balance at January 1, 2020	$ -	$ 362,658	$ 889,203	$ 60,471	$ 87,323	$1,399,655
Depreciation	-	15,587	29,668	7,706	11,524	64,485
Disposals	-	-	(20,105)	-	(555)	(20,660)

Transfers to assets subject to operating leases	-	(286)	-	-	-	(286)
Balance at December 31, 2020	$ -	$ 377,959	$ 898,766	$ 68,177	$ 98,292	$1,443,194
Balance at January 1, 2020	$ 635,827	$ 313,120	$ 129,128	$ 91,217	$ 64,168	$1,233,460
Balance at December 31, 2020	$ 635,827	$ 299,189	$ 141,943	$ 83,511	$ 77,597	$1,238,067
Cost						
Balance at January 1, 2019	$ 635,827	$ 672,216	$1,009,776	$ 151,577	$ 145,630	$2,615,026
Additions	-	3,959	21,300	111	9,902	35,272
Disposals	-	-	(14,158)	-	(5,043)	(19,201)
Transfers（Note 1）	-	-	1,089	-	-	1,089
Transfers（Note2）	-	-	324	-	1,002	1,326
Transfers to assets subject to operating leases	-	(397)	-	-	-	(397)
Balance at December 31, 2019	$ 635,827	$ 675,778	$1,018,331	$ 151,688	$ 151,491	$2,633,115
Accumulated depreciation						
Balance at January 1, 2019	$ -	$ 344,389	$ 873,852	$ 52,770	$ 83,485	$1,354,496
Depreciation	-	18,541	29,420	7,701	8,861	64,523
Disposals	-	-	(14,069)	-	(5,023)	(19,092)
Transfers to assets subject to operating leases	-	(272)	-	-	-	(272)
Balance at December 31, 2019	$ -	$ 362,658	$ 889,203	$ 60,471	$ 87,323	$1,399,655
Carrying amounts at December 31, 2019	$ 635,827	$ 313,120	$ 129,128	$ 91,217	$ 64,168	$1,233,460

Note 1：Transfer from inventory to machinery equipment.

Note 2：Transfer from prepayments for equipment to machinery equipment.

There was no sign of impairment in 2020 and 2019, the company did not perform the impairment assessment.

Depreciation expenses are accrued on a straight-line basis according to the following durable years：

Buildings	
Plant main building	55 Years
Electromechanical equipment	3 Years
Machinery and equipment	2 to 15 Years
Solar equipment	8 to 20 Years
Other equipment	3 to 15 Years

For the amount of self-use real estate, plant and equipment set as a loan guarantee, please refer to Note 34.

(2) Operating leases

	Buildings
Cost	
Balance at January 1, 2020	$ 397
Transfers from assets used by the Company	397
Balance at December 31, 2020	$ 794
Accumulated depreciation	
Balance at January 1, 2020	$ 285
Transfers from assets used by the Company	286
Accumulated depreciation	27
Balance at December 31, 2020	$ 598
Net amount at January 1, 2020	$ 112
Net amount at December 31, 2020	$ 196
Cost	
Balance at January 1, 2019	$ -
Transfers from assets used by the Company	397
Balance at December 31, 2019	$ 397

	Buildings
Accumulated depreciation	
Balance at January 1, 2019	$ -
Transfers from assets used by the Company	272
Depreciation expense	13
Balance at December 31, 2019	$ 285
Net amount at January 1, 2019	$ -
Net amount at December 31, 2019	$ 112

Operating leases relate to leases of buildings with lease terms 1 year. The lessees do not have purchase options to acquire the assets at the expiry of the lease periods.

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

	December 31, 2020	December 31, 2019
Year 1	$ 5	$ 57

Depreciation expenses are accrued 55 years on a straight-line basis.

For the amount of self-use real estate, plant and equipment set as a loan guarantee, please refer to Note 34.

15. Lease Arrangements

(1) Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amount		
Land	$ 619	$ 2,140
Buildings	12,620	16,018
Transportation equipment	5,399	8,213
	$ 18,638	$ 26,371

	2020	2019
Additions to right-of-use assets	$ 1,040	$ 25,292
Depreciation of right-of-use assets		
Land	$ 1,521	$ 902
Buildings	3,660	1,057
Transportation equipment	3,592	3,145
	$ 8,773	$ 5,104

(2) Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amount		
Current	$ 6,564	$ 8,360
Non-current	$ 12,673	$ 18,589

Ranges of discount rates for lease liabilities are as follows：

	December 31, 2020	December 31, 2019
Land	1.26%	1.26%
Buildings	1.26%	1.26%
Transportation equipment	1.26%	1.26%

(3) Other lease information

The company leases its own real estate, plant and equipment under operating lease. Please refer to note 14.

	2020	2019
Expenses relating to short-term leases	$ 10,981	$ 7,404
Expenses relating to low-value asset leases	$ 5,624	$ 2,255
Total cash (outflow) for leases	($ 25,652)	($ 14,326)

The company leases certain which qualify as short-term leases and certain which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. Intangible Assets

	Computer software
Cost	
Balance at January 1, 2019	$ 55,231
Acquired separately	9,987
Reclassified	7,689
Balance at December 31, 2019	$ 72,907

	Computer software
Accumulated amortization	
Balance at January 1, 2019	$ 34,552
Amortized expense	9,862
Balance at December 31, 2019	$ 44,414
Carrying amount at Balance at December 31, 2019	$ 28,493
Cost	
Balance at January 1, 2020	$ 72,907
Acquired separately	11,003
Reclassified	3,107
Balance at December 31, 2020	$ 87,017
Accumulated amortization	
Balance at January 1, 2020	$ 44,414
Amortized expense	11,422
Balance at December 31, 2020	$ 55,836
Carrying amount at Balance at December 31, 2020	$ 31,181

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

17. Loans

(1) Short-term loans

	December 31, 2020	December 31, 2019
Secured loan（Note 34）		
Usance Letter of Credit	$ 15,686	$ 579
Unsecured loans		
Line of Credit	100,000	-
Forward letter of credit	43,880	28,469
	$ 159,566	$ 29,048

The interest rates of bank loans were 0.47%～2.15% and 0.53%～2.92% on December 31, 2020 and 2019 respectively.

(2) Long-term loans

	December 31, 2020	December 31, 2019
Guaranteed loan for more than one year (Note 34)		
Bank of Taiwan	$ 500,000	$ 500,000
Mega Bank	241,800	241,800
	$ 741,800	$ 741,800

It is agreed that the loan of Bank of Taiwan can be circulated during the credit period. During the agreed credit period, the initial loan period is from December 4, 2013 to March 28, 2020. In April 2019, the company agreed with the bank that the new loan period is from April 19, 2019 to April 19, 2022. The annual interest rates were 1.20% and 1.26% as of December 31, 2020 and 2019 respectively.

It is agreed that the loan of Mega Bank can be circulated during the credit period. During the agreed credit period, the initial loan period is from September 14, 2018 to October 23, 2021. In October 2020, the company agreed with the bank that the new loan period is from October 23, 2020 to October 23, 2023. The annual interest rates were 1.275% and 1.57% as of December 31, 2020 and 2019 respectively.

18. Accounts payable

	December 31, 2020	December 31, 2019
Arising from operations	$ 1,978,131	$ 1,982,148

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

19. Other payables

	December 31, 2020	December 31, 2019
Salary	$ 132,293	$ 111,267
Export	46,365	16,800
Remuneration to employees and directors and supervisors	30,457	28,477
Design	27,496	43,257
Commission	6,593	14,753
Interest	306	1,192
Other	51,636	64,221
	$ 295,146	$ 279,967

20. Provisions

	December 31, 2020	December 31, 2019
Onerous contract	$ 7,098	$ 6,178

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

21. Retirement Benefit plans

(1) Defined contribution plans

The company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

(2) Defined benefit plans

The Company has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee’s length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 10% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee’s name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government’s designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

Amounts recognized in respect of these defined benefit plans were as follows：

	December 31, 2020	December 31, 2019
Present Value of a Defined Benefit Obligation	$ 454,940	$ 435,159
Fair value of plan assets	(276,081)	(227,089)
Net defined benefit liability	$ 178,859	$ 208,070

Movements of the net defined benefit liability are as follows：

	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance, January 1, 2019	$ 408,949	($ 186,174)	$ 222,775
Current service cost	5,571	-	5,571
Interest expense（income）	4,234	(2,001)	2,233
Recognized in profit or loss	9,805	(2,001)	7,804
Remeasurement			
Return on plan assets	-	(6,355)	(6,355)
Actuarial loss (gain) arising from changes in financial assumptions	14,804	-	14,804
Actuarial loss (gain) arising from experience adjustments	20,688	-	20,688
Recognized in other comprehensive income	35,492	(6,355)	29,137
Contributed by the Company	-	(51,646)	(51,646)
Benefits paid	(19,087)	19,087	-
Balance, December 31, 2019	$ 435,159	($ 227,089)	$ 208,070
Balance, January 1, 2020	$ 435,159	($ 227,089)	$ 208,070
Current service cost	5,391	-	5,391
Interest expense（income）	2,994	(1,609)	1,385
Recognized in profit or loss	8,385	(1,609)	6,776
Remeasurement			
Return on plan assets	-	(7,476)	(7,476)
Actuarial loss (gain) arising from changes in financial assumptions	16,723	-	16,723
Actuarial loss (gain) arising from experience adjustments	18,422	-	18,422
Recognized in other comprehensive income	35,145	(7,476)	27,669
Contributed by the Company	-	(63,656)	(63,656)
Benefits paid	(23,749)	23,749	-
Balance, December 31, 2020	$ 454,940	($ 276,081)	$ 178,859

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

	2020	2019
Operating cost	$ 4,715	$ 4,991
Selling expenses	973	1,068
Administrative expenses	692	1,095
Research and Development Expenses	396	650
	$ 6,776	$ 7,804

Through the defined benefit plans under the R.O.C. Labor Standards Law, the Company is exposed to the following risks：

1. Investment risk：The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government’s designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
2. Interest risk：A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.
3. Salary risk：The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows：

	December 31, 2020	December 31, 2019
Discount rate	0.30%	0.70%
Expected return rate on plan assets	0.30%	0.70%
Future salary increase rate	1.50%	1.50%

If there are reasonably possible movements in the major actuarial assumptions respectively, and all other assumptions remain constant, the amount that will increase (decrease) the present value of defined benefit obligation is as follows：

	December 31, 2020	December 31, 2019
Discount rate		
Increase 0.25%	($ 10,560)	($ 10,649)
Decrease 0.25%	$ 10,933	$ 11,038
Future salary increase rate		
Increase 0.25%	$ 10,549	$ 10,716
Decrease 0.25%	($ 10,249)	($ 10,399)

Since the actuarial assumptions may be correlated to each other and the movement of single assumption is unlikely, the above sensitivity analysis may not reflect the actual movement of the present value of defined benefit obligation.

	December 31, 2020	December 31, 2019
Forecast amount within one year	$ 20,238	$ 20,487
Average maturity period of defined benefit obligations	10 Years	10 Years

22. Maturity analysis of assets and liabilities

The company's assets and liabilities related to construction contract are classified as current or noncurrent according to operating cycle. According to the amount expected to be receivable or payable within one year or longer than one year of the balance sheet date, the amount of relevant accounts is listed as follows：

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

	December 31, 2019		
	Within 1 Year	Longer than 1 Year	Total
Assets			
Refundable deposits (included in other current assets)	$ 391	$ 53	$ 444
Contract assets	$ 512,101	$ 23,976	$ 536,077
Liabilities			
Contract liabilities	$ 561,643	$ 26,742	$ 588,385

23. Equity

(1) Capital stock

	December 31, 2020	December 31, 2019
Authorized shares (in thousands)	275,000	275,000
Authorized capital	$ 2,750,000	$ 2,750,000
Issued and paid shares (in thousands)	261,059	261,059
Issued capital	$ 2,610,585	$ 2,610,585

(2) Capital surplus

	December 31, 2020	December 31, 2019
Can be used to offset a deficit, distributed as cash dividends or expansion capital stocks		
Treasury Stock Transactions	$ 1,033	$ 1,033
Unclaimed cash dividend	381	218
	$ 1,414	$ 1,251

This type of capital reserve can be used to make up for losses, and can also be used to distribute cash or capitalized when the company has no losses, however the combined amount of any portions capitalized in any 1 year may not exceed certain percent of paid-in capital.

(3) Retained earnings and dividend policy

In accordance with the Company's Articles of Incorporation, If the Company has made any profit in a given year, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings, then set aside a special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. If there are still any earnings, the Board of Directors shall prepare a proposal to distribute bonus to shareholders with the remaining earnings plus any retained earnings and submit to the shareholders' meeting for resolution, have the surplus profit distributable as dividends and bonuses in whole or in part distributed in cash. And report to the shareholders' meeting, have the surplus profit distributable as dividends and bonuses in whole or in part distributed in cash. Regarding the remuneration policy of employees and directors, please Note 25(6) Remuneration of employees and directors.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits.

If the Company has no deficit, the board of directors is authorized to adopt a special resolution, the legal reserve that has exceeded 25% of the Company's paid-in capital and all or part of the capital reserve that complies with the Company Act may be transferred to capital or distributed in cash. A report of such distribution should be submitted in the shareholders' meeting.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company..

The appropriation of earning for 2019 and 2018 which have been approved in the shareholders meeting held on June 12, 2020 and June 13, 2019, respectively. were as follows

	2019	2018
Legal reserve	$ 40,443	$ 6,008
Special reserve	($ 2,298)	($ 3,978)
Cash dividends		$ 78,318
Cash dividends per share (NT$)		$ 0.30

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 23, 2020. The appropriations and dividends per share were as follows：

	2019
Cash dividends	$ 261,058
Cash dividends per share (NT$)	$ 1

The appropriations of 2020 earnings proposed by the Company's Board of Directors meeting held on March 22, 2021 is as follows：

	2020
Legal reserve	$ 43,538
Special l reserve	$ 6,372
Cash dividends	$339,376
Cash dividends per share (NT$)	$ 1.30

The above appropriation of cash dividends have been approved by the board of directors, and the rest is yet to be resolved at the regular shareholders meeting expected to be held on June 11, 2021.

(4) Other equity Items

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

	2020	2019
Balance, beginning of year	($ 27,751)	($ 19,448)
Exchange differences arising on translation of foreign operations	3,593	(8,303)
Balance, end of year	($ 24,158)	($ 27,751)

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

	2020	2019
Balance, beginning of year	$ 19,450	$ 8,175
Unrealized Gain or Losses		
Equity instruments	(10,639)	11,275
Balance, end of year	$ 8,811	$ 19,450

3. Hedging instrument－Cash flow hedge

	2020	2019
Balance, beginning of year	($ 674)	$ -
Gain (loss) arising on changes in the fair value of hedging instruments		
exchange rate risk－Forward exchange contracts	674	(674)
Balance, end of year	$ -	($ 674)

24. Net Revenue

	2020	2019
Revenue from contract with customers		
Sales revenue		
Power transformer	$ 4,298,485	$ 3,972,040
Distribution Transformer	1,291,088	1,095,042
Amorphous Metal Core Transformers	298,085	60,348
Electricity	12,309	12,545
Other	944,239	718,810
Construction revenue	1,152,273	1,011,200
	$ 7,996,479	$ 6,869,985

(1) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes receivable	$ 117,622	$ 77,997	$ 30,382
Accounts receivable (Note 11)	$ 2,502,071	$ 2,512,594	$ 1,898,529
Contract asset			
Construction Retainage Receivable	$ 319,343	$ 125,397	$ 143,744
Construction contracts receivable	351,686	410,680	453,323
	$ 671,029	$ 536,077	$ 597,067
Contract liabilities			
Construction Retainage received	$ 231,432	$ 570,135	$ 232,632
Construction Contracts payable	42,774	18,250	7
Advance receipts	367,395	342,181	300,146
	$ 641,601	$ 930,566	$ 532,785

The credit risk management of contract assets adopted by the company is the same as that of accounts receivable. Please refer to Note 11.

(2) Revenue from Contracts with Customers

2020

	Electrical & Mechanical department	Turnkey Department	Total
Sales revenue	$ 6,844,206	$ -	$ 6,844,206
Construction revenue	-	1,152,273	1,152,273
	$ 6,844,206	$ 1,152,273	$ 7,996,479

2019

	Electrical & Mechanical department	Turnkey Department	Total
Sales revenue	$ 5,858,785	$ -	$ 5,858,785
Construction revenue	-	1,011,200	1,011,200
	$ 5,858,785	$ 1,011,200	$ 6,869,985

25. 、 Net Income

(1) Interest income

	2020	2019
Bank deposits	$ 84	$ 236
Other	118	414
	$ 202	$ 650

(2) Other income

	2020	2019
Export tax rebate	$ 24,786	$ 15,814
Rental receipt		
Operating lease rental income	109	57
Indemnity	2,640	118,782
	$ 27,535	$ 134,653

(3) Other profit and loss

	2020	2019
Loss on disposal of associates and joint ventures accounted for using the equity method	$ -	($ 142,667)
Financial assets and liabilities interest (loss)		
Financial assets (mandatorily) measured at fair value through profit or loss	817	(5,540)

Loss on disposal of property, plant and equipment	(77)	(109)
Net gain and loss on foreign currency exchange	(2,805)	5,376
Compensate income	4,517	-
Other	(449)	437
	$ 2,003	($ 142,503)

(4) Financial cost

	2020	2019
Bank loan interest	$ 16,448	$ 19,825
Interest of lease liabilities	295	141
Other financial cost	11	357
	$ 16,754	$ 20,323

(5) Depreciation, Amortization and Employee benefits expenses

	2020			2019		
	Operating cost	Operating Expenses	Total	Operating cost	Operating Expenses	Total
Employee benefits expenses						
Salary	$ 437,965	$ 237,165	$ 675,130	$ 387,254	$ 216,835	$ 604,089
Labor and Health Insurance	36,464	17,325	53,789	31,054	17,217	48,271
Pension						
Defined contribution plan	14,709	7,868	22,577	13,078	6,738	19,816
Defined benefit plans	4,715	2,061	6,776	4,991	2,813	7,804
Compensation to directors	-	21,299	21,299	-	18,984	18,984
Other employee benefits	19,320	7,071	26,391	18,655	7,115	25,770
	$ 513,173	$ 292,789	$ 805,962	$ 455,032	$ 269,702	$ 724,734
Depreciation	$ 59,532	$ 13,753	$ 73,285	$ 59,455	$ 10,185	$ 69,640
Amortization	$ 3,128	$ 8,294	$ 11,422	$ 2,988	$ 6,874	$ 9,862

As of December 31, 2020 and 2019, the number of employees of the company is 769 and 722 respectively. Among them, the numbers of both non-employee directors are 7. The calculation basis is consistent with the employee benefit expenses.

(6) Employee and directors' compensation

In accordance with the Article of Incorporation, the Company has made any profit in a given year (meaning any net profit before tax, minus employee and directors' compensation), the Company shall appropriate from the remaining amount no less than 3% for the employee compensation, and no more than 2% for the Directors remuneration. The resolutions of estimated employee compensation and Directors' remuneration for 2020 and 2019 by the board of directors on March 22, 2021 and March 23, 2020 respectively as follows：

Estimated percentage

	2020	2019
Employee compensation	3.86%	4.39%
Directors remuneration	1.40%	1.03%

Amount

	2020	2019
	Cash	Cash
Employee compensation	$ 22,357	$ 23,077
Directors' remuneration	8,100	5,400

If there is still any change in the amount of the annual the parent only financial statements after the date of publication, it shall be handled according to the changes in accounting estimates and adjusted and recorded in the next year.

There is no difference between the amount of appropriations of employee compensation and directors' remuneration and the amounts recognized in the parent only financial statements of 2019, 2018 respectively.

The information about the appropriations of the company's employee compensation and directors' remuneration is available at the Market Observation Post System website.

(7) Exchange gains and (losses)

	2020	2019
Exchange interest total amount	$ 38,320	$ 28,234
Exchange loss total amount	(41,125)	(22,858)
Net gain and loss	($ 2,805)	$ 5,376

26. Income tax

(1) Income tax expense recognized in profit or loss, Income tax expense consisted of the following

	2020	2019
Current income tax expense		
Current tax expense		
Recognized in the current year	$ 79,671	$ 80,108
Adjustments on prior years	287	725
	79,958	80,833
Deferred income tax benefit		
Recognized in the current year	10,901	5,308
Adjustments on prior years	(169)	-
	10,732	5,308

Income tax expense recognized in profit or loss	$ 90,690	$ 86,141

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

	2020	2019
Income before tax	$ 548,204	$ 496,793
Income tax expense at the statutory rate	$ 109,641	$ 99,358
Nondeductible (deductible) items	(19,368)	(8,989)
Additional income tax on unappropriated earnings	5,262	-
Investment Tax Credit	(4,963)	(4,953)
Income tax adjustments on prior years		
Adjustments on current year	118	725
Income tax expense recognized in profit or loss	$ 90,690	$ 86,141

(2) Income tax expense recognized in other comprehensive income

	2020	2019
Deferred income tax		
Recognized in the current year		
－Remeasurement of defined benefit obligation	$ 5,533	$ 5,828
Income tax expense recognized in other comprehensive income	$ 5,533	$ 5,828

(3) Income tax assets and liabilities

	December 31,2020	December 31,2019
Income tax assets		
Income tax refund receivable	$ 8,567	$ 8,567
Income tax liabilities		
Income tax payable	$ 32,311	$ 75,986

(4) Deferred income tax assets and liabilities

The analysis of deferred income tax assets and liabilities was as follows：

2020

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred income tax assets				
Right-of-use asset	$ 83	($ 83)	$ -	$ -
Defined benefit and pension plans	41,614	(11,375)	5,533	35,772
Inventory valuation Losses	29	453	-	482
Bad Debt deferral period	1,167	2,556	-	3,723
Export income cost adjustment item	4,848	-	-	4,848
Unrealized exchange loss	920	(417)	-	503
Other	1,502	288	-	1,790
	$ 50,163	($ 8,578)	$ 5,533	$ 47,118
Deferred income tax liabilities				
Land value increment tax	$ 40,621	$ -	$ -	$ 40,621
Share of Profit or Loss of subsidiaries Accounted for Using Equity Method	22,986	2,154	-	25,140
	$ 63,607	$ 2,154	$ -	$ 65,761

2019

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred income tax assets				
Right-of-use asset	$ -	$ 83	$ -	$ 83
Defined benefit and pension plans	44,555	(8,769)	5,828	41,614
Inventory valuation Losses	262	(233)	-	29
Bad Debt deferral period	-	1,167	-	1,167
Export income cost adjustment item	4,848	-	-	4,848
Unrealized exchange loss	1,094	(174)	-	920
Other	1,967	(465)	-	1,502
	$ 52,726	($ 8,391)	$ 5,828	$ 50,163
Deferred income tax liabilities				
Land value increment tax	$ 40,621	$ -	$ -	$ 40,621
Share of Profit or Loss of subsidiaries Accounted for Using Equity Method	25,217	(2,231)	-	22,986
Other	852	(852)	-	-
	$ 66,690	($ 3,083)	$ -	$ 63,607

(5) Income tax examination

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

27. Earnings per share

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows：

	2020	2019
Current year net income	$ 457,514	$ 410,652

Number of shares

Unit：Thousand shares

	2020	2019
Calculation of weighted average number of common stock shares	261,059	261,059
The Effect of potentially dilutive ordinary shares：		
Employee compensation	692	966
The calculation of diluted EPS is based on the weighted average number of ordinary shares	261,751	262,025

If the company offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. Acquisition of subsidiary－acquires control over a subsidiary

	Major operating activities	Acquisition day	Proportion of ownership voting rights (%) (Note)	Consideration Transferred
Fortune High Voltage Company	Transformer manufacturing, processing and trading business	March 31, 2019	100.00%	$ -

Note：The equity comprised of 40% originally owned and 60% acquired this year.

Fortune High Voltage Company was acquired in order to continue the expansion of the Group's activities in transformer manufacturing and trading business. Please refer to Note 30 of the company's consolidated financial statements in 2020 for an explanation of the acquisition of Fortune Electric Extra High Voltage Co., Ltd..

29. Disposal of subsidiary - loss of control

On March 22, 2019, the Group reported that Wuhan Huarong Co., Ltd. went out of business on the board of directors' meeting. The board of directors had passed a resolution for the disposal of Wuhan Huarong Co., Ltd. on May 13, 2019. The disposal was completed on August 5, 2019, which was the date of losing control over Wuhan Huarong Co., Ltd.

30. Cash flow information

Reconciliation of liabilities arising from financing activities

2020

	Balance, beginning of year	Cash Flow	Non-cash changes: New Lease	Balance, end of year
Short-term loans	$ 29,048	$ 130,518	$ -	$ 159,566
Guarantee deposits	4,253	6,161	-	10,414
Lease liabilities	26,949	(8,752)	1,040	19,237
	$ 60,250	$ 127,927	$ 1,040	$ 189,217

2019

	Balance, beginning of year	Cash Flow	Non-cash changes: New Lease	Other	Balance, end of year
Short-term loans	$ 213,749	($ 184,701)	$ -	$ -	$ 29,048
Guarantee deposits	15,132	(10,879)	-	-	4,253
Lease liabilities	6,183	(4,526)	26,922	(1,630)	26,949
	$ 235,064	($ 200,106)	$ 26,922	($ 1,630)	$ 60,250

31. Asset risk management

The company’s capital management strategy is to maintain adequate capital to be able to operate according to the industrial scale and support the industry’s future growth and development prospects of the Group’s business; to set the appropriate market share; and make a plan of the required capacity and the requirement of the plant and equipment to achieve production and the corresponding capital expenditure. The Group calculates the required working capital and cash for the long-term development of the required asset size of the Group, and makes overall planning according to the industry characteristics.

The company’s management regularly reviews the capital structure, and considers the costs and risks of different capital structure. In general, the Group adopted a prudent risk management strategy..

32. Financial Instruments

(1) Fair value of financial instruments not measured at fair value

There is no significant difference between the book value and fair value of the company's financial assets and financial liabilities not at fair value as of December 31, 2020 and 2019.

(2) Fair value of financial instruments measured at fair value on a recurring basis

Fair-Value Hierarchy

December 31, 2020

	Level1	Level2	Level3	Total
Financial assets measured at fair value through other comprehensive income				
Equity investment Instrument —Domestic unlisted (OTC)stocks	$ -	$ 44,343	$ -	$ 44,343
Financial liabilities measured at fair value through profit or loss				
Derivative	$ -	($ 4)	$ -	($ 4)

December 31, 2019

	Level1	Level2	Level3	Total
Financial assets measured at fair value through profit or loss	$ -	$ 68	$ -	$ 68
Financial assets measured at fair value through other comprehensive income				
Equity investment Instrument —Domestic unlisted. (OTC)stocks	$ -	$ 54,982	$ -	$ 54,982
Financial liabilities measured at fair value through profit or loss				
Derivative	$ -	($ 1,401)	$ -	($ 1,401)
Financial liability for hedging				
Derivative	$ -	($ 674)	$ -	($ 674)

There is no transfer between level 1 and level 2 in the current and prior period.

(3) Categories of financial instruments

	December 31, 2020	December 31, 2019
Financial assets		
Measured at FVTPL		
Financial assets mandatorily measured at FVTPL	$ -	$ 68
Financial assets measured at amortized cost（Note 1）	2,792,205	2,680,092
Financial assets measured at fair value through other comprehensive income		
Equity investment. Instrument	44,343	54,982
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		

Hedging financial. liabilities	4	1,401
	-	674
Amortized cost（Note 2）	3,206,732	3,059,326

Note1 ： Including cash and cash equivalents, financial assets at amortized cost, receivable - related parties, other receivables and refundable deposits.

Note2 ： Including short-term loans, accounts payable, accounts payable - related parties, other payable, long-term loans and guarantee deposits.

(4) Financial risk management objectives

The company's major financial instruments include cash, equity instrument investment, trade receivables, trade payable, lease liabilities and borrowings. The company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments(including derivative financial instruments) for speculative purposes.

1. Market risk

The Company is exposed to the financial market risks, primarily changes in foreign currency exchange rates (please refer to the following (1)), interest rates (please refer to the following (2)).

There is no change in the company's exposure to market risks of financial instruments and its management and measurement of such exposure.

(1) Foreign currency risk

The company manages exchange rate risk by using appropriate hedging tools. The Group does not trade financial instruments for speculative purposes. Foreign currency risk management strategy is to regularly review the net position of assets and liabilities in foreign currencies and manage accordingly. The choice of the tools to manage exchange rate risk takes into consideration the costs and duration of the hedge, exchange contract is used to manage risks.

For the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies and the carrying amounts of derivative instrument with exposure to exchange rate risks at the balance sheet date, please refer to Note 36.

Sensitivity analysis

The company is mainly affected by the fluctuation of US dollar exchange rate.

The following table details the sensitivity analysis of the company when the exchange rate of NT$1 (functional currency) increases and decreases 1% for each relevant foreign currency. 1% is the sensitivity ratio used when reporting exchange rate risk to major management within the company, and also represents the management's evaluation of the reasonable possible range of changes in foreign currency exchange rate. Sensitivity analysis only includes foreign currency circulating outside the company. The positive value of the following table is the amount that will increase the net profit before tax when the new Taiwan dollar of the company's net assets position depreciates 1% against the US dollar; when the new Taiwan dollar rises 1% against the US dollar, its impact on the net profit before tax will be negative of the same amount.

		Impact of US dollar	
		2020	2019
Profit or loss	(i)	$ 3,628	$ 1,687

(i) It is mainly derived from the company’s bank deposits, accounts receivable and short-term loans denominated in US dollar, which are still in circulation on the balance sheet date and are not for cash flow hedges.

The management believes that sensitivity analysis cannot represent the inherent risk of exchange rate, because the foreign currency exposure on the balance sheet date cannot reflect the midterm exposure.

(2) Interest rate risk

As individuals in the company loans at both fixed and floating rates, interest rate risk arises.

The company’s book value of financial assets and financial liabilities subject to interest rate exposure on the balance sheet date is as follows：

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
－Financial assets	$ 32,066	$ 2,587
－Financial liabilities	178,803	55,997
Cash flow interest rate risk		
－Financial assets	86,919	59,356
－Financial liabilities	741,800	741,800

Sensitivity analysis

The following sensitivity analysis is determined by the interest rate risk of non-derivative instruments on the balance sheet date. For floating rate assets and liabilities, the analysis method is to assume that the assets and liabilities that are circulating outside the balance sheet date are all circulating outside the reporting period. The rate of change used in the internal reporting of interest rates for major management is 100 basis points increase or decrease of interest rates, which also represents the management's assessment of the reasonable range of possible changes in interest rates.

If the interest rate increases or decreases by 100 basis points, and all other variables remain unchanged, the company's net profit before tax for 2020 and 2019 will decrease or increase by $7,549 thousand and $6,824 thousand mainly due to the company's net position of variable interest rate deposits and variable interest rate loans.

(3) Other price risk

The company has a risk of equity price risk due to equity securities investment. The company has not actively traded such investments, but assigned relevant personnel to supervise price risk and evaluate when should be increased the hedging positions to be avoided

Sensitivity analysis

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

If the equity price rises or falls by 1%, the other comprehensive income before tax in 2020 and 2019 will increase or decrease by 443 thousand and 550 thousand due to the change in fair value of financial assets measured at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk of the company's financial loss caused by the default of the counterparty. As of the balance sheet date, the company's maximum credit risk exposure that may cause financial losses due to the failure of the counterparty to perform their obligations and the financial guarantee provided by the company mainly comes from the book value of financial assets recognized in the parent company only balance sheet.

In order to minimize credit risk, the management of the company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the company's management believes that the company's credit risk has been significantly reduced.

Accounts receivable cover a large number of customers, scattered in different industries and geographical regions. The company continuously evaluates the customers' financial situation of accounts receivable

In addition, because the counterparty of liquidity capital and derivative financial instruments are financial institutions and companies with good credit rating, the credit risk is limited.

3. Liquidity risk

The company manages and maintains sufficient cash to support operations and mitigate the impact of cash flow volatility. The management of the company shall supervise the use of bank lines of credit and ensure the compliance with the terms of the loan agreement.

Bank loans are an important source of liquidity for the company. As of December 31, 2020 and December 31, 2019, the unused loan and bills finance company loan commitments of the company was 5,783,940 thousand and 5,540,925 thousand respectively.

(1) Table of Liquidity and interest rate risk of Non-derivative financial liabilities

The maturity analysis of the remaining contract of non-derivative financial liabilities are prepared according to the undiscounted cash flow (including principal and estimated interest) of financial liabilities according to the date when the company may be called for repayment immediately. Therefore, the following table is the bank loans that the company may be called for repayment immediately, without considering the probability of the bank will immediately enforce the right, other non-derivative financial liabilities maturity analysis is prepared according to the agreed repayment date.

For interest cash flow paid with floating rate, the amount of undiscounted interest is derived from the yield curve on the balance sheet date.

December 31, 2020

	Weighted Average Effective Interest Rate (%)	Payable on demand or Less than 1 Month	1-3 Months	3 Months – 1 Year	1 – 5 Years
Non-derivative financial liabilities					
Non-interest-bearing liabilities		$ 262,699	$ 1,707,265	$ 730,394	$ 51,464
Lease liabilities		678	1,356	4,731	12,893
Floating rate instrument	1.22	-	-	-	745,332
Fixed interest rate instrument	0.65	116,150	2,653	41,860	-
		$ 379,527	$ 1,711,274	$ 776,985	$ 809,689

Further information on the maturity analysis of lease liability is as follows：

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	$ 6,765	$ 12,893	$ -	$ -

December 31, 2019

	Weighted Average Effective Interest Rate (%)	Payable on demand or Less than 1 Month	1-3 Months	3 Months – 1 Year	1 – 5 Years
Non-derivative financial liabilities					
Non-interest-bearing liabilities		$ 465,841	$ 1,833,839	$ 725,324	$ 26,741
Lease liabilities		764	1,529	6,357	19,001
Floating rate instrument	1.33	-	-	-	743,804
Fixed interest rate instrument	1.28	-	212	29,123	-
		$ 466,605	$ 1,835,580	$ 760,804	$ 789,546

Further information on the maturity analysis of lease liability is as follows：

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years
Lease liabilities	$ 8,650	$ 19,001	$ -	$ -

The company's bank loans that may be called for repayment immediately are included in the above maturity analysis table within a period of less than one month. As of December 31, 2020, the undiscounted principal balance of these bank loans is 115,259 thousand.

The floating rate instrument amount of the above non-derivative financial liabilities will change due to the difference between the floating rate and the interest rate estimated on the balance sheet date.

(2) Table of Liquidity and interest rate risk of Derivative financial liabilities

For derivatives with net settlement, the liquidity analysis is based on the undiscounted contractual net cash inflow and outflow.

December 31, 2020

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

December 31, 2019

	Payable on demand or Less than 1 Month	1-3 Months	3 Months – 1 Year	1 – 5 Years

Net settlement Forward. exchange contracts	($ 58)	$ -	($ 1,949)	$ -

33. Related Party Transactions

The transactions between the Company and its related parties, other than those disclosed in other notes, are as follows：

(1) Related party name and categories

Related Party Name	Related Party Categories
Fortune Electric (Wuhan) Ltd.	Subsidiaries
Wuhan Fortune Trade Co., Ltd. （Wuhan Fortune）	Subsidiaries
North American Division	Subsidiaries
Fortune Electric Extra High Voltage Co., Ltd.	Subsidiaries （Note）
Australian company	Subsidiaries
E-Total Link	Associates
Hua Cheng Investment Co., Ltd. （Hua Cheng Investment Company）	Other related parties

Note：Fortune Electric Extra High Voltage Co., Ltd. has been a subsidiary since March 31, 2019.

(2) Operating revenue

Item	Related Party Categories/Name	2020	2019
Revenue from Sales of goods	Subsidiaries		
	Fortune Electric (Wuhan)	$ -	$ 52,165
	Other	6,664	-
		$ 6,664	$ 52,165

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

(3) Purchases

Related Party Categories/Name	2020	2019
Subsidiaries		
Fortune Electric Extra High Voltage	$ 348,478	$ 88,070
Other	54,127	44,546
Associates	2,874	3,415
	$ 405,479	$ 136,031

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

(4) Receivables from related parties (Excluding loans to related parties and contract assets)

Item	Related Party Categories/Name	December 31, 2020	December 31, 2019
Receivables	Subsidiaries		
	Australian company	$ 5,914	$ -
Other receivables (Classified under other current assets)	Subsidiaries	$ 8	$ 23

The outstanding receivables from related parties are not guaranteed, and no allowance for losses is provided for account receivables from related parties in 2020 and 2019.

(5) Payables to related parties (Excluding loans from related parties)

Item	Related Party Categories/Name	December 31, 2020	December 31, 2019
Payables to related parties	Subsidiaries		
	North America company	$ 4,035	$ 10,697
	Fortune Electric Extra High Voltage	17,270	8,472
	Other	271	2,929
	Associates	99	12
		$ 21,675	$ 22,110

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

(6) Prepayment

Related Party Categories/Name	December 31, 2020	December 31, 2019
Subsidiaries		
Fortune Electric Extra High Voltage	$ 65,728	$345,222

(7) Lease Agreement

Acquisition of Right-of-use asset

Related Party Categories/Name	2020	2019
Other related parties	$ -	$ 504

Item	Related Party Categories/Name	December 31, 2020	December 31, 2019
Lease liabilities — Current	Other related parties	$ 170	$ 168
Lease liabilities－Non-current	Other related parties	-	170
		$ 170	$ 338

Related Party Categories/Name	2020	2019
Interest Expense		
Other related parties	$ 3	$ 5
Cost of goods sold－Manufacturing expense		
Other related parties	$ 34	$ 34
Operating cost		
Other related parties	$ 134	$ 134

(8) Lease Agreement

Operating lease rentals

The company operating leases the right to use the office to other related parties, Hua Cheng Investment Co., Ltd. and its subsidiary Fortune Energy CO., LTD.. The lease terms both are for one year.

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

Related Party Categories/Name	December 31, 2020	December 31, 2019
Subsidiaries	$ 52	$ -
Associates	57	57
	$ 109	$ 57

The lease income is summarized as follows:：

Related Party Categories/Name	2020	2019
Subsidiaries	$ 52	$ -
Associates	57	57
	$ 109	$ 57

(9) Endorsement and Guarantees for others

On the following balance sheet dates, the amount of endorsements and guarantees provided by the company to related parties and endorsements and guarantees and line of credit signed with the banks approved by the board of directors are as follows:

Related Party Categories/Name	December 31, 2020	December 31, 2019
Subsidiaries		

Fortune Electric (Wuhan)	$ 370,240	$ 389,740
Fortune Electric Extra High Voltage	750,000	650,000
	$1,120,240	$1,039,740

(10) Other related party transaction

	Operating expense	
Related Party Categories/Name	2020	2019
Subsidiaries		
North America company	$ 50,214	$ 46,549
Fortune Electric (Wuhan)	1,363	-
	$ 51,577	$ 46,549

(11) Compensation of key management personnel

	2020	2019
Short-term employee benefits	$ 67,344	$ 61,374
Post-employment benefits	2,150	2,409
	$ 69,494	$ 63,783

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

34. Pledged asset

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

	December 31, 2020	December 31, 2019
Refundable deposits（Current portion is included in other current assets）	$ 13,551	$ 11,661
Pledge of certificate of deposit（financial assets at amortised cost）	32,065	2,587
Property, plant and equipment, net	962,637	976,330
	$1,008,253	$ 990,578

35. Significant Contingent liabilities and Unrecognized Commitments

Significant contingent liabilities and unrecognized commitments of the Company as of the end of balance sheet date were as follows：

(1) As of December 31, 2020, the balance of unused L/C amount total $4,132 thousand, ¥33,123 thousand, € 904,000, kr358 thousand and chf44 thousand.

(2) As of December 31, 2020, a total of 1,484,178 thousand of financing bills has been issued as guarantees for bank financing, endorsement and sales fulfillment.

(3) The Company signed a technical cooperation agreement with SIEMENS AG, with effective term from February 2014 to February 24, 2019. According to the contract, the Company will design, produce and sell goods in the Republic of China. On the Company’s production and marketing of products covered by the technical cooperation agreement, the Company agreed to pay €55 for each unit of product sold as technical remuneration. The remuneration paid was $5 thousand and $29 thousand for the years ended December 31, 2019 and 2018, respectively, included in operating expenses.

(4) The Company signed a technical cooperation agreement with LANDIS+GYR Inc., with effective term from June 2013 to June 17, 2019. According to the contract, the Company will design, produce and sell goods only in the Republic of China. On the Company’s production and marketing of products covered by the technical cooperation agreement, the Company agreed to pay 6% of net sales as technical remuneration. The remuneration paid was $15 thousand and $30 thousand for the years ended December 31, 2019 and 2018, respectively, included in operating expenses.

(5) The Company signed a technical cooperation agreement with Meidensha Corporation, with effective term from July 2017 to July 2022. According to the contract, the Company will design, produce and sell goods only in the Republic of China. However, we need to obtain the prior written consent of Meidensha Corporation before exporting the products. The company has paid 2,000 thousand Japanese yen for the technical cooperation, and paid 3% remuneration of the net sales according to the products production and marketing. In 2020, The remuneration paid was paid was 756 thousand, included in the operating expenses.

(6) The Company signed a technical service agreement for transformer optimization design and research with Fortune Electric (Wuhan). with effective term from July, 2020 to December, 2020. According to the contract, we agree to provide the company's technical service and training project report, and provide necessary technical guidance. In 2020, the technical remuneration paid under the agreement is 1,363 thousand, included in the operating expenses.

(7) The Ministry of Economic Affairs offered government grant for establishing solar power system at the land subsidence in Pingtung County and Morakot disaster area. Regarding the solar energy project, Taiwan Power Company has signed a purchase and sale of electricity contract with the Company. The contract stated that Taiwan Power Company will purchase electricity from the Company for 20 years based on the ground-based solar power purchase rates announced by the Ministry of Economic Affairs. The power selling revenue for the years ended December 31, 2019 and 2018 was $418 thousand and $403 thousand, respectively. The rent of the land used for solar power plant is based on 9.7%, 11.5%, 12.3% of the sales of electricity for the first to tenth years, eleventh to fifteenth years, and sixteenth to twentieth years, respectively.

36. Significant exchange rate information of foreign currency financial assets and liabilities

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows：

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount

Foreign currency assets			
Monetary items			
USD	$ 17,182	28.4800 （USD：NT dollar）	$ 489,343
Non-Monetary items			
Investments accounted for using equity method			
USD	8,452	28.4800 （USD：NT dollar）	$ 240,711
Foreign currency liabilities			
Monetary items			
USD	4,442	28.4800 （USD：NT dollar）	$ 126,508

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 9,436	29.9800 （USD：NT dollar）	$ 282,891
Non-Monetary items			
Investments accounted for using equity method			
USD	7,560	29.9800 （USD：NT dollar）	$ 226,661
Foreign currency liabilities			
Monetary items			
USD	3,808	29.9800 （USD：NT dollar）	$ 114,164

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

	2020		2019	
Functional currency	Translation from the functional currency to the presentation currency	Net exchange gains and losses	Translation from the functional currency to the presentation currency	Net exchange gains and losses
NT Dollar	1 （NT Dollar：NT Dollar）	$ 2,805	1 （NT Dollar：NT Dollar）	$ 5,376

37. <u>Additional disclosures</u>

(1) Information on significant transactions and (2) Information on investees：

1. Lending funds to others. (None)
2. Providing endorsements or guarantees for others. （See table 1 attached）
3. Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture).（See table 2 attached）
4. Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. （None）
5. Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more.（None）
6. Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)
7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. (See Table 3 attached)
8. Accounts receivable from related parties reaching NT$100 million or 20 percent of paid-in capital or more. (None)
9. Trading in derivative instruments.（Note 7 and 9）
10. Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (See Table 4 attached)

(3) Information on investments in the Mainland Area：

1. The name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss for the period and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area. (See Table 5 attached)

2. Any of the following significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses：(See Tables 1,4 and 5 attached and Note 33）

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

(3) The amount of property transactions and the amount of the resultant gains or losses.

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(4) Information on major shareholders: the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the issuer's equity. (See Table 6 attached)

Fortune Electric Co., Ltd.

Providing endorsements or guarantees for others

For the year ended December 31, 2020

Table 1

Unit：Amounts in Thousands of New Taiwan Dollars,
Unless Specified Otherwise

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements （%）	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Remark
		Name	Nature of Relationship											
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Ltd.	Sub-Subsidiary	$ 1,773,508	$ 393,250 (13,000 thousand USD)	$ 370,240 (13,000 thousand USD)	$ 174,301 (4,748 thousand USD and 8,928 thousand CNY)	$ -	10.44%	$ 2,128,209	Y	N	Y	
0	Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage	Subsidiary	1,773,508	750,000	750,000	456,092	-	21.14%	2,218,209	Y	N	N	

Note 1：The amount of endorsement or guarantee for a single enterprise shall not exceed 50% of the Company’s net worth, i.e $3,547,016×50%＝$1,773,508。

Note 2：The total amount of endorsements or guarantees shall not exceed 60% of the Company’s net worth, i.e $3,547,016×60%＝$2,128,209.

Fortune Electric Co., Ltd.

Marketable Securities Held

December 31, 2020

Table 2

Unit：Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	End of Year				Note
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
Fortune Electric Co., Ltd.	Stock							
	Raynergy Tek Incorporation	—	Financial assets at fair value through other comprehensive income	3,031	$ 44,344	10.80	$ 44,344	
	ProMOS Technologies Inc.	—	Financial assets at fair value through other comprehensive income	26	-	0.06	-	

Note：Information on investment in subsidiaries and associates, please refer to Table 4 and Table 5.

Fortune Electric Co., Ltd.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more

2020

Table 3

Unit：Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases / sales	Amount	％ to Total	Payment Terms	Unit price	Payment Terms	Ending Balance	％ to Total	
Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	Purchases	$ 348,478	7.12%	90 天	—	—	$ 17,270	0.88%	

Fortune Electric Co., Ltd.

Names, Locations, and related Information of Investees...related information

January 1 to December 31, 2020

Table 4

Unit：Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership (％)	Carrying value			
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	Importing and Trade business, investment holding, agent business	$ 126,528	$ 126,528	3,800 thousand shares	100.00	$ 225,366	$ 8,538	$ 8,538	Subsidiary
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Agents business	2,949	2,949	1 thousand shares	100.00	15,345	2,692	2,692	Subsidiary
	Fortune Electric Extra High Voltage Co., Ltd.	No. 500, Nanheng 1st Rd., Wuqi Dist., Taichung City	Transformers manufacturing, machining and trading	564,800	564,800	141,200 thousand shares	100.00	455,234	97,159	97,159	Subsidiary
	E-Total Link	Shin Osaka SONE Building No. 1204, Nish-Nakajima 7-chome No. 29, Yodogawa-ku, Osaka Prefecture	Transformers manufacturing, machining and trading	1,385	1,385	100 shares	25.00	750	(1,512)	(378)	Associate
	Fortune Energy CO., LTD.	10F, No. 368, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City	Transformers, capacitors, power distribution equipment manufacturing	1,000	-	100 thousand shares	100.00	861	(139)	(139)	Subsidiary（Note 3）
	Fortune Electric Australia Pty Ltd.	Level 7, 60 York.Street, Sydney NSW 2000, Australia	Trade business	10,173	-	500 thousand shares	100.00	10,891	(80)	(80)	Subsidiary（Note 5）
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, China	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	6,500 US$ in Thousands	6,500 US$ in Thousands	-	100.00	7,911 US$ in Thousands	310 US$ in Thousands	310 US$ in Thousands	Sub-Subsidiary(Note 4）
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, China	Trade business	500 RMB in Thousands	500 RMB in Thousands	-	100.00	3,012 RMB in Thousands	882 RMB in Thousands	882 RMB in Thousands	Sub Sub-Subsidiary（Note 4）

Note 1：It is calculated on the basis of the financial statements of the invested company that have not been reviewed by accountants during the same period and the shareholding ratio of the company.

Note 2：All transactions listed in the above table, except E-total link, have been written off at the time of preparation of the consolidated financial statements.

Note 3：Fortune Energy CO., LTD., a 100% holding subsidiary of the company, was established on February 27, 2020 and incorporated into the consolidated entity.

Note 4：The company signed the stock trading agreement on August 14, 2020 and expects to complete the settlement on July 31, 2021.

Note 5：Fortune electric Australia Pty Ltd., a 100% holding subsidiary of the company, was established on November 10, 2020 and incorporated into the consolidated entity.

Fortune Electric Co., Ltd.

Information on investments in the Mainland Area

January 1 to December 31, 2020

Table 5

Unit：Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note3)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 3)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow							
Fortune Electric (Wuhan) Ltd.	Transformer, capacitor, distribution board and distribution equipment manufacturing industry.	$ 185,120 (6,500 US$ in Thousands)	Reinvestment in mainland companies through reinvestment in existing companies in the third area	$ 170,880 (6,000 US$ in Thousands)	$ -	$ -	$ 170,880 (6,000 US$ in Thousands)	$ 8,488 310 US$ in Thousands	100.00%	$ 8,488 310 US$ in Thousands	$ 225,310 (7,911 US$ in Thousands)	$ -	Note 4

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$170,880（6,000 US$ in Thousands）	$170,880（6,000 US$ in Thousands）	$2,128,209

Note 1：It is calculated on the basis of the financial statements audited by a CPA in the same period.

Note 2：Except that the profit and loss of the invested company in the current year and the investment profit and loss recognized in the current year are calculated at the average exchange rate from January 1 to December 31, 2020, the rest are calculated at the spot exchange rate at the end of December, 2020.

Note 3：The difference between the accumulated investment amount of US $6,000 thousand remitted from Taiwan and the paid in capital amount of US $6500 thousand of Fortune Electric (Wuhan) Ltd. is US $500 thousand, which is directly invested by the company's 100% owned subsidiary Power Energy International Ltd..

Note 4：The company signed the stock trading agreement on August 14, 2020 and expects to complete the settlement on July 31,2021.

Fortune Electric Co., Ltd.

Information on major shareholders

December 31, 2020

Table 6

Major Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Hsu Shou Hsiung	22,956,623	8.79%
Hua Cheng Investment Co., Ltd.	22,867,936	8.75%
Hsu Bang Fu	19,083,986	7.31%
Chen Yen Fen	13,564,425	5.19%

Note 1： The information of major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of the current quarter. The shareholders hold more than 5% of the company's common shares and preferred shares (including treasury shares) that have been completed registration of dematerialized. The share capital recorded in the consolidated financial statements of the company and the number of shares actually registration of dematerialized may be different due to different calculation basis.

Note 2： The above information shall be disclosed by the trustee's opening of a trust account with individual subaccounts of the principal if the shareholder has delivered the shares to the trust.. As for the shareholder's shareholding of more than 10% of insider shares reported under the Securities and Exchange Act, the shareholding includes his own shares plus shares delivered to the trust with the right to decide the use of the trust property, please refer to the Market Observation Post System for information on insider shareholding reporting.

§THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS§

Fortune Electric Co., Ltd.

Statement of cash and cash equivalents

December 31, 2020

Table 1

Unit：Amounts in Thousands of New Taiwan Dollars,
Unless Specified Otherwise

Item	Amount
Petty cash	$ 760
Check deposit	42,480
Demand deposits（Note）	86,920
Total	$ 130,160

Note：Statement of Foreign currency as follows：

Currency Name	Foreign currency amount（NT$）	Exchange rate for NT dollars
AUD	$ 552,851.16	21.9500
USD	279,684.20	28.4800
CNY	107,142.50	4.3770
CAD	55.70	22.3500
EUR	891.56	35.0200
JPY	21,617.32	0.2763
CHF	356.83	32.3100
HKD	287.84	3.6730
SEK	0.01	3.4800

Fortune Electric Co., Ltd.

Statement of prepayments

December 31, 2020

Table 2 Unit：Amounts in Thousands of New Taiwan Dollar

Client Name	Amount
Related party －Fortune Electric Extra High Voltage Co., Ltd.	$ 65,728
Client A	24,000
Others（Note）	84,083
	$ 173,811

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

Fortune Electric Co., Ltd.

Statement of receivables

December 31, 2020

Table 3

Unit：Amounts in Thousands of New Taiwan Dollar

Client Name	Amount
Client A	$ 385,986
Client B	366,280
Client C	186,030
Client D	163,293
Others（Note）	1,445,815
	2,547,404
Minus：Allowance for loss	45,333
	$ 2,502,071

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

Fortune Electric Co., Ltd.

Statement of Inventories

December 31, 2020

Table 4

Unit：Amounts in Thousands of New Taiwan Dollar

Item	Amount	
	Cost	Net Realizable Value
Finished goods	$ 246,820	$ 306,025
Work in process	1,422,331	2,016,952
Raw materials	302,994	303,971
Minus：Allowance for inventory valuation and obsolescence losses	(2,410)	-
	$ 1,969,735	$ 2,626,948

Fortune Electric Co., Ltd.

Statement of contract assets and contract liabilities
2020

Table 5

Unit：Amounts in Thousands of New Taiwan Dollar

	Estimated year of completion	Total construction price	Estimated construction total cost	Completion ratio （%）	Construction contract receivables: Balance, beginning of year	Construction contract receivables: Construction cost	Construction contract receivables: Construction profit（loss）	Construction contract receivables: Completion carry forward	Construction contract receivables: Balance, end of year	Construction contract payables: Balance, beginning of year	Construction contract payables: Increase this year	Construction contract payables: Completion carry forward	Construction contract payables: Balance, end of year	Contract assets （Contract liabilities）
Contract assets														
Construction contract receivables														
TK12002	110	$ 292,497	$ 663,048	99.33	$ 318,457	$ 31,720	($ 59,640)	$ -	$ 290,537	$ 256,911	$ 12,073	$ -	$ 268,984	$ 21,553
TK13004	110	200,245	289,620	99.99	200,225	5,180	(5,180)	-	200,225	196,734	85	-	196,819	3,406
TK13006	110	214,077	215,931	99.86	213,094	8,960	(8,276)	-	213,778	146,604	46,279	-	192,883	20,895
TK16001	110	384,310	514,869	99.99	382,921	15,520	(14,169)	-	384,272	340,433	11,596	-	352,029	32,243
TK13003	110	344,418	632,420	99.00	351,580	23,918	(34,524)	-	340,974	254,651	37,201	-	291,852	49,122
TK148V7	110	95,238	85,392	25.00	23,810	-	-	-	23,810	23,810	-	-	23,810	-
TK17001	110	249,743	265,157	88.90	116,153	118,029	(12,160)	-	222,022	9,584	52,932	-	62,516	159,506
TK208S3	110	194,966	179,368	99.99	-	179,350	15,596	-	194,946	-	171,570	-	171,570	23,376
TK1980A	110	2,481,404	2,114,156	51.57	539,981	656,036	83,643	-	1,279,660	550,457	697,578	-	1,248,035	31,625
TK19001	110	173,371	159,271	28.75	30,080	18,398	1,366	-	49,844	37,854	2,030	-	39,884	9,960
TK1882A	109	332,006	272,167	100.00	331,972	(31,087)	41,561	342,446	-	298,805	(298,805)	-	-	-
AS18840A	109	50,000	43,948	100.00	-	43,948	6,052	50,000	-	-	-	-	-	-
TA16001	109	39,439	37,128	100.00	-	54	(54)	-	-	-	-	-	-	-
Total		$ 5,051,714	$ 5,472,475		$ 2,508,273	$ 1,070,026	$ 14,215	$ 392,446	$ 3,200,068	$ 2,115,843	$ 732,539	$ -	$ 2,848,382	351,686
Construction retention receivable														319,343
total														$ 671,029
Contract liabilities														
Construction contract payables														
TK20120	111	$ 171,094	$ 137,243	0.00	$ -	$ -	$ -	$ -	$ -	$ -	$ 42,774	$ -	$ 42,774	$ 42,774
AS18840	109	68,032	58,473	100.00	-	58,473	9,559	68,032	-	-	-	-	-	-
ST17907	109	88,464	99,838	100.00	-	(72)	72	-	-	-	-	-	-	-
Total		$ 327,590	$ 295,554		$ -	$ 58,401	$ 9,631	$ 68,032	$ -	$ -	$ 42,774	$ -	$ 42,774	42,774
Construction retention payables														231,432
Advance Receipts														367,395
Total														$ 641,601

Fortune Electric Co., Ltd.

Statement of changes in investments accounted for using equity method

2020

Table 6

Unit：Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise

	Balance, January 1, 2020			Changes				Share of Profit or Loss of Subsidiaries and Associates Accounted for Using Equity Method			
Investees	Shares	%	Amount	shares	Purchase	Share of Profit or Loss of Subsidiaries and Associates Accounted for Using Equity Method	Exchange Differences on Translation of Foreign Financial Statements	Shares（in Thousands）	%	Amount	Note
Investments accounted for using equity method											
Unlisted company											
Power Energy International Ltd.	3,800 thousand shares	100.00	$ 213,205	-	$ -	$ 8,538	$ 3,623	3,800 thousand shares	100.00	$ 225,366	-
North American Division	1 thousand shares	100.00	13,456	-	-	2,692	(803)	1 thousand shares	100.00	15,345	-
Fortune Electric Extra High Voltage Co., Ltd.	141,200 thousand shares	100.00	358,075	-	-	97,159	-	141,200 thousand shares	100.00	455,234	-
E-Total Link	100 shares	25.00	1,153	-	-	(378)	(25)	100 shares	25.00	750	-
Fortune Energy CO., LTD.			-	100 thousand shares	1,000	(139)	-	100 thousand shares	100.00	861	
Australian company			-	500 thousand shares	10,173	(80)	798	50 thousand shares	100.00	10,891	
Total			$ 585,889		$ 11,173	$ 107,792	$ 3,593			$ 708,447	

Note 1：As of the end of 2020, the company's investment under the equity method had no pledge or guarantee.

Fortune Electric Co., Ltd.

Statement of bank loans

December 31, 2020

Table 7

Unit：Amounts in Thousands of New Taiwan Dollars

Type and Creditor	Contract Period	Annual interest rates (%)	Balance	Loan Commitments
Short-term loans				
Taipei Fubon Commercial Bank	2020.07.17-2021.01.13	0.47	$ 6,499	$ 300,000
Bank of Taiwan	2020.12.30-2021.06.28	0.85	4,130	400,000
Hua Nan Commercial Bank	2020.09.25-2021.05.11	0.57-1.00	15,686	656,678
Chang Hwa Commercial Bank	2020.10.07-2021.06.13	0.80-0.92	26,004	500,000
First Commercial Bank	2020.11.13-2021.06.29	0.75-2.15	7,247	600,000
Yuanta Commercial Bank	2019.03.29-2021.03.29	1.15	100,000	100,000
			159,566	2,556,678
Long-term loans				
Bank of Taiwan	2019.04.19-2022.04.19	1.20	500,000	500,000
Mega International Commercial Bank	2020.10.23-2023.10.23	1.275	241,800	241,800
			741,800	741,800
			$ 901,366	$ 3,298,478

Note：At the end of the year, the amount financed by banks and Bills Finance Companies with no loan balance was about 5,106,200 thousand, so the total amount financed of the company was about 8,404,678 thousand. As of December 31, 2020, after deducting 901,366 thousand of long-term and short-term bank loans and 1,719,372 thousand of used amount financed of fulfillment guarantee, the unused amount financed is about 5,783,940 thousand.

Fortune Electric Co., Ltd.

Statement of accounts payables

December 31, 2020

Table 8

Unit：Amounts in Thousands of New Taiwan Dollars

Vendor Name	Amount
Accounts payables	
Others（Note）	$ 1,978,131

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

Fortune Electric Co., Ltd.

Statement of operating cost
For 2020

Table 9 Unit：Amounts in Thousands of New Taiwan Dollars

Item	Amount
Direct raw materials	
Raw materials, beginning of year	$ 315,986
Add（less）：material purchased	4,894,303
Raw materials, end of year	(302,994)
	4,907,295
Direct labor	129,341
Manufacturing expenses	658,594
Manufacturing cost	5,695,230
Add(less)：Work in process, beginning of year	1,393,637
Transferred to R&D cost	87,799
Work in process, end of year	(1,422,331)
Cost of finished goods	5,754,335
Add (less)：Finished goods, beginning of year	391,559
Finished goods, end of year	(246,820)
Transferred to equipment	(2,692)
Transferred to construction cost	(102,404)
Transferred to R&D cost	(126,054)
Transferred to. construction-in-progress	(846)
Inventory valuation losses	2,268
Income from Sale of Scrap	(2,407)
Other	(757)
Subtotal	5,666,182
Electric sales cost	11,258
Charging station cost	1,695
Cost of goods sold subtotal	5,679,135
construction cost	1,128,427
Total operating cost	$ 6,807,562

Fortune Electric Co., Ltd.

Statement of operating expenses
2020

Table 10 Unit：Amounts in Thousands of New Taiwan Dollars

Item	Marketing Expenses	Administrative Expenses	Research and Development Expense	Total
Export expense	$ 197,896	$ -	$ -	$ 197,896
Payroll and allowance (including pension)	99,656	110,220	58,517	268,393
Marketing Expenses	50,214	-	-	50,214
Insurance	26,464	5,833	5,009	37,306
Freight charge	33,921	24	104	34,049
Research expense	-	-	38,808	38,808
Others（Note）	92,320	28,697	26,306	147,323
	$ 500,471	$ 144,774	$ 128,744	$ 773,989

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

Fortune Electric Co., Ltd.

Summary statement of current period employee benefits, depreciation, depletion and amortization expenses by function

For 2020 and 2019

Table 11

Unit：Amounts in Thousands of New Taiwan Dollars

	2020			2019		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Employee Benefit Expense						
Salaries	$437,965	$237,165	$675,130	$387,254	$216,835	$604,089
Labor and health insurance	36,464	17,325	53,789	31,054	17,217	48,271
Pension						
Defined contribution plan	14,709	7,868	22,577	13,078	6,738	19,816
Defined benefit plan	4,715	2,061	6,776	4,991	2,813	7,804
Board compensation	-	21,299	21,299	-	18,984	18,984
Other Employee Benefit	19,320	7,071	26,391	18,655	7,115	25,770
	$513,173	$292,789	$805,962	$455,032	$269,702	$724,734
Depreciation	$ 59,532	$ 13,753	$ 73,285	$ 59,455	$ 10,185	$ 69,640
Amortization	$ 3,128	$ 8,294	$ 11,422	$ 2,988	$ 6,874	$ 9,862

Note：

1. As of December 31, 2020 and 2019, the Company had 769 and 722 employees respectively. The numbers of both non-employee directors are 7.
2. The company whose shares are listed on TWSE or traded on TPEx shall disclose the following information:：
   (1) The average employee benefit expense of this year is 1,030 thousand (total employee benefit expense of this year - total directors' remuneration) / number of employees of this year - number of non-employees directors).
   The average employee benefit expense of the previous year was 987 thousand (total employee benefit expense of the previous year - total directors' remuneration) / number of employees of the previous year - number of non-employees directors).
   (2) The average salary cost of this year is 886 thousand (total salary cost of this year / "number of employees in this year - number of non-employees directors ").
   The average salary cost of the previous year is 845 thousand (total salary cost of the previous year / "number of employees in the previous year - number of non-employees directors ").
   (3) The change of average employee salary expenses is 4.85% (average employee salary expenses of this year - average employee salary expenses of the previous year) / average employee salary expenses of the previous year).
   (4) The company has no supervisor, and the audit committee has replaced the supervisor in accordance with Article.

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

A. Directors

In accordance with Article 27 of the Articles of Corporation, if the Company has made any profit in a given year (meaning any net profit before tax, minus employee and directors' compensation), the Company shall reserve a sufficient amount compensating any accumulated deficits (including adjustments to retained earnings), if any; then appropriate from the remaining amount no less than 3% for the employee compensation, and no more than 2% for the Directors' remuneration. The aforesaid employees' rewards can be in stock or cash and the remuneration of the directors is limited to cash.

B. Managers

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

C. Employee

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