(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, 2021 and 2020 and Independent Auditors' Report

Address: No. 10, Jill Rd., Zhongli Dist., Taoyuan City
TEL: (03)452-6111

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.

§TABLE OF CONTENTS§

	Item	Page	Note to Financial Statements
1.	Cover	1	-
2.	Table of Contents	2	-
3.	Independent Auditor's Report	3～6	-
4.	Individual Balance Sheet	7	-
5.	Individual Statements of Comprehensive Income	8～9	-
6.	Individual Statement of Changes in Equity	10	-
7.	Individual Statement of Cash Flows	11～12	-
8.	NOTEs to Individual Financial Statements		
	(1) General Information	13	1
	(2) The date of Authorization for issuance of Financial Statements and Procedures for Authorization	13	2
	(3) Application of New and Revised International Reporting Standards	13～14	3
	(4) Summary of Significant Accounting Policies	15～27	4
	(5) Critical Accounting Judgment and Key Sources of Estimation and Uncertainty	27	5
	(6) Statements of Major Accounting Items	27～58	6～30
	(7) Related Party Transactions	58～61	31
	(8) Pledged Assets	61	32
	(9) Significant Contingent Liabilities and Unrecognized Commitments	61～62	33
	(10) Significant exchange rate information of foreign currency financial assets and liabilities	62～63	34
	(11) Additional Disclosures		
	1. Information on Significant Transactions	63	35
	2. Information on investees	64	35
	3. Information on investment in Mainland China	64	35
	4. Major shareholder	64	35
9.	Statements of Major Accounting Items	72～84	-

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, 2020 and 2021, 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, 2021 and 2020, 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 2021. 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 2021 are stated as follows：

Occurrence of operating revenue

Among the operating revenue of Fortune Electric Co., Ltd. in 2021, the revenue from a single major customer accounted for 32.43% 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 of 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 Gung, Tza-Li

Reference number of the FSC approval letter, No. Financial-Supervisory-Securities-Auditing-1000028068

CPA Lee, Suei-Chin

Reference number of the FSC approval letter, No. Financial-Supervisory-Securities-Auditing-1100356048

March 23, 2022

(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, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets				
1100	Cash (Note 6)	$ 16,117	-	$ 130,160	2
1136	Current financial assets at amortized cost (Notes 9 and 32)	19,135	-	28,306	-
1140	Contract asset (Notes 21 and 23)	671,451	8	671,029	9
1150	Notes receivable (Note 23)	72,964	1	117,622	2
1170	Account receivable, net (Notes 10 and 23)	2,993,783	35	2,502,071	32
1180	Account receivable due from related parties, net (Note 31)	45,644	1	5,922	-
1220	Current tax assets (Note 25)	2,070	-	8,567	-
130X	Current inventories (Note 11)	2,065,326	24	1,969,735	25
1410	Prepayments (Note 31)	160,710	2	173,811	2
1470	Other current assets (Notes 21, 31, 32)	57,355	1	39,872	1
11XX	Total current assets	6,104,555	72	5,647,095	73
	Non-current assets				
1517	Non-current financial assets at fair value through other comprehensive income (Note 8)	316,033	4	44,343	1
1535	Non-current financial assets at amortized cost (Notes 9 and 32)	3,759	-	3,759	-
1550	Investments accounted for using equity method (Note 12)	761,851	9	708,447	9
1600	Property, Plant and equipment (Notes 13 and 32)	1,219,122	14	1,238,263	16
1755	Right-of-use assets (Notes 14 and 31)	10,488	-	18,638	-
1780	Intangible assets (Note 15)	39,313	1	31,181	-
1840	Deferred tax assets (Note 21)	29,973	-	47,118	1
1915	Prepayments for business facilities	31,386	-	4,625	-
1920	Guarantee deposits paid (Note 32)	5,545	-	4,365	-
15XX	Total Non-current assets	2,417,470	28	2,100,739	27
1XXX	Total assets	$ 8,522,025	100	$ 7,747,834	100
Code	**Liabilities and equity**				
	Current Liabilities				
2100	Current borrowings (Note 16 and 32)	$ 512,047	6	$ 159,566	2
2120	Current financial liabilities at fair value through profit or loss (Note 7)	-	-	4	-
2130	Current contract liabilities (Notes 21 and 23)	750,210	9	641,601	8
2150	Notes payable	1	-	-	-
2170	Accounts payable (Note 17)	1,883,697	22	1,978,131	26
2180	Account payable to related parties (Note 31)	167,159	2	21,675	-
2200	Other payables (Note 18)	287,627	3	295,146	4
2230	Current tax liabilities (Note 25)	39,763	-	32,311	-
2250	Provisions (Note 19)	8,579	-	7,098	-
2280	Current lease liabilities (Note 14 and 31)	4,832	-	6,564	-
2300	Other current liabilities	50,333	1	49,215	1
21XX	Total liabilities	3,704,248	43	3,191,311	41
	Non-current liabilities				
2540	Long-term borrowings (Notes 16 and 32)	1,141,800	13	741,800	10
2570	Deferred tax liabilities (Note 25)	44,512	1	65,761	1
2580	Non-current lease liabilities (Notes 14 and 31)	5,722	-	12,673	-
2640	Net defined benefit liability, non-current (Note 20)	129,401	2	178,859	2
2645	Guarantee deposits received	17,327	-	10,414	-
25XX	Total non-current liabilities	1,338,762	16	1,009,507	13
2XXX	Total liabilities	5,043,010	59	4,200,818	54
	Equity				
3110	Ordinary Share	2,610,585	31	2,610,585	34
3200	Capital surplus	3,484	-	1,414	-
	Retained earnings				
3310	Legal reserve	444,315	6	400,777	5
3320	Special reserve	15,347	-	8,975	-
3350	Unappropriated retained earnings	442,862	5	540,612	7
3300	Total retained earnings	902,524	11	950,364	12
	Other equity				
3410	Exchange difference on translation of foreign financial statements	(26,619)	(1)	(24,158)	-
3420	Unrealized Gain or Losses on FVTOCI Financial Assets	(10,959)	-	8,811	-
3400	Other equity interest	(37,578)	(1)	(15,347)	-
3XXX	Total equity	3,479,015	41	3,547,016	46
	Total liabilities and equity	$ 8,522,025	100	$ 7,747,834	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 Issuedin Chinese)

Fortune Electric Co., Ltd
Individual Statements of Comprehensive Income
For the years ended December 31, 2021 and 2020

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

Code		2021 Amount	%	2020 Amount	%
	Operating revenue (Notes 23, 31 and 32)				
4100	Sales	$ 7,085,405	82	$ 6,844,206	86
4520	Construction revenue	1,539,976	18	1,152,273	14
4000	Total operating revenue	8,625,381	100	7,996,479	100
	Operating costs (Notes 11, 20, 24, and 31)				
5110	Sales costs	5,964,015	69	5,679,135	71
5520	Construction cost	1,404,313	16	1,128,427	14
5000	Operating costs	7,368,328	85	6,807,562	85
5900	Gross profit from operations	1,257,053	15	1,188,917	15
	Operating expenses (Notes 20, 24, 31 and 33)				
6100	Selling expenses	548,160	6	488,472	6
6200	Administrative expenses	157,510	2	144,774	2
6300	Research and development expense	118,149	2	128,744	2
6450	Expected credit loss	3,737	-	11,999	-
6000	Total operating expenses	827,556	10	773,989	10
6900	Net operating income	429,497	5	414,928	5
	Non-operating income and expenses				
7100	Interest revenue (Note 24)	855	-	202	-
7190	Other income (Note 24)	37,832	-	27,535	-
7190	Government grants income (Note 4)	6,667	-	12,498	-
7020	Other gains and losses (Note 24)	(30,459)	-	2,003	-
7050	Financial Cost (Note 24 and 31)	(19,319)	-	(16,754)	-
7070	Share of profit (loss) of Associates & Joint Ventures accounted for using equity method (Note 12)	(57,376)	(1)	107,792	2
7000	Total non-operating income and expenses	(61,800)	(1)	133,276	2

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Code		2021 Amount	2021 %	2020 Amount	2020 %
7900	Profit before tax	$ 367,697	4	$ 548,204	7
7950	Tax expense (Note 25)	77,814	1	90,690	1
8200	Profit	289,883	3	457,514	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)	2,066	-	(27,669)	(1)
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(19,770)	-	(10,639)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 25)	(413)	-	5,533	-
		(18,117)	-	(32,775)	(1)
8360	Components of other comprehensive income that may be reclassified subsequently to profit or loss:				
8363	Cash flow hedge	-	-	674	-
8370	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method	(2,461)	-	3,593	-
		(2,461)	-	4,267	-
8300	Other total comprehensive income	(20,578)	-	(28,508)	(1)
8500	Total comprehensive income	$ 269,305	3	$ 429,006	5
	Earnings per share (Note 26)				
9710	Basic	$ 1.11		$ 1.75	
9810	Diluted	$ 1.11		$ 1.75	

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-La

Fortune Electric Co., Ltd
Individual Statement of Changes in Equity
For the years ended December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars, Except Earning per Share

Code		Ordinary share (Note 22)	Capital surplus (Note 22)	Retained (Note 22 and 26): Legal reserve	Retained: Special reserve	Retained: Unappropriated Retained Earnings	Retained: Total	Other equity interest (Note 4, 8 and 22): Exchange differences on translation of foreign financial statements	Other equity interest: Unrealized 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, 2020	$ 2,610,585	$ 1,251	$ 360,334	$ 11,273	$ 404,437	$ 776,044	($ 27,751)	$ 19,450	($ 674)	($ 8,975)	$ 3,378,905
	Appropriations of 2019 earnings											
B1	Legal reserve appropriated	-	-	40,443	-	(40,443)	-	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	(2,298)	2,298	-	-	-	-	-	-
B5	Cash dividends – NT$1/per share	-	-	-	-	(261,058)	(261,058)	-	-	-	-	(261,058)
		-	-	40,443	(2,298)	(299,203)	(261,058)	-	-	-	-	(261,058)
C17	Unclaimed cash dividends	-	163	-	-	-	-	-	-	-	-	163
D1	Net profit for 2020	-	-	-	-	457,514	457,514	-	-	-	-	457,514
D3	Other comprehensive income(loss) for 2020 after tax	-	-	-	-	(22,136)	(22,136)	3,593	(10,639)	674	(6,372)	(28,508)
D5	Total comprehensive income(loss) for 2020	-	-	-	-	435,378	435,378	3,593	(10,639)	674	(6,372)	429,006
Z1	Balance, December 31, 2020	2,610,585	1,414	400,777	8,975	540,612	950,364	(24,158)	8,811	-	(15,347)	3,547,016
	Appropriation of 2020 earnings											
B1	Legal reserve appropriated	-	-	43,538	-	(43,538)	-	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	6,372	(6,372)	-	-	-	-	-	-
B5	Cash dividends – NT$ 1.3/per share	-	-	-	-	(339,376)	(339,376)	-	-	-	-	(339,376)
		-	-	43,538	6,372	(389,286)	(339,376)	-	-	-	-	(339,376)
C17	Unclaimed cash dividends	-	157	-	-	-	-	-	-	-	-	157
M7	Changes in ownership interests in subsidiaries	-	1,913	-	-	-	-	-	-	-	-	1,913
D1	Net profit for 2021	-	-	-	-	289,883	289,883	-	-	-	-	289,883
D3	Other comprehensive income(loss) for 2021 after tax	-	-	-	-	1,653	1,653	(2,461)	(19,770)	-	(22,231)	(20,578)
D5	Total comprehensive income(loss)	-	-	-	-	291,536	291,536	(2,461)	(19,770)	-	(22,231)	269,305
Z1	Balance, December 31, 2021	$ 2,610,585	$ 3,484	$ 444,315	$ 15,347	$ 442,862	$ 902,524	($ 26,619)	($ 10,959)	$ -	($ 37,578)	$ 3,479,015

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

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

Fortune Electric Co., Ltd
Individual Statements of Cash Flows
For the year ended December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

Code		2021	2020
	Cash flows from operating activities		
A00010	Profit before tax	$ 367,697	$ 548,204
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	75,985	73,285
A20200	Amortization expense	16,914	11,422
A20300	Expected credit loss	3,737	11,999
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	-	4
A20900	Financial cost	19,319	16,754
A21200	Interest income	(855)	(202)
A22400	Share of loss (profit) of Associates & Joint Ventures Accounted for Using Equity Method	57,376	(107,792)
A22500	Loss (gain) on disposal	662	77
A29900	Gain on lease modifications	(516)	-
A23700	Provisions for liability	1,481	920
A23800	(Gain)Loss on inventory valuation	(203)	2,268
A30000	Changes in operating assets and liabilities, net		
A31110	Financial instruments at fair value through profit or loss	(4)	(1,333)
A31125	Contract asset	(422)	(134,952)
A31130	Note receivable	44,658	(39,625)
A31150	Account receivable	(516,155)	(1,476)
A31160	Receivable from related parties	(39,722)	(5,922)
A31200	Inventories	(108,382)	126,345
A31230	Accounts payable	11,277	315,845
A31240	Other current assets	(18,370)	(9,427)
A32125	Contract liability	111,976	(288,965)
A32130	Notes payable	1	-
A32150	Accounts payable	(93,307)	(4,017)
A32160	Payable to related parties	145,484	(435)
A32180	Other payable	(6,286)	16,065
A32230	Other current liabilities	1,301	(28,430)
A32240	Net defined benefit liability	(47,392)	(56,880)
A33000	Cash generated from operations	26,254	443,732

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Code		2021	2020
A33100	Interest received	$ 894	$ 202
A33300	Interest paid	(18,438)	(17,640)
A33500	Income tax paid	(67,534)	(123,633)
AAAA	Net cash flows (out) from operating activities	(58,824)	302,661
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(291,460)	-
B00040	Acquisition of financial assets at amortized cost	9,171	(29,478)
B02200	Investments accounted for using equity method	(134,947)	(11,173)
B02700	Acquisition of property, plant and equipment	(54,097)	(54,445)
B02800	Proceeds from disposal of property, plant and equipment	1,178	879
B03800	Increase in refundable deposits	(1,194)	(962)
B04500	Acquisition of intangible assets	(25,716)	(11,003)
B05000	Cash outflows from business demerger	(10,272)	-
B07100	Increase in prepayments for business facilities	(43,608)	(16,862)
B07600	Dividends received	84,619	-
BBBB	Net cash flows from investing activities	(466,326)	(123,044)
	Cash flows from financing activities		
C00200	Increase (decrease) in short-term loans	352,481	130,518
C01600	Payments of finance lease liabilities	400,000	-
C03000	Guarantee deposit received	6,913	6,161
C04500	Cash dividends paid	(339,376)	(261,058)
C04020	Payments of lease liabilities	(9,068)	(8,752)
C09900	Unclaimed cash dividends	157	163
CCCC	Net cash flows (out) from financing activities	411,107	(132,968)
EEEE	Net increase(decrease) in cash	(114,043)	46,649
E00100	Cash at beginning of the year	130,160	83,511
E00200	Cash at end of period	$ 16,117	$ 130,160

The accompany 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

Fortune Electric Co., Ltd.
NOTEs to Individual Financial Statements
For the years ended December 31, 2021 and 2020
(Amounts in Thousands of New Taiwan Dollar, unless specified otherwise)

1. General Information

Fortune Electric Co., Ltd (the "Company") was incorporated in August 1969. The Company is 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 23, 2022.

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, "IFRS") 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:

(2) The IFRSs endorsed by the FSC for application starting from 2022

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

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

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

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

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

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.

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB（Note 1）
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial application of IFRS17 and IFRS 9 – comparative information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023（Note 2）
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023（Note 3）
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023（Note 4）

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

(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 the financial instruments which are measured at fair values and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., as derived from prices); and
3. Level 3 inputs are unobservable inputs for an asset or liability.

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 settled 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 denominated in foreign currencies and measured at historical cost, which are translated at the exchange rate at the date of the transaction, will not to be 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, work in progress and raw materials. Inventories are stated at the lower of cost or net realizable value. Comparisons of cost and net realizable value are based on individual items, except for inventories of the same type. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The cost of inventories is calculated using the weighted-average method.

(6) Investment in Subsidiaries

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

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. In addition, changes in other rights and interests of subsidiaries that the company is entitled to are recognized based on the shareholding ratio.

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 an asset after reversal of impairment loss shall not exceed the carrying amount that would have been determined as recognized impairment loss, net of book value after amortization.

Unrealized profits or losses on downstream transactions between the Company and its subsidiaries are eliminated in the individual financial statements. 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 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.

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.

Except for self-owned land which is not depreciated, depreciation of other property, plant and equipment is recognized separately using a straight-line basis for each significant component over their useful lives. The Company examines the estimated useful lives, residual values and depreciation methods at least at the end of each year and defers the impact of changes in applied accounting estimates.

(9) Intangible Assets

1. Acquire 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 difference between 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. 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 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 in the individual statements of balance sheets when the Company becomes a party to the contractual provisions of the instruments.

When initially recognizing financial assets and financial liabilities, if the financial assets and financial liabilities are not measured at fair value through profit or loss, they will be measured at fair value plus transaction costs, directly attributable to the acquisition or issuance of the financial assets or financial liabilities.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 conventional transactions of financial assets are recognized and derecognized on the trade date accounting.

(1) Measurement Category

The categories of financial assets held by the Company are those measured at amortized cost and investments in equity instruments evaluated at fair value through other comprehensive profit or loss

A. Financial assets measured at amortized costs

The financial investments made by the Company are measured and categorized by amortized costs, if they meet the following two conditions at the same time:

a. They are held in a business model where financial assets are kept to collect contractual cash flows; and
b. The cash flows derived from contractual terms of specific financial assets under consideration are used as the sole payments for the principals and interests of the outstanding principals.

Financial assets, which are measured at amortized cost (including cash, pledged certificates of deposit, notes receivable and accounts receivable measured at amortized cost) after initially recognized, are measured at amortised cost of their gross carrying amount decided by the effective interest method minus any impairment losses. And any foreign currency exchange gain or loss is recognized in profit or loss.

Except the below two conditions, interest income is calculated by effective interest rate multiplied by the total book value of the financial assets:

a. For credit-impaired financial assets acquired or created, interest income is calculated using the credit-adjusted effective interest rate multiplied by the amortized cost of the financial assets.
b. For financial assets that are not acquired or initial credit impairment but subsequently become credit impairments, they should use the effective interest rate multiplied by the amortized cost of financial assets to calculate interest income from the next reporting period after derogation.

B. Investments in equity instruments measured at fair value through other comprehensive income or loss

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 option 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, the Company measures and recognizes loss allowances for expected credit losses of the financial assets at amortized cost (including accounts receivable) and impairment losses on contract assets.

For accounts receivable and contract assets, the Company will recognize allowance for expected credit losses (ECLs) over the period of their existence. For other financial assets, the Company first evaluate whether the credit risk has increased significantly since the initial recognition. If no significant increase is found, the allowance loss is to be recognized at the 12-month expected credit loss. If there has been a significant increase, it will be recognized as the expected credit loss at the duration period.

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 debtors to pay off their 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 profit and loss is recognized as other comprehensive profit without reducing 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 financial asset expires, 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 in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

However, on derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without reclassified as 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 as 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 liabilities 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 remeasurement (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 30.

(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 for the purpose of managing 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 gain or loss from follow-up measurement is recognized directly in profit or loss, but the point of recognition in profit or loss for derivatives that are designated as effective hedging instruments is determined by the characteristics 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.

(12) Provision (Liability Reserve)

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 liquidated obligation.

1. Onerous contract

   When the unavoidable 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.

2. Warranty

   The warranty obligation to guarantee the conformity of products to the agreed specifications is based on management's best estimate of the expenses required to settle the Company's liabilities and is recognized when the company has recognized revenue from the related products.

(13) Revenue Recognition

The Company identifies performance obligations in customer contracts and the transaction price will be apportioned to each performance obligation. The income will be recognized when each performance obligation is met.

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

1. Sales 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 prices and has the rights to use the goods when the goods arrive at the locations designated by the customer, when the goods are shipped and when the goods are loaded onto the ships, and the customer 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. Receipts of advances from products are recognized as contractual liabilities before the products meet specified conditions.

2. Construction Revenue

In the process of construction, the asset is the real estate construction contract controlled by the customer. The company recognizes the revenue 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 revenue 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 completes the contract.

(14) 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 terms of a lease transfers substantial portion of the risks and rewards incidental to the ownership of the asset to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

Under an operating lease, the lease payment after deduction of the lease incentives 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 added to the target asset and recognized as an expense on a straight-line basis over the lease term.

2. The Company as Lessee

Except for leases of low-value underlying assets which are subject to the recognition exemption, and the lease payments of short-term leases which are recognized as expenses over the lease terms on a straight-line basis, the Company recognizes all other leases as right-of-use assets and lease liabilities at the inception date of the lease.

Right-of-use assets are measured at cost (includes the initial measurement of the lease liabilities, the lease payments made before the commencement date of the lease less the lease incentives received, the original direct cost and the estimated cost of reinstatement of the subject asset). Subsequent measurement is calculated at cost less the 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 readily determined, the incremental lessee's borrowing rate is applied.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. During the lease period or under the residual value guarantee, if the expected payment amount changes, resulting in changes in future lease payments, the company will remeasure the lease liabilities and relatively adjust the right-of-use assets. If the book value of the right-to-use asset is decreased to zero, the residual remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

(15) 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 are 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.

(16) 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（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.

(17) Taxation

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

1. Current Tax

The 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 of the Republic of China, income tax on unappropriated earnings shall be recognized in the annual resolution by the shareholders' meeting.

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, based on historical experience and other relevant factors, 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. 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 as a result of the pandemic. The estimates and underlying assumptions are reviewed on an ongoing basis. If the revision of an estimate affects only the current period, it is recognized in the period in which it is revised. If such a revision affects both the current and future periods, it will be recognized in the current period of the revision and in the future period.

6. Cash

	December 31, 2021	December 31, 2020
Cash on hand and working capital	$ 700	$ 760
Bank notes and demand deposits	15,417	129,400
	$ 16,117	$ 130,160

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

	December 31, 2021	December 31, 2020
Bank deposits	0.001%～0.2%	0.001%～0.2%

7. Financial instruments at Fair Value Through Profit or Loss

	December 31, 2021	December 31, 2020
Financial assets - Current		
Derivative instruments (non-designated hedge)		
Forward Exchange Contracts	$ -	$ 4

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	March 2, 2021	NTD79/USD3

The purpose of conducting forward exchange transactions by the Company 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, these forward exchange contracts do not apply to hedge accounting.

8. Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Non-current		
Domestic investment		
Unlisted (OTC) common stock		
Raynergy Tek Inc.	$ 25,556	$ 44,343
Hsin He Energy Co., Ltd.	245,515	-
E-Formular Technologies, Inc	30,252	-
Synergy Co., Ltd.	14,710	-
	$ 316,033	$ 44,343

The Company invests in the common stocks of the aforementioned companies for medium- and long-term strategic purposes and expects to make profits from long-term investments. Management of the company considers that the inclusion of short-term fair value fluctuations of 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.

In the 1st quarter of 2022, the company acquired 25,275 thousand shares of Hsin He Energy Co., Ltd. at the price of NTD 252,750 thousand, equaling 15% of Hsin He Energy Co., Ltd. company's shareholding. Hsin He Energy Co., Ltd. is primarily engaged in the development of renewable energy and the construction of solar power plants.

In the 2nd quarter of 2021, the Company acquired 1,200 thousand shares of E-Formular Technologies, Inc at a price of NTD24,000 thousand, representing a 5.52% stake. E-Formular is mainly engaged in telecom base station construction, energy saving and designing of energy management systems.

In the 4th quarter of 2021, the Company acquired 1,471 thousand shares of Synergy Co., Ltd at the price of NTD14,710 thousand, equaling 14.71% of Synergy Co., Ltd. Synergy Co., Ltd. is mainly engaged in the development of renewable energy, the installation of solar power plants, and the maintenance of offshore wind power.

9. Financial assets measured at amortised cost

	December 31, 2021	December 31, 2020
Pledged CD		
Current	$ 19,135	$ 28,306
Non-current	3,759	3,759
	$ 22,894	$ 32,065

For information on pledged financial assets measured at amortized cost, please refer to Note 32.

10. Account Receivable

	December 31 2021	December 31, 2020
Account Receivable at amortized cost		
Total Carrying Amount	$ 3,034,274	$ 2,547,404
Less: Loss Allowance	(40,491)	(45,333)
	$ 2,993,783	$ 2,502,071

The Company's average credit extension period for product sales is 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 showing that the counterparty 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, 2021

	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%	0.00%	0.00%	0.00%	3.02%	24.25%	
Total carrying amount	$2,186,435	$ 181,701	$ 138,580	$ 243,710	$ 133,514	$ 150,334	$3,034,274
Loss allowance (Lifetime expected credit losses)	-	-	-	-	(4,032)	(36,459)	(40,491)
At amortized cost	$2,186,435	$ 181,701	$ 138,580	$ 243,710	$ 129,482	$ 113,875	$2,993,783

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 641 days	Total
Expected credit losses ratio	0.00%	0.04%	0.36%	0.13%	2.75%	22.25%	
Total carrying 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

Movements of the loss allowance for accounts receivable:

	2021	2020
Balance, beginning of the year	$ 45,333	$ 33,334
Add: expected credit loss	3,737	11,999
Subtract: Write-offs for the year	(8,326)	-
Subtract: Split and transferred	(253)	-
Balance, end of the year	$ 40,491	$ 45,333

11. Net balance of inventories

	December 31, 2021	December 31, 2020
Finished goods	$ 348,979	$ 246,820
Work in process	1,388,923	1,419,921
Raw materials	327,424	302,994
	$ 2,065,326	$ 1,969,735

In 2021 and 2020, the cost of goods sold related to inventory was NT$5,950,622 thousand and NT$5,666,182 thousand respectively. The cost of goods sold in 2021 and 2020 includes the inventory valuation losses (gain from price recovery of inventory) of NT$2,268 thousand and (NT$203 thousand). In 2020, 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.

12. Investment accounted for using equity method

	December 31, 2021	December 31, 2020
Subsidiaries	$ 759,849	$ 707,697
Associates	2,002	750
	$ 761,851	$ 708,447

(1) Investments in subsidiaries

	December 31, 2021	December 31, 2020
Power Energy International Ltd. (Power Energy Company)	$ 77,604	$ 225,366
Fortune Electric America Inc. (North American Division)	18,419	15,345
Fortune Electric Extra High Voltage Co., LTD. (Fortune Extra High Voltage Company)	487,366	455,234
Fortune Energy CO., LTD. (Fortune Energy Company)	804	861
Fortune Electric Australia Pty Ltd (Australian Company)	10,956	10,891
Fortune Electric Value Co., LTD. (Fortune Electric Value Company)	164,700	-
	$ 759,849	$ 707,697

	% of Ownership and Voting Rights Held by the Company	
Subsidiaries	December 31, 2021	December 31, 2020
Power Energy Company	100.00%	100.00%
North America Company	100.00%	100.00%
Fortune High Voltage Company	100.00%	100.00%
Fortune Energy Co., LTD. (Note 1)	100.00%	100.00%
Australian Company (Note 2)	100.00%	100.00%
Fortune Electric Value Company (Note 3)	80.18%	-%

For the years of 2021 and 2020, 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 5 "information of the invested company, location and other related information."

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 31 for the balance as of December 31, 2021 and 2020.

Note 1: Fortune Energy CO., LTD. was established in Taipei on February 27, 2020. The Company's investment and shareholding ratio is 100%. Fortune Energy Co., LTD. 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.

Note 3: Fortune Electric Value Co., LTD. was established in Taipei on May 6, 2021. It is mainly engaged in the businesses of electric vehicle charging and operation services, including the design and establishment of various charging stations, research and development of electric vehicle charging-related equipment, systems, and technologies, as well as sales.

(2) Investments in associates

	December 31, 2021	December 31, 2020
Individual insignificant associates		
E-Total Link	$ 2,002	$ 750

Summary 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 NT$ 1,385 thousand. The summary information is as follows:

	2021	2020
Share of profit of the company		
Net Profit (loss)	$ 1,433	($ 378)
Other comprehensive income	(181)	(25)
Total comprehensive income	$ 1,252	($ 403)

For details of the investment subsidiaries indirectly owned by the company, please refer to Appendix Table 5 "information of the invested company, location and other related information.”

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 period. Management believes there is no material impact on the financial statements of E-Total Link, which had not been audited.

13. Property, Plant and Equipment

	December 31, 2021	December 31, 2020
Assets used by the Company	$ 1,218,861	$ 1,238,067
Assets subject to operating leases	261	196
	$ 1,219,122	$ 1,238,263

(1) Assets used by the Company

	Land	Buildings	Machinery Equipment	Solar Equipment	Other Equipment	Total
Cost						
Balance at January 1, 2021	$ 635,827	$ 677,148	$1,040,709	$ 151,688	$ 175,889	$2,681,261
Additions	-	6,093	27,783	920	19,301	54,097
Disposals	-	-	(4,137)	(5,944)	(2,740)	(12,821)
Transfer (Note 1)	-	-	-	-	2,659	2,659
Transfer (Note 2)	-	-	8,771	-	2,856	11,627
Partition and transfer	-	-	(10,356)	-	(25,135)	(35,491)
Transfers to assets subject to operating leases	-	(397)	-	-	-	(397)
Balance at January 1, 2021	$ 635,827	$ 682,844	$1,062,770	$ 146,664	$ 172,830	$2,700,935
Accumulated depreciation						
Balance at January 1, 2021	$ -	$ 377,959	$ 898,766	$ 68,177	$ 98,292	$1,443,194
Depreciation	-	15,061	32,328	7,390	12,120	66,899
Disposals	-	-	(4,095)	(5,325)	(1,561)	(10,981)
Partition and transfer	-	-	(10,265)	-	(6,470)	(16,735)
Transfers to assets subject to operating leases	-	(303)	-	-	-	(303)
Balance at December 31, 2021	$ -	$ 392,717	$ 916,734	$ 70,242	$ 102,381	$1,482,074
Net balance at January 1, 2021	$ 635,827	$ 299,189	$ 141,943	$ 83,511	$ 77,597	$1,238,067
Net balance at January 1, 2021	$ 635,827	$ 290,127	$ 146,036	$ 76,422	$ 70,449	$1,218,861
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 (Note 2)	-	-	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
Net balance at January 1, 2020	$ 635,827	$ 313,120	$ 129,128	$ 91,217	$ 64,168	$1,233,460
Carrying amount at December 31, 2020	$ 635,827	$ 299,189	$ 141,943	$ 83,511	$ 77,597	$1,238,067

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 2021 and 2020, and 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 32.

(2) Operating leases

	Buildings
Cost	
Balance at January 1, 2021	$ 794
Transfers from assts used by the Company	397
Balanced at December 31, 2021	$ 1,191
Accumulated depreciation	
Balance at January 1, 2021	$ 598
Transfers from assets used by the Company	303
Accumulated depreciation	29
Balance at December 31, 2021	$ 930
Net Balance at January 1, 2021	$ 196
Net Balance at December 31, 2021	$ 261
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
Depreciation expense	27
Balance at December 31, 2020	$ 598
Net amount at January 1, 2020	$ 112
Net amount at December 31, 2020	$ 196

The Company leases out buildings on operating leases for a period of one year. The lessees do not have purchase options to acquire the assets at the expiry of the lease period.

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

	December 31, 2021	December 31, 2020
Year 1	$ 24	$ 5

Depreciation expenses are accrued in 55 years on a straight-line basis.
For the amount of property, plant, and equipment set as a loan guarantee, please refer to Note 32.

14. Lease agreements

(1) Right-of-use assets

	December 31, 2021	December 31, 2020
Carrying amount		
Land	$ -	$ 619
Buildings	5,857	12,620
Transportation equipment	4,631	5,399
	$ 10,488	$ 18,638

	2021	2020
Additions to right-of-use assets	$ 14,721	$ 1,040
Depreciation of right-of use assets		
Land	$ 844	$ 1,521
Buildings	4,140	3,660
Transportation equipment	4,073	3,592
	$ 9,057	$ 8,773

(2) Lease liabilities

	December 31, 2021	December 31, 2020
Carrying amount		
Current	$ 4,832	$ 6,564
Non-current	$ 5,722	$ 12,673

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2021	December 31, 2020
Land	1,26%	1.26%
Buildings	1.26%	1.26%
Transportation equipment	1.26%	1.26%

(3) Other lease information

The Company leases its self-owned property, plant, and equipment. Please refer to Note 13.

	2021	2020
Expenses relating to short-term leases	$ 6,144	$ 10,981
Expenses relating to low-value asset leases	$ 12,225	$ 5,624
Total cash (outflow) for leases	($ 27,702)	($ 25,652)

The Company has opted for the exemption from the recognition of certain asset leases that qualify as short-term leases and several asset leases that qualify as low-value asset leases and does not recognize the related right-of-use assets and lease liabilities for these leases.

15. Intangible Assets

	Computer software
Cost	
Balance at January 1, 2020	$ 72,907
Acquired separately	11,003
Reclassified	3,107
Balanced at December 31, 2020	$ 87,017
Accumulated amortization	
Balance at January 1, 2020	$ 44,414
Amortized expense	11,422
December 31, 2020	$ 55,836
Carrying amount at Balance at December 31, 2020	$ 31,181
Cost	
Balance at January 1, 2021	$ 87,017
Acquired separately	25,716
Reclassified	1,110
Partition and transfer	(2,828)
Balance at December 31, 2021	$ 111,015
Accumulated amortization	
Balance January 1, 2021	$ 55,836
Amortized expense	16,914
Partition and transfer	(1,048)
Balance at December 31, 2021	$ 71,702
Carrying amount at December 31, 2021	$ 39,313

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

16. Loans

(1) Short-term loans

	December 31, 2021	December 31, 2020
Secured loan（Note 32）		
Usance Letter of Credit	$ 59,512	$ 15,686
Unsecured loans		
Line of Credit	377,000	100,000
Forward letter of credit	75,535	43,880
	$ 512,047	$ 159,566

The interest rates of bank loans were 0.53%～1.00% and 0.47%～2.15% on December 31, 2021 and 2020 respectively.

(2) Long-term loans

	December 31, 2021	December 31, 2020
Guaranteed loan for more than one year（Note 32）		
Bank of Taiwan	$ 500,000	$ 500,000
Mega Bank	241,800	241,800
	741,800	741,800
Guaranteed loan for more than one year		
Yuanta Bank	300,000	-
Bank SinoPac	100,000	-
	400,000	-
	$ 1,141,800	$ 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 April 19, 2022. In April 2021, the company agreed with the bank that the new loan period is from May 25, 2021 to May 25, 2023. The annual interest rates were both set at 1.20% as of December 31, 2021 and 2020.

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 1.25% and 1.275% as of December 31, 2021 and 2020 respectively.

It is agreed that the loan of Yuanta Bank can be circulated during the credit period. During the agreed credit period, the initial loan period is from March 29, 2019 to March 29, 2021. In June 2021, the company agreed with the bank that the new loan period is from May 20, 2021 to May 20, 2024. The annual interest rate was 1.15% as of December 31, 2021.

It is agreed that the loan of Bank Sinopac can be circulated during the credit period. During the agreed credit period, the initial loan period is from December 28, 2021 to September 30, 2023. The annual interest rate was 1.10% as of December 31, 2021.

17. Accounts Payable

	December 31, 2021	December 31, 2020
Arising from operations	$ 1,883,697	$ 1,978,131

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

18. Other Payables

	December 31, 2021	December 31, 2020
Salary	$ 105,299	$ 132,293
Export	43,030	46,365
Remuneration to employees and directors and supervisors	24,260	30,457
Design	38,302	27,496
Commission	20,065	6,593
Interest	1,187	306
Other	55,484	51,636
	$ 287,627	$ 295,146

19. Provisions

	December 31, 2021	December 31, 2020
Warranty	$ 3,142	$ -
Onerous contract	5,437	7,098
	$ 8,579	$ 7,098

(1) Warranty liability is the best estimate on the present value of future economic benefit outflows provided by the company's management in accordance with the product sales agreements. This estimate is based on historical warranty experience.

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

20. 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 implements the pension system and benefit plans in accordance with the R.O.C. Labor Standards Law. The payment of the pension is based on the length of service and average salary for the six-month period prior to the approved retirement date. 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, 2021	December 31, 2020
Present Value of a Defined Benefit Obligation	$ 458,914	$ 454,940
Fair value of plan assets	(329,513)	(276,081)
Net defined benefit liability	$ 129,401	$ 178,859

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, 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

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	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Contributed by the Company	$ -	($ 63,656)	($ 63,656)
Benefits paid	(23,749)	23,749	-
Balance, December 31, 2020	$ 454,940	($ 276,081)	$ 178,859
Balance, January 1, 2021	$ 454,940	($ 276,081)	$ 178,859
Current service cost	4,720	-	4,720
Interest expense (income)	1,339	(833)	506
Recognized in profit or loss	6,059	(833)	5,226
Remeasurement			
Return on plan assets	-	(4,135)	(4,135)
Actuarial loss (gain) arising from changes in financial assumptions	(2,229)	-	(2,229)
Actuarial loss (gain) arising from experience adjustments	4,298	-	4,298
Recognized in other comprehensive income	2,069	(4,135)	(2,066)
Contributed by the Company	-	(52,618)	(52,618)
Benefits paid	(4,154)	4,154	-
Balance, December 31, 2021	$ 458,914	($ 329,513)	$ 129,401

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

	2021	2020
Operating cost	$ 3,718	$ 4,715
Selling expenses	770	973
Administrative expenses	473	692
Research and Development Expenses	265	396
	$ 5,226	$ 6,776

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.
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, 2021	December 31, 2020
Discounted rate	0.60%	0.30%
Expected return rate on plan assets	0.30%	0.30%
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, 2021	December 31, 2020
Discount Rate		
Increase 0.25%	($ 9,852)	($ 10,560)
Decrease 0.25%	$ 10,182	$ 10,933
Future salary increase rate		
Increase 0.25%	$ 9,828	$ 10,549
Decrease 0.25%	($ 9,563)	($ 10,249)

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, 2021	December 31, 2020
Forecast amount within one year	$ 24,643	$ 20,238
Average maturity period of defined benefit obligations	8.78 Years	9.5 Years

21. 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 amounts expected to be receivable or payable within one year or longer than one year of the balance sheet date, the relevant accounts are listed as follows：

	December 31, 2021		
	Within 1 Year	Longer than 1 Year	Total
Assets			
Refundable deposits (included in other current assets)	$ 418	$ 3	$ 421
Contract assets	$ 657,534	$ 13,917	$ 671,451
Liabilities			
Contract liabilities	$ 272,829	$ 20,857	$ 293,686

	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

22. Equity

(1) Capital - common stock

	December 31, 2021	December 31, 2020
Authorized shares (in thousands)	275,000	275,000
Authorized capitals	$ 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, 2021	December 31, 2020
Can be used to offset a deficit, distributed as cash dividends or expansion capital stocks(1)		
Treasury stock transactions	$ 1,033	$ 1,033
Unclaimed cash dividends	538	381
Can be used to offset a deficit(2)		
Recognition of changes in ownership interests in subsidiaries	1,913	-
	$ 3,484	$ 1,414

1. 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.
2. This type of capital surplus refers to the effect of equity transactions recognized for changes in the Company's equity when the Company has not effectively acquired or disposed of shares in a subsidiary, or the adjustments to the capital surplus recognized by the equity method for the Company's subsidiaries.

(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 in accordance with the provisions of laws. 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. The Company delegates to the Board of Directors the authority to resolve, by special resolution, that all or a portion of the dividends and bonuses payable shall be paid in cash and submitted to the shareholders' meeting. Regarding the remuneration policy of employees and directors, please Note 24(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. 1090150022 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 appropriations of 2020 and 2019 earnings proposed by the Company’s Board of Directors meeting held on June 13, 2022, and June 12, 2021 are as follows：

	2020	2019
Legal reserve	$ 43,538	$ 40,443
Special reserve	$ 6,372	($ 2,298)
Cash dividends	$339,376	$261,058
Cash dividends per share(NT$)	$ 1.30	$ 1

The appropriations of earnings for 2021 proposed by the Company’s Board of Directors on March 23, 2020 are as follows:

	2021
Legal reserve	$ 29,154
Special reserve	$ 22,231
Cash dividends	$261,058
Cash dividends per share(NT$)	$ 1

The above appropriations 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 15, 2022.

(4) Other equity items

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

	2020	2019
Balance, beginning of year	($ 24,158)	($ 27,751)
Exchange differences arising on translation of foreign operations	(2,461)	3,593
Balance, end of year	($ 26,619)	($ 24,158)

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

	2021	2020
Balance, beginning of year	$ 8,811	$ 19,450
Unrealized gain or losses		
Equity instruments		
Equity instrument	(19,770)	(10,639)
Balance, end of year	($ 10,959)	$ 8,811

3. Hedging instrument－cash flow hedge

	2021	2020
Balance, beginning of year	$ -	($ 674)
Gain (loss) arising on Changes in the fair Value of hedging instruments		
Exchange rate risk－Forward exchange contracts	-	674
Balance, end of year	$ -	$ -

23. Net Revenue

	2021	2020
Revenue from contract with customers		
Sales revenue		
Power transformer	$ 4,351,271	$ 4,298,485
Distribution	1,296,750	1,291,088
Transformer	412,996	298,085
Electricity	12,226	12,309
Other	1,012,162	944,239
Construction revenue	1,539,976	1,152,273
	$ 8,625,381	$ 7,996,479

(1) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	$ 72,964	$ 117,622	$ 77,997
Accounts receivable (Note 11)	$ 2,993,783	$ 2,502,071	$ 2,512,594
Contract asset			
Construction retainage receivable	$ 74,817	$ 319,343	$ 125,397
Contracts receivable	596,634	351,686	410,680
	$ 671,451	$ 671,029	$ 536,077
Contract liabilities			
Construction retainage receivable	$ 276,658	$ 231,432	$ 570,135
Contracts payable	17,028	42,774	18,250
Advance receipts	456,524	367,395	342,181
	$ 750,210	$ 641,601	$ 930,566

The credit risk management of contract assets adopted by the Company is the same as that of accounts receivable. Please refer to Note 10.

(2) Revenue from Contracts with Customers

2021

	Electrical & Mechanical Department	Turnkey Department	Total
Sales revenue	$ 7,085,405	$ -	$ 7,085,405
Construction revenue	-	1,539,976	1,539,976
	$ 7,085,405	$ 1,539,976	$ 8,625,381

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

24. Net Income

(1) Interest income

	2021	2020
Bank deposits	$ 20	$ 84
Other	835	118
	$ 855	$ 202

(2) Other income

	2021	2020
Export tax rebate	$ 30,391	$ 24,786
Rental receipt		
operating lease rental	152	109
Income indemnity	7,289	2,640
	$ 37,832	$ 27,535

(3) Other profit and loss

	2021	2020
Financial assets and liabilities interest (loss)		
Financial assets (mandatorily) measured at fair value through profit or loss	($ 1)	$ 817
Loss on disposal of property, plant and equipment	(662)	(77)
Net gain and loss on foreign currency exchange	9,336	(2,805)
Compensate income	-	4,517
Contract amendment interests	516	-
Other	(39,648)	(449)
	($ 30,459)	$ 2,003

(4) Financial cost

	2021	2020
Bank loan interest	$ 17,769	$ 16,448
Interest of lease liabilities	265	295
Other financial cost	1,285	11
	$ 19,319	$ 16,754

(5) Depreciation, Amortization, and Employee benefits expenses

	2021			2020		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Employee benefits expenses						
Salary	$421,801	$237,094	$658,895	$437,965	$237,165	$675,130
Labor and Health Insurance	41,220	18,278	59,498	36,464	17,325	53,789
Pension						
Defined contribution plan	15,207	8,112	23,319	14,709	7,868	22,577
Defined benefit plan	3,718	1,508	5,226	4,715	2,061	6,776
Compensation to directors	-	17,732	17,732	-	21,299	21,299
Other employee benefits	22,475	7,960	30,435	19,320	7,071	26,391
	$504,421	$290,684	$795,105	$513,173	$292,789	$805,962
Depreciation	$ 62,546	$ 13,349	$ 75,985	$ 59,532	$ 13,753	$ 73,285
Amortization	$ 6,430	$ 10,511	$ 16,914	$ 3,128	$ 8,294	$ 11,422

As of December 31, 2021 and 2020, the number of employees of the Company is 772 and 769 respectively. Among them, the number of directors who are not concurrently employees is 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 2021 and 2020 by the Board of Directors on March 23, 2022 and March 22, 2021 respectively as follows:

Estimated percentage

	2021	2020
Employee compensation	4.97%	3.86%
Directors' remuneration	1.22%	1.40%

Amount

	2021	2020
	Cash	Cash
Employee compensation	$ 19,490	$ 22,357
Directors' remuneration	4,770	8,100

If there is still any change in the amount of the annual 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 amounts of appropriations of employee compensation and directors' remuneration and the amounts recognized in the parent only financial statements of 2020, 2019 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)

	2021	2020
Exchange interest total amount	$ 21,428	$ 38,320
Exchange loss total amount	(12,092)	(41,125)
Net gain and loss	$ 9,336	($ 2,805)

25. Income tax

(1) Key items of income tax expense recognized in profit or loss

	2021	2020
Current income tax expense		
Recognized in the current year	$ 76,894	$ 74,409
Tax on undistributed earnings	7,567	5,262
Adjustments on prior years	(2,130)	287
	82,331	79,958
Deferred income tax benefit		
Recognized in the current year	(9,221)	10,901
Adjustment on prior years	4,704	(169)
	(4,517)	10,732
Income tax expense recognized in profit or loss	$ 77,814	$ 90,690

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

	2021	2020
Income before tax	$ 367,697	$ 548,204
Income tax expense at the statutory rate	$ 73,539	$ 109,641
Nondeductible (deductible) items	(2,490)	(19,368)
Additional income tax on unappropriated earnings	7,567	5,262
Investment Tax Credit	(4,559)	(4,963)
Effects of separate taxation for foreign capitals returning to Taiwan	(8,462)	-
Unrecognized deductible temporary difference	9,645	-
Income tax adjustments on prior years adjustments on current year	2,574	118
Income tax expense recognized in profit or loss	$ 77,814	$ 90,690

(2) Income tax expense recognized in other comprehensive income

	2021	2020
Deferred income tax		
Recognized in the current year		
－Remeasurement of defined benefit obligation	($ 413)	$ 5,533
Income tax expense recognized in other comprehensive income	($ 413)	$ 5,533

(3) Income tax assets and liabilities

	December 31, 2021	December 31, 2020
Income tax assets		
Income tax refund receivable	$ 2,070	$ 8,567
Income tax liabilities		
Income tax payable	$ 39,763	$ 32,311

(4) Deferred income tax assets and liabilities

The changes of the deferred income tax assets and liabilities were as follows:

2021

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred income tax assets				
Defined benefit and pension plans	$ 35,772	($ 9,478)	($ 413)	$ 25,881
Inventory valuation losses	482	(40)	-	442
Bad Debt deferral period	3,723	(1,932)	-	1,791
Export income cost adjustment item	4,848	(4,704)	-	144
Unrealized exchange loss	503	(503)	-	-
Other	1,790	(75)	-	1,715
	$ 47,118	($ 16,732)	($ 413)	$ 29,973
Deferred income tax liabilities				
Land value increment tax	$ 40,621	$ -	$ -	$ 40,621
Unrealized exchange gain or loss	-	77	-	77
Share of profit or loss of subsidiaries accounted for using equity method	25,140	(21,326)	-	3,814
	$ 65,761	($ 21,249)	$ -	$ 44,512

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

（Continued on next page）

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
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

(5) Income tax examination

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

26. Earnings per share

The net income and weighted average number of ordinary shares outstanding used to calculate earnings per share are as below:

	2021	2020
Current year net income	$ 289,883	$ 457,514

Number of shares

Unit: Thousand shares

	2021	2020
Calculation of weighted average number of common stock shares	261,059	261,059
The effect of potentially dilutive ordinary shares:		
Employee compensation	626	692
The calculation of diluted EPS is based on the weighted average number of ordinary shares	261,685	261,751

When the Company chooses to pay employees in stock or cash, for the purpose of calculating diluted earnings per share, it is assumed that employee compensation will be paid in stock, and the weighted average number of shares outstanding will be included in the calculation of diluted earnings per share when the potential common stock has a dilutive effect. 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.

27. Partial Acquisition or disposal of subsidiary – no influence on control

On September 27, 2021, the Company failed to increase its shareholding in Fortune Electric Australia Pty. Ltd. through cash capital increment in proportion to its shareholding, resulting in a decrease in its shareholding from 100% to 80.18%.

Since the above transaction did not change the Company's control over Fortune Electric Australia, the Company treated it as equity transaction. Please refer to Note 29 of the Company's consolidated financial statements for the description of the partial acquisition of Fortune Electric Australia Pty. Ltd.

28. Division by Acquisition

The company split its electric vehicle charging operation business department to Fortune Electric Australia through division by acquisition, and exchanged for new shares of the Australian Company at NT$ 61,000 thousand. The Company took June 30, 2021 as the base date for the acquisition. The relevant information is as follows:

	June 30, 2021
Cash and cash equivalents	$ 10,272
Net accounts receivable	20,706
Inventory	10,335
Advance payments	1,824
Property, plant, equipment	18,756
Intangible asset	1,780
Prepayment for business facilities	4,110
Right-of-use asset	4,377
Refundable deposit	14
	$ 72,174
Lease liabilities	$ 4,383
Accounts payable	1,127
Other payables	2,114
Contract liabilities	3,367
Other current liabilities	183
	$ 11,174

29. Asset risk management

The formulation of the company's capital structure management strategy is based on the industry scale of the company's business, the future growth and development prospects of the industry, to determine the company's appropriate market share, and accordingly plan the required production capacity, plant equipment and corresponding capital expenditures required to achieve this production capacity. Then, based on the characteristics of the industry, the Company measures the required working capital and cash to make an overall plan for the scale of various assets required for the Company's long-term development.

The Company's management periodically examines the capital structure and weights the probable costs and risks associated with different capital structures. In general, the Company adopts a prudent risk management strategy.

30. Financial Instruments

(1) Fair value information: 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, 2021 and 2010.

(3) Fair value information: Financial instruments measured at fair value on a recurring basis

Fair-Value Hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Equity investment instrument				
－Domestic unlisted (OTC) stocks	$ -	$ 301,323	$ 14,710	$ 316,033

December 31, 2020

	Level 1	Level 2	Level 3	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)

There were no transfers between Level 1 and Level 2 fair value measurements in 2021 and 2020.

(3) Categories of financial instruments

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets measured at amortized cost（Note 1）	$ 3,156,947	$ 2,792,205
Financial assets measured at fair value through other comprehensive income		
Equity investment instrument	316,033	44,343
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	-	4
Amortized cost（Note 2）	4,009,658	3,206,732

Note 1: Including cash, financial assets measured at amortized cost, notes receivable, accounts receivable, accounts receivable - related parties and refundable deposits.

Note 2: Including financial liabilities measured at amortized cost, such as short-term borrowings, notes payable, accounts payable, accounts payable - related parties, other payables, long-term borrowings and guarantee deposits.

(4) Financial risk management objectives

The Company's major financial instruments include cash, equity instrument investment, account receivables, account 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 Company 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 Company'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 Company 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)) and in 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 Company 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 it 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 34.

<u>Sensitivity Analysis</u>

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. One percent (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, and adjusts the year-end translation by a 1% change in exchange rates. 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	
	2021	2020
Profit or Loss (i)	$ 4,495	$ 3,628

(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 loan 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, 2021	December 31, 2020
Fair value interest rate		
－Financial assets	$ 22,894	$ 32,066
－Financial liabilities	145,601	178,803
Cash flow interest rate risk		
－Financial assets	12,142	86,919
－Financial liabilities	1,518,800	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 outstanding at the balance sheet date are all circulating outside at the reporting period. The rate of change used in the internal reporting of interest rates to the executive 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 2021 and 2020 will decrease or increase by $15,067 thousand and $7,549 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.

Sensitivity analysis

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

If the equity price rises or falls by 1%, the other comprehensive income before tax in 2021 and 2020 will increase or decrease by 3,160 thousand and 443 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, 2021 and December 31, 2020, the unused bank loan and bill company financing lines were 5,666,013 thousand and 5,783,940 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 immediately enforcing the right. Other non-derivative financial liabilities maturity analysis is prepared according to the agreed repayment dates.

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, 2021

	Weighted Average Effective Interest Rate (%)	Payable on demand less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years
Non-derivatives financial liabilities					
Non-interest-bearing liabilities		$ 514,878	$ 1,719,437	$ 509,871	$ 46,603
Lease liabilities		433	866	3,639	5,904
Floating rate instrument	1.11	100,093	-	277,000	1,164,870
Fix interest rate instrument	0.75	2,055	41,150	92,408	-
		$ 617,459	$ 1,761,453	$ 882,918	$ 1,217,377

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	$ 4,938	$ 5,904	$ -	$ -

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	$ -	$ -

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, 2021 and 2020, the undiscounted principal balance of these bank loans are 102,054 thousand and 115,259 thousand, respectively.

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

The liquidity analysis of derivative financial instruments, in the case of derivatives wit net delivery, is prepared on the basis of undiscounted contractual net cash inflows and outflows.

December 31, 2020

	Payable on demand or	1 – 3 Months	3 Months – 1 Year	1 – 5 Years

	Less than 1 Month			
Net settlement				
Forward exchange contracts	$ -	($ 4)	$ -	$ -

31. 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.	
Wuhan Fortune Trade Co., Ltd.	Subsidiary
Fortune Electric Value Co., LTD. (Fortune Electric Value Company)	Subsidiary
Wuhan Fortune Electric Co., Ltd	Subsidiary
Fortune Electric America Inc.（North American Division）	Subsidiary
Fortune Electric Extra High Voltage Co., Ltd.（Fortune Electric Extra High Voltage Company）	Subsidiary（Note）
Fortune Electric Australia PTY LTD（Australian Company）	Subsidiary
E-Total Link	Associate
Hua Heng Investment Co., Ltd. (Hua Cheng Investment Company)	Other related parties

(2) Operating revenue

Item	Related Party Categories/Name	2021	2020
Revenue from sales of goods	Subsidiaries	$ 70,401	$ 6,664
	Associates	64	-
		$ 70,465	$ 6,664

For 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	2021	2020
Subsidiaries		
Fortune Electric Extra High Voltage	$ 496,174	$ 348,478
Other	48,916	54,127
Associates	2,565	2,874
	$ 547,655	$ 405,479

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

(4) Receivable from related parties (excluding loans to related parties and contract assets)

Items	Related Party Categories/Name	December 31, 2021	December 31, 2020
Receivables	Subsidiaries		
	Australian Company	$ -	$ 5,922
	North America Company	38,317	-
	Other	7,327	-
		$ 45,644	$ 5,922
Other receivables (Classified under other current assets)	Subsidiaries	$ 1,237	$ -

The outstanding receivables from related parties are not guaranteed, and no allowance for losses is provided for account receivables from related parties in 2021 and 2020.

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

Item	Related Party Categories/Name	December 31, 2021	December 31, 2020
Payable to related parties	Subsidiaries		
	North America Company	$ 2,772	$ 4,035
	Fortune Electric Value	20,991	-
	Fortune Electric Extra High Voltage	141,720	17,270
	Other	1,590	271
	Associates	86	99
		$ 167,159	$ 21,675

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

(6) Prepayment

Related Party Categories/Name	December 31, 2021	December 31, 2020
Subsidiaries		
Fortune Electric Extra High Voltage	$ 60,656	$ 65,728
Other	1,135	-
	$ 61,791	$ 65,728

(7) Lease Agreement

Acquisition of Right-of-use asset

Related Party Categories/Name	2021	2020
Other related parties	$ 168	$ -

	Related Party Categories/Name	December 31, 2021	December 31, 2020
Lease liabilities - Current	Other related parties	$ 170	$ 170

Related Party Categories/Name	2021	2020
Financial costs		
Other associates	$ 1	$ 3
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 for both contracts are for one year.

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

Related Party Categories/Name	December 31, 2021	December 31, 2020
Subsidiaries	$ 24	$ 52
Associates	-	57
	$ 24	$ 109

The lease income is summarized as follows:

Related Party Categories/Name	2021	2020
Subsidiaries	$ 95	$ 52
Other associates	57	-
Associates	-	57
	$ 152	$ 109

(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	December 31, 2021	December 31, 2020
Subsidiaries		
Fortune Electric (Wuhan)	$ 188,224	$ 370,240
Fortune Electric Extra High Voltage	1,100,000	750,000
	$1,288,224	$1,120,240

(10) Other related party transaction

Related Party Categories/Name	Operating Expense 2021	Operating Expense 2020
Subsidiaries		
North American Company	$ 50,057	$ 50,214
Fortune Electric (Wuhan)	244	1,363
	$ 50,301	$ 51,577

(11) Compensation of key management personnel

	2021	2020
Short-term employee benefits	$ 61,021	$ 67,344
Post-employment benefits	2,131	2,150
	$ 63,152	$ 69,494

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.

32. 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, 2021	December 31, 2020
Refundable deposits（Current portion is included in other current assets）	$ 22,469	$ 13,551
Pledge of certificate of deposit（Financial assets at amortized cost）	22,894	32,065
Property, plant and equipment, net	953,795	962,637
	$ 999,158	$ 1,008,253

33. 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, 2021, the balance of unused L/C amount total $4,798 thousand, ¥59,128 thousand, € 558,000, kr1,309 thousand and chf163 thousand.
(2) As of December 31, 2021, a total of 1,393,487 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 Meidensha Corporation, with effective term from July 2017 to July 2022. According to the contract, the Company will design, produce and sell goods in the Republic of China. However, prior written consent from Meidensha is required before the Company can sell its technically codeveloped products internationally. For product technical cooperation with Meidensha, the Company paid 2,000 thousand yen as well as 3% of the net sales of the products codeveloped. The remuneration paid were $1,553 thousand and $756 thousand for the years ended December 31, 2021 and 2020, respectively, included in operating expenses.

(4) 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.

(5) 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, 2021 and 2020 was $12,227 thousand and $12,309 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.

34. 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, 2021

	Foreign Currencies（In Thousands）	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 22,370	27.68 （USD : NT dollar）	$ 619,022
Non-Monetary items			
Investments accounted for using equity method			
USD	3,469	27.68 （USD : NT dollar）	$ 96,023

（Continued on next page）

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Foreign currency liabilities			
Monetary items			
USD	$ 6,123	27.68 (USD : NT dollar)	$ 169,485

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Foreign currency liabilities			
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

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

	2021		2020	
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)	$ 9,336	1(NT Dollar : NT Dollar)	$ 2,805

35. Additional disclosures

(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. Information on investee companies. (Note 5)

(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 6 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 1,5 and 6 attached and Note 31)
   (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 7 attached)

Fortune Electric Co., Ltd.
Providing endorsements or guarantees for others
For the year ended December 31, 2021

Table 1

Unit: Amount 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 (Note2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Ltd.	Sub-Subsidiary	$ 1,739,507	$ 370,955 (13,000 thousand USD)	$ 188,224 (6,800 thousand USD)	$ 169,616 (550 thousand USD and 400 thousand CNY)	$ -	5.41%	$ 2,087,409	Y	N	Y	
0	Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage	Subsidiary	1,739,507	1,150,000	1,100,000	941,836	-	31.64%	2,087,409	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., $3,479,015×50%＝$1,739,507.
Note 2: The total amount of endorsements or guarantees shall not exceed 60% of the Company’s net worth, i.e., $3,479,015×60%＝$2,087,409.

Fortune Electric Co., Ltd.
Marketable Securities Held
For the year ended December 31, 2021

Table 2

Unit: Amount 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	$ 25,556	8.05%	$ 25,556	
	ProMOS Technologies Inc.	—	Financial assets at fair value through other comprehensive income	26	-	0.06%	-	
	Hsin He Energy Co., Ltd.	—	Financial assets at fair value through other comprehensive income	25,275	245,515	15.00%	245,515	
	E-Formular Technologies. Inc	—	Financial assets at fair value through other comprehensive income	1,200	30,252	5.52%	30,252	
	Synergy Co., Ltd.	—	Financial assets at fair value through other comprehensive income	1,471	14,710	14.71%	14,710	

Note：Information on investment in subsidiaries and associates, please refer to Table 5 and Table 6.

Fortune Electric Co., Ltd.
Purchase or sales of goods from or to related parties reaching NT$100 million or more than 20 percent of paid-in capital or more
2021

Table 3

Unit: Amount 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
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Balance	% to Total	
Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	Purchases	$ 496,174	10.29%	90 Days	—	—	$ 141,720	6.91%	

Fortune Electric Co., Ltd.
Receivables from related parties reaching NT$100 million or more than 20% of the paid-in capital
For the year ended December 31, 2021

Table 4

Unit: Amount in Thousands of New Taiwan Dollars
Unless Specified Otherwise

Company with Accounts Receivables	Name of Counterparty	Relationship	Receivable from Related Parties Balance of Payment (Note 1)	Turnover Rate	Overdue amounts due from related parties		Accounts Overdue from Related Parties Accounts Received after overdue	Allowance for Loss
					Amount	Disposal		
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric Co., Ltd.	Parent-subsidiary	$ 141,720	-	$ -		$ 133,245	$ -

Note 1: Please enter the accounts receivable from related parties, notes and bills, and other receivables...etc. separately.
Note 2: Paid-in capital means the paid-in capital of the parent company. If the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital is determined based on 10% of the equity vested in the owners of the parent company on the balance sheet.

Fortune Electric Co., Ltd.
Names, Locations, and related Information of Investees...related information
January 1 to December 31, 2021

Table 5

Unit: Amount 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, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
				December 31, 2021	December 31, 2020	Number of 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	$ 140,475	$ 126,528	3,800 thousand shares	100.00	$ 77,604	($ 76,115)	($ 76,115)	Subsidiary (Note 2)
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Agent business	2,949	2,949	1 thousand shares	100.00	18,419	3,549	3,549	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	487,366	32,132	32,132	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	2,002	5,734	1,433	Associate
	Fortune Energy Co., Ltd.	No. 368, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City	Transformers, capacitors, power distribution equipment manufacturing	1,000	1,000	100 thousand shares	100.00	804	(57)	(57)	Subsidiary
	Fortune Electric Australia Pty Ltd.	Level 7, 60 York. Street, Sydney NSW 2000, Australia	Trade business	10,173	10,173	500 thousand shares	100.00	10,956	895	895	Subsidiary
	Fortune Electric Value Co., LTD.	14F, No. 191, Fuxing N. Rd., Da'an Dist., Taipei City	Electric vehicle charging and operation services, design and establishment of charging stations, R&D of equipment, systems and technologies, and sales.	182,000	-	18,200 thousand shares	80.18	164,700	(21,578)	(19,213)	Subsidiary (Note 3)
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	US$ 6,500 thousand	US$ 6,500 in thousands	-	100.00	US$ 5,239 thousand	(US$2,798 thousand)	(US$2,798 thousand)	Sub-subsidiary
	Wuhan Fortune Electric Co., Ltd	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	US$ 500 thousand	-	-	100.00	US$ 604 thousand	US$95 thousand	US$95 thousand	Sub-subsidiary (Note 4)
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Trade business	RMB500 thousand	RMB500 in thousands	-	100.00	RMB1,572 thousand	RMB 560 thousand	RMB 560 thousand	Sub sub-subsidiary

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: Power Energy International distributed $84,619 thousand from its earnings for the year of 2020.
Note 3: On June 31, 2021, the company split its electric vehicle charging operation business department through division by acquisition, which was incorporated into the consolidated entity.
Note 4: On October 26, 2021, Power Energy International established a 100% owned subsidiary, Wuhan Fortune Electric Co., Ltd. , which was incorporated into the consolidated entity.

Fortune Electric Co., Ltd.
Information on investments in the Mainland Area
January 1 to December 31, 2021

Table 6

Unit: Amount in Thousands of New Taiwan Dollars
Unless Specified Otherwise

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 3)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note 3)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflows	Inflows							
Fortune Electric (Wuhan) Ltd.	Transformer, capacitor, distribution board and distribution equipment manufacturing industry.	$ 179,920 (US$6,500 thousand)	Reinvestment in mainland companies through reinvestment in existing companies in the third area	$ 166,080 (US$6,000 thousand)	$ -	$ -	$ 166,080 (US$6,000 thousand)	($ 78,643) (US$ 2,799 thousand)	100.00%	($ 78,643) (US$ 2,799 thousand)	$ 145,012 (US$ 5,239 thousand)	$ -	
Wuhan Fortune Electric Co., Ltd.	Transformer, capacitor, distribution board and distribution equipment manufacturing industry.	13,840 (US$ 500 thousand)	Reinvestment in mainland companies through reinvestment in existing companies in the third area	-	13,840 (US$500 thousand)	-	13,840 (US$ 500 thousand)	2,630 US$ 95 thousand	100.00%	2,640 US$ 95 thousand	16,721 US$ 604 thousand	-	

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Investment Limit for Mainland Area as Regulated by MOEAIC
$179,920 (US$ 6,500 thousand)	$166,080 (US$ 6,000 thousand)	$2,087,409

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, 2021, the rest are calculated at the spot exchange rate at the end of December, 2021.

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.

Fortune Electric Co., Ltd.
Information on major shareholders
December 31, 2021

Table 7

Major Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Hua Cheng Investment Co., Ltd.	23,898,936	9.15%
Hsu Shou Hsiung	22,903,419	8.77%
Hsu Bang Fu	18,600,366	7.12%
Chen Yen Fen	13,080,805	5.01%

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 §

ITEM	NUMBER／INDEX
Major accounting items in assets, liabilities, and equity	
Statement of cash and cash equivalents	Table 1
Statement of contract assets	Table 5
Statement of receivables	Table 3
Statement of Inventories	Table 4
Statement of prepayment	Table 2
Statement of changes in investments accounted for using equity method	Table 6
Statement of changes in property, plant and equipment	Note 13
Statement of changes in intangible assets	Note 15
Statement of deferred income tax assets	Note 25
Statement of bank loans	Table7
Statement of contract liabilities	Table 5
Statement of accounts payables	Table 8
Statement of other payables	Note 18
Major accounting items in profit or loss	
Statement of operating net revenue	Note 23
Statement of operating cost	Table 9
Statement of operating expenses	Table 10
Statement of the net amount of other revenues and gains and expenses and losses	Note 24
Summary statement of current period employee benefits, depreciation, depletion and amortization expenses by function	Note 11

Fortune Electric Co., Ltd.
Statement of cash and cash equivalents
December 31, 2021

Table 1

Unit: Amount in Thousands of New Taiwan Dollars
Unless Specified Otherwise

Item	Amount
Petty cash	$ 700
Check deposit	3,275
Demand deposit (Note)	12,142
Total	$ 16,117

Note: Statement of foreign currency as follows:

Currency Name	Foreign currency amount (NT$)	Exchange rate for NT dollars
AUD	$ 463,998.83	20.0800
USD	22,389.04	27.6800
CNY	2,371.45	4.3440
CAD	55.70	21.6200
EUR	291.56	31.3200
JPY	0.32	0.2405
CHF	176.83	30.1750
HKD	287.84	3.5490
SEK	0.01	3.0700

Fortune Electric Co., Ltd.
Statement of prepayments
December 31, 2021

Table 2 Unit: Amounts in Thousands of New Taiwan Dollar

Client Name	Amount
Related party －Fortune Electric Extra High Voltage Co., Ltd.	$ 60,656
Client A	15,210
Client B	14,023
Client C	12,926
Others（Note）	57,895
	$ 160,710

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, 2021

Table 3

Unit: Amounts in Thousands of New Taiwan Dollar

Client Name	Amount
Client A	$ 443,576
Client B	290,497
Client C	241,084
Client D	160,547
Others（Note）	1,898,570
	3,034,274
Minus: Allowance for loss	40,491
	$ 2,993,783

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

Fortune Electric Co., Ltd.
Statement of Inventories
December 31, 2021

Table 4

Unit: Amounts in Thousands of New Taiwan Dollar

Item	Amount	
	Cost	Net Realizable Value
Finished goods	$ 348,979	$ 566,812
Work in process	1,391,131	2,195,444
Raw materials	327,424	329,429
Minus：Allowance for inventory valuation and obsolescence losses	(2,208)	-
	$ 2,065,326	$ 3,091,685

Table 5

Unit: Amounts in Thousands of New Taiwan Dollar

	Estimate		Estimate	Completion ratio	Construction contract receivables					Construction contract payables				Contract assets
	Year of completion	Total construction price	Construction total cost	(%)	Balance, beginning of year	Construction cost	Construction profit (loss)	Completion carry forward	Balance, end of year	Balance, beginning of year	Increase this year	Completion carry forward	Balance, end of year	(Contract liabilities)
Contract assets														
Construction contract receivables														
TK20120	2022	$ 166,994	$ 134,219	70.00	$ -	$ 93,953	$ 22,944	$ -	$ 116,897	$ 42,774	$ 42,774	$ -	$ 85,548	$ 31,349
TK13006	2021	214,077	219,698	99.86	213,778	3,766	(3,766)	-	213,778	192,883	-	-	192,883	20,895
TK17001	2021	249,743	306,108	99.99	222,022	68,647	(40,951)	-	249,718	62,516	134,459	-	196,975	52,743
TK16001	2021	384,310	483,631	100.00	384,272	(31,199)	31,237	-	384,310	352,029	32,281	-	384,310	-
TK19001	2021	173,371	159,388	97.96	49,844	110,346	9,644	-	169,834	39,883	38,277	-	78,160	91,674
TK1980A	2021	2,539,404	2,230,578	99.99	1,279,660	1,140,085	119,405	-	2,539,150	1,248,035	891,142	-	2,139,177	399,973
TK13004	2021	200,245	289,620	100.00	200,225	(7,196)	3,135	196,164	-	196,820	-	196,820	-	-
TK148V7	2021	95,238	85,392	100.00	23,810	-	-	23,810	-	23,810	-	23,810	-	-
TK208S3	2021	194,966	179,368	100.00	194,946	(7,009)	3,195	191,132	-	171,570	-	171,570	-	-
AS18840	2021	68,032	58,473	100.00	-	(28)	28	-	-	-	-	-	-	-
TA16003	2021	-	-	100.00	-	-	537	537	-	-	-	-	-	-
TA17001	2021	-	-	100.00	-	-	(378)	(378)	-	-	-	-	-	-
Total		$ 4,286,380	$ 4,146,475		$ 2,568,557	$ 1,371,365	$ 145,030	$ 411,265	$ 3,673,687	$ 2,330,320	$ 1,138,933	$ 392,200	$ 3,077,053	596,634
Construction retention receivable														74,817
Total														$ 671,451
Contract liabilities														
Construction contract payables														
TK2280A	2026	$ 371,014	$ 341,333	0.00	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,000	$ -	$ 12,000	$ 12,000
TK12002	2021	299,941	680,674	99.33	290,537	17,577	(10,183)	-	297,931	268,984	30,367	-	299,351	1,420
TK13003	2021	360,769	647,955	99.00	340,974	15,371	816	-	357,161	291,852	68,917	-	360,769	3,608
Total		$ 1,031,724	$ 1,669,962		$ 631,511	$ 32,948	($ 9,367)	$ -	$ 655,092	$ 560,836	$ 111,284	$ -	$ 672,120	17,028
Construction retention payables														276,658
Advance receipts														456,524
Total														$ 750,210

Fortune Electric Co., Ltd.
Statement of changes in investments accounted for using equity method
2021

Table 6

Unit: Amount in Thousands of New Taiwan Dollars
Unless Specified Otherwise

Investees	Balance, January 1, 2021			Changes						Balance, December 31, 2021			Note
	No. of Shares (in Thousand)	%	Amount	No. of Shares (in Thousand)	Increase	Earning Distribution	Share of Profit or Loss of Subsidiaries and Associates Accounted for Using Equity Method	Exchange Differences on Translation of Foreign Financial Statements	Capital surplus －Changes In Ownership Interests	No. of Shares (in Thousand)	%	Amount	
Investments accounted for using equity method													
Unlisted companies													
Power Energy International Ltd.	3,800 thousand shares	100.00	$ 225,366	-	$ 13,947	($ 84,619)	($ 76,115)	($ 975)	$ -	3,800 thousand shares	100.00	$ 77,604	-
North American Division	1 thousand shares	100.00	15,345	-	-	-	3,549	(475)	-	1 thousand shares	100.00	18,419	-
Fortune Electric Extra High Voltage Co., Ltd	141,200 thousand shares	100.00	455,234	-	-	-	32,132	-	-	141,200 thousand shares	100.00	487,366	-
E-Total Link	100 shares	25.00	750	-	-	-	1,433	(181)	-	100 shares	25.00	2,002	-
Fortune Energy CO., LTD.	100 thousand shares	100.00	861	-	-	-	(57)	-	-	100 thousand shares	100.00	804	-
Australian company	500 thousand shares	100.00	10,891	-	-	-	895	(830)	-	500 thousand shares	100.00	10,956	-
Fortune Electric Value Co., LTD.			-	18,200 thousand shares	182,000	-	(19,213)	-	1,913	18,200 thousand shares	80.18	164,700	-
Total			$ 708,447		$ 195,947	($ 84,619)	($ 57,376)	($ 2,461)	$ 1,913			$ 761,851	

Note 1：As of the end of 2021, the company's investment under the equity method had no pledge or guarantee.

Fortune Electric Co., Ltd.
Statement of bank loans
December 31, 2021

Table 7

Unit：Amounts in Thousands of New Taiwan Dollars

Type of Creditor	Contract Period	Annual Interest Rate (%)	Balance	Loan Commitments
Short-term loans				
Taipei Fubon Commercial Bank	Jul 19, 2021- Apr 15, 2022	0.80-0.87	$ 178,511	$ 350,000
Bank of Taiwan	Aug 9, 2021- Apr 29, 2022	0.69-0.79	17,793	400,000
Hua Nan Commercial Bank	Aug 2, 2021- Jun 17, 2022	0.53-0.80	41,719	650,000
Chang Hwa Commercial Bank	Jul 19, 2021- Jun 18, 2022	0.80-1.00	40,800	500,000
First Commercial Bank	Sep 15, 2021- Jun 22, 2022	0.80-0.86	129,583	600,000
Land Bank of Taiwan	Oct 1, 2021- Apr 26, 2022	0.82-0.96	3,641	300,000
En Tie Bank	Dec 27, 2021- Jan 19, 2022	0.86	100,000	200,000
			512,047	3,000,000
Long-term loans				
Bank of Taiwan	May 25, 2021- May 25, 2024	1.20	500,000	500,000
Mega International Commercial Bank	Dec 31, 2020- Oct 23, 2021	1.25	241,800	241,800
Bank SinoPac	Dec 20, 2021- Sep 30, 2023	1.10	100,000	100,000
Yuanta Bank	Dec 22, 2021- May 20, 2024	1.15	300,000	300,000
			1,141,800	1,141,800
			$ 1,653,847	$ 4,141,800

Note：At the end of the year 2021, the amount financed by banks and Bills Finance Companies with no loan balance was about NT$5,408,200 thousand; so, the total amount financed of the Company was about NT$9,550,000 thousand. As of December 31, 2021, after deducting NT$1,653,847 thousand of long-term and short-term bank loans and NT$2,230,140 thousand of used amount financed of fulfillment guarantee, the unused amount financed is about NT$5,666,013 thousand.

Fortune Electric Co., Ltd.
Statement of accounts payables
December 31, 2021

Table 8

Unit：Amounts in Thousands of New Taiwan Dollars

Vendor Name	Amount
Accounts payables	
Others（Note）	$ 1,883,697

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

Fortune Electric Co., Ltd.
Statement of operating cost
For 2021

Table 9

Unit：Amounts in Thousands of New Taiwan Dollars

Item	Amount
Direct raw materials	
Raw material, beginning of year	$ 302,994
Add (less) : material purchased	5,362,936
Raw materials, end of year	(327,424)
	5,338,506
Direct labor	124,196
Manufacturing expenses	605,845
Manufacturing cost	6,068,547
Add(less)：Work in process, beginning of year	1,422,331
Transferred to R&D cost	(27,697)
Work in process, end of year	(1,391,131)
Cost of finished goods	6,072,050
Add(less)：Finished goods, beginning of year	246,820
Finished goods, end of year	(348,979)
Transferred to equipment	(2,659)
Transferred to construction cost	28
Transferred to R&D cost	(4,963)
Split and transferred	(9,100)
Gains on inventory value recoveries	(202)
Income from Sale of Scrap	(1,354)
Other	(1,020)
Subtotal	5,950,621
Electric sales cost	10,801
Charging station cost	2,593
Cost of goods sold subtotal	5,964,015
Construction cost	1,404,313
Total operating cost	$ 7,368,328

Fortune Electric Co., Ltd.
Statement of operating expenses
2021

Table 10

Unit：Amounts in Thousands of New Taiwan Dollars

Item	Marketing Expenses	Administrative Expenses	R&D Expense	Total
Export expense	$ 105,533	$ -	$ -	$ 105,533
Payroll and allowance（including pension）	213,755	110,035	56,838	380,628
Marketing expenses	50,057	-	-	50,057
Insurance	32,124	6,004	5,303	43,431
Research expense	-	-	33,355	33,355
Service expense	7,294	15,676	2,708	25,678
Others（Note）	139,397	25,795	19,945	185,137
	$ 548,160	$ 157,510	$ 118,149	823,819
Account Receivable-Expected Credit Loss and Gain				3,737
Total				$ 827,556

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 2021 and 2020

Table 11

Unit：Amounts in Thousands of New Taiwan Dollars

	2021			2020		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Employee Benefit Expense						
Salary	$ 421,801	$ 237,094	$ 658,895	$ 437,965	$ 237,165	$ 675,130
Labor and health insurance	41,220	18,278	59,498	36,464	17,325	53,789
Pension						
Defined contribution plan	15,207	8,112	23,319	14,709	7,868	22,577
Defined benefit plan	3,718	1,508	5,226	4,715	2,061	6,776
Board compensation	-	17,732	17,732	-	21,299	21,299
Other employee benefit	22,475	7,960	30,435	19,320	7,071	26,391
	$ 504,421	$ 290,684	$ 795,105	$ 513,173	$ 292,789	$ 805,962
Depreciation	$ 62,546	$ 13,439	$ 75,985	$ 59,532	$ 13,753	$ 73,285
Amortization	$ 6,403	$ 10,511	$ 16,914	$ 3,128	$ 8,294	$ 11,422

Note:

1. As of December 31, 2021 and 2020, the Company had 772 and 769employees respectively. The numbers in both years of 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 NT$1,060 thousand (total employee benefit expense of this year - total directors' remuneration) / number of employees of this year - number of non-employee’s directors).
The average employee benefit expense of the previous year was NT$1,030 thousand (total employee benefit expense of the previous year - total directors' remuneration) / number of employees of the previous year - number of non-employee’s directors).

(2) The average salary cost of this year is 861 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 886 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 (2.82%) (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. The total amount of appropriation shall be resolved by the Board of Directors.

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 that 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. Employees

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 .