

# **Fortune Electric Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies that are required to be included in the consolidated financial statements of affiliates as of and for the year ended December 31, 2022, under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard No.10 “Consolidated Financial Statements”. In addition, relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

FORTUNE ELECTRIC CO., LTD.

By

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March 8, 2023

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Fortune Electric Co., Ltd.

#### Opinion

We have audited the accompanying consolidated financial statements of Fortune Electric Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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 consolidated financial statements of Fortune Electric Co., Ltd. and its subsidiaries for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2022 is stated as follows:

Occurrence of Revenue Recognition from New Customers among Top Ten Customers

The Group's operating revenues include the sales of transformers, distribution panels and other related products and the revenues are mainly from several major customers. The Group's revenue from new customers among the top ten customers accounted for the 21% of the revenue in the year ended December 31. Due to the significance of the revenues and the major changes of customer portfolio, we identified the occurrence of revenue from new customers among the top ten customers to be a key audit matter. Refer to Note 4 of the consolidated financial statements of the accounting policies and details of revenue recognition.

In respect of this key audit matter, the following procedures were performed:

1. We obtained understanding of the design and implementation of related internal controls and tested the operating effectiveness of the key controls over the occurrence of revenue recognition.
2. We selected sample from some sales transactions of the new customers among top ten customers, and we traced to the original documents such as customer orders, delivery orders, documents signed by customers and payment documents to confirm the occurrence without exception.
3. We evaluated the reasonableness of the contract terms of the new customers among the top ten customers by reviewing their relevant background information.

**Other Matter**

We have also audited the parent company only financial statements of Fortune Electric Co., Ltd., as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion with other matter paragraph.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC Interpretations and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 financial reporting process of the Group.



## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Standards on Auditing of the Republic of China will always detect 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 consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated 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 error, 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 the internal control of the Group.
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 exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Group. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements 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 entities or business activities within the Group to express an opinion on the consolidated 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021, 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.

The engagement partners on the audits resulting in this independent auditors' report are Tza-Li Gung and Suei-Chin Lee.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 8, 2023

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of NT\$ and US\$)

	2022		2021
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
<b>ASSETS</b>			
CURRENT ASSETS (Note 4)			
Cash (Note 6)	\$ 595,630	\$ 19,395	\$ 168,981
Financial assets at amortized cost - current (Notes 9 and 33)	241,607	7,867	114,777
Contract assets (Notes 22 and 24)	1,457,760	47,469	1,418,142
Notes receivable (Note 24)	95,625	3,114	77,443
Trade receivables from unrelated parties (Notes 10 and 24)	2,046,524	66,640	2,584,062
Current tax assets (Note 26)	21,513	701	2,070
Inventories, net (Note 11)	4,204,838	136,921	2,731,230
Prepayments	303,601	9,886	177,878
Other current assets (Notes 23 and 33)	<u>150,627</u>	<u>4,905</u>	<u>68,487</u>
Total current assets	<u>9,117,725</u>	<u>296,898</u>	<u>7,343,070</u>
NON-CURRENT ASSETS (Note 4)			
Financial assets at fair value through other comprehensive income - non-current (Note 8)	312,386	10,172	316,033
Financial assets at amortized cost - non-current (Notes 9 and 33)	8,129	265	3,759
Investments accounted for using the equity method (Note 13)	2,405	78	2,002
Property, plant and equipment (Notes 14 and 33)	1,976,677	64,366	1,993,355
Right-of-use assets (Notes 15, 32 and 33)	129,011	4,201	142,079
Intangible assets (Note 16)	56,528	1,841	41,266
Deferred tax assets (Notes 4 and 26)	38,150	1,242	35,610
Prepayments for equipment	40,501	1,319	38,446
Refundable deposits (Note 33)	<u>18,926</u>	<u>616</u>	<u>6,770</u>
Total non-current assets	<u>2,582,713</u>	<u>84,100</u>	<u>2,579,320</u>
TOTAL	<u>\$ 11,700,438</u>	<u>\$ 380,998</u>	<u>\$ 9,922,390</u>
<b>LIABILITIES AND EQUITY</b>			
CURRENT LIABILITIES (Note 4)			
Short-term borrowings (Notes 17 and 33)	\$ 896,751	\$ 29,201	\$ 888,088
Short-term bills payable (Note 17)	349,564	11,383	549,679
Financial liabilities at fair value through profit or loss - current (Note 7)	279	9	-
Contract liabilities (Notes 22 and 24)	1,572,104	51,192	495,444
Notes payable	-	-	1
Trade payables to unrelated parties (Note 18)	2,149,731	70,001	2,351,132
Trade payables to related parties (Note 32)	53	2	86
Other payables (Note 19)	531,883	17,320	405,991
Current tax liabilities (Notes 4 and 26)	19	1	39,847
Provisions (Note 20)	11,496	374	11,220
Lease liabilities - current (Notes 15 and 32)	15,537	506	11,312
Long-term loans due within one year (Notes 17 and 33)	791,800	25,783	-
Other current liabilities	<u>91,354</u>	<u>2,975</u>	<u>143,832</u>
Total current liabilities	<u>6,410,571</u>	<u>208,747</u>	<u>4,896,632</u>
NON-CURRENT LIABILITIES (Note 4)			
Long-term borrowings (Notes 17 and 33)	720,000	23,445	1,201,800
Deferred tax liabilities (Note 26)	120,378	3,920	45,520
Lease liabilities - non-current (Notes 15 and 32)	115,867	3,773	111,973
Net defined benefit liabilities (Notes 4 and 21)	42,612	1,388	129,401
Guarantee deposit received	<u>25,737</u>	<u>838</u>	<u>17,327</u>
Total non-current liabilities	<u>1,024,594</u>	<u>33,364</u>	<u>1,506,021</u>
Total liabilities	<u>7,435,165</u>	<u>242,111</u>	<u>6,402,653</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 4)			
Share capital	<u>2,610,585</u>	<u>85,008</u>	<u>2,610,585</u>
Capital surplus	<u>86,685</u>	<u>2,822</u>	<u>3,484</u>
Retained earnings			
Legal reserve	473,469	15,417	444,315
Special reserve	37,578	1,223	15,347
Unappropriated earnings	<u>994,867</u>	<u>32,395</u>	<u>442,862</u>
Total retained earnings	<u>1,505,914</u>	<u>49,035</u>	<u>902,524</u>
Other equity			
Exchange differences on translation of the financial statements of foreign operations	(44,877)	(1,461)	(26,619)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	<u>(14,606)</u>	<u>(475)</u>	<u>(10,959)</u>
Total other equity	<u>(59,483)</u>	<u>(1,936)</u>	<u>(37,578)</u>
Total equity attributable to owners of the Company	<u>4,143,701</u>	<u>134,929</u>	<u>3,479,015</u>
NON-CONTROLLING INTERESTS	<u>121,572</u>	<u>3,958</u>	<u>40,722</u>
Total equity	<u>4,265,273</u>	<u>138,887</u>	<u>3,519,737</u>
TOTAL	<u>\$ 11,700,438</u>	<u>\$ 380,998</u>	<u>\$ 9,922,390</u>

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

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of NT\$ and US\$, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
OPERATING REVENUES (Notes 4, 24, 32 and 38)			
Sales	\$ 7,241,725	\$ 235,810	\$ 7,480,118
Construction revenue	<u>509,002</u>	<u>16,574</u>	<u>1,539,976</u>
Total operating revenues	<u>7,750,727</u>	<u>252,384</u>	<u>9,020,094</u>
OPERATING COSTS (Notes 4, 11, 21, 25 and 32)			
Cost of goods sold	5,580,833	181,727	6,221,075
Construction costs	<u>582,286</u>	<u>18,961</u>	<u>1,392,113</u>
Total operating costs	<u>6,163,119</u>	<u>200,688</u>	<u>7,613,188</u>
GROSS PROFIT	<u>1,587,608</u>	<u>51,696</u>	<u>1,406,906</u>
OPERATING EXPENSES (Notes 4, 21, 25, 32 and 34)			
Selling and marketing expenses	766,511	24,960	655,262
General and administrative expenses	267,379	8,707	223,058
Research and development expenses	148,317	4,830	127,873
Expected credit loss	<u>(23,826)</u>	<u>(776)</u>	<u>8,747</u>
Total operating expenses	<u>1,158,381</u>	<u>37,721</u>	<u>1,014,940</u>
PROFIT FROM OPERATIONS	<u>429,227</u>	<u>13,975</u>	<u>391,966</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)			
Other income (Notes 25 and 32)	39,664	1,292	37,737
Government grants	1,296	42	6,667
Other gains and losses (Notes 4, 25 and 28)	517,537	16,852	(42,651)
Interest income (Note 25)	8,219	268	1,347
Finance costs (Notes 25 and 32)	(46,911)	(1,528)	(30,586)
Share of gain (loss) of associates and joint ventures (Note 13)	<u>748</u>	<u>24</u>	<u>1,433</u>
Total non-operating income and expenses	<u>520,553</u>	<u>16,950</u>	<u>(26,053)</u>
PROFIT BEFORE INCOME TAX	949,780	30,925	365,913
INCOME TAX EXPENSE (Notes 4 and 26)	<u>127,476</u>	<u>4,151</u>	<u>78,395</u>
NET PROFIT FOR THE YEAR	<u>822,304</u>	<u>26,774</u>	<u>287,518</u>

(Continued)



# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of NT\$ and US\$, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
OTHER COMPREHENSIVE INCOME AND LOSS (Note 4)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans (Note 21)	\$ 32,750	\$ 1,066	\$ 2,066
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(3,647)	(119)	(19,770)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 26)	<u>(6,550)</u>	<u>(213)</u>	<u>(413)</u>
	<u>22,553</u>	<u>734</u>	<u>(18,117)</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of the financial statements of foreign operations	<u>(18,258)</u>	<u>(595)</u>	<u>(2,461)</u>
	<u>(18,258)</u>	<u>(595)</u>	<u>(2,461)</u>
Total other comprehensive loss	<u>4,295</u>	<u>139</u>	<u>(20,578)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 826,599</u>	<u>\$ 26,913</u>	<u>\$ 266,940</u>
NET PROFIT ATTRIBUTABLE TO:			
Owners of the Company	\$ 838,249	\$ 27,296	\$ 289,883
Non-controlling interests	<u>(15,945)</u>	<u>(519)</u>	<u>(2,365)</u>
	<u>\$ 822,304</u>	<u>\$ 26,777</u>	<u>\$ 287,518</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company	\$ 842,544	\$ 27,435	\$ 269,305
Non-controlling interests	<u>(15,945)</u>	<u>(519)</u>	<u>(2,365)</u>
	<u>\$ 826,599</u>	<u>\$ 26,916</u>	<u>\$ 266,940</u>
EARNINGS PER SHARE (Note 28)			
From continuing operations			
Basic	<u>\$3.21</u>	<u>\$0.10</u>	<u>\$1.11</u>
Diluted	<u>\$3.20</u>	<u>\$0.10</u>	<u>\$1.11</u>

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

(Concluded)

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of NT\$ and US\$)

	Equity Attributable to Owners of the Company											
	Share Capital (Note 24)	Capital Surplus (Note 24)	Retained Earnings (Note 24)				Other Equity (Notes 8 and 24)			Controlling Interests	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Total			
BALANCE AT JANUARY 1, 2021	\$ 2,610,585	\$ 1,414	\$ 400,777	\$ 8,975	\$ 540,612	\$ 950,364	\$ (24,158)	\$ 8,811	\$ (15,347)	\$ 3,547,016	\$ -	\$ 3,547,016
Appropriation of 2020 earnings												
Legal reserve	-	-	43,538	-	(43,538)	-	-	-	-	-	-	-
Special reserve	-	-	-	6,372	(6,372)	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$1.3 per share	-	-	-	-	(339,376)	(339,376)	-	-	-	(339,376)	-	(339,376)
	-	-	43,538	6,372	(389,286)	(339,376)	-	-	-	(339,376)	-	(339,376)
Unclaimed cash dividends from shareholders	-	157	-	-	-	-	-	-	-	157	-	157
Changes in percentage of ownership interests in subsidiaries	-	1,913	-	-	-	-	-	-	-	1,913	43,087	45,000
Net profit for the year ended December 31, 2021	-	-	-	-	289,883	289,883	-	-	-	289,883	(2,365)	287,518
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	1,653	1,653	(2,461)	(19,770)	(22,231)	(20,578)	-	(20,578)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	291,536	291,536	(2,461)	(19,770)	(22,231)	269,305	(2,365)	266,940
BALANCE AT 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	40,722	3,519,737
Appropriation of 2021 earnings												
Legal reserve	-	-	29,154	-	(29,154)	-	-	-	-	-	-	-
Special reserve	-	-	-	22,231	(22,231)	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$1 per share	-	-	-	-	(261,059)	(261,059)	-	-	-	(261,059)	-	(261,059)
	-	-	29,154	22,231	(312,444)	(261,059)	-	-	-	(261,059)	-	(261,059)
Unclaimed cash dividends from shareholders	-	(6)	-	-	-	-	-	-	-	(6)	-	(6)
Changes in percentage of ownership interests in subsidiaries	-	83,207	-	-	-	-	-	-	-	83,207	96,795	180,002
Net profit for the year ended December 31, 2022	-	-	-	-	838,249	838,249	-	-	-	838,249	(15,945)	822,304
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	26,200	26,200	(18,258)	(3,647)	(21,905)	4,295	-	4,295
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	864,449	864,449	(18,258)	(3,647)	(21,905)	842,544	(15,945)	826,599
BALANCE AT DECEMBER 31, 2022	\$ 2,610,585	\$ 86,685	\$ 473,469	\$ 37,578	\$ 994,867	\$ 1,505,914	\$ (44,877)	\$ (14,606)	\$ (59,483)	\$ 4,143,701	\$ 121,572	\$ 4,265,273
BALANCE AT DECEMBER 31, 2022 (IN U.S. DOLLARS)	\$ 85,008	\$ 2,822	\$ 15,417	\$ 1,223	\$ 32,395	\$ 49,035	\$ (1,461)	\$ (475)	\$ (1,936)	\$ 134,929	\$ 3,958	\$ 138,887

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

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of NT\$ and US\$)

	2022		2021
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax	\$ 949,780	\$ 30,927	\$ 365,913
Adjustments for:			
Depreciation expense	127,296	4,145	122,609
Amortization expense	22,701	739	17,310
Expected credit loss recognized on trade receivables	(23,826)	(776)	8,747
Finance costs	46,911	1,528	30,586
Interest income	(8,219)	(268)	(1,347)
Share of loss of associate	(748)	(24)	(1,433)
Loss on disposal of property, plant and equipment	3,550	116	1,022
Dealing with subsidiaries' interests	(468,312)	(15,249)	-
(Reversal) write-down of inventories	43,844	1,428	(203)
Unrealized net gain on foreign currency exchange	6,694	218	(3,065)
Provisions	276	9	1,481
Gain on remeasurement of lease arrangements	-	-	(517)
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	279	9	(4)
Contract assets	(39,618)	(1,290)	(422)
Notes receivable	(18,082)	(589)	40,179
Trade receivables	372,938	12,144	(592,648)
Inventories	(1,509,054)	(49,139)	(342,534)
Prepayments	(110,889)	(3,611)	(52,879)
Other current assets	136,555	4,447	(23,127)
Contract liabilities	1,076,248	35,046	125,630
Notes payable	(1)	-	1
Trade payables	(130,258)	(4,242)	(105,846)
Trade payables to related parties	(33)	(1)	(13)
Other payables	142,479	4,639	64,116
Other current liabilities	434,466	14,147	51,810
Net defined benefit liabilities	(54,039)	(1,760)	(47,392)
Cash generated from operations	1,000,938	32,593	(342,026)
Interest received	8,278	270	1,342
Interest paid	(45,791)	(1,491)	(29,418)
Income tax paid	(125,609)	(4,090)	(67,852)
Net cash (used in) generated from operating activities	837,816	27,282	(437,954)

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# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of NT\$ and US\$)

	<u>2022</u>		<u>2021</u>
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of financial assets as fair value through other comprehensive income	\$ -	\$ -	\$ (291,460)
Purchase of financial assets at amortized cost	(144,446)	(4,704)	(41,149)
Disposal Subsidiaries (Note 28)	(72,136)	(2,349)	-
Payments for property, plant and equipment	(110,575)	(3,601)	(67,228)
Proceeds from disposal of property, plant and equipment	2,194	71	3,832
Increase in refundable deposits	(12,133)	(395)	(5,412)
Payments for intangible assets	(35,723)	(1,163)	(26,253)
Increase in prepayments for equipment	<u>(28,475)</u>	<u>(927)</u>	<u>(49,797)</u>
Net cash used in investing activities	<u>(401,294)</u>	<u>(13,068)</u>	<u>(477,467)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings	4,755	155	508,855
Proceeds from short-term bills payable	-	-	309,889
Repayment of short-term bills payable	(200,115)	(6,516)	-
Proceeds from long-term borrowings	310,000	10,094	360,000
Proceeds from guarantee deposits received	8,410	274	4,947
Repayment of the principal portion of lease liabilities	(13,748)	(448)	(12,352)
Issue of cash dividends	(261,059)	(8,501)	(339,376)
Change in non-controlling interests	180,000	5,861	45,000
Unclaimed share	<u>(6)</u>	<u>-</u>	<u>157</u>
Net cash generated from financing activities	<u>28,237</u>	<u>919</u>	<u>877,120</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>(38,110)</u>	<u>(1,240)</u>	<u>(7,227)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	426,649	13,893	(45,528)
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>168,981</u>	<u>5,502</u>	<u>214,509</u>
<b>CASH AT THE END OF THE YEAR</b>	<u>\$ 595,630</u>	<u>\$ 19,395</u>	<u>\$ 168,981</u>

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

(Concluded)

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of U.S. Dollars)

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### 1. GENERAL INFORMATION

Fortune Electric Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) in August 1969. The Company mainly manufactures, processes and trades transformers, distribution panels, low voltage switches and substation equipment.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since April 1997.

For greater comparability and consistency of financial reporting, the Chinese edition of the consolidated financial statements are presented in the New Taiwan dollars since the Company’s shares are listed on the TWSE.

The translation of New Taiwan dollar into U.S. dollar was included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT\$30.71 and NT\$27.68 to US\$1.00 as of December 31, 2022 and 2021, respectively. The base rates were announced by Bank of Taiwan. Such translation should not be construed as representation that the New Taiwan dollar amounts could be converted at that rate or any other rate.

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) were approved by the Company’s board of directors on March 8, 2023.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB</b>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)



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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

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

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

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

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

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

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

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

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

<b><u>New, Amended and Revised Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB (Note 1)</u></b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 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 unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 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 reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as non-current.

The Group is engaged in the business of electrical equipment works contracting services, which has an operating cycle of over one year. Thus, the normal operating cycle is applied when considering the classification of the Group's engineering contracts - related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 12 Tables 5 and 6 for the detailed information of subsidiaries including the percentage of ownership and main business.

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., 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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period 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 period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars 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. The resulting currency translation differences are recognized in other comprehensive income and attributed to the owners of the Company and non-controlling interests as appropriate.

f. Inventories

Inventories consist of raw materials, work in process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Investments in associates

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

The Group uses the equity method to account for its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

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

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset, and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group 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, with the resulting impairment loss recognized in profit or loss.

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

k. Financial instruments

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



Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

## 1) Financial assets

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

### a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

#### i. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, Pledged deposit receipt trade receivables at amortized cost and trade receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

#### ii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

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

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

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

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

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

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

## 3) Financial liabilities

### a) Subsequent measurement

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

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

### b) Derecognition of financial liabilities

The difference between the carrying amount of 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 Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

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

#### l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

##### 1) Onerous contracts

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

##### 2) Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

#### m. Revenue recognition

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

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

##### 1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of transformers, distribution panels, low voltage switches and substation equipment. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location, FOB and on shipping because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

## 2) Construction contract revenue

Customers control properties while they are construction in progress, and thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

## n. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

### 1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

### 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated 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.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.



Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

p. 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 the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit 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 liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

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

q. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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 to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except when the Group 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. 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 asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow 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 period in which the liability is settled or the asset 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 Group 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

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.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination

r. U.S. dollar amounts (unaudited)

A translation of the New Taiwan dollar (NT\$) amounts into U.S. dollars in the consolidated financial statements for December 31, 2022 is included solely for the convenience of the readers and is unaudited, and has been made at the exchange rate set forth in the statistical release of the U.S. Federal Reserve Board of the United States, which was NT\$30.71 to US\$1.00 as of December 31, 2022. The translation should not be construed as a representation that the NT\$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 22	\$ 23
Checking accounts and demand deposits	15,093	5,480
Cash equivalents (investment with original maturity within 3 months) time deposits	<u>4,280</u>	<u>-</u>
	<u>\$ 19,395</u>	<u>\$ 5,502</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank balance	0.001%-4.55%	0.001%-0.200%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial liabilities at FVTPL - current</u>		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 9</u>	<u>\$ -</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
Buy	NTD/USD	2023.03.24	NTD21,829/USD708

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness; therefore, they were not accounted for by using hedge accounting.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2022	2021
<u>Non-current</u>		
Domestic investments		
Unlisted shares		
Ordinary shares - Raynergy Tek Incorporation	\$ 881	\$ 832
Ordinary shares - Hsin He Energy Co., Ltd.	8,324	7,995
Ordinary shares - E-Formula Technologies, Inc.	408	985
Ordinary shares - Synergy Co., Ltd.	<u>559</u>	<u>479</u>
	<u>\$ 10,172</u>	<u>\$ 10,291</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium-to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In the 1st quarter of 2021, the Group acquired 25,275 thousand shares of Hsin He Energy Co., Ltd. at the price of NT\$252,750 thousand, with the percentage of ownership of 15%. Hsin He Energy Co., Ltd. is mainly engaged in the development of renewable energy and the construction of solar power plants.

In the 2nd quarter of 2021, the Group acquired 1,200 thousand shares of E-Formula Technologies, Inc. at a price of NT\$24,000 thousand, with the percentage of ownership of 5.52%. E-Formula Technologies, Inc. is mainly engaged in the construction of telecommunication base stations, energy conservation and energy management system planning.

In the 4th quarter of 2021, the Group acquired 1,471 thousand shares of Synergy Co., Ltd. at a price of NT\$14,710 thousand, with the percentage of ownership of 14.71%. Synergy Co., Ltd. is mainly engaged in the development of renewable energy, the installation of solar power plants, and the maintenance and operation of offshore wind power.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Pledged time deposits</u>		
Current	\$ 603	\$ 727
Time deposits with original maturities of more than 3 months	<u>7,264</u>	<u>3,010</u>
	<u>\$ 7,867</u>	<u>\$ 3,737</u>
Non-current	<u>\$ 265</u>	<u>\$ 122</u>

Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. TRADE RECEIVABLES

	December 31	
	2022	2021
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 67,230	\$ 85,811
Less: Allowance for impairment loss	<u>(590)</u>	<u>(1,667)</u>
	<u>\$ 66,640</u>	<u>\$ 84,144</u>

The average credit period for sales of goods was 90-180 days. Impairment of trade receivables was assessed by reference to the collectability of receivables on an individual account basis, and by account aging analysis, historical experience and current financial condition of customers.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.



The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2022

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 275 Days	276 to 640 Days	Over 641 Days	Total
Expected credit loss rate	0.31%	0.33%	0.33%	0.40%	0.43%	21.2%	
Gross carrying amount	\$ 41,323	\$ 9,942	\$ 110	\$ 4,045	\$ 10,060	\$ 1,750	\$ 67,230
Loss allowance (Lifetime ECLs)	<u>(127)</u>	<u>(33)</u>	<u>-</u>	<u>(16)</u>	<u>(43)</u>	<u>(371)</u>	<u>(590)</u>
Amortized cost	<u>\$ 41,196</u>	<u>\$ 9,909</u>	<u>\$ 110</u>	<u>\$ 4,029</u>	<u>\$ 10,017</u>	<u>\$ 1,379</u>	<u>\$ 66,640</u>

December 31, 2021

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 275 Days	276 to 640 Days	Over 641 Days	Total
Expected credit loss rate	0.04%	0.56%	0.00%	0.16%	2.02%	23.78%	
Gross carrying amount	\$ 48,932	\$ 10,976	\$ 3,545	\$ 8,954	\$ 7,415	\$ 5,989	\$ 85,811
Loss allowance (Lifetime ECLs)	<u>(18)</u>	<u>(61)</u>	<u>-</u>	<u>(14)</u>	<u>(150)</u>	<u>(1,424)</u>	<u>(1,667)</u>
Amortized cost	<u>\$ 48,914</u>	<u>\$ 10,915</u>	<u>\$ 3,545</u>	<u>\$ 8,940</u>	<u>\$ 7,266</u>	<u>\$ 4,565</u>	<u>\$ 84,144</u>

The movements of the loss allowance of trade receivables were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 1,667	\$ 1,655
Add: Net remeasurement of loss allowance	(776)	285
Less: Amounts written off	(123)	(271)
Less: Transfer to held for sale	(180)	-
Foreign exchange gains and losses	<u>2</u>	<u>(2)</u>
Balance at December 31	<u>\$ 590</u>	<u>\$ 1,667</u>

## 11. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Finished goods	\$ 18,978	\$ 19,033
Work in progress	93,346	54,958
Raw materials	<u>24,597</u>	<u>14,945</u>
	<u>\$ 136,921</u>	<u>\$ 88,936</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$181,727 thousand and \$202,575 thousand, respectively.

The cost of goods sold for the years ended December 31, 2022 and 2021 included write-down of inventories (reversal of write-down of inventories) of \$1,428 thousand and \$(7) thousand, respectively. Previous write-downs were reversed as a result of inventory devaluation.

## 12. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2022	2021	
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Trade business, Investment Holding, Agents business	100.00	100.00	
	Fortune Electric America Inc.	Agents business	100.00	100.00	
	Fortune Electric Extra High Voltage Co., Ltd.	Transformers manufacturing, machining and trading	100.00	100.00	
	Fortune Energy Co., Ltd.	Manufacture of power generation, transmission and distribution machinery	100.00	100.00	
	Fortune Electric Australia Pty Ltd.	Trade business	100.00	100.00	
	Fortune Electric Value Company Limited	Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment/systems/technology	64.25	80.18	Note a
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	-	100.00	Note b
	Wuhan Fortune Electric Co., Ltd	Import and export business of various commodities and technologies	100.00	100.00	Note c
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	Trading	-	100.00	Note d

#### Remarks:

- Fortune Electric Value Company Limited was established on May 6, 2021 in Taipei City, the primary business of Fortune Electric Value Company Limited is Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment, systems, and technology. The Company passed the resolution of the board of directors on May 10, 2021 to split and transfer the business related to the electric vehicle charging operation business department to Fortune Electric Value Company Limited, and the split-up base date on June 30, 2021. The percentage of ownership of Fortune Electric Value Company Limited is 100%. On September, 2021 and January, 2022, Fortune Electric Value Company Limited apply for follow-on offering, and the Company have not executed the subscription by shareholding ratio, resulted in reducing its controlling interest from 100% to 64.25%.
- The Group completed the transaction of disposing of 100% equity of Fortune Electric (Wuhan) Ltd. on December 31, 2022. Refer to Note 28 for information on the subsidiary company.
- Wuhan Fortune Electric Co., Ltd. was established on October 26, 2021 in Wuhan, China and the Group acquired 100% ownership of Wuhan Fortune Co., Ltd. Wuhan Fortune Co., Ltd. mainly engaged in the import and export business of various commodities and technologies.
- Wuhan Fortune Trade Co., Ltd. completed deregistration on August 11, 2022.

### 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

#### Investments in Associates

	December 31	
	2022	2021
<u>Associates that are not individually material</u>		
E-Total Link	\$ <u>78</u>	\$ <u>65</u>

#### Aggregate Information of Associates That Are Not Individually Material

The Group, Hamadenk Co., Ltd. and other companies jointly established E-Total Link in 2017. The Group invested \$45 thousand and acquired 25% ownership of E-Total Link.

	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Net income (loss) for the year	\$ 24	\$ 47
Other comprehensive income (loss)	<u>(11)</u>	<u>(6)</u>
Total comprehensive income (loss) for the year	\$ <u>13</u>	\$ <u>41</u>

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

For the main business and products, location and registration information of the above associate, refer to Table 5.

### 14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Assets used by the Group	\$ 64,363	\$ 64,903
Assets leased under operating leases	<u>3</u>	<u>6</u>
	\$ <u>64,366</u>	\$ <u>64,909</u>

#### a. Assets used by the Group

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2022	\$ 20,704	\$ 52,695	\$ 55,220	\$ 4,776	\$ 8,022	\$ 141,417
Additions	-	543	1,663	8	1,386	3,600
Disposals	-	(204)	(2,834)	-	(584)	(3,622)
Transfer (Note 1)	-	-	-	-	48	48
Transfer (Note 2)	-	27	251	-	81	359
Transfers to assets leased under operating leases	-	(1,460)	(3,139)	-	(141)	(4,740)
Transfers to disposal group held for sale	-	13	-	-	-	13
Effects of foreign currency exchange differences	<u>-</u>	<u>26</u>	<u>65</u>	<u>-</u>	<u>8</u>	<u>99</u>
Balance at December 31, 2022	\$ <u>20,704</u>	\$ <u>51,640</u>	\$ <u>51,226</u>	\$ <u>4,784</u>	\$ <u>8,820</u>	\$ <u>137,174</u>

(Continued)

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 21,465	\$ 48,290	\$ 2,287	\$ 4,472	\$ 76,514
Depreciation expense	-	1,009	1,678	234	730	3,651
Disposals	-	10	-	-	-	10
Transfers to assets leased under operating leases	-	(181)	(2,710)	-	(544)	(3,435)
Transfers to disposal group held for sale	-	(1,234)	(2,672)	-	(107)	(4,013)
Effects of foreign currency exchange differences	-	23	56	-	5	84
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 21,092</u>	<u>\$ 44,642</u>	<u>\$ 2,521</u>	<u>\$ 4,556</u>	<u>\$ 72,811</u>
Carrying amount at December 31, 2022	<u>\$ 20,704</u>	<u>\$ 30,548</u>	<u>\$ 6,584</u>	<u>\$ 2,263</u>	<u>\$ 4,264</u>	<u>\$ 64,363</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ 20,704	\$ 52,584	\$ 54,440	\$ 4,939	\$ 7,043	\$ 139,711
Additions	-	202	1,109	30	848	2,189
Reclassified	-	-	-	-	41	41
Disposals	-	(78)	(592)	(194)	(196)	(1,059)
Transfer (Note 1)	-	-	-	-	87	87
Transfer (Note 2)	-	-	295	-	202	497
Effects of foreign currency exchange differences	-	(13)	(32)	-	(4)	(49)
Balance at December 31, 2021	<u>\$ 20,704</u>	<u>\$ 52,695</u>	<u>\$ 55,220</u>	<u>\$ 4,776</u>	<u>\$ 8,022</u>	<u>\$ 141,417</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ 20,485	\$ 47,155	\$ 2,220	\$ 4,021	\$ 73,882
Depreciation expense	-	1,058	1,675	241	577	3,550
Reclassified	-	-	-	-	22	22
Disposals	-	(68)	(514)	(173)	(146)	(901)
Effects of foreign currency exchange differences	-	(10)	(26)	-	(3)	(39)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 21,465</u>	<u>\$ 48,290</u>	<u>\$ 2,287</u>	<u>\$ 4,472</u>	<u>\$ 76,513</u>
Carrying amount at December 31, 2021	<u>\$ 20,704</u>	<u>\$ 31,230</u>	<u>\$ 6,930</u>	<u>\$ 2,489</u>	<u>\$ 3,550</u>	<u>\$ 64,903</u>

(Concluded)

Note 1: Transferred from inventories to equipment.

Note 2: Transferred from prepayments for equipment to equipment.

No impairment assessment was performed for the years ended December 31, 2022 and 2021 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Main buildings	55 years
Electromechanical power equipment	3 years
Equipment	3-15 years
Photovoltaic solar equipment	8-20 years
Other equipment	3-15 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 33.

b. Assets leased under operating leases

	<b>Buildings</b>
<u>Cost</u>	
Balance at January 1, 2022	\$ 26
Transfers from assets used by the Group	<u>(13)</u>
Balance at December 31, 2022	<u>\$ 13</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 20
Additions	-
Transfers from assets used by the Group	<u>(10)</u>
Balance at December 31, 2022	<u>\$ 10</u>
Carrying amount at December 31, 2022	<u>\$ 3</u>
<u>Cost</u>	
Balance at January 1, 2021	<u>\$ 26</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 19
Depreciation expense	<u>1</u>
Balance at December 31, 2021	<u>\$ 20</u>
Carrying amount at December 31, 2021	<u>\$ 6</u>

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

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives of 55 years.

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 33.

## 15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Land	\$ 3,206	\$ 3,944
Buildings	718	529
Transportation equipment	<u>277</u>	<u>154</u>
	<u>\$ 4,201</u>	<u>\$ 4,626</u>

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	\$ <u>644</u>	\$ <u>828</u>
Depreciation charge for right-of-use assets		
Land	\$ 149	\$ 144
Buildings	213	146
Transportation equipment	<u>132</u>	<u>151</u>
	\$ <u>494</u>	\$ <u>441</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Current	\$ <u>506</u>	\$ <u>368</u>
Non-current	\$ <u>3,773</u>	\$ <u>3,646</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	1.24%-1.26%	1.24%-1.26%
Buildings	1.26%	1.26%
Transportation equipment	1.24%-2.00%	1.24%-1.26%

c. Material lease-in activities and terms

The Group leases land and buildings for the use of plants, offices and charging station for the use of operating with lease terms of 1 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

The Group leases land from Port of Taichung, Taiwan International Ports Corporation, Ltd. since March 20, 2014, covering a total area of 40,600 square meters. Except for the land use fee, the management fee is \$2.45 per square meter according to the lease agreement. The lease payments will be adjusted each year on the basis of the changes in the wholesale price index in Taiwan, but the maximum annual adjustment is limited to 2% each year.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	\$ <u>720</u>	\$ <u>438</u>
Expenses relating to low-value asset leases	\$ <u>55</u>	\$ <u>322</u>
Total cash outflow for leases	\$ <u>(1,273)</u>	\$ <u>(1,213)</u>

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

Right-of-use assets pledged as collateral for bank borrowings are set out in Note 33.

## 16. INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ 2,836
Acquired separately	855
Reclassifications	36
Disposals	(1)
Net exchange differences	<u>-</u>
Balance at December 31, 2021	<u>\$ 3,726</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 1,820
Amortization expense	564
Disposals	<u>(1)</u>
Balance at December 31, 2021	<u>\$ 2,382</u>
Carrying amount at December 31, 2021	<u>\$ 1,344</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 3,726
Acquired separately	1,163
Reclassifications	73
Disposals	(1,700)
Net exchange differences	<u>-</u>
Balance at December 31, 2022	<u>\$ 3,262</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 2,382
Amortization expense	739
Disposals	(1,700)
Net exchange differences	<u>-</u>
Balance at December 31, 2022	<u>\$ 1,421</u>
Carrying amount at December 31, 2022	<u>\$ 1,841</u>

The above computer software is amortized on a straight-line basis over its estimated useful life of 3 to 10 years.

## 17. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Secured borrowings (Note 33)</u>		
	\$ -	\$ 5,526
Bank loans	<u>2,294</u>	<u>1,938</u>
Issuance letters of credit	<u>2,294</u>	<u>7,464</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	22,061	15,923
Issuance letters of credit	<u>4,846</u>	<u>5,531</u>
	<u>26,907</u>	<u>21,455</u>
	<u>\$ 29,201</u>	<u>\$ 28,919</u>

The ranges of weighted average effective interest rate on bank loans were 0.70%-5.9291% and 0.53%-4.385%

### b. Short-term bills payable

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Commercial paper	\$ 11,397	\$ 17,909
Less: Unamortized discounts on bills payable	<u>(14)</u>	<u>(10)</u>
	<u>\$ 11,383</u>	<u>\$ 17,899</u>

Outstanding short-term bills payable were as follows:

#### December 31, 2022

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Collateral</b>
<u>Commercial paper</u>					
Dah Chung Bills	\$ 4,884	\$ 1	\$ 4,884	1.898%	N/A
China Bills	3,256	11	3,246	1.988%	N/A
Mega Bill	<u>3,256</u>	<u>3</u>	<u>3,253</u>	1.85%	N/A
	<u>\$ 11,397</u>	<u>\$ 14</u>	<u>\$ 11,383</u>		



December 31, 2021

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Collateral</b>
<u>Commercial paper</u>					
Dah Chung Bills	\$ 3,256	\$ 1	\$ 3,255	1.04%	N/A
The Shanghai Commercial & Saving Bank	3,256	1	3,256	1.04%	N/A
China Bills	3,256	7	3,249	1.04%	N/A
Mega Bills	3,256	1	3,256	1.04%	N/A
Grand Bills	3,256	1	3,256	1.04%	N/A
Taiwan Cooperative Bills	<u>1,628</u>	<u>1</u>	<u>1,628</u>	1.02%	N/A
	<u>\$ 17,909</u>	<u>\$ 10</u>	<u>\$ 17,899</u>		

c. Long-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Secured borrowings (Note 33)</u>		
Bank of Taiwan	\$ 16,281	\$ 16,281
Mega International Commercial Bank	<u>7,874</u>	<u>7,874</u>
	<u>24,155</u>	<u>24,155</u>
<u>Unsecured borrowings</u>		
Yuanta Bank	14,653	9,769
Bank SinoPac	3,256	3,256
Hwa Nan Commercial Bank	651	1,954
E.Sun Commercial Bank	<u>6,513</u>	<u>-</u>
	<u>25,073</u>	<u>14,979</u>
	49,228	39,134
Less: Listed as part of the due within 1 year Long term loan	<u>(25,783)</u>	<u>-</u>
Long-term borrowings	<u>\$ 23,445</u>	<u>\$ 39,134</u>

The original term of the borrowings from Bank of Taiwan was from December 4, 2013 to April 19, 2022. In April 2021, the Company negotiated the new loan period from May 25, 2021 to May 25, 2024 with the bank. The weighted average effective interest rate of the borrowings was 1.875%-2.00% and 1.20% per annum for the years ended December 31, 2022 and 2021.

The original term of the borrowings from Mega International Commercial Bank was from September 14, 2018 to October 23, 2021. In October 2020, the Company negotiated the new loan period from October 23, 2020 to October 23, 2023 with the bank. The weighted average effective interest rate of the borrowings was 1.85% and 1.275% per annum for the years ended December 31, 2022 and 2021.

The original term of the borrowings from Yuanta Bank was from March 29, 2019 to March 29, 2021. In June 2021, the Company negotiated the new loan period from May 5, 2021 to May 20, 2024 with the bank. The weighted average effective interest rate of the borrowings was 1.60% and 1.15% per annum for the year ended December 31, 2021.

The original term of the borrowings from Bank of SinoPac was from December 20, 2021 to September 30, 2023. The weighted average effective interest rate of the borrowings was 1.90% and 1.10% per annum for the year ended December 31, 2021.

The period of the borrowings from Hwa Nan Commercial Bank is from June 8, 2020 to June 8, 2023, and the weighted average effective interest rate of the borrowings was 1.55% and 1.30% per annum for the years ended December 31, 2022 and 2021.

The period of the borrowings from E.Sun Commercial Bank is from August 23, 2022 to March 30, 2024, and the weighted average effective interest rate of the borrowings was 1.95% per annum for the years ended December 31, 2022.

## 18. TRADE PAYABLES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating	<u>\$ 70,001</u>	<u>\$ 76,559</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 19. OTHER PAYABLES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Accrued payroll	\$ 7,397	\$ 4,191
Export payable	1,620	2,277
Payable for compensation of employees and remuneration of directors	2,123	790
Design fees payable	1,124	1,247
Commission payable	354	728
Interest payable	100	63
Others	<u>4,602</u>	<u>3,924</u>
	<u>\$ 17,320</u>	<u>\$ 13,220</u>

## 20. PROVISIONS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Warranties	\$ 374	\$ 188
Onerous contracts	<u>-</u>	<u>177</u>
	<u>\$ 374</u>	<u>\$ 365</u>

- a. The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under contracts for the sale of goods.

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

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (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.

The Group's subsidiaries in the United States, Australia and China are members of state-managed retirement benefit plans operated by the local governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

### b. Defined benefit plans

The defined benefit plans adopted by the Group in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 13,992	\$ 14,943
Fair value of plan assets	<u>(12,604)</u>	<u>(10,730)</u>
Net defined benefit liabilities	<u>\$ 1,388</u>	<u>\$ 4,214</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2021	<u>\$ 14,814</u>	<u>\$ (8,990)</u>	<u>\$ 5,824</u>
Current service cost	154	-	154
Net interest expense (income)	<u>44</u>	<u>(27)</u>	<u>16</u>
Recognized in profit or loss	<u>197</u>	<u>(27)</u>	<u>170</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Remeasurement			
Return on plan assets	\$ -	\$ (135)	\$ (135)
Actuarial loss - changes in demographic assumptions	(73)	-	(73)
Actuarial loss - experience adjustments	140	-	140
Recognized in other comprehensive income	67	(135)	(67)
Contributions from the employer	-	(1,713)	(1,713)
Benefits paid	(135)	135	-
Balance at December 31, 2021	14,943	(10,730)	4,214
Current service cost	123	-	123
Net interest expense (income)	88	(65)	23
Recognized in profit or loss	211	(65)	146
Remeasurement			
Return on plan assets	-	(811)	(811)
Actuarial loss - changes in demographic assumptions	(700)	-	(700)
Actuarial loss - experience adjustments	445	-	445
Recognized in other comprehensive income	(255)	(811)	(1,066)
Contributions from the employer	-	(1,906)	(1,066)
Benefits paid	(908)	908	-
Balance at December 31, 2022	<u>\$ 13,992</u>	<u>\$ (12,604)</u>	<u>\$ 1,388</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Operating costs	\$ 103	\$ 121
Selling and marketing expenses	21	25
General and administrative expenses	14	15
Research and development expenses	8	9
	<u>\$ 146</u>	<u>\$ 170</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with 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 plan's debt investments.
- 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 significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate	1.20%	0.60%
Expected return rate of plan assets	0.60%	0.30%
Expected rate of salary increase	1.50%	1.50%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will decrease (increase) as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate		
0.25% increase	\$ <u>(277)</u>	\$ <u>(321)</u>
0.25% decrease	\$ <u>285</u>	\$ <u>332</u>
Expected rate of salary increase		
0.25% increase	\$ <u>277</u>	\$ <u>320</u>
0.25% decrease	\$ <u>(270)</u>	\$ <u>(311)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
The expected contributions to the plan for the next year	\$ <u>740</u>	\$ <u>790</u>
The average duration of the defined benefit obligation	8.08 years	8.78 years

## 22. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The current and non-current classification of the Group's assets and liabilities relating to the construction business was based on its operating cycle. The amounts expected to be recovered or settled within 1 year after the reporting period and more than 1 year after the reporting period for related assets and liabilities are as follows:

	December 31, 2022		
	Within 1 Year	More Than 1 Year	Total
<u>Assets</u>			
Refundable deposits (included in other current assets)	\$ 7	\$ -	\$ 7
Contract assets	\$ 6,260	\$ -	\$ 6,260
<u>Liabilities</u>			
Contract liabilities	\$ 405	\$ 127	\$ 532

	December 31, 2021		
	Within 1 Year	More Than 1 Year	Total
<u>Assets</u>			
Refundable deposits (included in other current assets)	\$ 14	\$ -	\$ 14
Contract assets	\$ 19,428	\$ -	\$ 19,428
<u>Liabilities</u>			
Contract liabilities	\$ 554	\$ -	\$ 554

## 23. EQUITY

### a. Share capital - ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	275,000	275,000
Shares authorized	\$ 89,547	\$ 89,547
Number of shares issued and fully paid (in thousands)	261,059	261,059
Shares issued	\$ 85,008	\$ 85,008

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Treasury share transactions	\$ 34	\$ 34
Unclaimed cash dividends	17	17
<u>May only be used to offset a deficit (2)</u>		
Changes in percentage of ownership interests in subsidiaries	<u>2,771</u>	<u>62</u>
	<u>\$ 2,822</u>	<u>\$ 113</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, subject to a limit within a certain percentage of the Company's capital surplus per year.
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposal or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 25(6).

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 deficit. 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 earnings for 2021 and 2020, which have been approved in the shareholders' meetings on June 13, 2023 and June 13, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Legal reserve	\$ 949	\$ 1,418
Special reserve	\$ 724	\$ 207
Cash dividends	\$ 8,501	\$ 11,051
Cash dividends per share	\$ -	\$ -

The appropriations of earnings for 2021 has been proposed by the Company's board of directors on March 22, 2021, were as follows:

	<b>For the Year Ended December 31, 2022</b>
Legal reserve	\$ 2,815
Special reserve	\$ 713
Cash dividends	\$ 21,252
Cash dividends per share (NT\$)	\$ -

The above appropriation for cash dividends had been resolved by the shareholders in their meeting to be held on June 15, 2022.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (867)	\$ (787)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	(412)	(80)
Reclassification adjustments		
Disposal of a foreign operation	(182)	-
Other comprehensive loss	(594)	(80)
Balance at December 31	\$ (1,461)	\$ (867)

2) Unrealized valuation gain on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (357)	\$ 287
Recognized for the year		
Unrealized gain - equity instruments	(119)	(644)
Balance at December 31	\$ (476)	\$ (357)



e. Noncontrolling interests

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January	\$ 1,326	\$ -
Noncontrolling interests arising from acquisition of subsidiaries	3,151	1,403
Share in loss for the year	<u>(519)</u>	<u>(77)</u>
Balance at December 31	<u>\$ 3,958</u>	<u>\$ 1,326</u>

## 24. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Revenue from contracts with customers		
Revenue from sale of goods		
Transformers	\$ 176,659	\$ 149,846
Distribution panels	28,475	42,226
Distribution equipment	6,996	13,448
Sale of power	387	398
Others	23,293	37,654
Construction contracts	<u>16,574</u>	<u>50,146</u>
	<u>\$ 252,384</u>	<u>\$ 293,718</u>

a. Explanation of contract with customers

1) Revenue from the sale of goods

The Group recognizes revenue when the equipment is inspected and delivered to the designated place by the Mechanical and electrical department. The contract is recognized as contract asset when the commodity is transferred, and if it has unconditional right to receive consideration amount, it is recognized as accounts receivable. Advance payments for products are recognized as contract liabilities before the products meet the specified conditions.

2) Construction contract revenue

The Group measures the percentage of completion by the progress of the constructions. The Group recognizes contract assets during the construction process, and transferred to accounts receivables when issuing bills. If the payment received exceeds the revenue recognized, the differences shall be recognized as contract liabilities. The payment for the construction retained by the customer base on the terms of the contract is to ensure the Group would complete all the contractual obligations, which shall be recognized as contract assets before the Group completes the performance of the contract.

b. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ <u>3,114</u>	\$ <u>2,522</u>	\$ <u>3,830</u>
Trade receivables (Note 10)			
Sale of goods	\$ <u>67,230</u>	\$ <u>85,811</u>	\$ <u>72,280</u>
Contract assets			
Engineering construction	\$ 6,260	\$ 19,428	\$ 11,452
Sale of goods	<u>41,209</u>	<u>26,751</u>	<u>28,931</u>
	\$ <u>47,469</u>	\$ <u>46,179</u>	\$ <u>40,383</u>
Contract liabilities			
Engineering construction	\$ 532	\$ 554	\$ 1,393
Sale of goods	<u>50,660</u>	<u>15,579</u>	<u>12,122</u>
	\$ <u>51,192</u>	\$ <u>16,133</u>	\$ <u>13,515</u>

The Group applies the same risk characteristics as the trade receivables for the same types of contracts. Refer to Note 10 for the details.

c. Disaggregation of revenue

Refer to Note 38 for information about the disaggregation of revenue.

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
From contract liabilities at the start of the year		
Engineering construction	\$ 554	\$ 1,393
Sale of goods	<u>14,877</u>	<u>12,122</u>
	\$ <u>15,432</u>	\$ <u>13,515</u>
Timing of revenue recognition		
Revenue recognized at a point in time	\$ 235,810	\$ 243,573
Revenue recognized over time	<u>16,574</u>	<u>50,146</u>
	\$ <u>252,384</u>	\$ <u>293,718</u>

## 25. NET PROFIT

a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank deposits	\$ 259	\$ 17
Others	<u>9</u>	<u>27</u>
	\$ <u>268</u>	\$ <u>44</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Export tax rebate income	\$ 914	\$ 990
Operating lease rental income	279	2
Claims income	<u>99</u>	<u>237</u>
	<u>\$ 1,292</u>	<u>\$ 1,229</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Net foreign exchange gains (losses)	\$ 1,558	\$ 583
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	2	-
Loss on disposal of property, plant and equipment	(116)	(33)
Dealing with subsidiaries' interests	15,249	-
Gain on remeasurement of lease arrangements	-	17
Others	<u>159</u>	<u>(1,956)</u>
	<u>\$ 16,852</u>	<u>\$ (1,389)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank overdrafts and loans	\$ 1,471	\$ 904
Interest on lease liabilities	50	50
Other finance costs	<u>7</u>	<u>42</u>
	<u>\$ 1,528</u>	<u>\$ 996</u>

e. Depreciation, amortization and employee benefits expense

	<b>2022</b>			<b>2021</b>		
	<b>Operating Cost</b>	<b>Operating Expense</b>	<b>Total</b>	<b>Operating Cost</b>	<b>Operating Expense</b>	<b>Total</b>
Employee benefit expenses						
Salary	\$ 18,011	\$ 13,480	\$ 31,491	\$ 15,740	\$ 10,841	\$ 26,580
Labor insurance	1,506	775	2,281	1,528	688	2,216
Retirement expenses						
Defined contribution plans	695	364	1,059	585	297	882
Defined benefit plans	<u>103</u>	<u>44</u>	<u>146</u>	<u>121</u>	<u>49</u>	<u>170</u>
	<u>\$ 20,315</u>	<u>\$ 14,663</u>	<u>\$ 34,977</u>	<u>\$ 17,974</u>	<u>\$ 11,875</u>	<u>\$ 29,849</u>
Depreciation expense	<u>\$ 3,404</u>	<u>\$ 741</u>	<u>\$ 4,145</u>	<u>\$ 3,300</u>	<u>\$ 692</u>	<u>\$ 3,992</u>
Amortization expense	<u>\$ 261</u>	<u>\$ 478</u>	<u>\$ 739</u>	<u>\$ 209</u>	<u>\$ 355</u>	<u>\$ 564</u>

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors at rates of no less than 3% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Company's board of directors on March 23, 2023 and March 23, 2022, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Compensation of employees	4.87%	4.97%
Remuneration of directors	1.46%	1.22%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 1,633	\$ 635
Remuneration of directors	490	155

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Foreign exchange gain	\$ 3,170	\$ 973
Foreign exchange loss	<u>(1,611)</u>	<u>(390)</u>
Net gain	<u>\$ 1,558</u>	<u>\$ 583</u>

## 26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Current tax</u>		
In respect of the current period	\$ 702	\$ 2,525
Income tax on unappropriated earnings	-	246
Adjustments for prior periods	<u>1,458</u>	<u>(71)</u>
	<u>2,160</u>	<u>2,700</u>
<u>Deferred tax</u>		
In respect of the current year	2,307	(300)
Adjustments for prior periods	<u>(316)</u>	<u>153</u>
	<u>1,991</u>	<u>(147)</u>
Income tax expense recognized in profit or loss	<u>\$ 4,151</u>	<u>\$ 2,553</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax from continuing operations	<u>\$ 30,925</u>	<u>\$ 11,915</u>
Income tax expense calculated at the statutory rate	\$ 6,302	\$ 2,481
Nondeductible expenses in determining taxable income	-	(51)
Tax-exempt income	(1,222)	-
Income tax on unappropriated earnings	-	246
Using investment credits	(154)	(148)
Effect of different tax rates of appropriations of foreign earnings in other tax law	-	(276)
Unrecognized deductible temporary differences	(322)	286
Recognition of capital reduction of subsidiaries to make up losses	(1,594)	-
Unrecognized loss carryforwards	-	(67)
Adjustments to prior years' tax	<u>1,141</u>	<u>82</u>
Income tax expense recognized in profit or loss	<u>\$ 4,151</u>	<u>\$ 2,553</u>

The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other entities in the Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

- b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax</u>		
In respect of the current period		
Remeasurement of defined benefit plans	\$ (213)	\$ (13)
Total income tax recognized in other comprehensive income	<u>\$ (213)</u>	<u>\$ (13)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Current tax assets</u>		
Tax refund receivable	<u>\$ 701</u>	<u>\$ 67</u>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 1</u>	<u>\$ 1,298</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Transfer to Disposal Group Held For Sale</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>						
Defined benefit plans	\$ 843	\$ (352)	\$ (213)	\$ -	\$ -	\$ 278
Inventory write-downs	153	270	-	(141)	2	284
Allowance for impaired receivables	103	(58)	-	(45)	-	-
Deferred revenue	4	639	-	-	-	643
Unrealized exchange loss	-	15	-	-	-	15
Others	<u>56</u>	<u>(34)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22</u>
	<u>\$ 1,159</u>	<u>\$ 480</u>	<u>\$ (213)</u>	<u>\$ (186)</u>	<u>\$ 83</u>	<u>\$ 1,242</u>
<u>Deferred tax liabilities</u>						
Land value increment tax	\$ 1,323	\$ -	\$ -	\$ -	\$ -	\$ 1,323
Share of profit of subsidiaries	124	2,473	-	-	-	2,597
Others	<u>35</u>	<u>(2)</u>	<u>-</u>	<u>(33)</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,482</u>	<u>\$ 2,471</u>	<u>\$ -</u>	<u>\$ (33)</u>	<u>\$ -</u>	<u>\$ 3,920</u>

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Defined benefit plans	\$ 1,165	\$ (309)	\$ (13)	\$ 843
Inventory write-downs	155	(1)	-	154
Allowance for impaired receivables	166	(63)	-	103
Deferred revenue	158	(153)	-	5
Unrealized exchange loss	16	(16)	-	-
Others	<u>58</u>	<u>(2)</u>	<u>-</u>	<u>56</u>
	<u>\$ 1,718</u>	<u>\$ (545)</u>	<u>\$ (13)</u>	<u>\$ 1,160</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Land value increment tax	\$ 1,323	\$ -	\$ -	\$ 1,323
Share of profit of subsidiaries	818	(694)	-	124
Others	<u>33</u>	<u>2</u>	<u>-</u>	<u>35</u>
	<u>\$ 66,769</u>	<u>\$ (692)</u>	<u>\$ -</u>	<u>\$ 1,482</u> (Concluded)

e. Income tax assessments

The Company, Fortune Electric Extra High Voltage Co., Ltd. and Fortune Energy Co., Ltd.'s tax returns through 2020 have been assessed by the tax authorities.

Fortune Electric Value Company Limited was established in 2021, and the tax return has not been approved by the tax authorities.

Fortune Electric Australia Pty Ltd., Fortune Electric America Inc., Fortune Electric (Wuhan) Ltd. and Wuhan Fortune Electric Co., Ltd have completed the 2021 tax returns within the deadline stipulated by the local tax authorities.

Power Energy International Ltd. was established in Samoa, therefore no relevant income tax.

## 27. EARNINGS PER SHARE

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

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Profit for the period attributable to owners of the Company	<u>\$ 27,296</u>	<u>\$ 3,439</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	8,501	8,501
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>37</u>	<u>20</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>8,538</u>	<u>8,521</u>

The Group may settle compensation paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 28. SUBSIDIARIES

The board of directors of the Group authorized the chairman to sign the equity sale contract of Fortune Electric (Wuhan) Ltd. and its subsidiaries on July 24, 2020, and the contract was signed on August 14, 2020. Fortune Electric (Wuhan) Ltd. and its subsidiaries are responsible for trading the transformers, capacitors, power distribution panels and equipment that are produced by the Group. The Group have completed its disposal on December 31, 2022, and lost control over these subsidiaries.

### Consideration Received

	<b>Wuhan Fortune Co., Ltd.</b>
Cash	\$ 13,455
Receivable disposal investment	<u>4,459</u>
Total consideration	<u>\$ 17,914</u>

### Analysis of Assets and Liabilities out of Control

	<b>Wuhan Fortune Co., Ltd.</b>
Current asset	\$ 13,065
Cash	4,475
Trade receivable	12
Prepayments	
Non-current asset	
Financial assets at amortized cost - non-current	216
Property, plant and equipment	727
Right-of-use assets	657
Deferred tax assets	186
Current liabilities	
Trade payables to unrelated parties	(2,351)
Other payables	(165)
Non-current liabilities	
Advance payment	(14,340)
Deferred tax liabilities	<u>(33)</u>
Net assets disposed of	<u>\$ 2,482</u>



## Benefit of Disposal of Subsidiaries

	<b>Wuhan Fortune Co., Ltd.</b>
Consideration received	\$ 17,914
Net assets disposed of	(2,482)
Cumulative translation difference between equity reclassification and profit or loss of a subsidiary's net assets due to loss of control over the subsidiary	<u>(183)</u>
Disposal of benefits	<u>\$ 15,249</u>

## Net Cash Outflow of Subsidiaries for the Year

	<b>Wuhan Fortune Co., Ltd.</b>
Consideration received in cash	\$ 13,455
Less: Amount received in advance at the beginning of the year for disposal of investments	(2,739)
Less: Cash balance disposed of	<u>(13,065)</u>
	<u>\$ (2,349)</u>

## 29. EQUITY TRANSACTION WITH NON-CONTROLLING INTERESTS

On September 27, 2021, the Group subscribed for additional new shares of Fortune Electric Value Company Limited at a percentage different from its existing ownership percentage, and reduced its continuing interest from 100% to 80.18%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	<b>Fortune Electric Value Company Limited</b>
Consideration received	\$ 3,908
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>(3,970)</u>
Differences recognized from equity transactions	<u>\$ (62)</u>
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ (62)</u>

On January 14, 2022, the Group subscribed for additional new shares of Fortune Electric Value Company Limited at a percentage different from its existing ownership percentage, and reduced its continuing interest from 80.18% to 64.25%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	<b>Fortune Electric Value Company Limited</b>
Consideration received	\$ 5,861
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>(3,152)</u>
Differences recognized from equity transactions	<u>\$ (2,709)</u>
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ (2,709)</u>

### 30. CAPITAL MANAGEMENT

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

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

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

### 31. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021 approximate their fair values.

#### b. Fair value of financial instruments measured at fair value on a recurring basis

##### Fair value hierarchy

##### December 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,172</u>	<u>\$ 10,172</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 9</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ -	\$ -	\$ 10,290	\$ 10,290

There were no transfers between Level 1 and Level 2 in the current and prior period.

December 31, 2022

Financial Assets Measured at Fair Value Through Other Comprehensive Income or Loss	Amounts
Balance at the beginning of the year	\$ 10,290
Recognized in other comprehensive income	(118)
Year-end balance	\$ 10,172

December 31, 2021

Financial Assets Measured at Fair Value Through Other Comprehensive Income or Loss	Amounts
Balance at the beginning of the year	\$ 1,444
Purchase	9,491
Recognized in other comprehensive income	(10,172)
Year-end balance	\$ 10,290

c. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Financial assets at amortized cost (1)	\$ 97,897	\$ 96,249
Financial assets at FVTOCI		
Equity instruments	10,172	10,291
<u>Financial liabilities</u>		
Measured at fair value through profit or loss		
Held for trading	9	-
Amortized cost (2)	177,973	176,298

- 1) The balances include financial assets at amortized cost, which comprise cash, notes receivable and trade receivables, and refundable deposits. The balances include the asset balance of the disposal group held for sales.

- 2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, trade payables to related parties, trade and other payables, and guarantee deposits received. The balance include the liabilities balance of the disposal group held for sales.

d. Financial risk management objectives and policies

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

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

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

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

The carrying amounts of the Group's nonfunctional-currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 36.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the USD. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax profit and other equity assuming the New Taiwan dollar weakened (strengthened) 1% against the USD.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss (Note)	\$ <u>257</u>	\$ <u>145</u>

Note: This was mainly attributable to the exposure outstanding on bank balances, receivables, payables and borrowings in USD, which were not hedged at the end of the reporting period.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 867	\$ 849
Financial liabilities	22,802	29,382
Cash flow interest rate risk		
Financial assets	24,981	6,623
Financial liabilities	71,289	55,057

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$463 thousand and \$448 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank cash and borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. The Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$102 thousand and \$103 thousand, respectively, as a result of the changes in fair value of financial assets at FVOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, the management of the Group 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 Group 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 management believes that the Group's credit risk was significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group had available unutilized overdraft and bank loan facilities of approximately \$222,584 thousand and \$202,783 thousand, respectively.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2022

	Weighted Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities		\$ 12,185	\$ 109,867	\$ 1,786	\$ 2,414	\$ -
Lease liabilities		47	94	414	1,051	3,602
Variable interest rate liabilities	2.43	-	-	26,238	23,959	-
Fixed interest rate liabilities	0.68	<u>23,504</u>	<u>13,496</u>	<u>3,636</u>	<u>-</u>	<u>-</u>
		<u>\$ 35,736</u>	<u>\$ 123,457</u>	<u>\$ 32,074</u>	<u>\$ 27,424</u>	<u>\$ 3,692</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 555</u>	<u>\$ 1,051</u>	<u>\$ 479</u>	<u>\$ 479</u>	<u>\$ 479</u>	<u>\$ 2,165</u>

December 31, 2021

	Weighted Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities		\$ 21,640	\$ 59,844	\$ 17,812	\$ 1,604	\$ -
Lease liabilities		36	71	309	869	3,698
Variable interest rate liabilities	1.09	3,259	4,106	14,210	39,888	-
Fixed interest rate liabilities	0.97	<u>17,991</u>	<u>1,900</u>	<u>5,561</u>	<u>-</u>	<u>-</u>
		<u>\$ 42,926</u>	<u>\$ 65,921</u>	<u>\$ 37,892</u>	<u>\$ 42,361</u>	<u>\$ 3,698</u>

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ 416	\$ 869	\$ 479	\$ 479	\$ 479	\$ 2,261

Bank loans with a repayment on demand clause were included in the “on demand or less than 1 month” time band in the above maturity analysis. As of December 31, 2022 and 2021, the aggregate undiscounted principal amounts of these bank loans amounted to \$16,992 thousand and \$650,229 thousand, respectively.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table details the Group’s liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Net settled</u>				
Foreign exchange forward contracts	\$ -	\$ (9)	\$ -	\$ -

### 32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The Company is the ultimate parent of the Group. In addition to those disclosed elsewhere in other notes, summary of transactions between the Group and other related parties are disclosed below.

a. Related party name and the relationship

<u>Related Party Name</u>	<u>Relationship With the Group</u>
E-Total Link	Associates
Hua Cheng Investment Co., Ltd.	Others

b. Sale of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ 20	\$ 2



c. Purchase of goods

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Associates	\$ <u>83</u>	\$ <u>84</u>

The purchase price and payment terms are the same as those of unrelated parties.

d. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Category/Name	December 31	
		2022	2021
Accounts payable	Associates	\$ <u>2</u>	\$ <u>3</u>

The outstanding trade payables from related parties are unsecured.

e. Lease arrangements - Group is lessee

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Acquisition of right-to-use assets		
Other related party	\$ <u>16</u>	\$ <u>-</u>

Line Item	Related Party Category/Name	December 31	
		2022	2021
Lease liabilities - current	Other related party	\$ <u>5</u>	\$ <u>6</u>
Lease liabilities - non-current	Other related party	\$ <u>6</u>	\$ <u>-</u>

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
<u>Cost of goods sold - manufacturing expense</u>		
Other related party	\$ <u>-</u>	\$ <u>-</u>
<u>Cost of goods sold - manufacturing costs</u>		
Other related party	\$ <u>-</u>	\$ <u>1</u>
<u>Operating expense</u>		
Other related party	\$ <u>5</u>	\$ <u>4</u>

f. Lease arrangements - Group is lessor

Lease arrangements - Group is lessor under operating leases

The Group leases out office to its associate - Hua Cheng Investment Co., Ltd. under operating leases with lease terms of 1 year. The rent is determined by referring to the market price, and the Company receive the fixed lease payment monthly according to the lease agreement. As of December 31, 2022 and 2021, the balance of operating lease receivables was \$2 thousand and \$0 thousand. Lease income recognized for the years ended December 31, 2022 and 2021 was both \$2 thousand.

g. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 3,118	\$ 1,998
Termination benefits	<u>71</u>	<u>70</u>
	<u>\$ 3,189</u>	<u>\$ 2,068</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bid bonds of sales, performance bonds and bank borrowings:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Refundable deposits (current portion is included in other current assets)	\$ 1,274	\$ 765
Pledged deposits (classified as financial assets at amortized cost)	867	849
Property, plant and equipment	31,098	30,472
Right-of-use assets (classified as disposal held for sale on)	<u>-</u>	<u>669</u>
	<u>\$ 33,239</u>	<u>\$ 32,755</u>

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2021 were as follows:

- As of December 31, 2022, unused letters of credit for purchases of raw materials and machinery and equipment amounted to US\$8,008 thousand, ¥9,325 thousand, €660 thousand and Kr766 thousand and Fr240 thousand.
- As of December 31, 2022, promissory note of \$65,589 thousand was made for bank financing, endorsements and the investee company's sales performance guarantee.
- The Company signed a technical cooperation agreement with Meidensha, a Japanese firm, 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. The Company cannot export the products covered by the technical cooperation agreement without prior written consent from Meidensha. The Company had paid ¥2,000 thousand for the cooperation, and agreed to pay 3% of net sales as technical remuneration on the Company's production and marketing fee was \$21 thousand and \$51 thousand for the year ended December 31, 2022 and 2021, which was included in operating expenses.
- 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, 2022 and 2021 was \$387 thousand and \$442 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.

### 35. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group has implemented the capital reduction of Power Energy International Ltd., refunded the payment of shares of US\$3,700 thousand, and remitted back profits of US\$6,060 thousand, based on the board of directors' resolution on January 16, 2023. The relevant registration and remittance procedures have been completed.

### 36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

#### December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount (NTD)
<u>Financial assets</u>			
Monetary items			
USD	\$ 33,449	30.71 (USD:NTD)	<u>\$ 1,027,218</u>
<u>Financial liabilities</u>			
Monetary items			
USD	7,720	30.71 (USD:NTD)	<u>\$ 237,081</u>

#### December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount (NTD)
<u>Financial assets</u>			
Monetary items			
USD	\$ 25,596	27.6800 (USD:NTD)	\$ 708,498
USD	146	6.3720 (USD:RMB)	<u>4</u>
			<u>\$ 708,502</u>
<u>Financial liabilities</u>			
Monetary items			
USD	9,427	27.6800 (USD:NTD)	\$ 260,939
USD	560	6.3270 (USD:RMB)	<u>1,550</u>
			<u>\$ 262,489</u>

The Group is mainly exposed to the USD. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant (realized and unrealized) foreign exchange gains were as follows:

Foreign Currency	For the Year Ended December 31			
	2022		2021	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	\$ 1,872	1 (NTD:NTD)	\$ 541
RMB	4.4220 (RMB:NTD)	<u>(314)</u>	4.3526 (RMB:NTD)	<u>42</u>
		<u>\$ 1,558</u>		<u>\$ 583</u>

### 37. SEPARATELY DISCLOSED ITEMS

#### a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (Table 1)
- 3) Marketable securities held at the end of the year (excluding investment in subsidiaries, associates and joint ventures). (Table 2)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 9) Trading in derivative instruments. (Note 7)
- 10) Intercompany relationships and significant intercompany transactions. (Table 7)
- 11) Information on investees. (Table 5)

#### b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1, 6-7)
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
  - e) The highest balance, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

### 38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods and services delivered or provided. The Group has disclosed its electrical department and turnkey department as its reporting segments. The electrical department manufactures, processes and trades transformers, distributors, low pressure switches and substation equipment; and the turnkey department mainly engages in engineering contracts.

#### a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	<b>Segment Revenue for the Year Ended December 31</b>		<b>Segment Profit for the Year Ended December 31</b>	
	<b>2022</b>	<b>2020</b>	<b>2022</b>	<b>2021</b>
Electrical department	\$ 235,810	\$ 243,572	\$ 25,069	\$ 15,609
Construction department	<u>16,574</u>	<u>50,146</u>	<u>(2,386)</u>	<u>4,418</u>
Segment revenues	<u>\$ 252,384</u>	<u>\$ 293,718</u>	22,683	20,027
Government grant			42	217
Other income			1,292	1,229
Interest income			268	44
Share of the loss of associate			24	46
Other gains and losses			16,852	(1,389)
Finance costs			(1,527)	(996)
General and administrative expense			<u>(8,707)</u>	<u>(7,263)</u>
Profit before tax			<u>\$ 30,927</u>	<u>\$ 11,915</u>

Segment revenues reported above represent revenues generated from external customers. There were no inter-segment sales during the years ended December 31, 2022 and 2021.

Segment profit represented the profit before tax earned by each segment without allocation of government grant, other income, interest income, gain from bargain purchase, share of the loss of associates, other gains and losses, finance costs, general and administrative expense and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group's measure of assets and liabilities was not provided to the chief operating decision maker. Therefore, no assets and liabilities were presented under operating segments.

c. Other segment information

	<b><u>Depreciation and Amortization</u></b>	
	<b>2022</b>	<b>2021</b>
Electrical department	\$ <u>4,884</u>	\$ <u>4,556</u>

d. Revenue from major products and services

For the analysis of the Group's revenue from continuing operations from its major products and services, refer to Note 24.

e. Information about major customers

Included in the total revenues of electrical and turnkey departments of \$252,384 thousand and \$325,870 thousand in 2022 and 2021, respectively.

Single customer contributed 10% or more the Group's revenue as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2022</b>	<b>2021</b>
Customer A	\$ 76,701	\$ 91,133
Customer B	Note	42,091

Note: The revenue of the customer had not reached 10% or more to the Group's revenue.

**TABLE 1**

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of U.S. Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Co., Ltd.	Subsidiary	\$ 6,747	\$ 6,800	\$ -	\$ -	\$ -	-	\$ 80,958	Y	N	Y	Note 3
		Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	6,747	47,216	47,216	765,401	-	35.09	80,958	Y	N	N	
		Hsin He Energy Co., Ltd.	Co-investment	6,747	8,230	8,230	8,230	-	6.12	80,958	N	N	N	

Note 1: The limit on the total maximum endorsement for each guaranteed party is equal to 50% of the Company’s net equity: \$125,687 x 50% = \$62,843

Note 2: The maximum limit is equal to 60% of the Company’s net equity: \$125,687 x 60% = \$75,412

**TABLE 2**

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2022**  
**(In Thousands of U.S. Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Fortune Electric Co., Ltd.	<u>Shares</u>							
	Raynergy Tek Incorporation	-	Financial assets at fair value through other comprehensive income	3,031	\$ 881	8.05	\$ 881	
	ProMOSTech Co., Ltd.	-	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	8,323	15.00	8,323	
	E-Formula Technologies Inc.	-	Financial assets at fair value through other comprehensive income	1,200	408	5.52	408	
	Synergy Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,471	559	14.71	559	

Note: The information of investments in subsidiaries and associates is provided in Tables 5 and 6.



**TABLE 3**

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage Co., Ltd. Fortune Electric America Inc.	Subsidiaries Subsidiaries	Purchases Sale	\$ 34,751 (9,287)	19.31 (3.68)	90 days 90 days	- -	- -	\$ (7,337) 6,656	(10.33) 47.56	

**TABLE 4**

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric Co., Ltd. Fortune Electric America Inc.	Subsidiaries Fellow subsidiary	\$ 7,337	5.81	\$ -		\$ 7,337	\$ -
			6,656	2.13	-		-	-

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 1)	Note
				December 31, 2022	December 31, 2021	Shares (Thousand)	%	Carrying Value			
Fortune Electric Co., Ltd.	Power Energy International Ltd.	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	Trading, investment holding, agent business	\$ 5,042	\$ 4,574	3,800	100.00	\$ 14,537	\$ 12,237	\$ 12,237	Investee is a subsidiary (Note 5)
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Business agents	96	96	1	100.00	815	116	116	Investee is a subsidiary
	Fortune Electric Extra High Voltage Co., Ltd.	No. 500, Nanheng 1st Rd, Wuqi District, Taichung City 435, Taiwan	Transformers manufacturing, machining and trading	18,391	18,391	80,000	100.00	22,936	7,066	7,066	Investee is a subsidiary (Note 4)
	E-Total Link	Shin Osaka SONE Building No. 1204, Nish-Nakajima 7-chome No. 29, Yodogawa-ku, Osaka Prefecture	Transformers manufacturing, machining and trading	45	45	100	25.00	78	97	97	Associate
	Fortune Energy Co., Ltd.	10F, No. 368, Sec. 1, Fusing S. Rd., Da'an District., Taipei City 106, Taiwan	Manufacture of power generation transmission and distribution machinery	33	33	100	100.00	24	(2)	(2)	Investee is a subsidiary
	Fortune Electric Australia Pty, Ltd.	Level 7, 60, York Street, Sydney NSW 2000, Australia	Trading,	331	331	500	100.00	357	(13)	(13)	Investee is a subsidiary
	Fortune Electric Value Company Limited	14F., No. 191, Fuxing N. Rd., Songshan District., Taipei City	Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment/systems/technology	5,926	5,926	18,200	64.25	7,116	(1,476)	(1,476)	Investee is a subsidiary
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Wuhan, China	Transformers, capacitors, power distribution equipment manufacturing	-	6,500	-	-	-	(2,429)	(2,429)	Investee is a subsidiary (Note 2)
	Wuhan Fortune Electric Co., Ltd	Wuhan, China	Import and export business of various commodities and technologies	1,000	500	-	100.00	1,315	320	320	
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	Wuhan, China	Trade business	-	RMB 500	-	-	-	RMB 149	RMB 149	Investee is a subsidiary (Note 3)

Note 1: Except for E-Total Link, net asset values were based on audited financial statements of the investees and calculated at the investor's shareholding proportion.

Note 2: The shareholder meeting of Power Energy International Ltd. approved appropriations of cash dividends of \$3,057 thousands for 2021.

Note 3: On June 30, 2021, Fortune Electric Value Company Limited became a subsidiary and the Group's percentage of ownership was 100%; as a result, Fortune Electric Value Company Limited was included in the Group since then.

Note 4: On November 26, 2021, Wuhan Fortune Co., Ltd. was established as a subsidiary and the Group's percentage of ownership was 100%; as a result, Wuhan Fortune Co., Ltd. was included in the Group since then.

**TABLE 6****FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES****INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of U.S. Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (Note 3)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	\$ 6,500	Indirect	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ (2,429)	-	\$ (2,429)	\$ -	\$ -	
Wuhan Fortune Electric Ltd.	Import and export business of various commodities and technologies.	1,000	Indirect	500	500	-	1,000	320	100.00	320	1,315	-	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA
\$7,000	\$7,000	\$80,733

Note 1: Net asset values were based on audited financial statements of the investees and calculated at the investor's shareholding proportion.

Note 2: The investment income/loss was recognized based on the average exchange rate from January 1, 2021 to December 31, 2021; the other accounts were all based on prevailing exchange rate as of December 31, 2021.

Note 3: The difference between the accumulated investment of \$6,000 thousand from Taiwan and the paid-in capital balance of \$6,500 thousand of Fortune Electric (Wuhan) Ltd. was due to the direct investment of \$500 thousand by Power Energy International Ltd., which is 100% owned by the Company.

**TABLE 7**

**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of U.S. Dollars, Unless Stated Otherwise)**

No	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Transaction Terms	% to Total Sales or Assets
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Co., Ltd.	a	Sales	\$ 2,117	With non-related parties	0.84
		Fortune Electric America Inc.	a	Marketing and Promotion Fee	1,601	Under arm’s length terms	0.63
		Fortune Electric America Inc.	a	Accounts payable	37	With non-related parties	0.01
		Fortune Electric Extra High Voltage Co., Ltd.	a	Purchases	34,751	With non-related parties	13.77
		Fortune Electric Extra High Voltage Co., Ltd.	a	Prepaid expense	11,460	With non-related parties	3.00
		Fortune Electric Extra High Voltage Co., Ltd.	a	Accounts payable	7,337	With non-related parties	1.92
		Fortune Electric Extra High Voltage Co., Ltd.	a	Sales	35	With non-related parties	0.01
		Fortune Electric Extra High Voltage Co., Ltd.	a	Warehousing Costs	147	With non-related parties	0.06
		Wuhan Fortune Co., Ltd.	a	Prepaid expense	253	With non-related parties	0.07
		Wuhan Fortune Co., Ltd.	a	Accounts payable	68	With non-related parties	0.02
		Wuhan Fortune Co., Ltd.	a	Sales	1	With non-related parties	0.00
		Wuhan Fortune Co., Ltd.	a	Purchases	911	With non-related parties	0.36
		Wuhan Fortune Co., Ltd.	a	Property, plant and equipment	279	With non-related parties	0.07
		Wuhan Fortune Co., Ltd.	a	Prepaid expense	126	With non-related parties	0.03
		Fortune Electric Value Company Limited	a	Sales	39	With non-related parties	0.02
		Fortune Electric Value Company Limited	a	Purchases	245	With non-related parties	0.10
		Fortune Electric Value Company Limited	a	Accounts payable	113	With non-related parties	0.03
		Fortune Electric Australia Pty, Ltd.	a	Sales	833	With non-related parties	0.33
	Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric America Inc.	b	Accounts receivable	6,656	With non-related parties	1.74
		Fortune Electric America Inc.	b	Sales	9,287	With non-related parties	3.68
		Fortune Electric America Inc.	b	Accounts payable	78	With non-related parties	0.02
		Fortune Electric America Inc.	b	Contractual Liabilities	517	With non-related parties	0.14
		Wuhan Fortune Co., Ltd.	b	Purchases	249	With non-related parties	0.10
		Wuhan Fortune Co., Ltd.	b	Prepaid expense	62	With non-related parties	0.02
		Fortune Electric Value Company Limited	b	Purchases	840	With non-related parties	0.33
		Wuhan Fortune Co., Ltd.	b	Accounts payable	80	With non-related parties	0.02
	Fortune Electric (Wuhan) Co., Ltd.	Wuhan Fortune Co., Ltd.	b	Sales	75	With non-related parties	0.03
		Wuhan Fortune Co., Ltd.	b	Purchases	265	With non-related parties	0.10

Note 1: The types of relationship between the transaction parties are as follows:

- a. The Company to the subsidiary.
- c. The subsidiary to another subsidiary.

Note 2: The listed amounts above were eliminated upon consolidation.

**TABLE 8****FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Hua Cheng Investment Co., Ltd.	24,080,936	9.22
Hsu, Shou-Hsiung	22,603,419	8.65
Hsu, Bang-Fu	18,088,322	6.92

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.