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

FORTUNE ELECTRIC CO., LTD.

Parent Company Only Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

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

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

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Independent Auditors' Report

To Fortune Electric Co., Ltd.

Opinion

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Fortune Electric Co., Ltd. as of December 31, 2022 and 2021, and its financial performance and its parent company only cash flow for years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of Fortune Electric Co., Ltd. for the year of 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements of Fortune Electric Co., Ltd. for the year of 2022 is stated as follows:

Occurrence of sales revenue from new customers among top ten customers

The sales revenue of Fortune Electric Co., Ltd. mainly arises from the sales of power transformers, distribution panels, etc. and other related products, and the sales is concentrated in main customers. As of the years ended December 31, 2022, the sales revenue from new customers among top ten customers accounted for 21% of total revenue of the whole year. And the main customers vary widely. Therefore, the sales revenue from the new customers among top ten customers of Fortune Electric Co., Ltd. is identified as a key audit matter. Please refer to Note 4 to the parent company only financial statements for the details of the information about the accounting policy for recognizing revenue and relevant information disclosed.

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

1. Obtain an understanding of and test the design and operating effectiveness of main internal control related to occurrence of sales revenue.
2. Obtain the samples from the sales details of new customers among top ten customers, implement substantive tests of details, and inspect customer order, delivery order and customer' signed receipt and other vouching, to confirm whether there is any abnormal situation in the occurrence of sales revenue.
3. Check Fortune Electric Co., Ltd.'s related background information for assessing the new customers among top ten customers, and whether the contract terms are reasonable.

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

The management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the parent company only financial statement, management is responsible for assessing Fortune Electric Co., Ltd.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance, (including the audit committee), are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally, will always 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 parent company only financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of Fortune Electric Co., Ltd.'s the parent company only financial statements for the year ended 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

CPA Gung, Tza-Li

CPA Lee, Suei-Chin

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

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

March 8, 2023

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

Fortune Electric Co., Ltd.
Parent Company Only Balance Sheet
As of December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollar

Code	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current assets（Note 4）				
1100	Cash（Note 6）	$ 170,131	2	$ 16,117	-
1136	Current financial assets at amortized cost（Notes 9 and 33）	18,507	-	19,135	-
1140	Contract asset（Notes 21 and 23）	1,457,760	13	1,418,142	17
1150	Notes receivable（Note 23）	94,654	1	72,964	1
1170	Account receivable, net（Notes 10 and 23）	1,823,043	17	2,247,092	26
1180	Account receivable due from related parties, net（Note 32）	85	-	45,644	1
1220	Current tax assets（Note 25）	21,513	-	2,070	-
130X	Current inventories（Note 11）	3,462,210	32	2,065,326	24
1410	Prepayments（Note 32）	600,948	6	160,710	2
1470	Other current assets（Notes 21, 32, 33）	39,183	-	57,355	1
11XX	Total current assets	7,688,034	72	6,104,555	72
	Non-current assets（Note 4）				
1517	Non-current financial assets at fair value through other comprehensive income（Note 8）	312,386	3	316,033	4
1535	Non-current financial assets at amortized cost（Notes 9 and 33）	5,067	-	3,759	-
1550	Investments accounted for using equity method（Note 12）	1,408,462	13	761,851	9
1600	Property, Plant and equipment（Notes 13 and 32）	1,232,669	11	1,219,122	14
1755	Right-of-use assets（Notes 14 and 32）	24,029	-	10,488	-
1780	Intangible assets（Note 15）	54,123	1	39,313	1
1840	Deferred tax assets（Note 25）	38,150	-	29,973	-
1915	Prepayments for business facilities	44,179	1	31,386	-
1920	Guarantee deposits paid（Note 33）	17,055	-	5,545	-
15XX	Total Non-current assets	3,136,120	29	2,417,470	28
1XXX	Total assets	$ 10,824,154	100	$ 8,522,025	100

Code	Liabilities and equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current Liabilities（Note 4）				
2100	Short-term borrowings（Note 16 and 33）	$ 656,641	6	$ 512,047	6
2110	Short-term notes payable（Note 16）	249,891	2	-	-
2120	Current financial liabilities at fair value through profit or loss（Note 7）	279	-	-	-
2130	Current contract liabilities（Notes 21 and 23）	1,501,117	14	473,552	6
2150	Notes payable	-	-	1	-
2170	Accounts payable（Note 17）	1,944,831	18	2,157,714	25
2180	Account payable to related parties（Note 32）	232,076	2	167,159	2
2200	Other payables（Note 18）	422,885	4	287,627	3
2230	Current tax liabilities（Note 25）	-	-	39,763	-
2250	Provisions（Note 19）	11,496	-	11,220	-
2280	Current lease liabilities（Note 14, 31, and 32）	8,760	-	4,832	-
2399	Other payables	123,585	1	50,333	1
2320	Lon-term debts payable due within one year or one operating cycle（Note 16 and 33）	791,800	8	-	-
21XX	Total current liabilities	5,943,361	55	3,704,248	43
	Non-current liabilities（Note 4）				
2540	Long-term borrowings（Notes 16 and 33）	550,000	5	1,141,800	13
2570	Deferred tax liabilities（Note 25）	120,378	1	44,512	1
2580	Non-current lease liabilities（Notes 14, 31, and 32）	15,365	-	5,722	-
2640	Net defined benefit liability, non-current（Note 20）	42,612	1	129,401	2
2645	Guarantee deposits received	8,737	-	17,327	-
25XX	Total non-current liabilities	737,092	7	1,338,762	16
2XXX	Total liabilities	6,680,453	62	5,043,010	59
	Equity（Note 4）				
3110	Ordinary Share	2,610,585	24	2,610,585	31
3200	Capital surplus	86,685	1	3,484	-
	Retained earnings				
3310	Legal reserve	473,469	5	444,315	6
3320	Special reserve	37,578	-	15,347	-
3350	Unappropriated retained earnings	994,867	9	442,862	5
3300	Total retained earnings	1,505,914	14	902,524	11
	Other equity				
3410	Exchange difference on translation of foreign financial statements	(44,877)	(1)	(26,619)	(1)
3420	Unrealized Gain or Losses on FVTOCI Financial Assets	(14,606)	-	(10,959)	-
3400	Other equity interest	(59,483)	(1)	(37,578)	(1)
3XXX	Total equity	4,143,701	38	3,479,015	41
	Total liabilities and equity	$ 10,824,154	100	$ 8,522,025	100

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

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

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

Fortune Electric Co., Ltd
Parent Company Only Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021

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

		2022		2021	
Code		Amount	%	Amount	%
	Operating revenue (Notes 4, 23, and 32)				
4100	Sales revenue	$ 6,748,635	93	$ 7,085,405	82
4520	Construction revenue	509,002	7	1,539,976	18
4000	Total operating revenue	7,257,637	100	8,625,381	100
	Operating costs (Notes 4, 11, 20, 24, and 32)				
5110	Sales costs	5,463,315	75	5,964,015	69
5520	Construction cost	582,286	8	1,404,313	16
5000	Operating costs	6,045,601	83	7,368,328	85
5900	Gross profit from operations	1,212,036	17	1,257,053	15
	Operating expenses (Notes 4, 20, 24, and 31)				
6100	Selling expenses	541,003	7	548,160	6
6200	Administrative expenses	216,903	3	157,510	2
6300	Research and development expense	125,666	2	118,149	2
6450	Expected credit loss	(20,623)	-	3,737	-
6000	Total operating expenses	862,949	12	827,556	10
6900	Net operating income	349,087	5	429,497	5
	Non-operating income and expenses (Note 4)				
7100	Interest revenue (Note 24)	2,883	-	855	-
7190	Other income (Note 24, and 32)	31,317	-	37,832	-
7190	Government grants income	1,121	-	6,667	-
7020	Other gains and losses (Note 24)	48,088	1	(30,459)	-

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Code		2022 Amount	2022 %	2021 Amount	2021 %
7050	Financial Cost (Note 24 and 32)	($ 34,519)	-	($ 19,319)	-
7070	Share of profit (loss) of Associates & Joint Ventures accounted for using equity method (Note 12)	567,289	8	(57,376)	(1)
7000	Total non-operating income and expenses	616,179	9	(61,800)	(1)
7900	Profit before tax	965,266	14	367,697	4
7950	Tax expense (Note 4 and 25)	127,017	2	77,814	1
8200	Profit	838,249	12	289,883	3
	Other comprehensive income (Note 4)				
8310	Components of other comprehensive income that will not be reclassified to profit or loss:				
8311	Gains (Losses) on remeasurements of defined benefit plans (Note 20)	32,750	-	2,066	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(3,647)	-	(19,770)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 25)	(6,550)	-	(413)	-
		22,553	-	(18,117)	-
8360	Components of other comprehensive income that may be reclassified subsequently to profit or loss:				
8363	Cash flow hedge	-	-	-	-
8370	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method	(18,258)	-	(2,461)	-
		(18,258)	-	(2,461)	-
8300	Other total comprehensive income	4,295	-	(20,578)	-
8500	Total comprehensive income	$ 842,544	12	$ 269,305	3
	Earnings per share (Note 26)				
9710	Basic earnings per share	$ 3.21		$ 1.11	
9810	Diluted earnings per share	$ 3.20		$ 1.11	

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

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

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Fortune Electric Co., Ltd
Parent Company Only Statement of Changes in Equity
For the years ended December 31, 2022 and 2021

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

				Retained（Note 22 and 26）				Other equity interest（Note 4, 8 and 22）			
Code		Ordinary share（Note 22）	Capital surplus（Note 22）	Legal reserve	Special reserve	Unappropriated Retained Earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on assets at fair value through other comprehensive income	Total	Total Equity
A1	Balance, 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
	Appropriations of 2020 earnings										
B1	Legal reserve appropriated	-	-	43,538	-	(43,538)	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	6,372	(6,372)	-	-	-	-	-
B5	Cash dividends – NT$1.3/per share	-	-	-	-	(339,376)	(339,376)	-	-	-	(339,376)
		-	-	43,538	6,372	(389,286)	(339,376)	-	-	-	(339,376)
C17	Unclaimed cash dividends	-	157	-	-	-	-	-	-	-	157
M7	Changes in ownership interests in subsidiaries	-	1,913	-	-	-	-	-	-	-	1,913
D1	Net profit for 2021	-	-	-	-	289,883	289,883	-	-	-	289,883
D3	Other comprehensive income(loss) for 2021 after tax	-	-	-	-	1,653	1,653	(2,461)	(19,770)	(22,231)	(20,578)
D5	Total comprehensive income(loss) for 2021	-	-	-	-	291,536	291,536	(2,461)	(19,770)	(22,231)	269,305
Z1	Balance, December 31, 2021	2,610,585	3,484	444,315	15,347	442,862	902,524	(26,619)	(10,959)	(37,578)	3,479,015
	Appropriation of 2021 earnings										
B1	Legal reserve appropriated	-	-	29,154	-	(29,154)	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	22,231	(22,231)	-	-	-	-	-
B5	Cash dividends – NT$ 1/per share	-	-	-	-	(261,059)	(261,059)	-	-	-	(261,059)
		-	-	29,154	22,231	(312,444)	(261,059)	-	-	-	(261,059)
C17	Unclaimed cash dividends	-	(6)	-	-	-	-	-	-	-	(6)
M7	Changes in ownership interests in subsidiaries	-	83,207	-	-	-	-	-	-	-	83,207
D1	Net profit for 2022	-	-	-	-	838,249	838,249	-	-	-	838,249
D3	Other comprehensive income(loss) for 2022 after tax	-	-	-	-	26,200	26,200	(18,258)	(3,647)	(21,905)	4,295
D5	Total comprehensive income(loss) for 2022	-	-	-	-	864,449	864,449	(18,258)	(3,647)	(21,905)	842,544
Z1	Balance, 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

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

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

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

Fortune Electric Co., Ltd
Parent Company Only Statements of Cash Flows
For the year ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code		2022	2021
	Cash flows from operating activities		
A00010	Profit before tax	$ 965,266	$ 367,697
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	75,260	75,985
A20200	Amortization expense	21,240	16,914
A20300	Expected credit loss (reversal profit)	(20,623)	3,737
A20900	Financial cost	34,519	19,319
A21200	Interest income	(2,883)	(855)
A22400	Share of loss (profit) of Associates & Joint Ventures Accounted for Using Equity Method	(567,289)	57,376
A22500	Loss (gain) on disposal	139	662
A23700	Provisions for liability	276	1,481
A23800	(Gain)Loss on inventory valuation	41,558	(203)
A29900	Gain on lease modifications	-	(516)
A30000	Changes in operating assets and liabilities, net		
A31110	Financial instruments at fair value through profit or loss	279	4
A31125	Contract asset	(39,618)	(422)
A31130	Note receivable	(21,690)	44,658
A31150	Account receivable	444,672	(516,155)
A31160	Receivable from related parties	45,559	(39,722)
A31200	Inventories	(1,438,442)	(108,382)
A31230	Accounts payable	440,238	11,277
A31240	Other current assets	18,197	(18,370)
A32125	Contract liability	1,027,565	111,976
A32130	Notes payable	(1)	1
A32150	Accounts payable	(212,883)	(93,307)
A32160	Payable to related parties	64,917	145,484
A32180	Other payable	134,187	(6,286)
A32230	Other current liabilities	73,252	1,301
A32240	Net defined benefit liability	(54,039)	(47,392)
A33000	Cash generated from operations	149,180	26,254
A33100	Interest received	$ 2,859	$ 894

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Code		2022	2021
A33300	Interest paid	(33,448)	(18,438)
A33500	Income tax paid	(125,084)	(67,534)
AAAA	Net cash flows (out) from operating activities	(6,493)	58,824
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(291,460)
B00040	Acquisition of financial assets at amortized cost	(680)	9,171
B02200	Investments accounted for using equity method	(14,373)	(134,947)
B02700	Acquisition of property, plant and equipment	(71,235)	(54,097)
B02800	Proceeds from disposal of property, plant and equipment	80	1,178
B03800	Increase in refundable deposits	(11,510)	(1,194)
B04500	Acquisition of intangible assets	(33,862)	(25,716)
B05000	Cash outflows from business demerger	-	(10,272)
B07100	Increase in prepayments for business facilities	(25,996)	(43,608)
B07600	Dividends received	-	84,619
BBBB	Net cash flows from investing activities	(157,576)	(466,326)
	Cash flows from financing activities		
C00200	Increase in short-term loans	144,594	352,481
C00500	Increase in short-term notes payables	249,891	
C01600	Payments of finance lease liabilities	200,000	400,000
C03000	Guarantee deposit received	-	6,913
C04000	Return deposit deposit	(8,590)	-
C04500	Cash dividends paid	(261,059)	(339,376)
C04020	Payments of lease liabilities	(6,747)	(9,068)
C09900	Unclaimed cash dividends	(6)	157
CCCC	Net cash flows (out) from financing activities	318,083	411,107
EEEE	Net increase(decrease) in cash	154,014	(114,043)
E00100	Cash at beginning of the year	16,117	130,160
E00200	Cash at end of period	$ 170,131	$ 16,117

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

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

Fortune Electric Co., Ltd.
Notes to Parent Company Only Financial Statements
For the years ended December 31, 2022 and 2021
（Amounts in Thousands of New Taiwan Dollar, unless specified otherwise）

1. General Information

Fortune Electric Co., Ltd (the "Company") was incorporated in August 1969. The Company is mainly engaged in the manufacturing, processing, trading and engineering contracting of power transformer, distribution panels, high and low voltage switch and substation equipment.

In April 1997, the Company's shares were listed on the Taiwan Stock Exchange (TWSE).

The parent company only financial statements were expressed in the Company's functional Currency New Taiwan Dollars.

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

The accompanying parent company only financial statements were approved and authorized for issue by the Company's Board of Directors on March 8, 2023.

3. Application of new and revised international financial reporting standards

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

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

(2) The IFRSs endorsed by the FSC for application starting from 2023

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
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 are applicable since the annual reporting period beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and accounting policies since the annual reporting period beginning on or after January 1, 2023.

Note 3: Except the deferred income tax recognized on January 1, 2022 for the temporary differences arising from lease and decommissioning obligations, the amendments are applicable to transactions occur on or after January 1, 2022.

1. Amendments to IAS 1 "Disclosure of Accounting Policies"

According to the amendments, the Company shall determine the material accounting policy information to be disclosed based on the definition of materiality. Accounting policy information are considered material if they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. The follows shall be amended or clarified:

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

In addition, the amendments explain that the Company is likely to consider accounting policy information material if that information relates to material transactions, other events or conditions and:

(a) the Company changed the accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

(b) the Company chose the accounting policy from one or more options permitted by IFRS;

(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 Company is required to make significant judgments or assumptions in applying an accounting policy, and the Company discloses those judgments or assumptions; or

(e) the accounting required for them is complex and users of the Company's financial statements would otherwise not understand those material transactions, other events or conditions

2. Amendments to IAS 8 "Definition of Accounting Estimates"

According to the amendments, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The accounting policy may require items in financial statements to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company shall use measurement techniques and inputs to develop an accounting estimate to achieve the objective set out by the accounting policy. The effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates, instead of correction of an error in prior periods.

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB（Note 1）
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined
Amendments to IFRS 16 "Lease Liability in Sale and Leaseback"	January 1, 2024（Note 2）
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

(1) Statement of Compliance

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

(2) Basis of Preparation

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

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

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

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

(3) Standard of Current and Noncurrent Assets and Liabilities

Current assets including:

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

Current liabilities including:

1. Liabilities held primarily for the purpose of trading.
2. Liabilities due to be settled within 12 months after the reporting period (even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial reports are authorized for issue; and
3. It does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

The Company is engaged in the engineering contracting of electronic equipment, and the operating cycle is longer than one year. Therefore, the assets and liabilities related to engineering contracting shall be classified as current or noncurrent by normal operating cycle.

(4) Foreign Currencies

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

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

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

Non-monetary items denominated in foreign currencies and measured at historical cost, which are translated at the exchange rate at the date of the transaction, will not to be retranslated.

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

(5) Inventories

Inventories including finished goods, work in progress and raw materials. Inventories are stated at the lower of cost or net realizable value. Comparisons of cost and net realizable value are based on individual items, except for inventories of the same type. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The cost of inventories is calculated using the weighted-average method.

(6) Investment in Subsidiaries

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

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

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. In addition, changes in other rights and interests of subsidiaries that the Company is entitled to are recognized based on the shareholding ratio.

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

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

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

Unrealized profits or losses on downstream transactions between the Company and its subsidiaries are eliminated in the parent company only financial statements. Profits and losses from upstream with a subsidiary and lateral transactions between subsidiaries are recognized in the Parent Company only financial statements only to the extent of interests in the subsidiary that are not related to the Company.

(7) Investment in Associates

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

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

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

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

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

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

(8) Property, Plant and Equipment

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

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

(9) Intangible Assets

1. Acquire separately

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

2. Derecognition

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

(10) Impairment of Tangible and Intangible Assets

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

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

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

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

(11) Financial Instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheets when the Company becomes a party to the contractual provisions of the instruments.

When initially recognizing financial assets and financial liabilities, if the financial assets and financial liabilities are not measured at fair value through profit or loss, they will be measured at fair value plus transaction costs, directly attributable to the acquisition or issuance of the financial assets or financial liabilities.Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial Assets

All conventional transactions of financial assets are recognized and derecognized on the trade date accounting.

(1) Measurement Category

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

A. Financial assets measured at amortized costs

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

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

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

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

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

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

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

(2) Impairment of Financial Assets

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

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

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

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

A. There is internal or external information indicating that it is impossible for the debtors to pay off their debts.
B. Overdue for more than 90 days, unless there is reasonable and verifiable information indicates that the delayed default benchmark is more appropriate.

Impairment losses on all financial assets are reduced by the provision account, provided that the provision for losses on investments in debt instruments measured at fair value through other comprehensive profit and loss is recognized as other comprehensive profit without reducing their book value.

(3) Derecognition of Financial Assets and Contract Assets

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

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

2. Equity Instruments

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

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

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

3. Financial Liabilities

(1) Subsequent Measurement

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

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

Financial liabilities held for trading are measured at fair value, and the profits or losses arising from the remeasurement (excluding any dividends or interests paid on the financial liabilities) are recognized in profit or loss. For the determination of fair value, please refer to Note 31.

(2) Derecognition of Financial Liabilities

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

4. Derivative Financial Instruments

The derivative instruments signed by the Company are Forward Exchange Contracts for the purpose of managing exposure to currency rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The gain or loss from follow-up measurement is recognized directly in profit or loss, but the point of recognition in profit or loss for derivatives that are designated as effective hedging instruments is determined by the characteristics of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

(12) Provision (Liability Reserve)

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

1. Onerous contract

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

2. Warranty

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

(13) Revenue Recognition

The Company identifies performance obligations in customer contracts and the transaction price will be apportioned to each performance obligation. The income will be recognized when each performance obligation is met.
If the time interval between the transfer of goods or services and the collection of payment due is less than one year, the transaction price of the significant financing components of the contract shall not be adjusted.

1. Sales of Goods

   Sales revenue comes from the sales of transformers, distribution boards, high and low voltage switches and distribution equipment. Since the customer already set the prices and has the rights to use the goods when the goods arrive at the locations designated by the customer, when the goods are shipped and when the goods are loaded onto the ships, and the customer has the main responsibility for resale, and bears the risk of obsolescence of the goods, the Company recognized the revenue and accounts receivable at that time. Receipts of advances from products are recognized as contractual liabilities before the products meet specified conditions.

2. Construction Revenue

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

(14) Leases

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

1. The Company as lessor

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

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

2. The Company as Lessee

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

   Right-of-use assets are measured at cost (includes the initial measurement of the lease liabilities, the lease payments made before the commencement date of the lease less the lease incentives received, the original direct cost and the estimated cost of reinstatement of the subject asset). Subsequent measurement is calculated at cost less the accumulated depreciation and accumulated impairment loss, and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented separately in the parent company only balance sheets.

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

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

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

(15) Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.
When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate.
If the government grants are used to compensate for expenses or losses incurred, or for the purpose of providing immediate financial support to the Company without future related costs, it is recognized as profit or loss during the period in which it can be collected.

(16) Employee Benefits

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

2. Retirement benefits
   For defined retirement benefit plans, the cost of providing benefit is recognized when the employees have rendered service entitling them to the contribution.
   Defined benefit costs (including service cost, net interest and remeasurement) under the defined retirement benefit plans are determined using the Projected Unit Credit Method. Service cost (including current service cost), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement（including actuarial profit and loss and the interest deduction of return on plan assets） recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.
   Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company’s defined benefit plan. Net defined benefit asset shall not exceed the present value of the allocation from the plan or the reduction of future allocation.

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

(17) Taxation

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

1. Current Tax

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

Pursuant to Income Tax Act of the Republic of China, income tax on unappropriated earnings shall be recognized in the annual resolution by the shareholders' meeting.

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

2. Deferred Tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

3. Current and deferred tax for the year

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

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

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

The Company has considered the economic implications of COVID-19 on critical accounting estimates and will continue evaluating the impact on its financial position as a result of the pandemic. The estimates and underlying assumptions are reviewed on an ongoing basis. If the revision of an estimate affects only the current period, it is recognized in the period in which it is revised. If such a revision affects both the current and future periods, it will be recognized in the current period of the revision and in the future period.

6. Cash

	December 31, 2022	December 31, 2021
Cash on hand and working capital	$ 680	$ 700
Bank notes and demand deposits	68,108	15,417
Cash equivalents (investments due within 3 months)		
Time deposits	101,343	-
	$ 170,131	$ 16,117

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

	December 31, 2022	December 31, 2021
Bank deposits	0.001% ~ 4.55%	0.001% ~ 0.2%

7. Financial instruments at Fair Value Through Profit or Loss

	December 31, 2022	December 31, 2021
Financial assets - Current		
Derivative instruments（non-designated hedge）		
Forward Exchange Contracts	$ 279	$ -

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

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2022			
Buy	NTD to USD	March 24, 2023	NTD21,829/USD708

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

8. Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Non-current		
Domestic investment		
Unlisted (OTC) common stock		
Raynergy Tek Inc.	$ 27,061	$ 25,556
Hsin He Energy Co., Ltd.	255,604	245,515
E-Formular Technologies, Inc	12,540	30,252
Synergy Co., Ltd.	17,181	14,710
	$ 312,386	$ 316,033

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

In the 1st quarter of 2021, the company acquired 25,275 thousand shares of Hsin He Energy Co., Ltd. at the price of NTD 252,750 thousand, equaling 15% of Hsin He Energy Co., Ltd. company’s shareholding. Hsin He Energy Co., Ltd. is primarily engaged in the development of renewable energy and the construction of solar power plants.

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

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

9. Financial assets measured at amortised cost

	December 31, 2022	December 31, 2021
Pledged CD		
Current	$ 18,507	$ 19,135
Non-current	5,067	3,759
	$ 23,574	$ 22,894

For information on pledged financial assets measured at amortized cost, please refer to Note 33.

10. Account Receivable

	December 31 2022	December 31, 2021
Account Receivable at amortized cost		
Total Carrying Amount	$ 1,839,124	$ 2,287,583
Less: Loss Allowance	(16,081)	(40,491)
	$ 1,823,043	$ 2,247,092

The Company's average credit extension period for product sales is 90 days to 180 days from the invoice date. The impairment assessment of accounts receivable, including accounts receivable-related parties, is based on individual assessment, aging analysis, historical experience and analysis of customers' current financial situation to estimate the amount that cannot be recovered.
The Company recognizes the allowance for the loss of accounts receivable according to the expected credit loss during the period of existence. The expected credit loss during the period of existence is calculated by using provision matrix, which considers the past default records of customers, the current financial situation and the economic situation of the industry. As the Company's historical experience of credit loss shows that there is no significant difference in loss types among different customer groups, the provision matrix does not further differentiate customer groups, and only sets the expected credit loss rate based on days overdue of receivables.
If there is evidence showing that the counterparty of the transaction is facing serious financial difficulties and the Company cannot reasonably expect the recoverable amount, the Company will directly write off the relevant receivables, but will continue to pursue recourse activities. The amount recovered due to pursue recourse is recognized in profit and loss.

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

December 31, 2022

	Not past due	Past due 1 ~ 60 days	Past due 61 ~ 90 days	Past due 91 ~ 275 days	Past due 276 ~ 640 days	Past due More than 641days	Total
Expected credit losses ratio	0.33%	0.33%	0.33%	0.35%	0.41%	18.88%	
Total carrying amount	$ 1,046,380	$ 304,272	$ 3,370	$ 124,076	$ 308,838	$ 52,188	$ 1,839,124
Loss allowance（Lifetime expected credit losses）	(3,511)	(991)	(11)	(440)	(1,277)	(9,851)	(16,081)
At amortized cost	$ 1,042,869	$ 303,281	$ 3,359	$ 123,636	$ 307,561	$ 42,337	$ 1,823,043

December 31, 2021

	Not past due	Past due 1 ~ 60 days	Past due 61 ~ 90 days	Past due 91 ~ 275 days	Past due 276 ~ 640 days	Past due More than 641 days	Total
Expected credit losses ratio	0.00%	0.00%	0.00%	0.00%	12.98%	31.33%	
Total carrying amount	$ 1,672,930	$ 159,186	$ 92,151	$ 215,889	$ 31,072	$ 116,355	$ 2,287,583
Loss allowance（Lifetime expected credit losses）	-	-	-	-	(4,032)	(36,459)	(40,491)
At amortized cost	$ 1,672,930	$ 159,186	$ 92,151	$ 215,889	$ 27,040	$ 79,896	$ 2,247,092

Movements of the loss allowance for accounts receivable:

	2022	2021
Balance, beginning of the year	$ 40,491	$ 45,333
Add: expected credit loss (reversal)	(20,623)	3,737
Subtract: Write-offs for the year	(3,787)	(8,326)
Subtract: Split and transferred	-	(253)
Balance, end of the year	$ 16,081	$ 45,333

11. Net balance of inventories

	December 31, 2022	December 31, 2021
Finished goods	$ 508,321	$ 348,979
Work in process	2,330,901	1,388,923
Raw materials	622,988	327,424
	$ 3,462,210	$ 2,065,326

In 2022 and 2021, the cost of goods sold related to inventory was NT$5,463,315 thousand and NT$5,964,015 thousand respectively. The cost of goods sold in 2022 and 2021 includes the inventory valuation losses (gain from price recovery of inventory) of NT$41,558 thousand and (NT$203 thousand). The rise in the net realizable value of inventories was due to the use of inventories for which the inventory valuation losses have been recognized in the middle of the year.

12. Investment accounted for using equity method

	December 31, 2022	December 31, 2021
Subsidiaries	$1,406,057	$ 759,849
Associates	2,405	2,002
	$1,408,462	$ 761,851

(1) Investments in subsidiaries

	December 31, 2022	December 31, 2021
Power Energy International Ltd. （Power Energy Company）	$ 446,419	$ 77,604
Fortune Electric America Inc. （North American Division）	25,015	18,419
Fortune Electric Extra High Voltage Co., LTD.（Fortune Extra High Voltage Company）	704,377	487,366
Fortune Energy CO., LTD. （Fortune Energy Company）	747	804
Fortune Electric Australia Pty Ltd （Australian Company）	10,969	10,956
Fortune Electric Value Co., LTD. （Fortune Electric Value Company）	218,530	164,700
	$1,406,057	$ 759,849

	% of Ownership and Voting Rights Held by the Company	
Subsidiaries	December 31, 2022	December 31, 2021
Power Energy Company	100.00%	100.00%
North America Company	100.00%	100.00%
Fortune Extra High Voltage Company	100.00%	100.00%
Fortune Energy Co., LTD.	100.00%	100.00%
Australian Company	100.00%	100.00%
Fortune Electric Value Company （Note ）	64.25%	80.18%

For the years of 2022 and 2021, share of the profit or loss of subsidiaries, accounted for using equity method and other comprehensive profit and loss share, are recognized according to the financial statements of the subsidiaries audited by accountants in the same period.

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

The Company provides endorsement and guarantee for bank loans of subsidiaries Fortune Electric (Wuhan) Ltd. and Fortune Electric Extra High Voltage Co., Ltd. Please refer to Note 32 for the balance as of December 31, 2022 and 2021.

Note: Fortune Electric Value Co., LTD. was established in Taipei on May 6, 2021. It is mainly engaged in the businesses of electric vehicle charging and operation services, including the design and establishment of various charging stations, research and development of electric vehicle charging-related equipment, systems, and technologies, as well as sales. Based on the board of directors' resolution made on May 10, 2021, the Company split the electric vehicle charging and operation department to Fortune Electric Value Co., LTD. The base date of the split is June 30, 2021. The percentage of the ownership by the Company is 100%. In addition, Fortune Electric Value Co., LTD. had cash capital increase in September, 2021, and in January, 2022. As Fortune Electric Co., Ltd. did not subscribe in proportion respectively to its original shareholding, the percentage of ownership by the Company decreased from 100% to 64.25%.

(2) Investments in associates

	December 31, 2022	December 31, 2021
Individual insignificant associates		
E-Total Link	$ 2,405	$ 2,002

Summary Information of Individual insignificant associates

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

	2022	2021
Share of profit of the Company		
Net Profit (loss)	$ 748	$ 1,433
Other comprehensive income	(345)	(181)
Total comprehensive income	$ 403	$ 1,252

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

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

13. Property, Plant and Equipment

	December 31, 2022	December 31, 2021
Assets used by the Company	$ 1,232,432	$ 1,218,861
Assets subject to operating leases	237	261
	$ 1,232,669	$ 1,219,122

(1) Assets used by the Company

	Land	Buildings	Machinery Equipment	Solar Equipment	Other Equipment	Total
Cost						
Balance at January 1, 2022	$ 635,827	$ 682,844	$1,062,770	$ 146,664	$ 172,830	$2,700,935
Additions	-	15,412	41,725	257	13,841	71,235
Disposals	-	-	(53,683)	-	(6,520)	(60,203)
Transfer（Note 2）	-	825	7,700	-	2,490	11,015
Balance at January 1, 2022	$ 635,827	$ 699,081	$1,058,512	$ 146,921	$ 182,641	$2,722,982
Accumulated depreciation						
Balance at January 1, 2022	$ -	$ 392,717	$ 916,734	$ 70,242	$ 102,381	$1,482,074
Depreciation	-	15,128	34,662	7,193	11,477	68,460
Disposals	-	-	(53,573)	-	(6,411)	(59,984)
Balance at December 31, 2022	$ -	$ 407,870	$ 897,798	$ 77,435	$ 107,447	$1,490,550
Net balance at January 1, 2022	$ 635,827	$ 290,127	$ 146,036	$ 76,422	$ 70,449	$1,218,861
Net balance at December 31, 2022	$ 635,827	$ 291,211	$ 160,714	$ 69,486	$ 75,193	$1,232,432
Cost						
Balance at January 1, 2021	$ 635,827	$ 677,148	$1,040,709	$ 151,688	$ 175,889	$2,681,261
Additions	-	6,093	27,783	920	19,301	54,097
Disposals	-	-	(4,137)	(5,944)	(2,740)	(12,821)
Transfers（Note 1）	-	-	-	-	2,659	2,659
Transfers（Note 2）	-	-	8,771	-	2,856	11,627
Partition and transfer	-	-	(10,356)	-	(25,135)	(35,491)
Transfers to assets subject to operating leases	-	(397)	-	-	-	(397)
Balance at December 31, 2021	$ 635,827	$ 682,844	$1,062,770	$ 146,664	$ 172,830	$2,700,935
Accumulated depreciation						
Balance at January 1, 2021	$ -	$ 377,959	$ 898,766	$ 68,177	$ 98,292	$1,443,194
Depreciation	-	15,061	32,328	7,390	12,120	66,899
Disposals	-	-	(4,095)	(5,325)	(1,561)	(10,981)
Partition and transfer	-	-	(10,265)	-	(6,470)	(16,735)
Transfers to assets subject to operating leases	-	(303)	-	-	-	(303)
Balance at December 31, 2021	$ -	$ 392,717	$ 916,734	$ 70,242	$ 102,381	$1,482,074
Net balance at January 1, 2021	$ 635,827	$ 299,189	$ 141,943	$ 83,511	$ 77,597	$1,238,067
Net balance at December 31, 2021	$ 635,827	$ 290,127	$ 146,036	$ 76,422	$ 70,449	$1,218,861

Note 1: Transfer from inventory to machinery equipment.
Note 2: Transfer from prepayments for equipment to machinery equipment, building equipment, and lease improvement.

There was no sign of impairment in 2022 and 2021, and the Company did not perform the impairment assessment.
Depreciation expenses are accrued on a straight-line basis according to the following durable years:

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

For the amount of self-use real estate, plant and equipment set as a loan guarantee, please refer to Note 33.

(2) Operating leases

	Buildings
Cost	
Balance at January 1, 2022	$ 1,191
Balanced at December 31, 2022	$ 1,191
Accumulated depreciation	
Balance at January 1, 2022	$ 930
Accumulated depreciation	24
Balance at December 31, 2022	$ 954
Net Balance at January 1, 2022	$ 261
Net Balance at December 31, 2022	$ 237
Cost	
Balance at January 1, 2021	$ 794
Transfers from assets used by the Company	397
Balance at December 31, 2021	$ 1,191
Accumulated depreciation	
Balance at January 1, 2021	$ 598
Transfers from assets used by the Company	303
Depreciation expense	29
Balance at December 31, 2021	$ 930
Net amount at January 1, 2021	$ 196
Net amount at December 31, 2021	$ 261

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

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

For the amount of property, plant and equipment set as a loan guarantee, please refer to Note 33.

14. Lease agreements

(1) Right-of-use assets

	December 31, 2022	December 31, 2021
Carrying amount		
Land	$ -	$ -
Buildings	15,610	5,857
Transportation equipment	8,419	4,631
	$ 24,029	$ 10,488

	2022	2021
Additions to right-of-use assets	$ 20,317	$ 14,721
Depreciation of right-of use assets		
Land	$ -	$ 844
Buildings	3,297	4,140
Transportation equipment	3,479	4,073
	$ 6,776	$ 9,057

(2) Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amount		
Current	$ 8,760	$ 4,832
Non-current	$ 15,365	$ 5,722

Ranges of discount rates for lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Land	-	1.26%
Buildings	1.26%	1.26%
Transportation equipment	1.26% ~ 2.00%	1.26%

(3) Other lease information

	2022	2021
Expenses relating to short-term leases	$ 18,219	$ 6,144
Expenses relating to low-value asset leases	$ 823	$ 12,225
Total cash (outflow) for leases	($ 25,966)	($ 27,702)

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

15. Intangible Assets

	Computer software
Cost	
Balance at January 1, 2021	$ 87,017
Acquired separately	25,716
Reclassified	1,110
Partition and transfer	(2,828)
Balanced at December 31, 2021	$ 111,015
Accumulated amortization	
Balance at January 1, 2021	$ 55,836
Amortized expense	16,914
Partition and transfer	(1,048)
December 31, 2021	$ 71,702
Carrying amount at Balance at December 31, 2021	$ 39,313
Cost	
Balance at January 1, 2022	$ 111,015
Acquired separately	33,862
Reclassified	2,188
Disposal	(51,169)
Balance at December 31, 2022	$ 95,896
Accumulated amortization	
Balance January 1, 2022	$ 71,702
Amortized expense	21,240
Disposal	(51,169)
Balance at December 31, 2022	$ 41,773
Carrying amount at December 31, 2022	$ 54,123

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

16. Loans

(1) Short-term borrowings

	December 31, 2022	December 31, 2021
Secured loan（Note 33）		
Usance Letter of Credit	$ 70,437	$ 59,512
Unsecured loans		
Line of Credit	480,000	377,000
Forward letter of credit	106,204	75,535
	$ 656,641	$ 512,047

The interest rates of bank loans were 0.84567%～5.9291% and 0.53%～1.00% on December 31, 2022 and 2021 respectively.

(2) Short-term notes payables

	December 31, 2022
Commercial paper payable	$ 250,000
Less：Discount on short-term notes payables	(109)
	$ 249,891

Undue short-term notes payables are as follows：

December 31, 2022

Guarantee institution	Par value	Discount	Carrying amount	Interest rate interval	Collateral
Commercial paper payable					
DAH CHUNG BILLS FINANCE CORP.	$ 150,000	$ 23	$ 149,977	1.898%	None
MEGA BILLS FINANCE CO., LTD.	100,000	86	99,914	1.85%	None
	$ 250,000	$ 109	$ 249,891		

(3) Long-term borrowings

	December 31, 2022	December 31, 2021
Secured loans（Note 33）		
Bank of Taiwan	$ 500,000	$ 500,000
Mega Bank	241,800	241,800
Subtotal	741,800	741,800

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Unsecured loans		
Yuanta Bank	$ 300,000	$ 300,000
Bank SinoPac	100,000	100,000
E.SUN Bank	200,000	-
Subtotal	600,000	400,000
	1,341,800	1,141,800
Less：the portion recognized in long-term borrowings due within one year	(791,800)	-
	$ 550,000	$1,141,800

It is agreed that the loan of Bank of Taiwan can be circulated during the credit period. During the agreed credit period, the initial loan period is from December 4, 2013 to April 19, 2022. In February 2022, the Company agreed with the bank that the new loan period is from May 25, 2022 to May 25, 2024. The annual interest rates were set at 1.875~2.00% and 1.20% as of December 31, 2022 and 2021 respectively.

It is agreed that the loan of Mega Bank can be circulated during the credit period. During the agreed credit period, the initial loan period is from September 14, 2018 to October 23, 2021. In October 2022, the Company agreed with the bank that the new loan period is from October 23, 2022 to October 23, 2023. The annual interest rates were 1.975% and 1.25% as of December 31, 2022 and 2021 respectively.

t is agreed that the loan of Yuanta Bank can be circulated during the credit period. During the agreed credit period, the initial loan period is from March 29, 2019 to March 29, 2021. In June 2021, the Company agreed with the bank that the new loan period is from May 20, 2021 to May 20, 2023. The annual interest rate was 1.15% as of December 31, 2021.

It is agreed that the loan of Bank SinoPac can be circulated during the credit period. During the agreed credit period, the initial loan period is from December 28, 2021 to October 31, 2024. The annual interest rates were set as 1.90% and 1.10% as of December 31, 2022 and 2021 respectively.

It is agreed that the loan of E.SUN Bank can be circulated during the credit period. During the agreed credit period, the initial loan period is from August 23, 2022 to March 30, 2023. The annual interest rate was set as 1.95% as of December 31, 2022.

17. Accounts Payable

	December 31, 2022	December 31, 2021
Arising from operations	$ 1,944,831	$ 2,157,714

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

18. Other Payables

	December 31, 2022	December 31, 2021
Salary	$ 180,197	$ 105,299
Export	49,737	43,030
Remuneration to employees and directors and supervisors	65,197	24,260
Design	34,508	38,302
Commission	10,873	20,065
Interest	2,258	1,187
Other	80,115	55,484
	$ 422,885	$ 287,627

19. Provisions

	December 31, 2022	December 31, 2021
Warranty	$ 11,492	$ 5,783
Onerous contract	4	5,437
	$ 11,496	$ 11,220

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

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

20. Retirement Benefit Plans

(1) Defined contribution plans

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

(2) Defined benefit plans

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

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

	December 31, 2022	December 31, 2021
Present Value of a Defined Benefit Obligation	$ 429,686	$ 458,914
Fair value of plan assets	(387,074)	(329,513)
Net defined benefit liability	$ 42,612	$ 129,401

Movements of the net defined benefit liability are as follows:

	Present Value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance, January 1, 2021	$ 454,940	($ 276,081)	$ 178,859
Current service cost	4,720	-	4,720
Interest expense (income)	1,339	(833)	506
Recognized in profit or loss	6,059	(833)	5,226
Remeasurement			
Return on plan assets	-	(4,135)	(4,135)
Actuarial loss (gain) arising from changes in financial assumptions	(2,229)	-	(2,229)
Actuarial loss (gain) arising from experience adjustments	4,298	-	4,298
Recognized in other comprehensive income	2,069	(4,135)	(2,066)
Contributed by the Company	-	(52,618)	(52,618)
Benefits paid	(4,154)	4,154	-
Balance, December 31, 2021	458,914	(329,513)	129,401
Current service cost	3,790	-	3,790
Interest expense (income)	2,696	(1,993)	703
Recognized in profit or loss	6,486	(1,993)	4,493

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	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Remeasurement			
Return on plan assets	$ -	($ 24,906)	($ 24,906)
Actuarial loss (gain) arising from changes in financial assumptions	(21,510)	-	(21,510)
Actuarial loss (gain) arising from experience adjustments	13,666	-	13,666
Recognized in other comprehensive income	(7,844)	(24,906)	(32,750)
Contributed by the Company	-	(58,532)	(58,532)
Benefits paid	(27,870)	27,870	-
Balance, December 31, 2022	$ 429,686	($ 387,074)	$ 42,612

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

	2022	2021
Operating cost	$ 3,157	$ 3,718
Selling expenses	648	770
Administrative expenses	429	473
Research and Development Expenses	259	265
	$ 4,493	$ 5,226

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

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

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

	December 31, 2022	December 31, 2021
Discounted rate	1.20%	0.60%
Expected return rate on plan assets	0.60%	0.30%
Future salary increase rate	1.50%	1.50%

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

	December 31, 2022	December 31, 2021
Discount Rate		
Increase 0.25%	($ 8,501)	($ 9,852)
Decrease 0.25%	$ 8,767	$ 10,182
Future salary increase rate		
Increase 0.25%	$ 8,496	$ 9,828
Decrease 0.25%	($ 8,283)	($ 9,563)

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

	December 31, 2022	December 31, 2021
Forecast amount within one year	$ 22,712	$ 24,643
Average maturity period of defined benefit obligations	8.08 Years	8.78 Years

21. Maturity analysis of assets and liabilities

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

	December 31, 2022		
	Within 1 Year	Longer than 1 Year	Total
Assets			
Refundable deposits（included in other current assets）	$ 207	$ 3	$ 210
Contract assets	$ 192,230	$ -	$ 192,230
Liabilities			
Contract liabilities	$ 12,442	$ 3,911	$ 16,353

	December 31, 2021		
	Within 1 Year	Longer than 1 Year	Total
Assets			
Refundable deposits (included in other current assets)	$ 418	$ 3	$ 421
Contract assets	$ 596,634	$ -	$ 596,634
Liabilities			
Contract liabilities	$ 17,028	$ -	$ 17,028

22. Equity

(1) Capital - common stock

	December 31, 2022	December 31, 2021
Authorized shares (in thousands)	275,000	275,000
Authorized capitals	$ 2,750,000	$ 2,750,000
Issued and paid shares (in thousands)	261,059	261,059
Issued capital	$ 2,610,585	$ 2,610,585

(2) Capital surplus

	December 31, 2022	December 31, 2021
Can be used to offset a deficit, distributed as cash dividends or expansion capital stocks (1)		
Treasury stock transactions	$ 1,033	$ 1,033
Unclaimed cash dividends	532	538
Can be used to offset a deficit (2)		
Recognition of changes in ownership interests in subsidiaries	85,120	1,913
	$ 86,685	$ 3,484

1. This type of capital reserve can be used to make up for losses, and can also be used to distribute cash or capitalized when the Company has no losses, however the combined amount of any portions capitalized in any 1 year may not exceed certain percent of paid-in capital.
2. This type of capital surplus refers to the effect of equity transactions recognized for changes in the Company's equity when the Company has not effectively acquired or disposed of shares in a subsidiary, or the adjustments to the capital surplus recognized by the equity method for the Company's subsidiaries.

(3) Retained earnings and dividend policy

In accordance with the Company’s Articles of Incorporation, if the Company has made any profit in a given year, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings, then set aside a special capital reserve in accordance with relevant laws or regulations or in accordance with the provisions of laws. If there are still any earnings, the Board of Directors shall prepare a proposal to distribute bonus to shareholders with the remaining earnings plus any retained earnings and submit to the shareholders’ meeting for resolution. The Company delegates to the Board of Directors the authority to resolve, by special resolution, that all or a portion of the dividends and bonuses payable shall be paid in cash and submitted to the shareholders' meeting. Regarding the remuneration policy of employees and directors, please Note 24 (6) Remuneration of employees and directors.

The dividend distribution policies shall be in response to current and future development plan, in consideration of investment requirements, funding requirements, and shareholders’ benefit of the Company. The dividends distributed to shareholders shall not be lower than 60% of surplus available for distribution, may be distributed in cash or in stock, and the ratio of cash dividend shall be no less than 25% of total distribution.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit, the board of directors is authorized to adopt a special resolution, the legal reserve that has exceeded 25% of the Company’s paid-in capital and all or part of the capital reserve that complies with the Company Act may be transferred to capital or distributed in cash. A report of such distribution should be submitted in the shareholders’ meeting.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Company.

The appropriations of 2021 and 2020 earnings proposed by the Company’ s Board of Directors meeting held on June 15, 2022, and August 5, 2021 are as follows：

	2021	2020
Legal reserve	$ 29,154	$ 43,538
Special reserve	$ 22,231	$ 6,372
Cash dividends	$ 261,059	$ 339,376
Cash dividends per share（NT$）	$ 1.00	$ 1.30

The appropriations of earnings for 2022 proposed by the Company's Board of Directors on March 8, 2023 are as follows:

	2022
Legal reserve	$ 86,445
Special reserve	$ 21,905
Cash dividends	$ 652,646
Cash dividends per share（NT$）	$ 2.5

The above appropriations of cash dividends have been approved by the Board of Directors, and the rest is yet to be resolved at the regular shareholders' meeting expected to be held on June 15, 2023.

(4) Other equity items

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

	2022	2021
Balance, beginning of year	($ 26,619)	($ 24,158)
Occurred in the current year		
Exchange differences arising on translation of foreign operations	(12,655)	(2,461)
Reclassification		
Disposal of foreign operations	(5,603)	-
Other comprehensive income of the year	(18,258)	(2,461)
Balance, end of year	($ 44,877)	($ 26,619)

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

	2022	2021
Balance, beginning of year	($ 10,959)	$ 8,811
Unrealized gain or losses		
Equity instruments		
Equity instrument	(3,647)	(19,770)
Balance, end of year	($ 14,606)	($ 10,959)

23. Net Revenue

	2022	2021
Revenue from contract with customers		
Sales revenue		
Power transformer	$ 5,210,230	$ 4,351,271
Distribution	681,288	1,296,750
Transformer	214,845	412,996
Electricity	11,898	12,226
Other	630,374	1,012,162
Construction revenue	509,002	1,539,976
	$ 7,257,637	$ 8,625,381

(1) Explanation of contract with customers

1. Revenue from sale of goods

Revenue shall be recognized when the equipment is inspected by electrical & mechanical department and delivered to designated place. Contract assets shall be recognized when goods are transferred. Accounts receivables shall be recognized at the time when the Company has the unconditional right to receive the consideration. Receipts in advance shall be recognized as contract liabilities before the goods meet designated conditions.

2. Revenue from constructions

The Company measures the percentage of completion by the progress of the constructions. The Company 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 Company would complete all the contractual obligations, which shall be recognized as contract assets before the Company completes the performance of the contract.

(2) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	$ 94,654	$ 72,964	$ 117,622
Accounts receivable （Note 10）			
Sale of goods	$ 1,839,124	$ 2,287,583	$ 2,323,444
Contract asset			
Construction	$ 192,230	$ 596,634	$ 351,686
Sale of goods	1,265,530	821,508	888,480
	$ 1,457,760	$ 1,418,142	$ 1,240,166
Contract liabilities			
Construction	$ 16,353	$ 17,028	$ 42,774
Sale of goods	1,484,764	456,524	367,395
	$ 1,501,117	$ 473,552	$ 410,169

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

The revenue, which arises from the contract liabilities in the beginning of the year, recognized in the current year is as follows：

	2022	2021
From the contract liabilities in the beginning of the year		
Construction	$ 17,028	$ 42,774
Sale of goods	434,983	367,395
	$452,011	$410,169

(3) Revenue from Contracts with Customers

2022

	Electrical & Mechanical Department	Turnkey Department	Total
Sales revenue	$ 6,748,635	$ -	$ 6,748,635
Construction revenue	-	509,002	509,002
	$ 6,748,635	$ 509,002	$ 7,257,637

2021

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

24. Net Income

(1) Interest income

	2022	2021
Bank deposits	$ 2,605	$ 20
Other	278	835
	$ 2,883	$ 855

(2) Other income

	2022	2021
Export tax rebate	$ 25,862	$ 30,391
Rental income from operating lease	171	152
Indemnity income	807	7,289
Others	4,477	-
	$ 31,317	$ 37,832

(3) Other profit and loss

	2022	2021
Financial assets and liabilities interest (loss)		
Financial assets (mandatorily) measured at fair value through profit or loss	$ 56	($ 1)
Loss on disposal of property, plant and equipment	(139)	(662)
Net gain and loss on foreign currency exchange	49,263	9,336
Gain on contract amendment	-	516
Others	(1,092)	(39,648)
	$ 48,088	($ 30,459)

(4) Financial cost

	2022	2021
Bank loan interest	$ 34,151	$ 17,769
Interest of lease liabilities	177	265
Other financial cost	191	1,285
	$ 34,519	$ 19,319

(5) Depreciation, Amortization, and Employee benefits expenses

	2022			2021		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Employee benefits expenses						
Salary	$ 475,253	$ 311,780	$ 787,033	$ 421,801	$ 237,094	$ 658,895
Labor and Health Insurance	40,014	18,588	58,602	41,220	18,278	59,498
Pension						
Defined contribution plan	18,626	8,281	26,907	15,207	8,112	23,319
Defined benefit plan	3,157	1,336	4,493	3,718	1,508	5,226
Compensation to directors	-	13,712	13,712	-	17,732	17,732
Other employee benefits	21,052	7,708	28,760	22,475	7,960	30,435
	$ 558,102	$ 361,405	$ 919,507	$ 504,421	$ 290,684	$ 795,105
Depreciation	$ 63,817	$ 11,443	$ 75,260	$ 62,546	$ 13,349	$ 75,985
Amortization	$ 7,952	$ 13,288	$ 21,240	$ 6,430	$ 10,511	$ 16,914

(6) Employee and directors' compensation

In accordance with the Article of Incorporation, the Company has made any profit in a given year (meaning any net profit before tax, minus employee and directors' compensation), the Company shall appropriate from the remaining amount no less than 3% for the employee compensation, and no more than 2% for the Directors remuneration. The resolutions of estimated employee compensation and Directors' remuneration for 2022 and 2021 by the Board of Directors on March 8, 2023 and March 23, 2022 respectively as follows:

Estimated percentage

	2022	2021
Employee compensation	4.87%	4.97%
Directors' remuneration	1.46%	1.22%

Amount

	2022	2021
	Cash	Cash
Employee compensation	$ 50,152	$ 19,490
Directors' remuneration	15,045	4,770

If there is still any change in the amount of the annual parent only financial statements after the date of publication, it shall be handled according to the changes in accounting estimates and adjusted and recorded in the next year.
There is no difference between the amounts of appropriations of employee compensation and directors' remuneration and the amounts recognized in the parent only financial statements of 2021, 2020 respectively.

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

(7) Exchange gains and (losses)

	2022	2021
Gain on foreign exchange	$ 75,656	$ 21,428
Loss on foreign exchange	(26,393)	(12,092)
Net gain and loss	$ 49,263	$ 9,336

25. Income tax

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

	2022	2021
Current income tax expense		
Recognized in the current year	$ 21,112	$ 76,894
Tax on undistributed earnings	-	7,567
Adjustments on prior years	44,766	(2,130)
	65,878	82,331
Deferred income tax benefit		
Recognized in the current year	70,862	(9,221)
Adjustment on prior years	(9,723)	4,704
	61,139	(4,517)
Income tax expense recognized in profit or loss	$ 127,017	$ 77,814

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

	2022	2021
Income before tax	$ 965,266	$ 367,697
Income tax expense at the statutory rate	$ 193,053	$ 73,539
Nondeductible (deductible) items	-	(2,490)
tax-exempt income	(37,514)	-
Additional income tax on unappropriated earnings	-	7,567
Investment Tax Credit	(4,715)	(4,559)
Effects of separate taxation for foreign capitals returning to Taiwan	-	(8,462)
Unrecognized deductible temporary difference	(68,573)	14,349
Income tax adjustments on prior years adjustments on current year	44,766	(2,130)
Income tax expense recognized in profit or loss	$127,017	$ 77,814

(2) Income tax expense recognized in other comprehensive income

	2022	2021
Deferred income tax		
Recognized in the current year		
- Remeasurement of defined benefit obligation	($ 6,550)	($ 413)
Income tax expense recognized in other comprehensive income	($ 6,550)	($ 413)

(3) Income tax assets and liabilities

	December 31, 2022	December 31, 2021
Income tax assets		
Income tax refund receivable	$ 21,513	$ 2,070
Income tax liabilities		
Income tax payable	$ -	$ 39,763

(4) Deferred income tax assets and liabilities

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

2022

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Deferred income tax assets				
Defined benefit and pension plans	$ 25,881	($ 10,808)	($ 6,550)	$ 8,523
Inventory valuation losses	442	8,311	-	8,753

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	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Bad Debt deferral period	$ 1,791	($ 1,791)	$ -	$ -
Export income cost adjustment item	144	19,619	-	19,763
Unrealized exchange loss	-	461	-	461
Other	1,715	(1,065)	-	650
	$ 29,973	$ 14,727	($ 6,550)	$ 38,150
Deferred income tax liabilities				
Land value increment tax	$ 40,621	$ -	$ -	$ 40,621
Unrealized exchange gain or loss	77	(77)	-	-
Share of profit or loss of subsidiaries accounted for using equity method	3,814	75,943	-	79,757
	$ 44,512	$ 75,866	$ -	$ 120,378

2021

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

(5) Income tax examination

The tax authorities have examined income tax of the Company prior to 2020.

26. Earnings per share

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

	2022	2021
Current year net income	$ 838,249	$ 289,883

Number of shares Unit: Thousand shares

	2022	2021
Calculation of weighted average number of common stock shares	261,059	261,059
The effect of potentially dilutive ordinary shares:		
Employee compensation	1,140	626
The calculation of diluted EPS is based on the weighted average number of ordinary shares	262,199	261,685

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

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

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

On January 14, 2022, the Company failed to increase its shareholding in Fortune Electric Australia Pty. Ltd. through cash capital increment in proportion to its shareholding, resulting in a decrease in its shareholding from 80.18% to 64.25%.

Since the above transaction did not change the Company's control over Fortune Electric Australia, the Company treated it as equity transaction.

Please refer to Note 29 of the Company's 2021 and 2020 consolidated financial statements for the description of the partial acquisition of Fortune Electric Australia Pty. Ltd.

28. Division by Acquisition

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

	June 30, 2021
Cash and cash equivalents	$ 10,272
Net accounts receivable	20,706
Inventory	10,335
Advance payments	1,824
Property, plant, equipment	18,756

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	June 30, 2021
Intangible asset	1,780
Prepayment for business facilities	4,110
Right-of-use asset	4,377
Refundable deposit	14
	$ 72,174
Lease liabilities	$ 4,383
Accounts payable	1,127
Other payables	2,114
Contract liabilities	3,367
Other current liabilities	183
	$ 11,174

29. Disposal of subsidiary-loss of control

The board of directors authorized the chairman on July 24, 2020, to sign the contract of selling the share of Fortune Electric (Wuhan) Ltd. and subsidiaries on August 14, 2020. Fortune Electric (Wuhan) Ltd. and subsidiaries operate in sales of transformers, capacitors, power distribution panels and equipment. And the Company lost the control over the subsidiary. Please refer to Note 28 to the consolidated financial statements of 2022 for the explanation of disposal of Fortune Electric (Wuhan) Ltd. and subsidiaries.

30. Asset risk management

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

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

31. Financial Instruments

(1) Fair value information: Financial instruments not measured at fair value

There is no significant difference between the book value and fair value of the Company's financial assets and financial liabilities not at fair value as of December 31, 2022 and 2021.

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

1. Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Equity investment instrument				
- Domestic unlisted (OTC) stocks	$ -	$ -	$ 312,386	$ 312,386
Financial liabilities measured at fair value through profit or loss				
Derivative	$ -	$ 279	$ -	$ 279

December 31, 2021

	Level 1	Leve1 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Equity investment instrument				
- Domestic Unlisted (OTC) stocks	$ -	$ -	$ 316,033	$ 316,033

There were no transfers between Level 1 and Level 2 fair value measurements in 2022 and 2021.

2. The reconciliation of financial instruments categorized within level 3

2022

Financial assets at fair value through other comprehensive income	Amount
Beginning balance	$ 316,033
Recognized in other comprehensive income	(3,647)
Ending balance	$ 312,386

2021

Financial assets at fair value through other comprehensive income	Amount
Beginning balance	$ 44,343
Purchase	291,460
Recognized in other comprehensive income	(19,770)
Ending balance	$ 316,033

(3) Categories of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets measured at amortized cost（Note 1）	$ 2,128,542	$ 2,410,256
Financial assets measured at fair value through other comprehensive income		
Equity investment instrument	312,386	316,033
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	279	-
Amortized cost（Note 2）	4,065,061	4,283,675

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

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

(4) Financial risk management objectives

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

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

1. Market risk

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

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

(1) Foreign currency risk

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

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

Sensitivity Analysis

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

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

	Impact of US dollar	
	2022	2021
Profit or Loss (i)	$ 6,157	$ 4,495

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

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

(2) Interest rate risk

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

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

	December 31, 2022	December 31, 2021
Fair value interest rate		
- Financial assets	$ 23,575	$ 22,894
- Financial liabilities	450,655	145,601
Cash flow interest rate risk		
- Financial assets	169,450	12,142
- Financial liabilities	1,821,800	1,518,800

Sensitivity analysis

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

If the interest rate increases or decreases by 100 basis points, and all other variables remain unchanged, the Company's net profit before tax for 2022 and 2021 will decrease or increase by $16,524 thousand and $15,067 thousand mainly due to the Company's net position of variable interest rate deposits and variable interest rate loans.

(3) Other price risk

The Company has a risk of equity price risk due to equity securities investment. The Company has not actively traded such investments.

Sensitivity analysis

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

If the equity price rises or falls by 1%, the other comprehensive income before tax in 2022 and 2021 will increase or decrease by $3,124 thousand and $3,160 thousand due to the change in fair value of financial assets measured at fair value through other comprehensive income

2. Credit risk

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

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

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

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

3. Liquidity risk

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

Bank loans are an important source of liquidity for the Company. As of December 31, 2022 and December 31, 2021, the unused bank loan and bill company financing lines were $5,795,673 thousand and $5,666,013 thousand respectively.

(1) Table of liquidity and interest rate risk of non-derivative financial liabilities

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

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

December 31, 2022

	Weighted Average Effective Interest Rate (%)	Payable on demand less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years
Non-derivatives financial liabilities					
Non-interest-bearing liabilities		$ 174,848	$ 3,292,383	$ 30,799	$ 74,138
Lease liabilities		769	1,537	6,673	15,556
Floating rate instrument	1.83	-	-	805,786	560,613
Fix interest rate instrument	0.89	452,067	356,970	99,022	-
		$ 627,684	$ 3,650,890	$ 942,280	$ 650,307

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

	Less than 1 Year	1 – 5 Years	5 – 10 Years	10 – 15 Years
Lease liabilities	$ 8,979	$ 15,556	$ -	$ -

December 31, 2021

	Weighted Average Effective Interest Rate (%)	Payable on demand or less than 1 month	1 – 3 Months	3 Months – 1 Year	1 – 5 Years
Non-derivative financial liabilities					
Non-interest-bearing liabilities		$ 514,878	$ 1,993,454	$ 509,871	$ 46,603
Lease liabilities		433	866	3,639	5,904
Floating rate instrument	1.11	100,093	-	277,000	1,164,870
Fixed interest rate instrument	0.75	2,055	41,150	92,408	-
		$ 617,459	$ 2,035,470	$ 882,918	$ 1,217,377

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

	Less than 1 Year	1 – 5 Years	5 – 10 Years	10 – 15 Years
Lease liabilities	$ 4,938	$ 5,904	$ -	$ -

The Company's bank loans that may be called for repayment immediately are included in the above maturity analysis table within a period of less than one month. As of December 31, 2022 and 2021, the undiscounted principal balances of these bank loans are $201,839 thousand and $102,054 thousand, respectively.

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

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

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

December 31, 2022

	Payable on demand or less than 1 Month	1 – 3 Months	3 Months – 1 Year	1 – 5 Years
Net settlement				
Forward exchange contracts	$ -	($ 279)	$ -	$ -

32. Related Party Transactions

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

(1) Related party name and categories

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

Note：After selling 100% of shares of Fortune Electric (Wuhan) Ltd. on December 31,2022, it is not a subsidiary any more.

(2) Operating revenue

Item	Related Party Categories/Name	2022	2021
Revenue from sales of goods	Subsidiaries	$ 92,950	$ 70,401
	Associates	624	64
		$ 93,574	$ 70,465

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

(3) Purchases

Related Party Categories/Name	2022	2021
Subsidiaries		
Fortune Electric Extra High Voltage	$ 1,067,202	$ 496,174
Other	35,559	48,916
Associates	2,554	2,565
	$ 1,105,315	$ 547,655

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

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

Items	Related Party Categories/Name	December 31, 2022	December 31, 2021
Receivables	Subsidiaries		
	North America Company	$ -	$ 38,317
	Other	85	7,327
		$ 85	$ 45,644
Other receivables（Classified under other current assets）	Subsidiaries	$ 265	$ 1,237

The outstanding receivables from related parties are not guaranteed, and no allowance for losses is provided for account receivables from related parties in 2022 and 2021.

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

Item	Related Party Categories/Name	December 31, 2022	December 31, 2021
Payable to related parties	Subsidiaries		
	North America Company	$ 1,143	$ 2,772
	Fortune Electric Value	3,459	20,991
	Fortune Electric Extra High Voltage	225,332	141,720
	Other	2,142	1,590
	Associates	-	86
		$ 232,076	$ 167,159

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

(6) Prepayment

Related Party Categories/Name	December 31, 2022	December 31, 2021
Subsidiaries		
Fortune Electric Extra High Voltage	$351,933	$ 60,656
Other	11,640	1,135
	$363,573	$ 61,791

(7) Lease Agreement

Acquisition of Right-of-use asset

Related Party Categories/Name	2022	2021
Other related parties	$ 504	$ -

	Related Party Categories/Name	December 31, 2022	December 31, 2021
Lease liabilities - Current	Other related parties	$ 168	$ 170
Lease liabilities –non-current	Other related parties	$ 170	$ -

Related Party Categories/Name	2022	2021
Financial costs		
Other associates	$ 5	$ 1
Cost of goods sold – Manufacturing expense		
Other related parties	$ 21	$ 34
Operating cost		
Other related parties	$ 147	$ 134

(8) Lease agreement

Operating lease rentals

The Company operating leases the right to use the office to other related parties, Hua Cheng Investment Co., Ltd. and its subsidiary Fortune Energy CO., LTD, and the lease terms for both contracts are for one year. The Company operating leases the right to use the office to the subsidiary, Fortune Energy CO., LTD., and the lease term is for 3 years.

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

Related Party Categories/Name	December 31, 2022	December 31, 2021
Subsidiaries	$ 138	$ 24
Associates	57	-
	$ 195	$ 24

The lease income is summarized as follows:

Related Party Categories/Name	2022	2021
Subsidiaries	$ 114	$ 95
Other associates	57	57
	$ 171	$ 152

(9) Endorsement and guarantees for others

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

Related Party Categories	December 31, 2022	December 31, 2021
Subsidiaries		
Fortune Electric (Wuhan)	$ -	$ 188,224
Fortune Electric Extra High Voltage	1,450,000	1,100,000
Hsin He Energy Co., Ltd.	252,750	-
	$1,702,750	$1,288,224

(10) Other related party transaction

	Manufacturing Expense	
Related Party Categories/Name	2022	2021
Subsidiaries		
Fortune Electric Extra High Voltage	$ 4,500	$ -

	Operating Expense	
Related Party Categories/Name	2022	2021
Subsidiaries		
North American Company	$ 49,173	$ 50,057
Fortune Electric (Wuhan)	19	244
	$ 49,192	$ 50,301

(11) Compensation of key management personnel

	2022	2021
Short-term employee benefits	$ 83,360	$ 61,021
Post-employment benefits	2,167	2,131
	$ 85,527	$ 63,152

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

33. Pledged asset

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

	December 31, 2022	December 31, 2021
Refundable deposits（Current portion is included in other current assets）	$ 34,302	$ 22,469
Pledge of certificate of deposit（Financial assets at amortized cost）	23,574	22,894
Property, plant and equipment, net	955,034	953,795
	$ 1,012,910	$ 999,158

34. Significant Contingent liabilities and Unrecognized Commitments

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

(1) As of December 31, 2022, the balance of unused L/C amount total US$8,008 thousand, ¥9,325 thousand, € 660 thousand, KRL,766 thousand and CHF240 thousand.

(2) As of December 31, 2022, a total of $2,014,238 thousand of financing bills has been issued as guarantees for bank financing, endorsement and sales fulfillment.

(3) The Company signed a technical cooperation agreement with Meidensha Corporation, with effective term from July 2017 to July 2022. According to the contract, the Company will design, produce and sell goods in the Republic of China. However, prior written consent from Meidensha is required before the Company can sell its technically codeveloped products internationally. For product technical cooperation with Meidensha, the Company paid ¥2,000 thousand as well as 3% of the net sales of the products codeveloped. The remuneration paid were $647 thousand and $1,553thousand for the years ended December 31, 2022 and 2021, respectively, included in operating expenses.

(4) 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 $11,899 thousand and $12,227 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 subsequent events

The Company 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 exchange rate information of foreign currency financial assets and liabilities

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

December 31, 2022

	Foreign Currencies（In Thousands）	Exchange Rate	Carrying Amount
Foreign currency assets			
Monetary items			
USD	$ 27,116	30.71 (USD: NT dollar)	$ 832,721
Non-Monetary items			
Investments accounted for using equity method			
USD	14,536	30.71 (USD: NT dollar)	$ 471,434
Foreign currency liabilities			
Monetary items			
USD	$ 7,068	30.71 (USD: NT dollar)	$ 217,061

December 31, 2021

	Foreign Currencies（In Thousands）	Exchange Rate	Carrying Amount
Foreign currency liabilities			
Monetary items			
USD	$ 22,370	27.68 (USD: NT dollar)	$ 619,022
Non-Monetary items			
Investments accounted for using equity method			
USD	3,469	27.68 (USD: NT dollar)	$ 96,023
Foreign currency liabilities			
Monetary items			
USD	6,123	27.68 (USD: NT dollar)	$ 169,485

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

	2022		2021	
Functional currency	Translation from the functional currency to the presentation currency	Net exchange gains and losses	Translation from the functional currency to the presentation currency	Net exchange gains and losses
NT Dollar	1(NT Dollar : NT Dollar)	$ 49,263	1(NT Dollar : NT Dollar)	$ 9,336

37. Additional disclosures

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

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

(2) Information on investments in the mainland Area：

1. The name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss for the period and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland Area. (See Table 6 attached)
2. Any of the following significant transactions with investee companies in the mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses：（See Tables 1,5 and 6 attached and Note 32）
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

(3) The amount of property transactions and the amount of the resultant gains or losses.
(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

(3) Information on major shareholders: the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the issuer's equity. (See Table 7 attached)

Fortune Electric Co., Ltd.
Providing endorsements or guarantees for others
For the year ended December 31, 2022

Table 1

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

No.	Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements（%）	Maximum Endorsement/Guarantee Amount Allowable（Note 2）	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Ltd.	Sub-Subsidiary	$ 2,071,851	$ 219,062 (6,800 thousand USD)	$ -	$ -	$ -	-	$ 2,486,221	Y	N	Y	Note 3
0	Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage	Subsidiary	2,071,851	1,450,000	1,450,000	765,401	-	35.09%	2,486,221	Y	N	N	
0	Fortune Electric Co., Ltd.	Hsin He Energy Co., Ltd.	Joint venture	2,071,851	252,750	252,750	252,750	-	6.12%	2,486,221	N	N	N	

Note 1：The amount of endorsement or guarantee for a single enterprise shall not exceed 50% of the Company’s net worth, i.e., $4,143,701×50% = $2,071,851.

Note 2：The total amount of endorsements or guarantees shall not exceed 60% of the Company’s net worth, i.e., $4,143,701×60% = $2,486,221.

Note 3：The Company has completed the transaction of selling 100% of the shares of Fortune Electric (Wuhan) Ltd. in December, 2022.

Fortune Electric Co., Ltd.
Marketable Securities Held
For the year ended December 31, 2022

Table 2

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	End of Year				Note
				Shares/Units（In Thousands）	Carrying Value	Percentage of Ownership（%）	Fair Value	
Fortune Electric Co., Ltd.	Stock							
	Raynergy Tek Incorporation	-	Financial assets at fair value through other comprehensive income	3,031	$ 27,061	8.05%	$ 27,061	
	ProMOS Technologies Inc.	-	Financial assets at fair value through other comprehensive income	26	-	0.06%	-	
	Hsin He Energy Co., Ltd.	-	Financial assets at fair value through other comprehensive income	25,275	255,604	15.00%	255,604	
	E-Formular Technologies. Inc	-	Financial assets at fair value through other comprehensive income	1,200	12,540	5.52%	12,2540	
	Synergy Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,471	17,181	14.71%	17,181	

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

Fortune Electric Co., Ltd.
Purchase or sales of goods from or to related parties reaching NT$100 million or more than 20 percent of paid-in capital or more
2022

Table 3

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

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Balance	% to Total	
Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	Purchases	$ 1,067,202	19.31%	90 Days	-	-	($ 225,332)	(10.33%)	
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric America Inc.	Subsidiary	Sales	(285,210)	(3.68%)	90 Days	-	-	204,405	47.56%	

Fortune Electric Co., Ltd.
Receivables from related parties reaching NT$100 million or more than 20% of the paid-in capital
For the year ended December 31, 2022

Table 4

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

Company with Accounts Receivables	Name of Counterparty	Relationship	Receivable from Related Parties Balance of Payment (Note 1)	Turnover Rate	Overdue amounts due from related parties		Accounts Overdue from Related Parties Accounts Received after overdue	Allowance for Loss
					Amount	Disposal		
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric Co., Ltd.	Parent-subsidiary	$ 225,332	5.81	$ -		$ 225,332	$ -
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric America Inc.	Sister companies	204,405	2.13	-		-	-

Note 1: Please enter the accounts receivable from related parties, notes and bills, and other receivables...etc. separately.

Note 2: Paid-in capital means the paid-in capital of the parent company. If the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount of 20% of the paid-in capital is determined based on 10% of the equity vested in the owners of the parent company on the balance sheet.

Fortune Electric Co., Ltd.
Names, Locations, and related Information of Investees...related information
January 1 to December 31, 2022

Table 5

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
				December 31, 2022	December 31, 2021	Number of Shares	Percentage of Ownership (%)	Carrying Value			
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	Importing and Trade business, investment holding, agent business	$ 154,848	$ 140,475	3,800 thousand shares	100.00	$ 446,419	$ 375,810	$ 375,810	Subsidiary
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Agent business	2,949	2,949	1 thousand shares	100.00	25,015	3,548	3,548	Subsidiary
	Fortune Electric Extra High Voltage Co., Ltd.	No. 500, Nanheng 1st Rd., Wuqi Dist., Taichung City	Transformers manufacturing, machining and trading	564,800	564,800	80,000 thousand shares	100.00	704,377	217,011	217,011	Subsidiary
	E-Total Link	Shin Osaka SONE Building No. 1204, Nish-Nakajima 7-chome No. 29, Yodogawa-ku, Osaka Prefecture	Transformers manufacturing, machining and trading	1,385	1,385	100 shares	25.00	2,405	2,992	748	Associate
	Fortune Energy Co., Ltd.	No. 368, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City	Transformers, capacitors, power distribution equipment manufacturing	1,000	1,000	100 thousand shares	100.00	747	(57)	(57)	Subsidiary
	Fortune Electric Australia Pty Ltd.	Level 7, 60 York. Street, Sydney NSW 2000, Australia	Trade business	10,173	10,173	500 thousand shares	100.00	10,969	(394)	(394)	Subsidiary
	Fortune Electric Value Co., LTD.	14F, No. 191, Fuxing N. Rd., Da'an Dist., Taipei City	Electric vehicle charging and operation services, design and establishment of charging stations, R&D of equipment, systems and technologies, and sales.	182,000	182,000	18,200 thousand shares	64.25	218,530	(45,321)	(29,377)	Subsidiary
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	-	US$ 6,500 thousand	-	-	-	(US$2,429 thousand)	(US$2,429 thousand)	Sub-subsidiary (Note 2)
	Wuhan Fortune Electric Co., Ltd	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Import and export business of various commodities and technologies	US$ 1,000 thousand	US$ 500 thousand	-	100.00	US$ 1,315 thousand	US$320 thousand	US$320 thousand	Sub-subsidiary
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Trade business	-	CNY500 thousand	-	-	-	CNY 149 thousand	CNY 149 thousand	Sub sub-subsidiary (Note 3)

Note 1: It is calculated on the basis of the financial statements of the invested company that have not been reviewed by accountants during the same period and the shareholding ratio of the Company.
Note 2: The Company has completed the transaction of selling the shares of Fortune Electric (Wuhan) Ltd. in December, 2022.
Note 3: Wuhan Fortune Trade Co., Ltd. has completed cancellation of registration on August 11, 2022.
Note 4: Fortune Electric Extra High Voltage Co., Ltd. has implemented capital reduction of $612,000 thousand to write off deficit by board of directors' resolution on May 25, 2022, and the change of registration has been approved by Department of Commerce, MOEA.
Note 5: Power Energy International Ltd. has implemented capital reduction of US$3,700 thousand, and refunded the payment of shares by board of directors' resolution on January 16, 2023. The share capital after the capital reduction is US$100 thousand.

Fortune Electric Co., Ltd.
Information on investments in the Mainland Area
January 1 to December 31, 2022

Table 6

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 3)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note 3)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflows	Inflows							
Fortune Electric (Wuhan) Ltd. (Note 4)	Transformer, capacitor, distribution board and distribution equipment manufacturing industry.	$ 199,615 (US$6,500 thousand)	Reinvestment in mainland companies through reinvestment in existing companies in the third area	$ 184,260 (US$6,000 thousand)	$ -	$ -	$ 184,260 (US$6,000 thousand)	($ 71,505) (US$ 2,429 thousand)	-	($ 71,505) (US$ 2,429 thousand)	$ -	$ -	
Wuhan Fortune Electric Co., Ltd.	Import and export business of various commodities and technologies.	30,710 (US$ 1,000 thousand)	Reinvestment in mainland companies through reinvestment in existing companies in the third area	15,355 (US$ 500 thousand)	15,355 (US$500 thousand)	-	30,710 (US$ 1,000 thousand)	9,505 (US$320 thousand)	100.00%	9,6505 (US$320 thousand)	40,384 (US$ 1,315 thousand)	-	

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Investment Limit for Mainland Area as Regulated by MOEAIC
$214,970 (US$ 7,000 thousand)	$214,970 (US$ 7,000 thousand)	$ 2,479,312

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

Note 2: Except that the profit and loss of the invested company in the current year and the investment profit and loss recognized in the current year are calculated at the average exchange rate from January 1 to December 31, 2021, the rest are calculated at the spot exchange rate at the end of December, 2021.

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

Note 4: The Company has completed the transaction of selling 100% of the shares of Fortune Electric (Wuhan) Ltd. in December, 2022.

Fortune Electric Co., Ltd.
Information on major shareholders
December 31, 2022

Table 7

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

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

§ THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS §

Fortune Electric Co., Ltd.
Statement of cash and cash equivalents
December 31, 2022

Statement 1

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

Item	Amount
Petty cash	$ 680
Check deposit	51,030
Demand deposit (Note 1)	17,078
Cash equivalents (Note 2)	101,343
Total	$ 170,131

Note 1: Statement of foreign currency is as follows:

Currency Name	Foreign currency amount (NT$)	Exchange rate for NT dollars
AUD	$ 10,001	20.83
USD	333,093	30.71
CNY	10,061	4.4094
CAD	56	22.67
EUR	292	32.72
JPY	1	0.232
CHF	177	33.205
HKD	179	3.938

Note 2: Statement of cash equivalents is as follows:

Type	Foreign currency amount (dollars)	Due date	Interest rate	Exchange rate to NTD
Time deposit	$ 3,300,000	112.1.6	4.1%~4.2%	30.71

Fortune Electric Co., Ltd.
Statement of prepayments
December 31, 2022

Statement 2

Unit: Amounts in Thousands of New Taiwan Dollar

Client Name	Amount
Related party － Fortune Electric Extra High Voltage Co., Ltd.	$ 351,933
Related party － Wuhan Fortune Trade Co., Ltd.	7,765
Client A	31,650
Others (Note)	209,600
	$ 600,948

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

Fortune Electric Co., Ltd.
Statement of receivables
December 31, 2022

Statement 3

Unit: Amounts in Thousands of New Taiwan Dollar

Client Name	Amount
Client A	$ 362,878
Client B	333,583
Client C	316,387
Client D	216,696
Client E	153,191
Others（Note）	456,389
	1,839,124
Minus: Allowance for loss	16,081
	$ 1,823,043

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

Fortune Electric Co., Ltd.
Statement of Inventories
December 31, 2022

Statement 4

Unit: Amounts in Thousands of New Taiwan Dollar

Item	Amount - Cost	Amount - Net Realizable Value
Finished goods	$ 532,805	$ 646,551
Work in process	2,337,375	4,330,436
Raw materials	635,796	637,353
Minus：Allowance for inventory valuation and obsolescence losses	43,766	-
	$ 3,462,210	$ 5,614,340

Fortune Electric Co., Ltd.
Statement of contract assets and contract liabilities
2022

Statement 5

Unit: Amounts in Thousands of New Taiwan Dollar

	Estimate Year of completion	Total construction price	Estimate Construction total cost	Completion ratio (%)	Construction contract receivables: Balance, beginning of year	Construction contract receivables: Construction cost	Construction contract receivables: Construction profit (loss)	Construction contract receivables: Completion carries forward	Construction contract receivables: Balance, end of year	Construction contract payables: Balance, beginning of year	Construction contract payables: Increase this year	Construction contract payables: Completion carries forward	Construction contract payables: Balance, end of year	Contract assets (Contract liabilities)
Contract assets														
Construction contract receivables														
TK20120	2022	$ 166,994	$ 134,373	100.00	$ 116,897	$ 40,420	$ 9,679	$ -	$ 166,996	$ 85,548	$ 81,447	$ -	$ 166,995	$ -
TK13006	2021	212,519	222,457	100.00	213,778	3,059	(4,319)	-	212,518	192,883	19,636	-	212,519	-
TK17001	2021	282,055	322,213	99.99	249,718	16,102	16,206	-	282,026	196,975	68,900	-	265,875	16,151
TK22048	2022	861,350	770,627	26.23	-	202,105	23,793	-	225,898	-	210,179	-	210,179	15,719
TK19001	2021	210,827	191,243	99.99	169,834	35,087	5,884	-	210,805	78,160	86,957	-	165,117	45,688
TK1980A	2021	2,417,496	2,274,745	100.00	2,539,150	44,389	(166,044)	-	2,417,495	2,139,177	278,319	-	2,417,496	-
TK22920	2023	107,400	103,328	86.62	-	89,505	3,527	-	93,032	-	76,620	-	76,620	16,412
TK22921	2022	77,774	77,017	83.38	-	64,218	631	-	64,849	-	38,257	-	38,257	26,592
TK22922	2022	90,526	89,685	86.33	-	77,427	726	-	78,153	-	45,533	-	45,533	32,620
Total		$ 4,426,941	$ 4,185,688		$ 3,289,377	$ 572,312	($ 109,917)	$ -	$ 3,751,772	$ 2,692,743	$ 905,848	$ -	$ 3,598,591	153,182
Sale of goods														1,265,531
Construction retention receivable														39,047
Total														$ 1,457,760
Contract liabilities														
Construction contract payables														
TK2280A	2026	$ 371,014	$ 344,313	11.23	$ -	$ 38,666	$ 2,999	$ -	$ 41,665	$ -	$ 34,552	$ -	$ 34,552	$ 4,887
TK12002	2021	299,265	673,890	100.00	297,931	(4,774)	6,108	-	299,265	-	(87)	-	(87)	5,494
TK13003	2021	360,769	618,646	100.00	357,161	(25,701)	29,309	-	360,769	-	-	-	-	5,973
Total		$ 1,031,048	$ 1,636,849		$ 655,092	$ 8,191	$ 38,416	$ -	$ 701,699	$ -	$ 34,465	$ -	$ 34,465	16,354
Sale of goods														1,484,763
Total														$ 1,501,117

Fortune Electric Co., Ltd.
Statement of changes in investments accounted for using equity method
2022

Statement 6

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

Investees	Balance, January 1, 2021			Changes						Balance, December 31, 2021			
	No. of Shares (in Thousand)	%	Amount	No. of Shares (in Thousand)	Increase	Earning Distribution	Share of Profit or Loss of Subsidiaries and Associates Accounted for Using Equity Method	Exchange Differences on Translation of Foreign Financial Statements	Capital surplus - Changes In Ownership Interests	No. of Shares (in Thousand)	%	Amount	Note
Investments accounted for using equity method													
Unlisted companies													
Power Energy International Ltd.	3,800 thousand shares	100.00	$ 77,604	-	$ 14,373	$ -	$ 375,810	($ 21,368)	$ -	3,800 thousand shares	100.00	$ 446,419	-
North American Division	1 thousand shares	100.00	18,419	-	-	-	3,548	3,048	-	1 thousand shares	100.00	25,015	-
Fortune Electric Extra High Voltage Co., Ltd	141,200 thousand shares	100.00	487,366	(61,200)	-	-	217,011	-	-	80,000 thousand shares	100.00	704,377	-
E-Total Link	100 shares	25.00	2,002	-	-	-	748	(345)	-	100 shares	25.00	2,405	-
Fortune Energy CO., LTD.	100 thousand shares	100.00	804	-	-	-	(57)	-	-	100 thousand shares	100.00	747	-
Australian company	500 thousand shares	100.00	10,956	-	-	-	(394)	407	-	500 thousand shares	100.00	10,969	-
Fortune Electric Value Co., LTD.	18,200 thousand shares	80.18	164,700	-	-	-	(29,377)	-	83,207	18,200 thousand shares	80.18	218,530	-
Total			$ 761,851		$ 14,373	$ -	$ 567,289	($ 18,258)	$ 83,207			$ 1,408,462	

Note 1：As of the end of 2022, the company's investment under the equity method had no pledge or guarantee.

Note 2: Fortune Electric Extra High Voltage Co., Ltd. has implemented capital reduction of $612,000 thousand to write off deficit by board of directors' resolution on May 25, 2022, and the change of registration has been approved by Department of Commerce, MOEA.

Fortune Electric Co., Ltd.
Statement of bank loans
December 31, 2022

Statement 7

Unit：Amounts in Thousands of New Taiwan Dollars

Type of Creditor	Contract Period	Annual Interest Rate (％)	Balance	Loan Commitments
Short-term loans				
Taipei Fubon Commercial Bank	Nov 21, 2022- May 31, 2023	1.87-5.68	$ 196,110	$ 950,000
Cathay United Bank	Nov 18, 2022- Feb 17, 2023	1.45	100,000	300,000
Hua Nan Commercial Bank	Oct 12, 2022- May 29, 2023	1.00-5.93	70,430	650,000
Chang Hwa Commercial Bank	Oct 12, 2022- Jun 21, 2023	0.85-3.54	22,297	500,000
First Commercial Bank	Oct 21, 2022- Jun 7, 2023	1.35	11,692	600,000
Land Bank of Taiwan	Nov 25, 2022- Jun 14, 2023	1.80-3.13	137,376	300,000
Far Eastern International Bank	Dec 29, 2022- Jan 31, 2023	1.80	100,000	700,000
Shanghai Commercial & Savings Bank	Dec 29, 2022- Jun 29, 2023	1.10	2,249	94,500
Taiwan Cooperative Bank	Sep 26, 2022- May 1, 2023	0.85-3.10	16,487	600,000
			656,641	4,694,500
Long-term loans				
Bank of Taiwan	May 25, 2021- May 25, 2024	1.875-2	500,000	500,000
Mega International Commercial Bank	Dec 31, 2020- Oct 23, 2023	1.85	241,800	241,800
Bank SinoPac	Dec 20, 2021- Sep 30, 2023	1.90	100,000	100,000
Yuanta Bank	Dec 22, 2021- Mar 30, 2024	1.60	300,000	300,000
E.SUN Bank	Dec 22, 2021- May 20, 2024	1.95	200,000	200,000
			1,341,800	1,341,800
			$ 1,998,441	$ 6,036,300

Fortune Electric Co., Ltd.
Statement of accounts payables
December 31, 2022

Statement 8

Unit：Amounts in Thousands of New Taiwan Dollars

Vendor Name	Amount
Accounts payables	
Supplier A	$ 127,699
Supplier B	126,011
Others（Note）	1,691,121
	$ 1,944,831

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

Fortune Electric Co., Ltd.
Statement of operating cost
For 2022

Statement 9

Unit：Amounts in Thousands of New Taiwan Dollars

Item	Amount
Direct raw materials	
Raw material, beginning of year	$ 327,424
Add(less): material purchased	6,021,374
Raw materials, end of year	(622,988)
	5,725,810
Direct labor	144,618
Manufacturing expenses	736,425
Manufacturing cost	6,606,853
Add(less):Work in process, beginning of year	1,391,131
Transferred to R&D cost	14,005
Work in process, end of year	(2,330,901)
Cost of finished goods	5,681,088
Add(less):Finished goods, beginning of year	348,979
Finished goods, end of year	(508,321)
Transferred to equipment	(2,313)
Transferred to construction cost	(17,030)
Transferred to R&D cost	(90,470)
Losses on inventory valuation	41,558
Income from Sale of Scrap	(1,116)
Subtotal	5,452,375
Electric sales cost	10,940
Cost of goods sold subtotal	5,463,315
Construction cost	582,286
Total operating cost	$ 6,045,601

Fortune Electric Co., Ltd.
Statement of operating expenses
2022

Statement 10

Unit：Amounts in Thousands of New Taiwan Dollars

Item	Marketing Expenses	Administrative Expenses	R&D Expense	Total
Export expense	$ 232,376	$ -	$ -	$ 232,376
Payroll and allowance（including pension）	105,855	164,962	64,291	335,108
Marketing expenses	51,662	-	-	51,662
Insurance	32,515	6,812	5,390	44,717
Research expense	-	-	34,142	34,142
Others（Note）	118,595	45,129	21,843	185,567
	$ 541,003	$ 216,903	$ 125,666	883,572
Account Receivable-Expected Credit Loss and Gain				(20,623)
Total				$ 862,949

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

Fortune Electric Co., Ltd.
Summary statement of current period employee benefits, depreciation, depletion and amortization expenses by function
For 2022 and 2021

Statement 11

Unit：Amounts in Thousands of New Taiwan Dollars

	2022			2021		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Employee Benefit Expense						
Salary	$ 475,253	$ 311,780	$ 787,033	$ 421,801	$ 237,094	$ 658,895
Labor and health insurance	40,014	18,588	58,602	41,220	18,278	59,498
Pension						
Defined contribution plan	18,626	8,281	26,907	15,207	8,112	23,319
Defined benefit plan	3,157	1,336	4,493	3,718	1,508	5,226
Board compensation	-	13,712	13,712	-	17,732	17,732
Other employee benefit	21,052	7,708	28,760	22,475	7,960	30,435
	$ 558,102	$ 361,405	$ 919,507	$ 504,421	$ 290,684	$ 795,105
Depreciation	$ 63,817	$ 11,443	$ 75,260	$ 62,546	$ 13,439	$ 75,985
Amortization	$ 7,952	$ 13,288	$ 21,240	$ 6,403	$ 10,511	$ 16,914

Note:

1. As of December 31, 2022 and 2021, the Company had 759 and 772 employees respectively. The numbers in both years of non-employee directors are 7.
2. The Company whose shares are listed on TWSE or traded on TPEx shall disclose the following information:

(1) The average employee benefit expense of this year is NT$1,205 thousand (total employee benefit expense of this year - total directors' remuneration) / number of employees of this year - number of non-employee’s directors).
The average employee benefit expense of the previous year was NT$1,016 thousand (total employee benefit expense of the previous year - total directors' remuneration) / number of employees of the previous year - number of non-employee’s directors).

(2) The average salary cost of this year is 1,047 thousand (total salary cost of this year / "number of employees in this year - number of non-employees directors ").
The average salary cost of the previous year is 861 thousand (total salary cost of the previous year / "number of employees in the previous year - number of non-employees directors ").

(3) The change of average employee salary expenses is (21.6%) (average employee salary expenses of this year - average employee salary expenses of the previous year) / average employee salary expenses of the previous year).

(4) The Company has no supervisor, and the audit committee has replaced the supervisor in accordance with Article.

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

A. Directors

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

B. Managers

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

C. Employees

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