

Fortune Electric Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2022 and 2021**

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands)

ASSETS	June 30, 2022 (Reviewed)		December 31, 2021	June 30, 2021
	NT\$	US\$ (Note)	(Audited) NT\$	(Reviewed) NT\$
CURRENT ASSETS				
Cash and cash equivalents	\$ 220,947	\$ 7,434	\$ 114,912	\$ 305,449
Financial assets at fair value through profit or loss - current	99	3	-	-
Financial assets at amortized cost - current	247,500	8,328	114,777	3,071
Contract assets	981,933	33,040	671,451	1,108,989
Notes receivable	60,592	2,039	72,964	14,550
Trade receivables from unrelated parties	2,146,053	72,209	3,134,490	2,151,031
Current tax assets	172	6	2,070	-
Inventories, net	3,544,257	119,255	2,668,313	2,754,925
Prepayments	310,192	10,437	171,811	110,080
Non-current assets held for sale	705,438	23,736	381,134	431,075
Other current assets	30,047	1,011	66,797	39,094
Total current assets	<u>8,247,230</u>	<u>277,498</u>	<u>7,398,719</u>	<u>6,918,264</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income	304,938	10,260	316,033	306,844
Financial assets at amortized cost - non-current	5,067	170	3,759	3,859
Investments accounted for using equity method	2,396	81	2,002	828
Property, plant and equipment	1,952,863	65,709	1,963,885	1,976,317
Right-of-use assets	118,483	3,987	121,537	120,421
Intangible assets	52,574	1,769	41,266	35,156
Deferred tax assets	40,830	1,374	29,973	35,030
Prepayments for equipment	36,240	1,219	38,446	8,456
Refundable deposits	11,897	400	6,770	4,831
Total non-current assets	<u>2,525,288</u>	<u>84,969</u>	<u>2,523,671</u>	<u>2,491,742</u>
TOTAL	<u>\$ 10,772,518</u>	<u>\$ 362,467</u>	<u>\$ 9,922,390</u>	<u>\$ 9,410,006</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 1,124,739	\$ 37,845	\$ 718,384	\$ 283,131
Short-term bills payable	104,972	3,532	549,679	319,347
Contract liabilities	783,182	26,352	760,456	1,140,343
Notes payable	1,949	66	1	1,127
Trade payables to unrelated parties	2,163,506	72,796	2,030,815	1,886,021
Trade payables to related parties	643	22	86	479
Other payable	584,693	19,673	398,554	620,967
Current tax liabilities	71	2	39,829	35,578
Provisions	8,215	277	8,579	5,508
Liabilities directly associated with non-current assets held for sale	614,498	20,676	236,113	267,601
Lease liabilities - current	11,896	400	11,312	9,427
Current portion of long-term borrowings	490,000	16,487	-	-
Other current liabilities	149,421	5,028	143,832	138,107
Total current liabilities	<u>6,037,785</u>	<u>203,156</u>	<u>4,897,640</u>	<u>4,707,636</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	841,800	28,324	1,201,800	1,121,800
Deferred tax liabilities	46,397	1,561	44,512	53,152
Lease liabilities - non-current	108,775	3,660	111,973	112,455
Net defined benefit liabilities	83,405	2,806	129,401	139,105
Guarantee deposit received	11,044	372	17,327	12,725
Total non-current liabilities	<u>1,091,421</u>	<u>36,723</u>	<u>1,505,013</u>	<u>1,439,237</u>
Total liabilities	<u>7,129,206</u>	<u>239,879</u>	<u>6,402,653</u>	<u>6,146,873</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Share capital	<u>2,610,585</u>	<u>87,839</u>	<u>2,610,585</u>	<u>2,610,585</u>
Capital surplus	<u>86,686</u>	<u>2,917</u>	<u>3,484</u>	<u>1,414</u>
Retained earnings				
Legal reserve	473,469	15,931	444,315	400,777
Special reserve	37,578	1,265	15,347	8,975
Unappropriated earnings	355,666	11,967	442,862	274,748
Total retained earnings	<u>866,713</u>	<u>29,163</u>	<u>902,524</u>	<u>684,500</u>
Other equity				
Exchange differences on translating foreign operations	(28,529)	(960)	(26,619)	(27,928)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	(22,054)	(742)	(10,959)	(5,438)
Total other equity	<u>(50,583)</u>	<u>(1,702)</u>	<u>(37,578)</u>	<u>(33,366)</u>
Total equity attributable to owners of the Corporation	<u>3,513,401</u>	<u>118,217</u>	<u>3,479,015</u>	<u>3,263,133</u>
NON-CONTROLLING INTERESTS				
Total equity	<u>3,643,312</u>	<u>122,588</u>	<u>3,519,737</u>	<u>3,263,133</u>
TOTAL	<u>\$ 10,772,518</u>	<u>\$ 362,467</u>	<u>\$ 9,922,390</u>	<u>\$ 9,410,006</u>

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT\$29.72 to US\$1.00 at June 30, 2022, the base rate announced by Bank of Taiwan. Such translation should not be construed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

(With Deloitte & Touche review report dated August 9, 2022)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2022		2021	2022		2021
	NT\$	US\$ (Note)	NT\$	NT\$	US\$ (Note)	NT\$
OPERATING REVENUE						
Sales	\$ 1,670,325	\$ 56,202	\$ 1,720,723	\$ 2,869,418	\$ 96,548	\$ 2,530,400
Construction revenue	226,301	7,615	551,538	356,382	11,991	1,251,350
Other revenue	<u>148,463</u>	<u>4,995</u>	<u>106,975</u>	<u>214,682</u>	<u>7,224</u>	<u>193,478</u>
Total operating revenue	<u>2,045,089</u>	<u>68,812</u>	<u>2,379,236</u>	<u>3,440,482</u>	<u>115,763</u>	<u>3,975,228</u>
OPERATING COSTS						
Cost of goods sold	1,286,416	43,284	1,445,661	2,289,364	77,031	2,142,101
Construction cost	166,331	5,597	497,720	268,413	9,031	1,116,375
Other cost	<u>106,361</u>	<u>3,579</u>	<u>68,324</u>	<u>166,455</u>	<u>5,601</u>	<u>128,418</u>
Total operating costs	<u>1,559,108</u>	<u>52,460</u>	<u>2,011,705</u>	<u>2,724,232</u>	<u>91,663</u>	<u>3,386,894</u>
GROSS PROFIT	<u>485,981</u>	<u>16,352</u>	<u>367,531</u>	<u>716,250</u>	<u>24,100</u>	<u>588,334</u>
OPERATING EXPENSES						
Selling and marketing expenses	143,762	4,837	179,674	337,253	11,348	306,956
General and administrative expenses	62,639	2,108	67,980	109,099	3,671	111,345
Research and development expenses	35,042	1,179	30,031	68,938	2,319	56,033
Loss (gain) of expected credit loss	<u>(8,669)</u>	<u>(292)</u>	<u>(64)</u>	<u>(14,602)</u>	<u>(491)</u>	<u>5,876</u>
Total operating expenses	<u>232,774</u>	<u>7,832</u>	<u>277,621</u>	<u>500,688</u>	<u>16,847</u>	<u>480,210</u>
PROFIT FROM OPERATIONS	<u>253,207</u>	<u>8,520</u>	<u>89,910</u>	<u>215,562</u>	<u>7,253</u>	<u>108,124</u>
NON-OPERATING INCOME AND EXPENSES						
Other income	4,270	144	11,007	11,255	378	17,154
Interest income	1,702	57	379	2,774	93	929
Other gains and losses	16,708	562	(5,457)	41,782	1,406	(7,833)
Share of profit or loss of associates	401	13	169	888	30	179
Finance costs	<u>(10,294)</u>	<u>(346)</u>	<u>(8,310)</u>	<u>(18,705)</u>	<u>(629)</u>	<u>(15,873)</u>
Total non-operating income and expenses	<u>12,787</u>	<u>430</u>	<u>(2,212)</u>	<u>37,994</u>	<u>1,278</u>	<u>(5,444)</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	265,994	8,950	87,698	253,556	8,531	102,680
INCOME TAX EXPENSE	<u>36,170</u>	<u>1,217</u>	<u>23,330</u>	<u>35,914</u>	<u>1,208</u>	<u>29,168</u>
NET PROFIT FOR THE PERIOD	<u>229,824</u>	<u>7,733</u>	<u>64,368</u>	<u>217,642</u>	<u>7,323</u>	<u>73,512</u>
OTHER COMPREHENSIVE INCOME AND LOSS						
Items that may be not be reclassified subsequently to profit or loss:						
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	353	12	(14,249)	(11,095)	(373)	(14,249)
Exchange differences on translating foreign operations	<u>(6,007)</u>	<u>(202)</u>	<u>(2,133)</u>	<u>(1,910)</u>	<u>(64)</u>	<u>(3,770)</u>
Total other comprehensive income and loss	<u>(5,654)</u>	<u>(190)</u>	<u>(16,382)</u>	<u>(13,005)</u>	<u>(437)</u>	<u>(18,019)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 224,170</u>	<u>\$ 7,543</u>	<u>\$ 47,986</u>	<u>\$ 204,637</u>	<u>\$ 6,886</u>	<u>\$ 55,493</u>

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2022		2021	2022		2021
	NT\$	US\$ (Note)	NT\$	NT\$	US\$ (Note)	NT\$
NET PROFIT ATTRIBUTABLE TO:						
Owners of the Company	\$ 232,680	\$ 7,829	\$ 64,368	\$ 225,248	\$ 7,579	\$ 73,512
Non-controlling interests	<u>(2,856)</u>	<u>(96)</u>	<u>-</u>	<u>(7,606)</u>	<u>(256)</u>	<u>-</u>
	<u>\$ 229,824</u>	<u>\$ 7,733</u>	<u>\$ 64,368</u>	<u>\$ 217,642</u>	<u>\$ 7,323</u>	<u>\$ 73,512</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the Company	\$ 227,026	\$ 7,639	\$ 47,986	\$ 212,243	\$ 7,142	\$ 55,493
Non-controlling interests	<u>(2,856)</u>	<u>(96)</u>	<u>-</u>	<u>(7,606)</u>	<u>(256)</u>	<u>-</u>
	<u>\$ 224,170</u>	<u>\$ 7,543</u>	<u>\$ 47,986</u>	<u>\$ 204,637</u>	<u>\$ 6,886</u>	<u>\$ 55,493</u>
EARNINGS PER SHARE						
Basic	<u>\$0.89</u>	<u>\$0.89</u>	<u>\$0.25</u>	<u>\$0.86</u>	<u>\$0.86</u>	<u>\$0.28</u>
Diluted	<u>\$0.89</u>	<u>\$0.89</u>	<u>\$0.25</u>	<u>\$0.86</u>	<u>\$0.86</u>	<u>\$0.28</u>

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT\$29.72 to US\$1.00 at June 30, 2022, the base rate announced by Bank of Taiwan. Such translation should not be construed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

(With Deloitte & Touche review report dated August 9, 2022)

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-controlling Interests	Total Equity	
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total				
			Legal Reserve	Special Reserve	Unappropriated Earnings							Total
BALANCE AT JANUARY 1, 2021	\$ 2,610,585	\$ 1,414	\$ 400,777	\$ 8,975	\$ 540,612	\$ 950,364	\$ (24,158)	\$ 8,811	\$ (15,347)	\$ 3,547,016	\$ -	\$ 3,547,016
Appropriation of 2020 earnings												
Cash dividends distributed by the Company - NT\$1.3 per share	-	-	-	-	(339,376)	(339,376)	-	-	-	(339,376)	-	(339,376)
Net income for the six months ended June 30, 2021	-	-	-	-	73,512	73,512	-	-	-	73,512	-	73,512
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	-	(3,770)	(14,249)	(18,019)	(18,019)	-	(18,019)
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	73,512	73,512	(3,770)	(14,249)	(18,019)	55,493	-	55,493
BALANCE AT JUNE 30, 2021	\$ 2,610,585	\$ 1,414	\$ 400,777	\$ 8,975	\$ 274,748	\$ 684,500	\$ (27,928)	\$ (5,438)	\$ (33,366)	\$ 3,263,133	\$ -	\$ 3,263,133
BALANCE AT JANUARY 1, 2022	\$ 2,610,585	\$ 3,484	\$ 444,315	\$ 15,347	\$ 442,862	\$ 902,524	\$ (26,619)	\$ (10,959)	\$ (37,578)	\$ 3,479,015	\$ 40,722	\$ 3,519,737
Appropriation of 2021 earnings												
Legal reserve	-	-	29,154	-	(29,154)	-	-	-	-	-	-	-
Special reserve	-	-	-	22,231	(22,231)	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$1 per share	-	-	-	-	(261,059)	(261,059)	-	-	-	(261,059)	-	(261,059)
	-	-	29,154	22,231	(312,444)	(261,059)	-	-	-	(261,059)	-	(261,059)
Changes in percentage of ownership interests in subsidiaries	-	83,205	-	-	-	-	-	-	-	83,205	96,795	180,000
Cash dividends from capital surplus	-	(3)	-	-	-	-	-	-	-	(3)	-	(3)
Net income for the six months ended June 30, 2022	-	-	-	-	225,248	225,248	-	-	-	225,248	(7,606)	217,642
Other comprehensive income (loss) for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	-	(1,910)	(11,095)	(13,005)	(13,005)	-	(13,005)
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	225,248	225,248	(1,910)	(11,095)	(13,005)	212,243	(7,606)	204,637
BALANCE AT JUNE 30, 2022	\$ 2,610,585	\$ 86,686	\$ 473,469	\$ 37,578	\$ 355,666	\$ 866,713	\$ (28,529)	\$ (22,054)	\$ (50,583)	\$ 3,513,401	\$ 129,911	\$ 3,643,312
BALANCE AT JUNE 30, 2022 (IN U.S. DOLLARS)	\$ 87,839	\$ 2,917	\$ 15,931	\$ 1,265	\$ 11,967	\$ 29,163	\$ (960)	\$ (742)	\$ (1,702)	\$ 118,217	\$ 4,371	\$ 122,588

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

(With Deloitte & Touche review report dated August 9, 2022)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Six Months Ended June 30		
	2022		2021
	NT\$	US\$ (Note)	NT\$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Income before income tax from continuing operations	\$ 253,556	\$ 8,531	\$ 102,680
Adjustments for:			
Depreciation expenses	62,313	2,097	60,532
Amortization expenses	10,735	361	7,945
Expected credit (gain) loss recognized on trade receivables	(14,602)	(491)	5,876
Net gain on financial instruments at fair value through profit or loss	(99)	(3)	-
Finance costs	18,705	629	15,873
Interest income	(2,774)	(93)	(929)
Share of loss of associates	(888)	(30)	(179)
Loss on disposal of property, plant and equipment	4,582	154	255
Reversal of provisions	(3,005)	(101)	(1,590)
Reversal of write-downs of inventories	(2,208)	(74)	(317)
Unrealized net (gain) loss on foreign currency exchange	807	27	(189)
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	-	-	(4)
Contract assets	436,209	14,677	(437,960)
Notes receivable	16,849	567	103,072
Trade receivables	358,182	12,052	448,451
Inventories	(825,928)	(27,790)	(544,376)
Prepayments	(132,177)	(4,447)	(26,472)
Other current assets	34,726	1,168	(2,363)
Contract liabilities	296,056	9,961	496,391
Notes payable	1,948	65	1,127
Trade payables	(173,447)	(5,836)	(221,154)
Trade payables to related parties	557	19	380
Other payables	(36,416)	(1,225)	(58,713)
Other current liabilities	440,716	14,829	46,086
Net defined benefit liabilities	(45,996)	(1,548)	(39,754)
Cash used in operations	698,401	23,499	(45,332)
Interest received	2,761	93	924
Interest paid	(18,112)	(609)	(14,771)
Income tax paid	(82,765)	(2,785)	(17,696)
Net cash generated from (used in) operating activities	<u>600,285</u>	<u>20,198</u>	<u>(76,875)</u>

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Six Months Ended June 30		
	2022		2021
	NT\$	US\$ (Note)	NT\$
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ (252,750)
Purchase of financial assets at amortized cost	(134,031)	(4,510)	-
Proceeds from sale of financial assets at amortized cost	-	-	70,457
Payments for property, plant and equipment	(37,838)	(1,273)	(34,782)
Proceeds from disposal of property, plant and equipment	1,121	38	3,108
Increase in refundable deposits	(10,294)	(346)	(98)
Payments for intangible assets	(20,356)	(685)	(11,588)
Increase in prepayments for equipment	(4,470)	(151)	(11,510)
Net cash used in investing activities	<u>(205,868)</u>	<u>(6,927)</u>	<u>(237,163)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	321,865	10,830	89,667
Proceeds from (repayments of) short-term bills payable	(444,735)	(14,964)	79,557
Repayment of long-term borrowings	(20,000)	(673)	-
Proceeds from long-term borrowings	150,000	5,047	280,000
Proceeds from guarantee deposits received	-	-	345
Refund of guarantee deposits received	(6,283)	(211)	-
Repayment of the principal portion of lease liabilities	(6,383)	(215)	(5,615)
Dividends paid to owners of the Company	(3)	-	-
Change in non-controlling interests	<u>180,000</u>	<u>6,056</u>	<u>-</u>
Net cash generated from financing activities	<u>174,461</u>	<u>5,870</u>	<u>443,954</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES			
	<u>1,873</u>	<u>63</u>	<u>(3,791)</u>
NET INCREASE IN CASH	570,751	19,204	126,125
CASH AT THE BEGINNING OF THE PERIOD	<u>168,981</u>	<u>5,686</u>	<u>214,509</u>
CASH AT THE END OF THE PERIOD	<u>\$ 739,732</u>	<u>\$ 24,890</u>	<u>\$ 340,634</u>

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	June 30		
	2022		2021
	NT\$	US\$ (Note)	NT\$
Cash in the consolidated balance sheets	\$ 220,947	\$ 7,434	\$ 305,449
Cash included in disposal group held for sale	<u>518,785</u>	<u>17,456</u>	<u>35,185</u>
Cash in the consolidated statements of cash flows	<u>\$ 739,732</u>	<u>\$ 24,890</u>	<u>\$ 340,634</u>

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT\$29.72 to US\$1.00 at June 30, 2022, the base rate announced by Bank of Taiwan. Such translation should not be construed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

(With Deloitte & Touche review report dated August 9, 2022)

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021 (In Thousands of U.S. Dollars) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s stocks are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 9, 2022.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2023

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Subsidiaries included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership			Remark
			June 30, 2022	December 31, 2021	June 30, 2021	
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Trade business, Investment Holding, Agents business	100.00	100.00	100.00	
	Fortune Electric America Inc.	Agents business	100.00	100.00	100.00	
	Fortune Electric Extra High Voltage Co., Ltd.	Transformers manufacturing, machining and trading	100.00	100.00	100.00	
	Fortune Electric Energy Co., Ltd.	Power generation, transmission and power distribution equipment manufacturing	100.00	100.00	100.00	
	Fortune Electric Australia Pty, Ltd	Manufacture of power generation transmission and distribution machinery	100.00	100.00	100.00	
	Fortune Electric Value Company Limited	Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment/systems/technology	64.25	80.18	100.00	1)
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	100.00	100.00	100.00	2)
	Wuhan Fortune Co., Ltd.	Trade of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	100.00	100.00	-	3)
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	Trade business	100.00	100.00	100.00	

- 1) Fortune Electric Technology Co., Ltd. was established on May 6, 2021 in Taipei City, and the Company acquired 100% ownership of Fortune Electric Technology Co., Ltd. The primary business of Fortune Electric Technology Co., Ltd. is Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment, systems, and technology. The Company passed the resolution of the board of directors on May 10, 2021 to split and transfer the business related to the electric vehicle charging operation business department to Fortune Electric Technology Co., Ltd. The split-up base date was June 30, 2021. On September 27, 2021, the Company subscribed for additional new shares of Fortune Electric Technology Co., Ltd. at a percentage different from its existing ownership percentage, reducing its controlling interest from 100% to 81.08%. On January 14, 2022, the Company subscribed for additional new shares of Fortune Electric Technology Co., Ltd. at a percentage different from its existing ownership percentage, reducing its controlling interest from 80.18% to 64.25%.
 - 2) The Company's board of directors authorized the chairman of the board of directors to sign the equity sale contract of Fortune Electric (Wuhan) Ltd. and its subsidiaries on July 24, 2020. The equity sale contract was signed on August 14, 2020, and is expected to be completed on July 31, 2021. Fortune Electric (Wuhan) Ltd. and its subsidiaries had been classified to non-current assets held for sale and liabilities directly associated with non-current assets held for sale.
 - 3) Wuhan Fortune Co., Ltd. was established on October 26, 2021 in Wuhan, China and Power Energy International Ltd acquired 100% ownership of Wuhan Fortune Co., Ltd. The primary business of Wuhan Fortune Co., Ltd. is production and sale of transformer tanks, machining, mechanical and electrical products, metal surface corrosion treatment.
- d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Other long-term employee benefits

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

3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2021.