

Fortune Electric Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2024 and 2023**

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands)

	March 31, 2024		December 31, 2023	March 31, 2023
	NT\$	US\$ (Note)	NT\$	NT\$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,347,610	\$ 104,613	\$ 1,737,486	\$ 921,233
Financial assets at amortized cost - current	175,754	5,492	219,106	234,713
Contract assets	1,854,284	57,946	2,037,295	1,337,775
Notes receivable	33,071	1,033	95,968	27,848
Trade receivables, net	1,795,280	56,103	2,372,784	1,673,965
Current tax assets	24,652	770	22,286	21,565
Inventories, net	6,476,935	202,404	5,441,259	5,158,062
Prepayments	456,065	14,252	453,494	364,443
Other current assets	<u>222,580</u>	<u>6,956</u>	<u>187,100</u>	<u>183,906</u>
Total current assets	<u>14,386,231</u>	<u>449,569</u>	<u>12,566,778</u>	<u>9,923,510</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current	297,145	9,286	288,752	316,380
Financial assets at amortized cost - non-current	23,249	727	18,241	18,241
Investments accounted for using the equity method	2,484	78	2,328	3,678
Property, plant and equipment	2,080,852	65,027	2,080,565	1,962,371
Right-of-use assets	186,417	5,826	142,867	130,090
Intangible assets	64,455	2,014	66,429	57,090
Deferred tax assets	14,488	453	30,498	28,727
Net defined benefit assets - non-current	19,663	614	-	-
Other non-current assets	<u>82,499</u>	<u>2,577</u>	<u>50,310</u>	<u>91,400</u>
Total non-current assets	<u>2,771,252</u>	<u>86,602</u>	<u>2,679,990</u>	<u>2,607,977</u>
TOTAL	<u>\$ 17,157,483</u>	<u>\$ 536,171</u>	<u>\$ 15,246,768</u>	<u>\$ 12,531,487</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 131,050	\$ 4,095	\$ 20,000	\$ 1,380,487
Short-term bills payable	119,859	3,746	219,747	508,604
Contract liabilities	4,163,686	130,115	2,855,544	1,849,873
Trade payable	3,367,398	105,231	3,342,361	2,039,045
Trade payables to related parties	2,219	69	623	-
Other payables	2,414,857	75,464	1,160,643	1,052,208
Current tax liabilities	647,697	20,241	515,783	70,526
Provisions	18,683	584	18,522	10,698
Lease liabilities - current	33,881	1,059	19,622	17,402
Long-term borrowings due within one year	-	-	150,000	901,800
Other current liabilities	<u>131,552</u>	<u>4,111</u>	<u>474,586</u>	<u>65,168</u>
Total current liabilities	<u>11,030,882</u>	<u>344,715</u>	<u>8,777,431</u>	<u>7,895,811</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	690,000	21,563	100,000	600,000
Deferred tax liabilities	83,069	2,596	84,734	75,899
Lease liabilities - non-current	153,243	4,789	123,534	115,246
Net defined benefit liabilities	-	-	5,105	2,237
Guarantee deposits received	<u>22,664</u>	<u>708</u>	<u>23,371</u>	<u>25,795</u>
Total non-current liabilities	<u>948,976</u>	<u>29,656</u>	<u>336,744</u>	<u>819,177</u>
Total liabilities	<u>11,979,858</u>	<u>374,371</u>	<u>9,114,175</u>	<u>8,714,988</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	<u>2,610,585</u>	<u>81,581</u>	<u>2,610,585</u>	<u>2,610,585</u>
Capital surplus	<u>86,955</u>	<u>2,717</u>	<u>86,956</u>	<u>86,919</u>
Retained earnings				
Legal reserve	559,914	17,497	559,914	473,469
Special reserve	59,483	1,859	59,483	37,578
Unappropriated earnings	<u>1,829,730</u>	<u>57,179</u>	<u>2,798,183</u>	<u>547,895</u>
Total retained earnings	<u>2,449,127</u>	<u>76,535</u>	<u>3,417,580</u>	<u>1,058,942</u>
Other equity				
Exchange differences on translating foreign operations	(41,329)	(1,292)	(50,385)	(48,087)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	<u>(29,847)</u>	<u>(933)</u>	<u>(38,240)</u>	<u>(10,612)</u>
Total other equity	<u>(71,176)</u>	<u>(2,225)</u>	<u>(88,625)</u>	<u>(58,699)</u>
Total equity attributable to owners of the Company	5,075,491	158,608	6,026,496	3,697,747
NON-CONTROLLING INTERESTS	<u>102,134</u>	<u>3,192</u>	<u>106,097</u>	<u>118,752</u>
Total equity	<u>5,177,625</u>	<u>161,800</u>	<u>6,132,593</u>	<u>3,816,499</u>
TOTAL	<u>\$ 17,157,483</u>	<u>\$ 536,171</u>	<u>\$ 15,246,768</u>	<u>\$ 12,531,487</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\$32.00 to US\$1.00 at March 31, 2024, 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.

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

(With Deloitte & Touche review report dated May 10, 2024)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands, Except Earnings Per Share)

	For the Three Months Ended March 31		
	2024		2023
	NT\$	US\$ (Note)	NT\$
OPERATING REVENUE			
Sales	\$ 2,888,648	\$ 90,270	\$ 1,508,276
Construction revenue	<u>148,853</u>	<u>4,652</u>	<u>32,269</u>
Total operating revenue	<u>3,037,501</u>	<u>94,922</u>	<u>1,540,545</u>
OPERATING COSTS			
Cost of goods sold	1,865,692	58,303	1,084,342
Construction costs	<u>129,957</u>	<u>4,061</u>	<u>24,416</u>
Total operating costs	<u>1,995,649</u>	<u>62,364</u>	<u>1,108,758</u>
GROSS PROFIT	<u>1,041,852</u>	<u>32,558</u>	<u>431,787</u>
OPERATING EXPENSES			
Selling and marketing expenses	219,487	6,859	126,036
General and administrative expenses	132,592	4,144	59,055
Research and development expenses	69,890	2,184	36,880
Reversal of expected credit loss	<u>(1,175)</u>	<u>(37)</u>	<u>(12,375)</u>
Total operating expenses	<u>420,794</u>	<u>13,150</u>	<u>209,596</u>
PROFIT FROM OPERATIONS	<u>621,058</u>	<u>19,408</u>	<u>222,191</u>
NON-OPERATING INCOME AND EXPENSES			
Interest income	13,535	423	4,475
Rental income	25,514	797	25,514
Other income	16,970	530	5,560
Gain (loss) on foreign currency exchange	77,559	2,424	(4,747)
Other gains and losses	(163)	(5)	2,126
Finance costs	<u>(5,266)</u>	<u>(165)</u>	<u>(16,180)</u>
Total non-operating income and expenses	<u>128,149</u>	<u>4,004</u>	<u>16,748</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	749,207	23,412	238,939
INCOME TAX EXPENSE (BENEFIT)	<u>155,272</u>	<u>4,852</u>	<u>36,085</u>
NET PROFIT FOR THE PERIOD	<u>593,935</u>	<u>18,560</u>	<u>202,854</u>

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands, Except Earnings Per Share)

	For the Three Months Ended March 31		
	2024		2023
	NT\$	US\$ (Note)	NT\$
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss:			
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	\$ 8,393	\$ 262	\$ 3,994
Exchange differences on translating foreign operations	<u>9,056</u>	<u>283</u>	<u>(3,210)</u>
Total other comprehensive income and loss	<u>17,449</u>	<u>545</u>	<u>784</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 611,384</u>	<u>\$ 19,105</u>	<u>\$ 203,638</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	\$ 597,898	\$ 18,684	\$ 205,674
Non-controlling interests	<u>(3,963)</u>	<u>(124)</u>	<u>(2,820)</u>
	<u>\$ 593,935</u>	<u>\$ 18,560</u>	<u>\$ 202,854</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	\$ 615,347	\$ 19,229	\$ 206,458
Non-controlling interests	<u>(3,963)</u>	<u>(124)</u>	<u>(2,820)</u>
	<u>\$ 611,384</u>	<u>\$ 19,105</u>	<u>\$ 203,638</u>
EARNINGS PER SHARE			
Basic	<u>\$ 2.29</u>	<u>\$ 0.07</u>	<u>\$ 0.79</u>
Diluted	<u>\$ 2.29</u>	<u>\$ 0.07</u>	<u>\$ 0.79</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 average rate of NT\$32.00 to US\$1.00 for the three months ended March 31, 2024, 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.

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

(With Deloitte & Touche review report dated May 10, 2024)

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)

	Equity Attributable to Owners of the Company											
	Retained Earnings						Other Equity		Total	Non-controlling Interests	Total Equity	
							Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
												Share Capital
BALANCE AT JANUARY 1, 2023	\$ 2,610,585	\$ 86,685	\$ 473,469	\$ 37,578	\$ 994,867	\$ 1,505,914	\$ (44,877)	\$ (14,606)	\$ (59,483)	\$ 4,143,701	\$ 121,572	\$ 4,265,273
Appropriation of 2022 earnings												
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$2.5 per share	-	-	-	-	(652,646)	(652,646)	-	-	-	(652,646)	-	(652,646)
Unclaimed cash dividends from shareholders	-	234	-	-	-	-	-	-	-	234	-	234
Net income (loss) for the three months ended March 31, 2023	-	-	-	-	205,674	205,674	-	-	-	205,674	(2,820)	202,854
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	-	(3,210)	3,994	784	784	-	784
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	205,674	205,674	(3,210)	3,994	784	206,458	(2,820)	203,638
BALANCE AT MARCH 31, 2023	\$ 2,610,585	\$ 86,919	\$ 473,469	\$ 37,578	\$ 547,895	\$ 1,058,942	\$ (48,087)	\$ (10,612)	\$ (58,699)	\$ 3,697,747	\$ 118,752	\$ 3,816,499
BALANCE AT JANUARY 1, 2024	\$ 2,610,585	\$ 86,956	\$ 559,914	\$ 59,483	\$ 2,798,183	\$ 3,417,580	\$ (50,385)	\$ (38,240)	\$ (88,625)	\$ 6,026,496	\$ 106,097	\$ 6,132,593
Appropriation of 2023 earnings												
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$6 per share	-	-	-	-	(1,566,351)	(1,566,351)	-	-	-	(1,566,351)	-	(1,566,351)
Unclaimed cash dividends from shareholders	-	(1)	-	-	-	-	-	-	-	(1)	-	(1)
Net income for the three months ended March 31, 2024	-	-	-	-	597,898	597,898	-	-	-	597,898	(3,963)	593,935
Other comprehensive income for the three months ended March 31, 2024, net of income tax	-	-	-	-	-	-	9,056	8,393	17,449	17,449	-	17,449
Total comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	597,898	597,898	9,056	8,393	17,449	615,347	(3,963)	611,384
BALANCE AT MARCH 31, 2024	\$ 2,610,585	\$ 86,955	\$ 559,914	\$ 59,483	\$ 1,829,730	\$ 2,449,127	\$ (41,329)	\$ (29,847)	\$ (71,176)	\$ 5,075,491	\$ 102,134	\$ 5,177,625
BALANCE AT MARCH 31, 2024 (IN U.S. DOLLARS)	\$ 81,581	\$ 2,717	\$ 17,497	\$ 1,859	\$ 57,179	\$ 76,535	\$ (1,292)	\$ (933)	\$ (2,225)	\$ 158,608	\$ 3,192	\$ 161,800

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

(With Deloitte & Touche review report dated May 10, 2024)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands)

	For the Three Months Ended March 31		
	2024		2023
	NT\$	US\$ (Note)	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	\$ 749,207	\$ 23,412	\$ 238,939
Adjustments for:			
Depreciation expenses	43,651	1,364	33,744
Amortization expenses	7,465	233	6,572
Expected credit loss reversed on trade receivables	(1,175)	(37)	(12,375)
Net gain on financial assets and liabilities at fair value through profit or loss	-	-	(1,047)
Finance costs	5,266	165	16,180
Interest income	(13,535)	(423)	(4,475)
Share of gain of associates	(212)	(7)	(445)
Loss on disposal of property, plant and equipment	133	4	-
Reversal of provisions	161	5	(798)
Gain on remeasurement of lease arrangements	(22)	(1)	-
Reversal of write-downs of inventories	(105)	(3)	(7,117)
Unrealized net loss on foreign currency exchange	5,905	185	1,438
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	-	-	768
Notes receivable	62,899	1,966	67,907
Contract assets	183,011	5,719	119,985
Trade receivables	559,081	17,471	384,934
Inventories	(1,045,999)	(32,684)	(946,538)
Prepayments	(1,159)	(36)	(57,795)
Other current assets	(32,653)	(1,020)	(29,059)
Contract liabilities	1,307,248	40,852	277,110
Trade payables	26,433	826	(112,766)
Trade payables to related parties	1,596	50	(53)
Other payables	(309,057)	(9,658)	(133,720)
Other current liabilities	(343,034)	(10,720)	(38,652)
Net defined benefit liabilities	(24,768)	(774)	(40,375)
Cash used in operations	1,180,337	36,889	(237,638)
Interest received	10,708	335	4,373
Interest paid	(4,080)	(128)	(15,828)
Income tax paid	(11,381)	(356)	(685)
Net cash generated from (used in) operating activities	1,175,584	36,740	(249,778)

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands)

	For the Three Months Ended March 31		
	2024		2023
	NT\$	US\$ (Note)	NT\$
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at amortized cost	\$ -	\$ -	\$ (3,218)
Disposal of financial assets measured at amortized cost	38,344	1,198	-
Payments for property, plant and equipment	(22,724)	(710)	(14,072)
Acquisition of investments accounted for using the equity method	-	-	-
Decrease in refundable deposits	-	-	111
Increase in refundable deposits	(24,672)	(771)	-
Payments for intangible assets	(5,110)	(160)	(7,134)
Increase in prepayments	<u>(8,656)</u>	<u>(271)</u>	<u>(36,136)</u>
Net cash used in investing activities	<u>(22,818)</u>	<u>(714)</u>	<u>(60,449)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	111,050	3,470	483,736
Proceeds from (repayments of) short-term bills payable	(99,888)	(3,122)	159,040
Proceeds from long-term borrowings	440,000	13,750	(10,000)
Repayments of long-term borrowings	-	-	-
Proceeds from guarantee deposits received	-	-	58
Refund of guarantee deposits received	(707)	(22)	-
Repayment of the principal portion of lease liabilities	(9,700)	(303)	(4,769)
Unclaimed cash dividends	<u>(1)</u>	<u>-</u>	<u>234</u>
Net cash generated from financing activities	<u>440,754</u>	<u>13,773</u>	<u>628,299</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>16,604</u>	<u>518</u>	<u>8,531</u>
NET INCREASE IN CASH	1,610,124	50,317	326,603
CASH AT THE BEGINNING OF THE PERIOD	<u>1,737,486</u>	<u>54,296</u>	<u>595,630</u>
CASH AT THE END OF THE PERIOD	<u>\$ 3,347,610</u>	<u>\$ 104,613</u>	<u>\$ 922,233</u>

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

(With Deloitte & Touche review report dated May 10, 2024)

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023 (In Thousands of U.S. Dollars)

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 (TWSE) since April 1997.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 10, 2024.

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 “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

- b. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced 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 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
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will supersede IAS 1 “Presentation of Financial Statements” with significant changes including:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discounted operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as ‘other’ only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

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 of the application of other standards and interpretations on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 IFRS Accounting Standards.

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

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

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

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

See Note 11 Tables 5 and 6 for the detailed information of subsidiaries including the percentage of ownership and main business.

Subsidiaries included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership			Remark
			March 31, 2024	December 31, 2023	March 31, 2023	
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	64.25	64.25	*
Power Energy International Ltd.	Wuhan Fortune Co., Ltd.	Import and export commodities and technologies	100.00	100.00	100.00	*

* A non-material subsidiary whose financial reports have not been review.

d. Other material accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2023.

1) Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period; and
- Liabilities for which the Group does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

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

The Group is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

2) 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.

3) Income tax expense

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. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same material 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, 2023.