

Fortune Electric Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2026 and 2025**

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands)

ASSETS	March 31, 2026		December 31, 2025	March 31, 2025
	NT\$	US\$ (Note)	NT\$	NT\$
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,334,519	\$ 166,704	\$ 4,795,777	\$ 5,017,292
Financial assets at fair value through profit or loss - current	27,740	867	-	13,876
Financial assets at amortized cost - current	747,511	23,360	546,821	73,388
Contract assets	1,612,114	50,379	1,936,371	2,667,492
Notes receivable, net	135,363	4,230	131,833	193,264
Trade receivables, net	3,943,098	123,222	4,450,288	2,762,114
Current tax assets	265	8	165	19
Inventories, net	9,364,571	292,643	8,333,498	8,495,084
Prepayments	1,154,669	36,083	992,577	789,321
Other current assets	557,351	17,417	353,687	361,025
Total current assets	<u>22,877,201</u>	<u>714,913</u>	<u>21,541,017</u>	<u>20,372,875</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current	75,236	2,351	47,563	35,527
Financial assets at fair value through other comprehensive income - non-current	653,261	20,414	568,795	469,128
Financial assets at amortized cost - non-current	47,392	1,481	49,239	17,000
Investments accounted for using equity method	1,402	44	1,948	2,876
Property, plant and equipment	3,386,260	105,821	3,221,606	2,493,384
Right-of-use assets	2,082,989	65,093	2,066,387	566,844
Intangible assets	61,324	1,916	60,895	60,602
Deferred tax assets	232,707	7,272	235,611	81,653
Prepaid investments	15,000	469	-	-
Net defined benefit assets - non-current	57,478	1,796	52,122	66,520
Other non-current assets	433,731	13,554	365,580	263,945
Total non-current assets	<u>7,046,780</u>	<u>220,211</u>	<u>6,669,746</u>	<u>4,057,479</u>
TOTAL	<u>\$ 29,923,981</u>	<u>\$ 935,124</u>	<u>\$ 28,210,763</u>	<u>\$ 24,430,354</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 335,685	\$ 10,490	\$ 200,000	\$ 500,000
Contract liabilities - current	5,412,436	169,139	5,909,109	4,937,847
Trade payables to unrelated parties	3,458,196	108,069	3,479,804	3,715,125
Trade payables to related parties	145	5	120	355
Other payables	5,493,433	171,670	2,569,247	4,135,080
Current tax liabilities	941,421	29,419	652,173	992,971
Provisions	7,181	224	7,370	53,644
Lease liabilities - current	125,934	3,935	104,884	104,270
Deferred revenue - current	3,800	119	3,800	-
Other current liabilities	94,702	2,959	87,227	94,772
Total current liabilities	<u>15,872,933</u>	<u>496,029</u>	<u>13,013,734</u>	<u>14,534,064</u>
NON-CURRENT LIABILITIES				
Contract liabilities - non-current	3,350,753	104,711	1,623,885	2,144,126
Long-term borrowings	-	-	554,000	-
Deferred tax liabilities	161,445	5,045	136,827	113,082
Lease liabilities - non-current	2,035,481	63,609	2,014,902	477,430
Deferred revenue - non-current	40,186	1,256	40,186	58,129
Guarantee deposits received	7,215	225	7,041	25,743
Total non-current liabilities	<u>5,595,080</u>	<u>174,846</u>	<u>4,376,841</u>	<u>2,818,510</u>
Total liabilities	<u>21,468,013</u>	<u>670,875</u>	<u>17,390,575</u>	<u>17,352,574</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	3,158,808	98,713	3,158,808	2,871,644
Capital surplus	130,862	4,089	133,747	87,021
Retained earnings				
Legal reserve	1,246,315	38,947	1,246,315	816,345
Special reserve	165,746	5,180	165,746	88,625
Unappropriated earnings	3,565,135	111,410	6,001,313	3,260,871
Total retained earnings	4,977,196	155,537	7,413,374	4,165,841
Other equity				
Exchange differences on translation of the financial statements of foreign operations	(37,038)	(1,157)	(47,020)	(31,778)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	8,728	273	(75,738)	(130,405)
Total other equity	(28,310)	(884)	(122,758)	(162,183)
Total equity attributable to owners of the Company	8,238,556	257,455	10,583,171	6,962,323
NON-CONTROLLING INTERESTS	217,412	6,794	237,017	115,457
Total equity	<u>8,455,968</u>	<u>264,249</u>	<u>10,820,188</u>	<u>7,077,780</u>
TOTAL	<u>\$ 29,923,981</u>	<u>\$ 935,124</u>	<u>\$ 28,210,763</u>	<u>\$ 24,430,354</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, 2026, 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 11, 2026)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31		
	2026		2025
	NT\$	US\$ (Note)	NT\$
OPERATING REVENUE			
Sales	\$ 4,560,046	\$ 142,501	\$ 4,221,948
Construction revenue	<u>196,469</u>	<u>6,140</u>	<u>199,313</u>
Total operating revenue	<u>4,756,515</u>	<u>148,641</u>	<u>4,421,261</u>
OPERATING COSTS			
Cost of goods sold	2,527,122	78,973	2,555,427
Construction costs	<u>155,279</u>	<u>4,852</u>	<u>280,861</u>
Total operating costs	<u>2,682,401</u>	<u>83,825</u>	<u>2,836,288</u>
GROSS PROFIT	<u>2,074,114</u>	<u>64,816</u>	<u>1,584,973</u>
OPERATING EXPENSES			
Selling and marketing expenses	715,627	22,363	366,667
General and administrative expenses	231,079	7,221	163,446
Research and development expenses	126,710	3,960	87,499
Reversal of expected credit loss	<u>(7,596)</u>	<u>(237)</u>	<u>-</u>
Total operating expenses	<u>1,065,820</u>	<u>33,307</u>	<u>617,612</u>
PROFIT FROM OPERATIONS	<u>1,008,294</u>	<u>31,509</u>	<u>967,361</u>
NON-OPERATING INCOME AND EXPENSES			
Interest income	29,662	927	24,672
Rental income	137	4	25,514
Compensation and indemnity income	174,473	5,452	8,277
Other income	13,875	434	16,308
Gain on foreign currency exchange	98,304	3,072	42,934
Finance costs	(14,411)	(450)	(6,980)
Other gains and losses	<u>24,247</u>	<u>757</u>	<u>(521)</u>
Total non-operating income and expenses	<u>326,287</u>	<u>10,196</u>	<u>110,204</u>
PROFIT BEFORE INCOME TAX	1,334,581	41,705	1,077,565
INCOME TAX EXPENSE	<u>318,757</u>	<u>9,961</u>	<u>225,017</u>
NET PROFIT FOR THE PERIOD	<u>1,015,824</u>	<u>31,744</u>	<u>852,548</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		
	2026		2025
	NT\$	US\$ (Note)	NT\$
OTHER COMPREHENSIVE INCOME AND LOSS			
Items that may be not be reclassified subsequently to profit or loss:			
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ 84,466	\$ 2,640	\$ (464)
	<u>84,466</u>	<u>2,640</u>	<u>(464)</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of the financial statements of foreign operations	9,982	312	4,027
	<u>9,982</u>	<u>312</u>	<u>4,027</u>
Total other comprehensive income and loss	<u>94,448</u>	<u>2,952</u>	<u>3,563</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,110,272</u>	<u>\$ 34,696</u>	<u>\$ 856,111</u>
NET PROFIT ATTRIBUTABLE TO:			
Owners of the Company	\$ 1,038,511	\$ 32,453	\$ 860,451
Non-controlling interests	(22,687)	(709)	(7,903)
	<u>\$ 1,015,824</u>	<u>\$ 31,744</u>	<u>\$ 852,548</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company	\$ 1,132,959	\$ 35,405	\$ 864,014
Non-controlling interests	(22,687)	(709)	(7,903)
	<u>\$ 1,110,272</u>	<u>\$ 34,696</u>	<u>\$ 856,111</u>
EARNINGS PER SHARE			
Basic	\$ 3.29	\$ 0.10	\$ 2.72
Diluted	\$ 3.28	\$ 0.10	\$ 2.72

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, 2026, 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 11, 2026)

(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	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE ON JANUARY 1, 2025	\$ 2,871,644	\$ 87,022	\$ 816,345	\$ 88,625	\$ 4,984,900	\$ 5,889,870	\$ (35,805)	\$ (129,941)	\$ (165,746)	\$ 8,682,790	\$ 91,073	\$ 8,773,863
Appropriation of 2024 earnings	-	-	-	-	(2,584,480)	(2,584,480)	-	-	-	(2,584,480)	-	(2,584,480)
Cash dividends distributed by the Company - NT\$9 per share	-	-	-	-	(2,584,480)	(2,584,480)	-	-	-	(2,584,480)	-	(2,584,480)
Unclaimed cash dividends from shareholders	-	(1)	-	-	-	-	-	-	-	(1)	-	(1)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	32,287	32,287
Net income for the three months ended March 31, 2025	-	-	-	-	860,451	860,451	-	-	-	860,451	(7,903)	852,548
Other comprehensive income (loss) for the three months ended March 31, 2025, net of income tax	-	-	-	-	-	-	4,027	(464)	3,563	3,563	-	3,563
Total comprehensive income (loss) for the three months ended March 31, 2025	-	-	-	-	860,451	860,451	4,027	(464)	3,563	864,014	(7,903)	856,111
BALANCE ON MARCH 31, 2025	\$ 2,871,644	\$ 87,021	\$ 816,345	\$ 88,625	\$ 3,260,871	\$ 4,165,841	\$ (31,778)	\$ (130,405)	\$ (162,183)	\$ 6,962,323	\$ 115,457	\$ 7,077,780
BALANCE ON JANUARY 1, 2026	\$ 3,158,808	\$ 133,747	\$ 1,246,315	\$ 165,746	\$ 6,001,313	\$ 7,413,374	\$ (47,020)	\$ (75,738)	\$ (122,758)	\$ 10,583,171	\$ 237,017	\$ 10,820,188
Appropriation of 2025 earnings	-	-	-	-	(3,474,689)	(3,474,689)	-	-	-	(3,474,689)	-	(3,474,689)
Cash dividends distributed by the Company - NT\$11 per share	-	-	-	-	(3,474,689)	(3,474,689)	-	-	-	(3,474,689)	-	(3,474,689)
Changes in ownership interests in subsidiaries	-	(2,885)	-	-	-	-	-	-	-	(2,885)	3,082	197
Net income for the three months ended March 31, 2026	-	-	-	-	1,038,511	1,038,511	-	-	-	1,038,511	(22,687)	1,015,824
Other comprehensive income for the three months ended March 31, 2026, net of income tax	-	-	-	-	-	-	9,982	84,466	94,448	94,448	-	94,448
Total comprehensive income (loss) for the three months ended March 31, 2026	-	-	-	-	1,038,511	1,038,511	9,982	84,466	94,448	1,132,959	(22,687)	1,110,272
BALANCE ON MARCH 31, 2026	\$ 3,158,808	\$ 130,862	\$ 1,246,315	\$ 165,746	\$ 3,565,135	\$ 4,977,196	\$ (37,038)	\$ 8,728	\$ (28,310)	\$ 8,238,556	\$ 217,412	\$ 8,455,968
BALANCE ON MARCH 31, 2026 (IN U.S. DOLLARS)	\$ 98,713	\$ 4,089	\$ 38,947	\$ 5,180	\$ 111,410	\$ 155,537	\$ (1,157)	\$ 273	\$ (884)	\$ 257,455	\$ 6,794	\$ 264,249

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

(With Deloitte & Touche review report dated May 11, 2026)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands)

	For the Three Months Ended March 31		
	2026		2025
	NT\$	US\$ (Note)	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	\$ 1,334,581	\$ 41,705	\$ 1,077,565
Adjustments for:			
Depreciation expenses	109,905	3,435	68,067
Amortization expenses	9,145	286	8,138
Expected credit loss reversed on trade receivables	(7,596)	(237)	-
Net (gain) loss on fair value changes of financial assets at fair value through profit or loss	(27,673)	(865)	973
Finance costs	14,411	450	6,980
Interest income	(29,662)	(927)	(24,672)
Share of loss of associate	546	17	(494)
Loss on disposal of property, plant and equipment	-	-	1
(Reversal) recognition of provisions	(189)	(6)	17,249
Gain on remeasurement of lease arrangements	(11)	-	-
Write-down of inventories	800	25	-
Unrealized net gain on foreign currency exchange	(41,874)	(1,309)	(9,012)
Changes in operating assets and liabilities			
Notes receivable	(3,525)	(110)	29,411
Contract assets	327,214	10,225	511,384
Trade receivables	593,738	18,554	856,161
Inventories	(1,031,873)	(32,246)	(911,004)
Prepayments	(155,609)	(4,863)	(72,753)
Other current assets	(202,206)	(6,319)	(67,122)
Net defined benefit assets	(5,356)	(167)	(15,253)
Contract liabilities	1,223,486	38,234	2,078,205
Trade payables	(44,495)	(1,390)	(646,568)
Trade payables to related parties	25	1	331
Other payables	(564,528)	(17,642)	(529,032)
Other current liabilities	7,475	234	(4,773)
Cash generated from operations	1,506,729	47,085	2,373,782
Interest received	28,386	887	20,142
Interest paid	(14,498)	(453)	(6,429)
Income tax paid	(3,188)	(100)	(1,603)
Net cash generated from operating activities	<u>1,517,429</u>	<u>47,419</u>	<u>2,385,892</u>

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands)

	For the Three Months Ended March 31		
	2026		2025
	NT\$	US\$ (Note)	NT\$
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ (26,705)
Purchase of financial assets at amortized cost	(198,843)	(6,214)	(1,084)
Purchase of financial assets at fair value through profit or loss	(27,740)	(867)	(35,116)
Increase in prepayments for investments	(15,000)	(469)	-
Payments for property, plant and equipment	(106,066)	(3,315)	(248,229)
Increase in refundable deposits	(17,060)	(533)	(154)
Payments for intangible assets	(9,574)	(299)	(1,726)
Increase in prepayments for equipment	<u>(170,083)</u>	<u>(5,315)</u>	<u>(21,106)</u>
Net cash used in investing activities	<u>(544,366)</u>	<u>(17,012)</u>	<u>(334,120)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	135,651	4,239	465,000
Repayments of long-term borrowings	(554,000)	(17,313)	-
Proceeds from guarantee deposits received	174	5	1,492
Repayment of the principal portion of lease liabilities	(24,302)	(759)	(18,011)
Changes in non-controlling interests	197	6	32,287
Unclaimed cash dividends from shareholders	<u>-</u>	<u>-</u>	<u>(1)</u>
Net cash (used in) generated from financing activities	<u>(442,280)</u>	<u>(13,822)</u>	<u>480,767</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES			
	<u>7,959</u>	<u>251</u>	<u>3,836</u>
NET INCREASE IN CASH	538,742	16,836	2,536,375
CASH AT THE BEGINNING OF THE PERIOD	<u>4,795,777</u>	<u>149,868</u>	<u>2,480,917</u>
CASH AT THE END OF THE PERIOD	<u>\$ 5,334,519</u>	<u>\$ 166,704</u>	<u>\$ 5,017,292</u>

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

(With Deloitte & Touche review report dated May 11, 2026)

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025 (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 switches and substation equipment.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 11, 2026.

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)

Except for the following, the application of the amended IFRS Accounting Standards endorsed and issued into effect by the FSC will not have a material impact on the accounting policies of the Company and its controlled entities (the “Group”).

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027 (Note 2)
IFRS 19 “Subsidiaries without Public Accountability: Disclosures” (including the 2025 amendments to IFRS 19)	January 1, 2027
Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”	January 1, 2027

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

Note 2: On September 25, 2025, the FSC announced that IFRS 18 will take effect starting from January 1, 2028. Domestic entities could elect to apply IFRS 18 for an earlier period after the endorsement of IFRS 18 by the FSC.

IFRS 18 “Presentation and Disclosure in Financial Statements” and consequential amendments

IFRS 18 will supersede IAS 1” Presentation of Financial Statements”. The main changes comprise:

- To classify items of income and expenses presented in the statement of profit or loss into the operating, investing, financing, income taxes and discontinued operations categories, the Group shall assess whether it has specified main business activities of investing in particular types of assets and providing financing to customers.
- 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.

In addition, the following consequential amendments have been made to IAS 7 “Statement of Cash Flows”:

- The Group shall use operating profit or loss as the starting point when presenting cash flows from operating activities under the indirect method.
- Interest and dividends received by the Group shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. However, if, after assessment, the Group has a specific main operating activity, it shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how it classifies dividend income, interest income and interest expense in the statement of profit or loss. The total of each of these cash flows shall be classified in a single category in the statement of cash flows.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the other impacts of the above amended 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 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 (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective 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.

See Note 12, 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, 2026	December 31, 2025	March 31, 2025	
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Trade business, investment holding, agents business	100.00	100.00	100.00	1)
	Fortune Electric America Inc.	Agents business	100.00	100.00	100.00	1)
	Fortune Electric Extra High Voltage Co., Ltd.	Transformers manufacturing, machining and trading	100.00	100.00	100.00	1)
	Fortune Energy Co., Ltd.	Manufacture of power generation, transmission, distribution machinery and renewable energy sales	100.00	100.00	100.00	1)
	Fortune Electric Australia Pty, Ltd	Trade business	100.00	100.00	100.00	1)
	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	60.95	60.95	64.25	1)
	Fortune Nev Co., Ltd.	Department store operations	83.85	76.44	76.23	1) and 2)
	Foresee Energy Co., Ltd.	Green energy renewable energy and hydrogen energy related business	100.00	100.00	-	1)
Fortune Electric Value Company Limited	Fortune Nev Co., Ltd.	Department store operations	6.22	9.12	9.09	1)
Power Energy International Ltd.	Wuhan Fortune Electric Co., Ltd	Import and export business of various commodities and technologies	100.00	100.00	100.00	1)

1) A non-material subsidiary whose financial reports have not been reviewed.

2) Fortune Nev Co., Ltd. was resolved by the board of directors on January 6, 2026 to increase its capital in cash by NT\$101,984 thousand and company did not subscribe for NT\$101,788 thousand according to its shareholding ratio.

d. Other material accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2025.

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) 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

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

When developing material accounting estimates, the Group considers the possible impact of US reciprocal tariffs on the cash flow projection, growth rates, discount rates, profitability and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.