

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

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2022 and 2021**

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands)

	March 31, 2022 (Reviewed)		December 31, 2021 (Audited)	March 31, 2021 (Reviewed)
	NT\$	US\$ (Note)	NT\$	NT\$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 439,809	\$ 15,365	\$ 114,912	\$ 68,062
Financial assets at amortized cost - current	279,500	9,764	114,777	101,542
Contract assets	553,287	19,329	671,451	838,312
Notes receivable	26,608	930	72,964	48,547
Trade receivables from unrelated parties	2,759,731	96,410	3,134,490	1,835,374
Current tax assets	2,220	78	2,070	-
Inventories, net	3,196,678	111,674	2,668,313	2,772,965
Prepayments	293,684	10,260	171,811	110,971
Non-current assets held for sale	353,674	12,355	381,134	480,991
Other current assets	44,595	1,557	66,797	33,655
Total current assets	7,949,786	277,722	7,398,719	6,290,419
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income	304,585	10,641	316,033	297,093
Financial assets at amortized cost - non-current	2,487	87	3,759	3,859
Investments accounted for using the equity method	2,167	76	2,002	676
Property, plant and equipment	1,954,386	68,275	1,963,885	1,975,352
Right-of-use assets	121,695	4,251	121,537	119,159
Intangible assets	44,592	1,558	41,266	36,196
Deferred tax assets	29,586	1,034	29,973	41,188
Prepayments for equipment	34,099	1,191	38,446	8,747
Refundable deposits	7,402	258	6,770	4,913
Total non-current assets	2,500,999	87,371	2,523,671	2,487,183
<b>TOTAL</b>	<b>\$ 10,450,785</b>	<b>\$ 365,093</b>	<b>\$ 9,922,390</b>	<b>\$ 8,777,602</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 1,283,483	\$ 44,838	\$ 718,384	\$ 279,376
Short-term bills payable	259,612	9,069	549,679	374,728
Contract liabilities	955,128	33,367	760,456	1,017,831
Notes payable	3,795	133	1	-
Trade payables to unrelated parties	1,904,310	66,526	2,030,815	1,773,662
Trade payables to related parties	-	-	86	-
Other payables	591,724	20,672	398,554	538,203
Current tax liabilities	36,501	1,275	39,829	34,930
Provisions	8,579	300	8,579	5,433
Liabilities directly associated with non-current assets held for sale	212,637	7,428	236,113	279,803
Lease liabilities - current	12,301	430	11,312	8,594
Other current liabilities	158,801	5,547	143,832	92,160
Total current liabilities	5,426,871	189,585	4,897,640	4,404,720
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	1,341,800	46,875	1,201,800	831,800
Deferred tax liabilities	47,612	1,663	44,512	59,768
Lease liabilities - non-current	111,428	3,893	111,973	111,863
Net defined benefit liabilities	87,399	3,053	129,401	142,825
Guarantee deposit received	16,530	578	17,327	11,479
Total non-current liabilities	1,604,769	56,062	1,505,013	1,157,735
Total liabilities	7,031,640	245,647	6,402,653	5,562,455
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital	2,610,585	91,199	2,610,585	2,610,585
Capital surplus	86,689	3,028	3,484	1,414
Retained earnings				
Legal reserve	444,315	15,522	444,315	400,777
Special reserve	15,347	536	15,347	8,975
Unappropriated earnings	174,371	6,092	442,862	210,380
Total retained earnings	634,033	22,150	902,524	620,132
Other equity				
Exchange differences on translating foreign operations	(22,522)	(787)	(26,619)	(25,795)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	(22,407)	(782)	(10,959)	8,811
Total other equity	(44,929)	(1,569)	(37,578)	(16,984)
Total equity attributable to owners of the Company	3,286,378	114,808	3,479,015	3,215,147
<b>NON-CONTROLLING INTERESTS</b>				
	132,767	4,638	40,722	-
Total equity	3,419,145	119,446	3,519,737	3,215,147
<b>TOTAL</b>	<b>\$ 10,450,785</b>	<b>\$ 365,093</b>	<b>\$ 9,922,390</b>	<b>\$ 8,777,602</b>

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\$28.625 to US\$1.00 at March 31, 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.

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

(With Deloitte & Touche review report dated May 4, 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 March 31		
	2022		2021
	NT\$	US\$ (Note)	NT\$
<b>OPERATING REVENUE</b>			
Sales	\$ 1,199,093	\$ 41,890	\$ 809,677
Construction revenue	130,081	4,544	699,812
Other revenue	<u>66,219</u>	<u>2,313</u>	<u>86,503</u>
Total operating revenue	<u>1,395,393</u>	<u>48,747</u>	<u>1,595,992</u>
<b>OPERATING COSTS</b>			
Cost of goods sold	1,002,948	35,037	695,624
Construction cost	102,082	3,566	618,655
Other cost	<u>60,094</u>	<u>2,100</u>	<u>60,910</u>
Total operating costs	<u>1,165,124</u>	<u>40,703</u>	<u>1,375,189</u>
<b>GROSS PROFIT</b>	<u>230,269</u>	<u>8,044</u>	<u>220,803</u>
<b>OPERATING EXPENSES</b>			
Selling and marketing expenses	193,491	6,759	127,282
General and administrative expenses	46,460	1,623	43,365
Research and development expenses	33,896	1,184	26,002
Loss (gain) of expected credit loss	<u>(5,933)</u>	<u>(207)</u>	<u>5,940</u>
Total operating expenses	<u>267,914</u>	<u>9,359</u>	<u>202,589</u>
<b>PROFIT (LOSS) FROM OPERATIONS</b>	<u>(37,645)</u>	<u>(1,315)</u>	<u>18,214</u>
<b>NON-OPERATING INCOME AND EXPENSES</b>			
Interest income	1,072	37	550
Other income	6,985	244	6,147
Other gains and losses	25,074	876	(2,376)
Share of profit or loss of associates	487	17	10
Finance costs	<u>(8,411)</u>	<u>(293)</u>	<u>(7,563)</u>
Total non-operating income and expenses	<u>25,207</u>	<u>881</u>	<u>(3,232)</u>
<b>PROFIT (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b>	(12,438)	(434)	14,982
<b>INCOME TAX BENEFIT (EXPENSE)</b>	<u>(256)</u>	<u>(8)</u>	<u>5,838</u>
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<u>(12,182)</u>	<u>(426)</u>	<u>9,144</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 March 31		
	2022		2021
	NT\$	US\$ (Note)	NT\$
NET PROFIT (LOSS) FOR THE PERIOD	\$ (12,182)	\$ (426)	\$ 9,144
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss:			
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(11,448)	(400)	-
Exchange differences on translating foreign operations	4,097	143	(1,637)
Total other comprehensive income and loss	(7,351)	(257)	(1,637)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ (19,533)	\$ (683)	\$ 7,507
NET PROFIT (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	\$ (7,432)	\$ (260)	\$ 9,144
Non-controlling interests	(4,750)	(166)	-
	\$ (12,182)	\$ (426)	\$ 9,144
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	\$ (14,783)	\$ (517)	\$ 7,507
Non-controlling interests	(4,750)	(166)	-
	\$ (19,533)	\$ (683)	\$ 7,507
EARNINGS PER SHARE			
Basic	\$ (0.03)	\$ -	\$ 0.04
Diluted	\$ (0.03)	\$ -	\$ 0.03

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

(With Deloitte & Touche review report dated May 4, 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					
			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 three months ended March 31, 2021	-	-	-	-	9,144	9,144	-	-	-	9,144	-	9,144
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	(1,637)	-	(1,637)	(1,637)	-	(1,637)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	9,144	9,144	(1,637)	-	(1,637)	7,507	-	7,507
BALANCE AT MARCH 31, 2021	\$ 2,610,585	\$ 1,414	\$ 400,777	\$ 8,975	\$ 210,380	\$ 620,132	\$ (25,795)	\$ 8,811	\$ (16,984)	\$ 3,215,147	\$ -	\$ 3,215,147
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												
Cash dividends distributed by the Company - NT\$1 per share	-	-	-	-	(261,059)	(261,059)	-	-	-	(261,059)	-	(261,059)
Changes in percentage of ownership interests in subsidiaries	-	83,205	-	-	-	-	-	-	-	83,205	96,795	180,000
Net income for the three months ended March 31, 2022	-	-	-	-	(7,432)	(7,432)	-	-	-	(7,432)	(4,750)	(12,182)
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	-	4,097	(11,448)	(7,351)	(7,351)	-	(7,351)
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	(7,432)	(7,432)	4,097	(11,448)	(7,351)	(14,783)	(4,750)	(19,533)
BALANCE AT MARCH 31, 2022	\$ 2,610,585	\$ 86,689	\$ 444,315	\$ 15,347	\$ 174,371	\$ 634,033	\$ (22,522)	\$ (22,407)	\$ (44,929)	\$ 3,286,378	\$ 132,767	\$ 3,419,145
BALANCE AT MARCH 31, 2022 (IN U.S. DOLLARS)	\$ 91,199	\$ 3,028	\$ 15,522	\$ 536	\$ 6,092	\$ 22,150	\$ (787)	\$ (782)	\$ (1,569)	\$ 114,808	\$ 4,638	\$ 119,446

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

(With Deloitte & Touche review report dated May 4, 2022)

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2022		2021
	NT\$	US\$ (Note)	NT\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax from continuing operations	\$ (12,438)	\$ (434)	\$ 14,982
Adjustments for:			
Depreciation expenses	31,614	1,104	30,248
Amortization expenses	5,135	179	3,667
Expected credit loss (reversed) recognized reversed on trade receivables	(5,933)	(207)	5,940
Finance costs	8,411	294	7,563
Interest income	(1,072)	(37)	(550)
Share of gain of associates	(487)	(17)	(10)
(Gain) loss on disposal of property, plant and equipment	64	2	(10)
Reversal of provisions	-	-	(1,665)
Reversal of write-downs of inventories	(2,208)	(77)	(439)
Unrealized net gain on foreign currency exchange	(21,242)	(742)	(265)
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	-	-	(4)
Notes receivable	23,813	831	62,255
Contract assets	118,164	4,128	(167,283)
Trade receivables	482,673	16,861	773,227
Inventories	(499,309)	(17,443)	(552,345)
Prepayments	(125,866)	(4,397)	(23,861)
Other current assets	25,209	880	7,552
Contract liabilities	192,094	6,711	377,323
Note payables	3,794	133	-
Trade payables	(147,368)	(5,148)	(334,292)
Trade payables to related parties	(86)	(3)	(99)
Other payables	(70,309)	(2,456)	(140,893)
Other current liabilities	12,054	421	58
Net defined benefit liabilities	(42,002)	(1,467)	(36,034)
Cash (used in) generated from operations	(25,295)	(884)	25,065
Interest received	1,084	38	545
Interest paid	(8,959)	(312)	(6,549)
Income tax (paid) received	(176)	(6)	6,879
Net cash (used in) generated from operating activities	(33,346)	(1,164)	25,940

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# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	<b>For the Three Months Ended March 31</b>		
	<b>2022</b>		<b>2021</b>
	<b>NT\$</b>	<b>US\$ (Note)</b>	<b>NT\$</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of financial assets at amortized cost	\$ -	\$ -	\$ (252,750)
Purchase of financial assets at amortized cost	(163,451)	(5,710)	(28,014)
Payments for property, plant and equipment	(16,050)	(560)	(13,478)
Proceeds from disposal of property, plant and equipment	394	13	2,517
Increase in refundable deposits	(6,916)	(241)	(175)
Payments for intangible assets	(6,964)	(243)	(8,350)
Decrease (increase) in prepayments	<u>1,782</u>	<u>62</u>	<u>(6,201)</u>
Net cash used in investing activities	<u>(191,205)</u>	<u>(6,679)</u>	<u>(306,451)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings	549,290	19,189	92,198
Proceeds from short-term bills payable	330,000	11,528	324,938
Repayments of short-term bills payable	(620,000)	(21,659)	(190,000)
Repayments of long-term borrowings	(10,000)	(349)	(10,000)
Proceeds from long-term borrowings	150,000	5,240	-
Refund of guarantee deposits received	(797)	(28)	(901)
Repayment of the principal portion of lease liabilities	(3,145)	(110)	(2,979)
Change of Noncontrolling interest	<u>180,000</u>	<u>6,288</u>	<u>-</u>
Net cash generated from financing activities	<u>575,348</u>	<u>20,099</u>	<u>213,256</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>			
	<u>410</u>	<u>14</u>	<u>(1,376)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>351,207</b>	<b>12,270</b>	<b>(68,631)</b>
<b>CASH AT THE BEGINNING OF THE PERIOD</b>	<u><b>168,981</b></u>	<u><b>5,903</b></u>	<u><b>214,509</b></u>
<b>CASH AT THE END OF THE PERIOD</b>	<u><b>\$ 520,188</b></u>	<u><b>\$ 18,173</b></u>	<u><b>\$ 145,878</b></u>

(Continued)

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	March 31		
	2022		2021
	NT\$	US\$ (Note)	NT\$
Cash in the consolidated balance sheets	\$ 439,809	\$ 15,365	\$ 68,062
Cash included in disposal group held for sale	<u>80,379</u>	<u>2,808</u>	<u>77,816</u>
Cash in the consolidated statements of cash flows	<u>\$ 520,188</u>	<u>\$ 18,173</u>	<u>\$ 145,878</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\$28.625 to US\$1.00 at March 31, 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.

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

(With Deloitte & Touche review report dated May 4, 2022)

(Concluded)

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021 (In Thousands of U.S. Dollars) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Fortune Electric Co., Ltd. (the “Company”) was incorporated in the Republic of China (“ROC”) in August 1969. The Company mainly manufactures, processes and trades transformers, distribution panels, low voltage 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 May 4, 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. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</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 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
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 3: 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 4: 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.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e., the Group’s share of the gain or loss is eliminated.

2) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

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

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

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

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

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

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

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

5) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Group will apply the amendments prospectively to transactions other than leases and decommissioning obligations 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.

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

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 set of annual 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 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).

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
			March 31, 2022	December 31, 2021	March 31, 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 Austalia 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	-	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.	Production and sale 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.