

Fortune Electric Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2023 and 2022**

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands)

ASSETS	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)	March 31, 2022 (Reviewed)
	NT\$	US\$ (Note)	NT\$	NT\$
CURRENT ASSETS				
Cash and cash equivalents	\$ 921,233	\$ 30,254	\$ 595,630	\$ 520,188
Financial assets at amortized cost - current	234,713	7,708	241,607	279,500
Contract assets	1,337,775	43,933	1,457,760	1,644,096
Notes receivable	27,848	915	95,625	53,799
Trade receivables from unrelated parties	1,673,965	54,974	2,046,524	1,800,847
Current tax assets	21,565	708	21,513	2,220
Inventories, net	5,158,062	169,394	4,204,838	3,235,127
Prepayments	364,443	11,969	303,601	305,879
Other current assets	183,906	6,040	150,627	58,294
Total current assets	<u>9,923,510</u>	<u>325,895</u>	<u>9,117,725</u>	<u>7,899,950</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current	316,380	10,390	312,386	304,585
Financial assets at amortized cost - non-current	18,241	599	8,129	2,487
Investments accounted for using the equity method	3,678	121	2,405	2,167
Property, plant and equipment	1,962,371	64,446	1,976,677	1,983,074
Right-of-use assets	130,090	4,272	129,011	142,843
Intangible assets	57,090	1,875	56,528	44,592
Deferred tax assets	28,727	943	38,150	29,586
Prepayments for equipment	76,637	2,517	40,501	34,099
Refundable deposits	14,763	485	18,926	7,402
Total non-current assets	<u>2,607,977</u>	<u>85,648</u>	<u>2,582,713</u>	<u>2,550,835</u>
TOTAL	<u>\$ 12,531,487</u>	<u>\$ 411,543</u>	<u>\$ 11,700,438</u>	<u>\$ 10,450,785</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 1,380,487	\$ 45,336	\$ 896,751	\$ 1,444,902
Short-term bills payable	508,604	16,703	349,564	259,612
Financial liabilities at fair value through profit or loss - current	-	-	279	-
Contract liabilities	1,849,873	60,751	1,572,104	965,054
Notes payable	-	-	-	3,795
Trade payables to unrelated parties	2,039,045	66,964	2,149,731	1,937,656
Trade payables to related parties	-	-	53	-
Other payables	1,052,208	34,555	531,883	598,624
Current tax liabilities	70,526	2,316	19	36,501
Provisions	10,698	351	11,496	8,579
Lease liabilities - current	17,402	571	15,537	12,301
Long-term borrowings due within one year	901,800	29,616	791,800	-
Other current liabilities	65,168	2,141	91,354	159,847
Total current liabilities	<u>7,895,811</u>	<u>259,304</u>	<u>6,410,571</u>	<u>5,426,871</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	600,000	19,704	720,000	1,341,800
Deferred tax liabilities	75,899	2,493	120,378	47,612
Lease liabilities - non-current	115,246	3,785	115,867	111,428
Net defined benefit liabilities	2,237	73	42,612	87,399
Guarantee deposits received	25,795	848	25,737	16,530
Total non-current liabilities	<u>819,177</u>	<u>26,903</u>	<u>1,024,594</u>	<u>1,604,769</u>
Total liabilities	<u>8,714,988</u>	<u>286,207</u>	<u>7,435,165</u>	<u>7,031,640</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	2,610,585	85,733	2,610,585	2,610,585
Capital surplus	86,919	2,854	86,685	86,689
Retained earnings				
Legal reserve	473,469	15,549	473,469	444,315
Special reserve	37,578	1,234	37,578	15,347
Unappropriated earnings	547,895	17,993	994,867	174,371
Total retained earnings	<u>1,058,942</u>	<u>34,776</u>	<u>1,505,914</u>	<u>634,033</u>
Other equity				
Exchange differences on translating foreign operations	(48,087)	(1,578)	(44,877)	(22,522)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	(10,612)	(349)	(14,606)	(22,407)
Total other equity	<u>(58,699)</u>	<u>(1,927)</u>	<u>(59,483)</u>	<u>(44,929)</u>
Total equity attributable to owners of the Company	<u>3,697,747</u>	<u>121,436</u>	<u>4,143,701</u>	<u>3,286,378</u>
NON-CONTROLLING INTERESTS				
	<u>118,752</u>	<u>3,900</u>	<u>121,572</u>	<u>132,767</u>
Total equity	<u>3,816,499</u>	<u>125,336</u>	<u>4,265,273</u>	<u>3,419,145</u>
TOTAL	<u>\$ 12,531,487</u>	<u>\$ 411,543</u>	<u>\$ 11,700,438</u>	<u>\$ 10,450,785</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\$30.45 to US\$1.00 at March 31, 2023, 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, 2023)

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		
	2023		2022
	NT\$	US\$ (Note)	NT\$
OPERATING REVENUE			
Sales	\$ 1,381,249	\$ 45,361	\$ 1,199,093
Construction revenue	32,269	1,060	130,081
Other revenue	<u>127,027</u>	<u>4,171</u>	<u>66,219</u>
Total operating revenue	<u>1,540,545</u>	<u>50,592</u>	<u>1,395,393</u>
OPERATING COSTS			
Cost of goods sold	1,003,636	32,960	1,002,948
Construction costs	24,416	802	102,082
Other costs	<u>80,706</u>	<u>2,650</u>	<u>60,094</u>
Total operating costs	<u>1,108,758</u>	<u>36,412</u>	<u>1,165,124</u>
GROSS PROFIT	<u>431,787</u>	<u>14,180</u>	<u>230,269</u>
OPERATING EXPENSES			
Selling and marketing expenses	126,036	4,139	193,491
General and administrative expenses	59,055	1,939	46,460
Research and development expenses	36,880	1,211	33,896
Reversal of expected credit loss	<u>(12,375)</u>	<u>(406)</u>	<u>(5,933)</u>
Total operating expenses	<u>209,596</u>	<u>6,883</u>	<u>267,914</u>
PROFIT (LOSS) FROM OPERATIONS	<u>222,191</u>	<u>7,297</u>	<u>(37,645)</u>
NON-OPERATING INCOME AND EXPENSES			
Interest income	4,475	147	1,072
Rental income	25,514	838	31
Other income	5,560	183	6,954
Gain on foreign currency exchange	-	-	26,297
Loss on foreign currency exchange	(4,747)	(156)	-
Other gains and losses	2,126	70	(736)
Finance costs	<u>(16,180)</u>	<u>(532)</u>	<u>(8,411)</u>
Total non-operating income and expenses	<u>16,748</u>	<u>550</u>	<u>25,207</u>
PROFIT (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	238,939	7,847	(12,438)
INCOME TAX EXPENSE (BENEFIT)	<u>36,085</u>	<u>1,185</u>	<u>(256)</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>202,854</u>	<u>6,662</u>	<u>(12,182)</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		
	2023		2022
	NT\$	US\$ (Note)	NT\$
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss:			
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ 3,994	\$ 131	\$ (11,448)
Exchange differences on translating foreign operations	<u>(3,210)</u>	<u>(105)</u>	<u>4,097</u>
Total other comprehensive income and loss	<u>784</u>	<u>26</u>	<u>(7,351)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 203,638</u>	<u>\$ 6,688</u>	<u>\$ (19,533)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	\$ 205,674	\$ 6,755	\$ (7,432)
Non-controlling interests	<u>(2,820)</u>	<u>(93)</u>	<u>(4,750)</u>
	<u>\$ 202,854</u>	<u>\$ 6,662</u>	<u>\$ (12,182)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	\$ 206,458	\$ 6,781	\$ (14,783)
Non-controlling interests	<u>(2,820)</u>	<u>(93)</u>	<u>(4,750)</u>
	<u>\$ 203,638</u>	<u>\$ 6,688</u>	<u>\$ (19,533)</u>
EARNINGS PER SHARE			
Basic	<u>\$ 0.79</u>	<u>\$ 0.03</u>	<u>\$ (0.03)</u>
Diluted	<u>\$ 0.79</u>	<u>\$ 0.03</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\$30.45 to US\$1.00 for the three months ended March 31, 2023, 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, 2023)

(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						Exchange Differences on Translating Foreign Operations	Other Equity		Non-controlling Interests	Total Equity	
	Share Capital	Capital Surplus	Legal Reserve	Retained Earnings		Total		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total			
				Special Reserve	Unappropriated Earnings							
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\$1.0 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 loss 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 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												
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 MARCH 31, 2023 (IN U.S. DOLLARS)	\$ 85,733	\$ 2,854	\$ 15,549	\$ 1,234	\$ 17,993	\$ 34,776	\$ (1,578)	\$ (349)	\$ (1,927)	\$ 121,436	\$ 3,900	\$ 125,336

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

(With Deloitte & Touche review report dated May 10, 2023)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2023		2022
	NT\$	US\$	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax from continuing operations	\$ 238,939	\$ 7,847	\$ (12,438)
Adjustments for:			
Depreciation expenses	33,744	1,108	31,614
Amortization expenses	6,572	216	5,135
Expected credit loss reversed on trade receivables	(12,375)	(406)	(5,933)
Net gain on financial assets and liabilities at fair value through profit or loss	(1,047)	(34)	-
Finance costs	16,180	531	8,411
Interest income	(4,475)	(147)	(1,072)
Share of gain of associates	(445)	(15)	(487)
Loss on disposal of property, plant and equipment	-	-	64
Reversal of provisions	(798)	(26)	-
Reversal of write-downs of inventories	(7,117)	(234)	(2,208)
Unrealized net loss (gain) on foreign currency exchange	1,438	47	(21,242)
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	768	25	-
Notes receivable	67,907	2,230	23,813
Contract assets	119,985	3,940	(972,645)
Trade receivables	384,934	12,642	1,573,482
Inventories	(946,538)	(31,085)	(499,309)
Prepayments	(57,795)	(1,898)	(125,866)
Other current assets	(29,059)	(954)	19,321
Contract liabilities	277,110	9,100	192,094
Notes payable	-	-	3,794
Trade payables	(112,766)	(3,703)	(147,368)
Trade payables to related parties	(53)	(2)	(86)
Other payables	(133,720)	(4,391)	(70,309)
Other current liabilities	(38,652)	(1,269)	17,904
Net defined benefit liabilities	(40,375)	(1,326)	(42,002)
Cash used in operations	(237,638)	(7,804)	(25,333)
Interest received	4,373	144	1,084
Interest paid	(15,828)	(520)	(8,959)
Income tax paid	(685)	(22)	(176)
Net cash used in operating activities	(249,778)	(8,202)	(33,384)

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Three Months Ended March 31		
	2023		2022
	NT\$	US\$	NT\$
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using the equity method	(1,000)	(33)	-
Purchase of financial assets at amortized cost	(3,218)	(106)	(163,451)
Payments for property, plant and equipment	(14,072)	(462)	(16,050)
Proceeds from disposal of property, plant and equipment	-	-	394
Decrease in refundable deposits	111	4	-
Increase in refundable deposits	-	-	(6,878)
Payments for intangible assets	(7,134)	(234)	(6,964)
(Increase) decrease in prepayments	<u>(36,136)</u>	<u>(1,187)</u>	<u>1,782</u>
Net cash used in investing activities	<u>(61,449)</u>	<u>(2,018)</u>	<u>(191,167)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	483,736	15,886	549,290
Proceeds from (repayments of) short-term bills payable	159,040	5,223	(290,000)
Proceeds from (repayments of) long-term borrowings	(10,000)	(328)	140,000
Proceeds from guarantee deposits received	58	2	-
Refund of guarantee deposits received	-	-	(797)
Repayment of the principal portion of lease liabilities	(4,769)	(157)	(3,145)
Unclaimed cash dividends	234	8	-
Changes in noncontrolling interests	<u>-</u>	<u>-</u>	<u>180,000</u>
Net cash generated from financing activities	<u>628,299</u>	<u>20,634</u>	<u>575,348</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES			
	<u>8,531</u>	<u>279</u>	<u>410</u>
NET INCREASE IN CASH	325,603	10,693	351,207
CASH AT THE BEGINNING OF THE PERIOD	<u>595,630</u>	<u>19,561</u>	<u>168,981</u>
CASH AT THE END OF THE PERIOD	<u>\$ 921,233</u>	<u>\$ 30,254</u>	<u>\$ 520,188</u>

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

(With Deloitte & Touche review report dated May 10, 2023)

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (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 (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, 2023.

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 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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the aforementioned 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 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 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).

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, 2023	December 31, 2022	March 31, 2022	
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 Electric Energy Co., Ltd.	Power generation, transmission and power distribution equipment manufacturing	100.00	100.00	100.00	1)
	Fortune Electric Australia Pty, Ltd	Manufacture of power generation transmission and distribution machinery	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	64.25	64.25	64.25	1) and 2)
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	-	-	100.00	1) and 2)
	Wuhan Fortune Co., Ltd.	Import and export commodities and technologies	100.00	100.00	100.00	1) and 3)
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	Trade business	-	-	100.00	1) and 4)

- 1) A non-material subsidiary whose financial reports have not been review.
- 2) On January 2022, Fortune Electric Co., Ltd. subscribed for additional newly issued shares of Fortune Electric Value Company Limited at a percentage different from its existing ownership percentage, resulting in ownership interests downward to 64.25%.
- 3) The Group completed the transaction of disposing of 100% equity of Fortune Electric (Wuhan) Ltd. on December 31, 2022.
- 4) Wuhan Fortune Trade Co., Ltd. completed deregistration on August 11, 2022.

d. Other material accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2022.

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) 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, 2022.