

Fortune Electric Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2023 and 2022**

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands)

ASSETS	June 30, 2023		December 31, 2022	June 30, 2022
	NT\$	US\$ (Note)	NT\$	NT\$
CURRENT ASSETS				
Cash and cash equivalents	\$ 693,019	\$ 22,255	\$ 595,630	\$ 739,732
Financial assets at fair value through profit or loss - current	-	-	-	99
Financial assets at amortized cost - current	221,713	7,120	241,607	247,500
Contract assets	1,657,994	53,243	1,457,760	981,933
Notes receivable	34,376	1,104	95,625	60,681
Trade receivables from unrelated parties	1,474,110	47,338	2,046,524	2,261,877
Current tax assets	22,081	709	21,513	172
Inventories, net	5,217,318	167,544	4,204,838	3,556,549
Prepayments	414,139	13,299	303,601	311,631
Other current assets	197,627	6,347	150,627	30,047
Total current assets	9,932,377	318,959	9,117,725	8,190,221
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income	327,614	10,521	312,386	304,938
Financial assets at amortized cost - non-current	18,241	586	8,129	5,067
Investments accounted for using equity method	3,536	114	2,405	2,396
Property, plant and equipment	2,038,412	65,460	1,976,677	1,975,812
Right-of-use assets	125,444	4,028	129,011	139,199
Intangible assets	52,632	1,690	56,528	52,574
Deferred tax assets	20,878	670	38,150	40,830
Other non-current assets	23,928	768	59,427	61,481
Net defined benefit assets-non-current	2,146	69	-	-
Total non-current assets	2,612,831	83,906	2,582,713	2,582,297
TOTAL	\$ 12,545,208	\$ 402,865	\$ 11,700,438	\$ 10,772,518
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 274,447	\$ 8,813	\$ 896,751	\$ 1,213,565
Short-term bills payable	399,182	12,819	349,564	104,972
Financial liabilities at fair value through profit or loss - current	-	-	279	-
Contract liabilities	2,036,336	65,393	1,572,104	791,940
Notes and trade payables	2,390,052	76,752	2,149,731	2,189,458
Trade payables to related parties	-	-	53	643
Other payable	1,077,538	34,603	531,883	635,310
Current tax liabilities	167,216	5,370	19	71
Provisions	12,858	413	11,496	8,215
Lease liabilities - current	16,454	528	15,537	11,896
Long-term borrowings due within one year	650,000	20,874	791,800	490,000
Other current liabilities	137,431	4,413	91,354	591,715
Total current liabilities	7,161,514	229,978	6,410,571	6,037,785
NON-CURRENT LIABILITIES				
Long-term borrowings	800,000	25,691	720,000	841,800
Deferred tax liabilities	78,603	2,524	120,378	46,397
Lease liabilities - non-current	111,690	3,587	115,867	108,775
Net defined benefit liabilities	-	-	42,612	83,405
Guarantee deposit received	25,825	829	25,737	11,044
Total non-current liabilities	1,016,118	32,631	1,024,594	1,091,421
Total liabilities	8,177,632	262,609	7,435,165	7,129,206
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Share capital	2,610,585	83,834	2,610,585	2,610,585
Capital surplus	86,908	2,791	86,685	86,686
Retained earnings				
Legal reserve	559,914	17,981	473,469	473,469
Special reserve	59,483	1,910	37,578	37,578
Unappropriated earnings	983,293	31,576	994,867	355,666
Total retained earnings	1,602,690	51,467	1,505,914	866,713
Other equity				
Exchange differences on translating foreign operations	(47,568)	(1,528)	(44,877)	(28,529)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	621	20	(14,606)	(22,054)
Total other equity	(46,947)	(1,508)	(59,483)	(50,583)
Total equity attributable to owners of the Corporation	4,253,236	136,584	4,143,701	3,513,401
NON-CONTROLLING INTERESTS	114,340	3,672	121,572	129,911
Total equity	4,367,576	140,256	4,265,273	3,643,312
TOTAL	\$ 12,545,208	\$ 402,865	\$ 11,700,438	\$ 10,772,518

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\$31.14 to US\$1.00 at June 30, 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 August 9, 2023)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2023		2022	2023		2022
	NT\$	US\$ (Note)	NT\$	NT\$	US\$ (Note)	NT\$
OPERATING REVENUE						
Sales	\$ 2,928,233	\$ 94,035	\$ 1,818,788	\$ 4,436,508	\$ 142,470	\$ 3,084,100
Construction revenue	<u>174,487</u>	<u>5,603</u>	<u>226,301</u>	<u>206,756</u>	<u>6,639</u>	<u>356,382</u>
Total operating revenue	<u>3,102,720</u>	<u>99,638</u>	<u>2,045,089</u>	<u>4,643,264</u>	<u>149,109</u>	<u>3,440,482</u>
OPERATING COSTS						
Cost of goods sold	2,033,554	65,304	1,392,777	3,117,895	100,125	2,455,819
Construction cost	<u>152,447</u>	<u>4,895</u>	<u>166,331</u>	<u>176,863</u>	<u>5,680</u>	<u>268,413</u>
Total operating costs	<u>2,186,001</u>	<u>70,199</u>	<u>1,559,108</u>	<u>3,294,758</u>	<u>105,805</u>	<u>2,724,232</u>
GROSS PROFIT	<u>916,719</u>	<u>29,439</u>	<u>485,981</u>	<u>1,348,506</u>	<u>43,304</u>	<u>716,250</u>
OPERATING EXPENSES						
Selling and marketing expenses	204,583	6,570	143,762	330,619	10,617	337,253
General and administrative expenses	83,905	2,695	62,639	142,960	4,591	109,099
Research and development expenses	38,934	1,250	35,042	75,814	2,435	68,938
Reversal of expected credit loss	<u>(2,211)</u>	<u>(71)</u>	<u>(8,669)</u>	<u>(14,586)</u>	<u>(469)</u>	<u>(14,602)</u>
Total operating expenses	<u>325,211</u>	<u>10,444</u>	<u>232,774</u>	<u>534,807</u>	<u>17,174</u>	<u>500,688</u>
PROFIT FROM OPERATIONS	<u>591,508</u>	<u>18,995</u>	<u>253,207</u>	<u>813,699</u>	<u>26,130</u>	<u>215,562</u>
NON-OPERATING INCOME AND EXPENSES						
Interest income	7,785	250	1,702	12,260	394	2,774
Rental income	25,515	819	15	51,029	1,639	29
Export tax rebate income	8,764	281	3,202	13,448	432	8,456
Other income	1,890	61	1,053	2,766	89	2,770
Gain on foreign currency exchange	24,933	801	23,456	20,186	648	49,753
Other gains and losses	(215)	(7)	(6,347)	1,911	61	(7,083)
Finance costs	<u>(13,777)</u>	<u>(442)</u>	<u>(10,294)</u>	<u>(29,957)</u>	<u>(962)</u>	<u>(18,705)</u>
Total non-operating income and expenses	<u>54,895</u>	<u>1,763</u>	<u>12,787</u>	<u>71,643</u>	<u>2,301</u>	<u>37,994</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	646,403	20,758	265,994	885,342	28,431	253,556
INCOME TAX EXPENSE	<u>107,067</u>	<u>3,438</u>	<u>36,170</u>	<u>143,152</u>	<u>4,597</u>	<u>35,914</u>
NET PROFIT FOR THE PERIOD	<u>539,336</u>	<u>17,320</u>	<u>229,824</u>	<u>742,190</u>	<u>23,834</u>	<u>217,642</u>
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	11,233	361	353	15,227	489	(11,095)
Exchange differences on translating foreign operations	<u>519</u>	<u>17</u>	<u>(6,007)</u>	<u>(2,691)</u>	<u>(86)</u>	<u>(1,910)</u>
Total other comprehensive income and loss	<u>11,752</u>	<u>378</u>	<u>(5,654)</u>	<u>12,536</u>	<u>403</u>	<u>(13,005)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 551,088</u>	<u>\$ 17,698</u>	<u>\$ 224,170</u>	<u>\$ 754,726</u>	<u>\$ 24,237</u>	<u>\$ 204,637</u>

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30			For the Six Months Ended June 30		
	2023		2022	2023		2022
	NT\$	US\$ (Note)	NT\$	NT\$	US\$ (Note)	NT\$
NET PROFIT ATTRIBUTABLE TO:						
Owners of the Company	\$ 543,748	\$ 17,462	\$ 232,680	\$ 749,422	\$ 24,066	\$ 225,248
Non-controlling interests	<u>(4,412)</u>	<u>(142)</u>	<u>(2,856)</u>	<u>(7,232)</u>	<u>(232)</u>	<u>(7,606)</u>
	<u>\$ 539,336</u>	<u>\$ 17,320</u>	<u>\$ 229,824</u>	<u>\$ 742,190</u>	<u>\$ 23,834</u>	<u>\$ 217,642</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the Company	\$ 555,500	\$ 17,840	\$ 227,026	\$ 761,958	\$ 24,469	\$ 212,243
Non-controlling interests	<u>(4,412)</u>	<u>(142)</u>	<u>(2,856)</u>	<u>(7,232)</u>	<u>(232)</u>	<u>(7,606)</u>
	<u>\$ 551,088</u>	<u>\$ 17,698</u>	<u>\$ 224,170</u>	<u>\$ 754,726</u>	<u>\$ 24,237</u>	<u>\$ 204,637</u>
EARNINGS PER SHARE						
Basic	<u>\$2.08</u>	<u>\$0.07</u>	<u>\$0.89</u>	<u>\$2.87</u>	<u>\$0.09</u>	<u>\$0.86</u>
Diluted	<u>\$2.08</u>	<u>\$0.07</u>	<u>\$0.89</u>	<u>\$2.87</u>	<u>\$0.09</u>	<u>\$0.86</u>

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

(With Deloitte & Touche review report dated August 9, 2023)

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)

	Equity Attributable to Owners of the Company						Other Equity		Total	Non-controlling Interests	Total Equity	
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total				
			Legal Reserve	Special Reserve	Unappropriated Earnings							Total
BALANCE AT JANUARY 1, 2022	\$ 2,610,585	\$ 3,484	\$ 444,315	\$ 15,347	\$ 442,862	\$ 902,524	\$ (26,619)	\$ (10,959)	\$ (37,578)	\$ 3,479,015	\$ 40,722	\$ 3,519,737
Appropriation of 2021 earnings												
Legal reserve	-	-	29,154	-	(29,154)	-	-	-	-	-	-	-
Special reserve	-	-	-	22,231	(22,231)	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$1 per share	-	-	-	-	(261,059)	(261,059)	-	-	-	(261,059)	-	(261,059)
	-	-	29,154	22,231	(312,444)	(261,059)	-	-	-	(261,059)	-	(261,059)
Changes in percentage of ownership interests in subsidiaries	-	83,205	-	-	-	-	-	-	-	83,205	96,795	180,000
Cash dividends from capital surplus	-	(3)	-	-	-	-	-	-	-	(3)	-	(3)
Net income for the six months ended June 30, 2022	-	-	-	-	225,248	225,248	-	-	-	225,248	(7,606)	217,642
Other comprehensive income (loss) for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	-	(1,910)	(11,095)	(13,005)	(13,005)	-	(13,005)
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	225,248	225,248	(1,910)	(11,095)	(13,005)	212,243	(7,606)	204,637
BALANCE AT JUNE 30, 2022	\$ 2,610,585	\$ 86,686	\$ 473,469	\$ 37,578	\$ 355,666	\$ 866,713	\$ (28,529)	\$ (22,054)	\$ (50,583)	\$ 3,513,401	\$ 129,911	\$ 3,643,312
BALANCE AT 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	-	-	86,445	-	(86,445)	-	-	-	-	-	-	-
Special reserve	-	-	-	21,905	(21,905)	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$2.5 per share	-	-	-	-	(652,646)	(652,646)	-	-	-	(652,646)	-	(652,646)
	-	-	86,445	21,905	(760,996)	(652,646)	-	-	-	(652,646)	-	(652,646)
Unclaimed cash dividends from shareholders	-	223	-	-	-	-	-	-	-	223	-	223
Net income (loss) for the six months ended June 30, 2023	-	-	-	-	749,422	749,422	-	-	-	749,422	(7,232)	742,190
Other comprehensive income (loss) for the six months ended June 30, 2023, net of income tax	-	-	-	-	-	-	(2,691)	15,227	12,536	12,536	-	12,536
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	749,422	749,422	(2,691)	15,227	12,536	761,958	(7,232)	754,726
BALANCE AT JUNE 30, 2023	\$ 2,610,585	\$ 86,908	\$ 559,914	\$ 59,483	\$ 983,293	\$ 1,602,690	\$ (47,568)	\$ 621	\$ (46,947)	\$ 4,253,236	\$ 114,340	\$ 4,367,576
BALANCE AT JUNE 30, 2023 (IN U.S. DOLLARS)	\$ 83,834	\$ 2,791	\$ 17,981	\$ 1,910	\$ 31,576	\$ 51,467	\$ (1,528)	\$ 20	\$ (1,508)	\$ 136,584	\$ 3,672	\$ 140,256

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

(With Deloitte & Touche review report dated August 9, 2023)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands)

	For the Six Months Ended June 30		
	2023		2022
	NT\$	US\$ (Note)	NT\$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Income before income tax from continuing operations	\$ 885,342	\$ 28,431	\$ 253,556
Adjustments for:			
Depreciation expenses	69,581	2,234	62,313
Amortization expenses	13,355	429	10,735
Reversal of expected credit loss recognized on trade receivables	(14,586)	(468)	(14,602)
Net gain on financial assets and liabilities at fair value through profit or loss	(1,047)	(33)	(99)
Finance costs	29,957	962	18,705
Interest income	(12,260)	(394)	(2,774)
Share of gain of associates	(468)	(15)	(888)
Loss on disposal of property, plant and equipment	121	4	4,582
Reversal of write-downs of inventories	(39,694)	(1,275)	(2,208)
Unrealized net loss on foreign currency exchange	1,438	46	807
Recognition (reversal) of provisions	1,362	44	(2,872)
Changes in operating assets and liabilities			
Contract assets	(200,234)	(6,430)	153,979
Notes receivable	61,379	1,971	16,849
Trade receivables	586,999	18,850	640,412
Inventories	(1,018,553)	(32,709)	(825,928)
Prepayments	(107,491)	(3,452)	(132,177)
Other current assets	(66,784)	(2,145)	34,726
Contract liabilities	463,573	14,887	358,700
Notes and trades payable	238,241	7,651	(234,276)
Trade payables to related parties	(53)	(2)	557
Other payables	(106,265)	(3,412)	(36,416)
Other current liabilities	33,611	1,079	440,716
Net defined benefit liabilities	(44,758)	(1,437)	(45,996)
Cash generated from operations	772,766	24,816	698,401
Interest received	11,517	370	2,761
Interest paid	(31,730)	(1,019)	(18,112)
Income tax paid	(1,025)	(33)	(82,765)
Net cash generated from operating activities	<u>751,528</u>	<u>24,134</u>	<u>600,285</u>

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands)

	For the Six Months Ended June 30		
	2023		2022
	NT\$	US\$ (Note)	NT\$
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at amortized cost	\$ -	\$ -	\$ (134,031)
Proceeds from sale of financial assets at amortized cost	9,782	314	-
Proceeds from sale of financial assets at fair value through profit or loss	768	25	-
Payments for property, plant and equipment	(38,642)	(1,241)	(37,838)
Acquisition of investments accounted for using the equity method	(1,000)	(32)	-
Proceeds from disposal of property, plant and equipment	-	-	1,121
Increase in refundable deposits	-	-	(10,294)
Decrease in refundable deposits	15,591	501	-
Payments for intangible assets	(9,459)	(304)	(20,356)
Decrease (increase) in prepayments for equipment	<u>3,081</u>	<u>99</u>	<u>(4,470)</u>
Net cash used in investing activities	<u>(19,879)</u>	<u>(638)</u>	<u>(205,868)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	-	-	321,865
Repayment of short-term borrowings	(622,304)	(19,984)	-
Proceeds from short-term bills payable	49,618	1,593	-
Repayments of short-term bills payable	-	-	(444,735)
Proceeds from long-term borrowings	650,000	20,873	150,000
Repayments of long-term borrowings	(711,800)	(22,858)	(20,000)
Proceeds from guarantee deposits received	88	3	-
Refund of guarantee deposits received	-	-	(6,283)
Repayment of the principal portion of lease liabilities	(9,272)	(297)	(6,383)
Dividends paid to owners of the Company	-	-	(3)
Change in non-controlling interests	-	-	180,000
Unclaimed cash dividends	<u>223</u>	<u>7</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(643,447)</u>	<u>(20,663)</u>	<u>174,461</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>9,187</u>	<u>295</u>	<u>1,873</u>

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FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands)

	For the Six Months Ended June 30		
	2023		2022
	NT\$	US\$ (Note)	NT\$
NET INCREASE IN CASH	\$ 97,389	\$ 3,128	\$ 570,751
CASH AT THE BEGINNING OF THE PERIOD	<u>595,630</u>	<u>19,127</u>	<u>168,981</u>
CASH AT THE END OF THE PERIOD	<u>\$ 693,019</u>	<u>\$ 22,255</u>	<u>\$ 739,732</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\$31.14 to US\$1.00 at June 30, 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 August 9, 2023)

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022 (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 TWSE.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 9, 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
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024
Amends to IAS 12 “International Tax Reform - Pillar Two Model Rules”	Note 3

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.

Note 3: The requirement that the Group applies the exception and the requirement to disclose that fact is applied immediately upon issuance of the amendments and retrospectively in accordance with IAS 8. The remaining disclosure requirements are applied for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

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 consolidated financial statements.

b. Basis of preparation

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

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

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

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (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
			June 30, 2023	December 31, 2022	June 30, 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 3)
	Wuhan Fortune Co., Ltd.	Import and export commodities and technologies	100.00	100.00	100.00	1)
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 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, 2022.