

Fortune Electric Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2022 and 2021**

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands)

ASSETS	September 30, 2022 (Reviewed)		December 31, 2021	September 30, 2021
	NT\$	US\$ (Note)	(Audited)	(Reviewed)
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,164,899	\$ 36,690	\$ 168,981	\$ 228,298
Financial assets at fair value through profit or loss - current	3,204	101	-	-
Financial assets at amortized cost - current	249,500	7,858	114,777	34,592
Contract assets	1,223,704	38,541	1,418,142	1,203,227
Notes receivable	56,913	1,793	77,443	145,928
Trade receivables, net	1,499,516	47,228	2,584,062	2,535,678
Current tax assets	32,500	1,024	2,070	2,079
Inventories, net	4,372,703	137,723	2,731,230	3,137,503
Prepayments	433,763	13,662	177,878	324,549
Other current assets	<u>51,282</u>	<u>1,615</u>	<u>68,487</u>	<u>46,129</u>
Total current assets	<u>9,087,984</u>	<u>286,235</u>	<u>7,343,070</u>	<u>7,657,983</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income	302,023	9,513	316,033	304,789
Financial assets at amortized cost - non-current	8,030	253	3,759	3,759
Investments accounted for using equity method	2,390	75	2,002	1,405
Property, plant and equipment	1,969,607	62,035	1,993,355	1,996,086
Right-of-use assets	147,791	4,655	142,079	142,816
Intangible assets	55,655	1,753	41,266	44,823
Deferred tax assets	34,105	1,074	35,610	35,070
Prepayments for equipment	38,100	1,200	38,446	13,388
Refundable deposits	<u>22,181</u>	<u>699</u>	<u>6,770</u>	<u>6,335</u>
Total non-current assets	<u>2,579,882</u>	<u>81,257</u>	<u>2,579,320</u>	<u>2,548,471</u>
TOTAL	<u>\$ 11,667,866</u>	<u>\$ 367,492</u>	<u>\$ 9,922,390</u>	<u>\$ 10,206,454</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 1,334,563	\$ 42,033	\$ 888,088	\$ 1,406,452
Short-term bills payable	199,776	6,292	549,679	404,392
Contract liabilities	1,272,129	40,067	495,444	685,295
Notes payable	68	2	1	-
Trade payables to unrelated parties	2,280,313	71,821	2,351,132	2,530,347
Trade payables to related parties	192	6	86	2
Other payable	408,192	12,856	405,991	225,693
Current tax liabilities	479	15	39,847	2,470
Provisions	14,910	470	11,220	7,404
Lease liabilities - current	13,011	410	11,312	11,250
Current portion of long-term borrowings	580,000	18,268	-	-
Other current liabilities	<u>600,552</u>	<u>18,915</u>	<u>143,832</u>	<u>150,809</u>
Total current liabilities	<u>6,704,185</u>	<u>211,155</u>	<u>4,896,632</u>	<u>5,424,114</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	941,800	29,663	1,201,800	1,111,800
Deferred tax liabilities	48,353	1,523	45,520	52,494
Lease liabilities - non-current	116,390	3,666	111,973	113,170
Net defined benefit liabilities	79,379	2,500	129,401	135,300
Guarantee deposit received	<u>10,798</u>	<u>340</u>	<u>17,327</u>	<u>17,699</u>
Total non-current liabilities	<u>1,196,720</u>	<u>37,692</u>	<u>1,506,021</u>	<u>1,430,463</u>
Total liabilities	<u>7,900,905</u>	<u>248,847</u>	<u>6,402,653</u>	<u>6,854,577</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	<u>2,610,585</u>	<u>82,223</u>	<u>2,610,585</u>	<u>2,610,585</u>
Capital surplus	<u>86,686</u>	<u>2,730</u>	<u>3,484</u>	<u>3,331</u>
Retained earnings				
Legal reserve	473,469	14,912	444,315	444,315
Special reserve	37,578	1,184	15,347	15,347
Unappropriated earnings	<u>491,103</u>	<u>15,468</u>	<u>442,862</u>	<u>271,205</u>
Total retained earnings	<u>1,002,150</u>	<u>31,564</u>	<u>902,524</u>	<u>730,867</u>
Other equity				
Exchange differences on translating foreign operations	(31,555)	(994)	(26,619)	(28,436)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	<u>(24,969)</u>	<u>(786)</u>	<u>(10,959)</u>	<u>(7,493)</u>
Total other equity	<u>(56,524)</u>	<u>(1,780)</u>	<u>(37,578)</u>	<u>(35,929)</u>
Total equity attributable to owners of the Company	<u>3,642,897</u>	<u>114,737</u>	<u>3,479,015</u>	<u>3,308,854</u>
NON-CONTROLLING INTERESTS	<u>124,064</u>	<u>3,908</u>	<u>40,722</u>	<u>43,023</u>
Total equity	<u>3,766,961</u>	<u>118,645</u>	<u>3,519,737</u>	<u>3,351,877</u>
TOTAL	<u>\$ 11,667,866</u>	<u>\$ 367,492</u>	<u>\$ 9,922,390</u>	<u>\$ 10,206,454</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\$31.75 to US\$1.00 at September 30, 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.

(With Deloitte & Touche review report dated November 9, 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 September 30			For the Nine Months Ended September 30		
	2022		2021	2022		2021
	NT\$	US\$ (Note)	NT\$	NT\$	US\$ (Note)	NT\$
OPERATING REVENUE						
Sales	\$ 1,534,124	\$ 48,319	\$ 1,691,067	\$ 4,403,542	\$ 138,694	\$ 4,221,467
Construction revenue	39,483	1,244	262,949	395,865	12,468	1,514,299
Other revenue	71,149	2,241	28,317	285,831	9,003	221,795
Total operating revenue	<u>1,644,756</u>	<u>51,804</u>	<u>1,982,333</u>	<u>5,085,238</u>	<u>160,165</u>	<u>5,957,561</u>
OPERATING COSTS						
Cost of goods sold	1,119,612	35,263	1,419,254	3,408,976	107,369	3,561,355
Construction cost	45,768	1,442	273,012	314,181	9,895	1,389,387
Other cost	53,059	1,671	17,209	219,514	6,914	145,627
Total operating costs	<u>1,218,439</u>	<u>38,376</u>	<u>1,709,475</u>	<u>3,942,671</u>	<u>124,178</u>	<u>5,096,369</u>
GROSS PROFIT	<u>426,317</u>	<u>13,428</u>	<u>272,858</u>	<u>1,142,567</u>	<u>35,987</u>	<u>861,192</u>
OPERATING EXPENSES						
Selling and marketing expenses	195,432	6,155	92,437	532,685	16,777	399,393
General and administrative expenses	58,857	1,854	51,118	167,956	5,290	162,463
Research and development expenses	37,815	1,191	31,850	106,753	3,362	87,883
Loss (gain) of expected credit loss	5,922	187	(13,416)	(8,680)	(273)	(7,540)
Total operating expenses	<u>298,026</u>	<u>9,387</u>	<u>161,989</u>	<u>798,714</u>	<u>25,156</u>	<u>642,199</u>
PROFIT FROM OPERATIONS	<u>128,291</u>	<u>4,041</u>	<u>110,869</u>	<u>343,853</u>	<u>10,831</u>	<u>218,993</u>
NON-OPERATING INCOME AND EXPENSES						
Interest income	1,989	63	76	4,763	150	1,005
Other income	18,391	579	3,795	29,646	934	20,949
Other gains and losses	3,143	99	(46,173)	(4,828)	(152)	(62,475)
Share of profit or loss of associates	(27)	(1)	598	861	27	777
Finance costs	(12,740)	(401)	(6,029)	(31,445)	(990)	(21,902)
Foreign exchange gain	14,519	457	2,502	64,272	2,024	10,971
Total non-operating income and expenses	<u>25,275</u>	<u>796</u>	<u>(45,231)</u>	<u>63,269</u>	<u>1,993</u>	<u>(50,675)</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	<u>153,566</u>	<u>4,837</u>	<u>65,638</u>	<u>407,122</u>	<u>12,824</u>	<u>168,318</u>
INCOME TAX EXPENSE	<u>23,976</u>	<u>755</u>	<u>19,335</u>	<u>59,890</u>	<u>1,886</u>	<u>48,503</u>
NET PROFIT FOR THE PERIOD	<u>129,590</u>	<u>4,082</u>	<u>46,303</u>	<u>347,232</u>	<u>10,938</u>	<u>119,815</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						
	(2,915)	(92)	(2,055)	(14,010)	(441)	(16,304)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations						
	(3,026)	(95)	(508)	(4,936)	(155)	(4,278)
Total other comprehensive income and loss	<u>(5,941)</u>	<u>(187)</u>	<u>(2,563)</u>	<u>(18,946)</u>	<u>(596)</u>	<u>(20,582)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 123,649</u>	<u>\$ 3,895</u>	<u>\$ 43,740</u>	<u>\$ 328,286</u>	<u>\$ 10,342</u>	<u>\$ 99,233</u>

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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 September 30			For the Nine Months Ended September 30		
	2022		2021	2022		2021
	NT\$	US\$ (Note)	NT\$	NT\$	US\$ (Note)	NT\$
NET PROFIT ATTRIBUTABLE TO:						
Owners of the Company	\$ 135,437	\$ 4,266	\$ 46,367	\$ 360,685	\$ 11,360	\$ 119,879
Non-controlling interests	<u>(5,847)</u>	<u>(184)</u>	<u>(64)</u>	<u>(13,453)</u>	<u>(424)</u>	<u>(64)</u>
	<u>\$ 129,590</u>	<u>\$ 4,082</u>	<u>\$ 46,303</u>	<u>\$ 347,232</u>	<u>\$ 10,936</u>	<u>\$ 119,815</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the Company	\$ 129,496	\$ 4,079	\$ 43,804	\$ 341,739	\$ 10,763	\$ 99,297
Non-controlling interests	<u>(5,847)</u>	<u>(184)</u>	<u>(64)</u>	<u>(13,453)</u>	<u>(424)</u>	<u>(64)</u>
	<u>\$ 123,649</u>	<u>\$ 3,895</u>	<u>\$ 43,740</u>	<u>\$ 328,286</u>	<u>\$ 10,339</u>	<u>\$ 99,233</u>
EARNINGS PER SHARE						
Basic	<u>\$0.52</u>	<u>\$0.00</u>	<u>\$0.18</u>	<u>\$1.38</u>	<u>\$0.04</u>	<u>\$0.46</u>
Diluted	<u>\$0.52</u>	<u>\$0.00</u>	<u>\$0.18</u>	<u>\$1.38</u>	<u>\$0.04</u>	<u>\$0.46</u>

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(With Deloitte & Touche review report dated November 9, 2022)

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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		Controlling Interests	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Total		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total			
			Legal Reserve	Special Reserve	Unappropriated Earnings							
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 2020 earnings	-	-	43,538	-	(43,538)	-	-	-	-	-	-	-
Legal reserve	-	-	43,538	-	(43,538)	-	-	-	-	-	-	-
Special reserve	-	-	-	6,372	(6,372)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(339,376)	(339,376)	-	-	-	(339,376)	-	(339,376)
	-	-	43,538	6,372	(389,286)	(339,376)	-	-	-	(339,376)	-	(339,376)
Cash dividends undistributed by the Company	-	4	-	-	-	-	-	-	-	4	-	4
Changes in percentage of ownership interests in subsidiaries	-	1,913	-	-	-	-	-	-	-	1,913	43,087	45,000
Net income for the nine months ended September 30, 2021	-	-	-	-	119,879	119,879	-	-	-	119,879	(64)	119,815
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	(4,278)	(16,304)	(20,582)	(20,582)	-	(20,582)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	119,879	119,879	(4,278)	(16,304)	(20,582)	99,297	(64)	99,233
BALANCE AT SEPTEMBER 30, 2021	\$ 2,610,585	\$ 3,331	\$ 444,315	\$ 15,347	\$ 271,205	\$ 730,867	\$ (28,436)	\$ (7,493)	\$ (35,929)	\$ 3,308,854	\$ 43,023	\$ 3,351,877
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	-	-	29,154	-	(29,154)	-	-	-	-	-	-	-
Legal reserve	-	-	29,154	-	(29,154)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	22,231	(22,231)	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$1.00 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 nine months ended September 30, 2022	-	-	-	-	360,685	360,685	-	-	-	360,685	(13,453)	347,232
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	-	(4,936)	(14,010)	(18,946)	(18,946)	-	(18,946)
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	360,685	360,685	(4,936)	(14,010)	(18,946)	341,739	(13,453)	328,286
BALANCE AT SEPTEMBER 30, 2022	\$ 2,610,585	\$ 86,686	\$ 473,469	\$ 37,578	\$ 491,103	\$ 1,002,150	\$ (31,555)	\$ (24,969)	\$ (56,524)	\$ 3,642,897	\$ 124,064	\$ 3,766,961
BALANCE AT SEPTEMBER 30, 2022 (IN U.S. DOLLARS)	\$ 82,223	\$ 2,730	\$ 14,912	\$ 1,184	\$ 15,468	\$ 31,564	\$ (994)	\$ (786)	\$ (1,780)	\$ 114,737	\$ 3,908	\$ 118,645

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(With Deloitte & Touche review report dated November 9, 2022)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30		
	2022		2021
	NT\$	US\$ (Note)	NT\$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Income before income tax from continuing operations	\$ 407,122	\$ 12,823	\$ 168,318
Adjustments for:			
Depreciation expenses	94,307	2,970	91,684
Amortization expenses	16,536	521	12,375
Expected credit gain recognized on trade receivables	(8,680)	(273)	(7,540)
Net gain on financial instruments at fair value through profit or loss	(3,204)	(101)	-
Finance costs	31,445	990	21,902
Interest income	(4,763)	(150)	(1,005)
Share of (profit) loss of associates	(861)	(27)	(777)
Loss on disposal of property, plant and equipment	4,598	145	275
Write-downs of inventories	4,562	144	-
Reversal of write-downs of inventories	-	-	(439)
Unrealized net loss on foreign currency exchange	1,832	58	472
Reversal of provisions	3,690	116	(1,582)
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	-	-	(4)
Contract assets	194,438	6,124	36,939
Notes receivable	20,660	651	(28,307)
Trade receivables	1,161,074	36,570	(357,972)
Inventories	(1,650,437)	(51,982)	(748,253)
Prepayments	(252,838)	(7,963)	(223,617)
Other current assets	20,773	654	(4,209)
Contract liabilities	776,026	24,442	270,339
Notes payable	67	2	-
Trade payables	(91,210)	(2,873)	119,223
Trade payables to related parties	106	3	(97)
Other payables	(9,751)	(307)	(117,144)
Other current liabilities	444,254	13,992	58,787
Net defined benefit liabilities	(50,022)	(1,575)	(43,559)
Cash used in operations	1,109,724	34,954	(754,191)
Interest received	4,565	144	1,056
Interest paid	(30,465)	(960)	(20,579)
Income tax paid	(125,221)	(3,944)	(66,903)
Net cash generated from (used in) operating activities	<u>958,603</u>	<u>30,194</u>	<u>(840,617)</u>

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30		
	2022		2021
	NT\$	US\$ (Note)	NT\$
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ (252,750)
Purchase of financial assets at amortized cost	(138,994)	(4,378)	-
Proceeds from sale of financial assets at amortized cost	-	-	39,036
Payments for property, plant and equipment	(58,597)	(1,846)	(48,941)
Proceeds from disposal of property, plant and equipment	1,573	50	3,400
Increase in refundable deposits	(18,682)	(588)	(1,602)
Payments for intangible assets	(29,238)	(921)	(24,875)
Increase in prepayments for equipment	(4,843)	(153)	(18,570)
Net cash used in investing activities	(248,781)	(7,836)	(304,302)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	431,007	13,575	1,026,308
Proceeds from (repayments of) short-term bills payable	(349,903)	(11,021)	164,602
Proceeds from long-term borrowings	350,000	11,024	300,000
Repayments of long-term borrowings	(30,000)	(945)	(30,000)
Proceeds from guarantee deposits received	-	-	5,319
Refund of guarantee deposits received	(6,529)	(206)	-
Repayment of the principal portion of lease liabilities	(10,046)	(316)	(7,985)
Change in non-controlling interests	180,000	5,669	45,000
Dividends paid to owners of the Company by cash	(261,062)	(8,222)	(339,372)
Net cash generated from financing activities	303,467	9,558	1,163,872
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES			
	(17,371)	(548)	(5,164)
NET INCREASE IN CASH	995,918	31,368	13,789
CASH AT THE BEGINNING OF THE PERIOD	168,981	5,322	214,509
CASH AT THE END OF THE PERIOD	\$ 1,164,899	\$ 36,690	\$ 228,298

(Continued)

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\$31.75 to US\$1.00 at September 30, 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.

(With Deloitte & Touche review report dated November 9, 2022)

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (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 (“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 November 9, 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. The IFRSs endorsed by the FSC for application starting from 2023

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: 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 3: 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.

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.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
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.

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 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.

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
			September 30, 2022	December 31, 2021	September 30, 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 Australia Pty, Ltd	Manufacture of power generation transmission and distribution machinery	100.00	100.00	100.00	
	Fortune Electric Value Company Limited	Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment/systems/technology	64.25	80.18	80.18	1)
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	100.00	100.00	100.00	
	Wuhan Fortune Co., Ltd.	Trade of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	100.00	100.00	-	2)
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	Trade business	-	100.00	100.00	3)

- 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) 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.
 - 3) Wuhan Fortune Trade Co., Ltd. had been completed all related registration procedures on August 11, 2022.
- 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.