

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

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2023 and 2022**

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands)

ASSETS	September 30, 2023		December 31, 2022	September 30, 2022
	NT\$	US\$ (Note)	NT\$	NT\$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,113,575	\$ 34,508	\$ 595,630	\$ 1,164,899
Financial assets at fair value through profit or loss - current	-	-	-	3,204
Financial assets at amortized cost - current	237,183	7,350	241,607	249,500
Contract assets	2,153,087	66,721	1,457,760	1,223,704
Notes receivable	109,371	3,389	95,625	56,913
Trade receivables from unrelated parties	1,184,326	36,701	2,046,524	1,499,516
Current tax assets	22,081	684	21,513	32,500
Inventories, net	5,697,973	176,572	4,204,838	4,372,703
Prepayments	541,884	16,792	303,601	433,763
Other current assets	220,256	6,825	150,627	51,282
Total current assets	11,279,736	349,542	9,117,725	9,087,984
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income	286,878	8,890	312,386	302,023
Financial assets at amortized cost - non-current	18,241	565	8,129	8,030
Investments accounted for using equity method	3,253	101	2,405	2,390
Property, plant and equipment	2,058,953	63,804	1,976,677	1,969,607
Right-of-use assets	139,148	4,312	129,011	147,791
Intangible assets	60,279	1,868	56,528	55,655
Deferred tax assets	19,990	620	38,150	34,105
Net defined benefit assets - non-current	6,587	204	-	-
Other non-current assets	24,474	758	59,427	60,281
Total non-current assets	2,617,803	81,122	2,582,713	2,579,882
<b>TOTAL</b>	<b>\$ 13,897,539</b>	<b>\$ 430,664</b>	<b>\$ 11,700,438</b>	<b>\$ 11,667,866</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 407,836	\$ 12,638	\$ 896,751	\$ 1,334,563
Short-term bills payable	299,599	9,284	349,564	199,776
Financial liabilities at fair value through profit or loss - current	-	-	279	-
Contract liabilities	2,593,780	80,377	1,572,104	1,272,129
Notes and trade payables	2,947,933	91,352	2,149,731	2,280,381
Trade payables to related parties	335	10	53	192
Other payable	670,316	20,772	531,883	408,192
Current tax liabilities	321,759	9,971	19	479
Provisions	12,799	397	11,496	14,910
Lease liabilities - current	21,602	669	15,537	13,011
Long-term borrowings due within one year	150,000	4,649	791,800	580,000
Other current liabilities	197,152	6,110	91,354	600,552
Total current liabilities	7,623,111	236,229	6,410,571	6,704,185
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings	1,000,000	30,988	720,000	941,800
Deferred tax liabilities	83,860	2,599	120,378	48,353
Lease liabilities - non-current	120,386	3,731	115,867	116,390
Net defined benefit liabilities	-	-	42,612	79,379
Guarantee deposit received	26,060	807	25,737	10,798
Total non-current liabilities	1,230,306	38,125	1,024,594	1,196,720
Total liabilities	8,853,417	274,354	7,435,165	7,900,905
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital	2,610,585	80,898	2,610,585	2,610,585
Capital surplus	86,973	2,695	86,685	86,686
Retained earnings				
Legal reserve	559,914	17,351	473,469	473,469
Special reserve	59,483	1,843	37,578	37,578
Unappropriated earnings	1,696,280	52,565	994,867	491,103
Total retained earnings	2,315,677	71,759	1,505,914	1,002,150
Other equity				
Exchange differences on translating foreign operations	(40,289)	(1,248)	(44,877)	(31,555)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	(40,114)	(1,243)	(14,606)	(24,969)
Total other equity	(80,403)	(2,491)	(59,483)	(56,524)
Total equity attributable to owners of the Company	4,932,832	152,861	4,143,701	3,642,897
<b>NON-CONTROLLING INTERESTS</b>	111,290	3,449	121,572	124,064
Total equity	5,044,122	156,310	4,265,273	3,766,961
<b>TOTAL</b>	<b>\$ 13,897,539</b>	<b>\$ 430,664</b>	<b>\$ 11,700,438</b>	<b>\$ 11,667,866</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\$32.2700 to US\$1.00 at September 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 November 8, 2023)

## FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2023		2022	2023		2022
	NT\$	US\$ (Note)	NT\$	NT\$	US\$ (Note)	NT\$
OPERATING REVENUE						
Sales	\$ 3,344,846	\$ 103,652	\$ 1,605,273	\$ 7,781,354	\$ 241,133	\$ 4,689,373
Construction revenue	<u>299,621</u>	<u>9,285</u>	<u>39,483</u>	<u>506,377</u>	<u>15,692</u>	<u>395,865</u>
Total operating revenue	<u>3,644,467</u>	<u>112,937</u>	<u>1,644,756</u>	<u>8,287,731</u>	<u>256,825</u>	<u>5,085,238</u>
OPERATING COSTS						
Cost of goods sold	2,168,451	67,197	1,172,671	5,286,346	163,816	3,628,490
Construction cost	<u>277,743</u>	<u>8,607</u>	<u>45,768</u>	<u>454,606</u>	<u>14,088</u>	<u>314,181</u>
Total operating costs	<u>2,446,194</u>	<u>75,804</u>	<u>1,218,439</u>	<u>5,740,952</u>	<u>177,904</u>	<u>3,942,671</u>
GROSS PROFIT	<u>1,198,273</u>	<u>37,133</u>	<u>426,317</u>	<u>2,546,779</u>	<u>78,921</u>	<u>1,142,567</u>
OPERATING EXPENSES						
Selling and marketing expenses	214,902	6,659	195,432	545,521	16,905	532,685
General and administrative expenses	149,668	4,638	58,857	292,628	9,068	167,956
Research and development expenses	56,567	1,753	37,815	132,381	4,102	106,753
Loss (gain) of expected credit loss	<u>541</u>	<u>17</u>	<u>5,922</u>	<u>(14,045)</u>	<u>(435)</u>	<u>(8,680)</u>
Total operating expenses	<u>421,678</u>	<u>13,067</u>	<u>298,026</u>	<u>956,485</u>	<u>29,640</u>	<u>798,714</u>
PROFIT FROM OPERATIONS	<u>776,595</u>	<u>24,066</u>	<u>128,291</u>	<u>1,590,294</u>	<u>49,281</u>	<u>343,853</u>
NON-OPERATING INCOME AND EXPENSES						
Interest income	7,618	236	1,989	19,878	616	4,763
Rental income	25,513	791	14	76,542	2,372	43
Export tax rebate income	15,210	471	6,692	28,658	888	15,148
Other income	10,103	313	11,685	12,869	399	14,455
Other gains and losses	(610)	(19)	3,116	1,301	40	(3,967)
Finance costs	(12,296)	(381)	(12,740)	(42,253)	(1,309)	(31,445)
Gain on foreign currency exchange	<u>53,109</u>	<u>1,646</u>	<u>14,519</u>	<u>73,295</u>	<u>2,271</u>	<u>64,272</u>
Total non-operating income and expenses	<u>98,647</u>	<u>3,057</u>	<u>25,275</u>	<u>170,290</u>	<u>5,277</u>	<u>63,269</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	875,242	27,123	153,566	1,760,584	54,558	407,122
INCOME TAX EXPENSE	<u>165,305</u>	<u>5,123</u>	<u>23,976</u>	<u>308,457</u>	<u>9,559</u>	<u>59,890</u>
NET PROFIT FOR THE PERIOD	<u>709,937</u>	<u>22,000</u>	<u>129,590</u>	<u>1,452,127</u>	<u>44,999</u>	<u>347,232</u>
OTHER COMPREHENSIVE INCOME AND LOSS						
Items that may be not be reclassified subsequently to profit or loss:						
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(40,735)	(1,262)	(2,915)	(25,508)	(790)	(14,010)
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	<u>7,279</u>	<u>226</u>	<u>(3,026)</u>	<u>4,588</u>	<u>142</u>	<u>(4,936)</u>
Total other comprehensive income and loss	<u>(33,456)</u>	<u>(1,036)</u>	<u>(5,941)</u>	<u>(20,920)</u>	<u>(648)</u>	<u>(18,946)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 676,481</u>	<u>\$ 20,964</u>	<u>\$ 123,649</u>	<u>\$ 1,431,207</u>	<u>\$ 44,351</u>	<u>\$ 328,286</u>

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## FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30			For the Nine Months Ended September 30		
	2023		2022	2023		2022
	NT\$	US\$ (Note)	NT\$	NT\$	US\$ (Note)	NT\$
NET PROFIT (LOSS)						
ATTRIBUTABLE TO:						
Owners of the Company	\$ 712,987	\$ 22,095	\$ 135,437	\$ 1,462,409	\$ 45,318	\$ 360,685
Non-controlling interests	<u>(3,050)</u>	<u>(95)</u>	<u>(5,847)</u>	<u>(10,282)</u>	<u>(319)</u>	<u>(13,453)</u>
	<u>\$ 709,937</u>	<u>\$ 22,000</u>	<u>\$ 129,590</u>	<u>\$ 1,452,127</u>	<u>\$ 44,999</u>	<u>\$ 347,232</u>
TOTAL COMPREHENSIVE INCOME (LOSS)						
ATTRIBUTABLE TO:						
Owners of the Company	\$ 679,531	\$ 21,059	\$ 129,496	\$ 1,441,489	\$ 44,670	\$ 341,739
Non-controlling interests	<u>(3,050)</u>	<u>(95)</u>	<u>(5,847)</u>	<u>(10,282)</u>	<u>(319)</u>	<u>(13,453)</u>
	<u>\$ 676,481</u>	<u>\$ 20,964</u>	<u>\$ 123,649</u>	<u>\$ 1,431,207</u>	<u>\$ 44,351</u>	<u>\$ 328,286</u>
EARNINGS PER SHARE						
Basic	<u>\$2.73</u>	<u>\$0.08</u>	<u>\$0.52</u>	<u>\$5.60</u>	<u>\$0.17</u>	<u>\$1.38</u>
Diluted	<u>\$2.73</u>	<u>\$0.08</u>	<u>\$0.52</u>	<u>\$5.59</u>	<u>\$0.17</u>	<u>\$1.38</u>

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(Concluded)

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands)

	Equity Attributable to Owners of the Company						Other Equity		Controlling Interests	Non-controlling Interests	Total Equity	
	Share Capital	Capital Surplus	Retained Earnings			Total	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							
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)	-	-	-	-	-	-	-
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
Unclaimed dividend	-	(3)	-	-	-	-	-	-	-	(3)	-	(3)
Net income (loss) for the nine months ended September 30, 2022	-	-	-	-	360,685	360,685	-	-	-	360,685	(13,453)	347,232
Other comprehensive 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 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 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 dividends	-	288	-	-	-	-	-	-	-	288	-	288
Net income for the nine months ended September 30, 2023	-	-	-	-	1,462,409	1,462,409	-	-	-	1,462,409	(10,282)	1,452,127
Other comprehensive income (loss) for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	-	4,588	(25,508)	(20,920)	(20,920)	-	(20,920)
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	1,462,409	1,462,409	4,588	(25,508)	(20,920)	1,441,489	(10,282)	1,431,207
BALANCE AT SEPTEMBER 30, 2023	\$ 2,610,585	\$ 86,973	\$ 559,914	\$ 59,483	\$ 1,696,280	\$ 2,315,677	\$ (40,289)	\$ (40,114)	\$ (80,403)	\$ 4,932,832	\$ 111,290	\$ 5,044,122
BALANCE AT SEPTEMBER 30, 2023 (IN U.S. DOLLARS)	\$ 80,898	\$ 2,695	\$ 17,351	\$ 1,843	\$ 52,565	\$ 71,759	\$ (1,248)	\$ (1,243)	\$ (2,491)	\$ 152,861	\$ 3,449	\$ 156,310

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(With Deloitte & Touche review report dated November 8, 2023)

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	For the Nine Months Ended September 30		
	2023		2022
	NT\$	US\$ (Note)	NT\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax from continuing operations	\$ 1,760,584	\$ 54,558	\$ 407,122
Adjustments for:			
Depreciation expenses	106,081	3,287	94,307
Amortization expenses	20,134	624	16,536
Expected credit loss reversed on trade receivables	(14,045)	(435)	(8,680)
Net gain on financial instruments at fair value through profit or loss	(1,047)	(33)	(3,204)
Finance costs	42,253	1,309	31,445
Interest income	(19,878)	(616)	(4,763)
Share of profit of associates	(175)	(6)	(861)
Loss on disposal of property, plant and equipment	360	11	4,598
(Reversal of) write-down of inventories	(39,695)	(1,230)	4,562
Unrealized net loss on foreign currency exchange	1,438	45	1,832
Recognition of provisions	1,303	40	3,690
Changes in operating assets and liabilities			
Contract assets	(695,327)	(21,547)	194,438
Notes receivable	(13,744)	(426)	20,660
Trade receivables	881,735	27,324	1,161,074
Inventories	(1,509,630)	(46,781)	(1,650,437)
Prepayments	(235,211)	(7,289)	(252,838)
Other current assets	(68,567)	(2,125)	20,773
Contract liabilities	1,021,158	31,644	776,026
Notes and accounts payable	792,715	24,565	(91,143)
Trade payables to related parties	282	9	106
Other payables	139,490	4,323	(9,751)
Other current liabilities	105,798	3,279	444,254
Net defined benefit liabilities	(49,199)	(1,525)	(50,022)
Cash generated from operations	2,226,813	69,005	1,109,724
Interest received	18,828	583	4,565
Interest paid	(44,367)	(1,375)	(30,465)
Income tax paid	(5,645)	(175)	(125,221)
Net cash generated from operating activities	<u>2,195,629</u>	<u>68,038</u>	<u>958,603</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of financial assets at amortized cost	(5,688)	(176)	(138,994)
Payments for property, plant and equipment	(78,223)	(2,424)	(58,597)
Acquisition of investments accounted for using the equity method	(1,000)	(31)	-
Proceeds from disposal of property, plant and equipment	-	-	1,573
Proceeds from sale of financial assets at fair value through profit or loss	768	24	-
Increase in refundable deposits	(5,550)	(172)	(18,682)

(Continued)

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	For the Nine Months Ended September 30		
	2023		2022
	NT\$	US\$ (Note)	NT\$
Payments for intangible assets	\$ (23,885)	\$ (740)	\$ (29,238)
Decrease (increase) in prepayments for equipment	<u>1,007</u>	<u>31</u>	<u>(4,843)</u>
Net cash used in investing activities	<u>(112,571)</u>	<u>(3,488)</u>	<u>(248,781)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings	-	-	431,007
Repayments of short-term borrowings	(488,915)	(15,151)	-
Repayments of short-term bills payable	(49,965)	(1,548)	(349,903)
Proceeds from long-term borrowings	800,000	24,791	350,000
Repayments of long-term borrowings	(1,161,800)	(36,002)	(30,000)
Proceeds from guarantee deposits received	323	10	-
Refund of guarantee deposits received	-	-	(6,529)
Repayment of the principal portion of lease liabilities	(14,376)	(446)	(10,046)
Unclaimed cash dividends	348	11	-
Changes in non-controlling interests	-	-	180,000
Dividends paid to owners of the Company by cash	<u>(652,706)</u>	<u>(20,226)</u>	<u>(261,062)</u>
Net cash (used in) generated from financing activities	<u>(1,567,091)</u>	<u>(48,561)</u>	<u>303,467</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>1,978</u>	<u>61</u>	<u>(17,371)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	517,945	16,050	995,918
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>595,630</u>	<u>18,458</u>	<u>168,981</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 1,113,575</u>	<u>\$ 34,508</u>	<u>\$ 1,164,899</u>

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

(With Deloitte & Touche review report dated November 8, 2023)

(Concluded)

# FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (In Thousands of U.S. Dollars)

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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 (“TWSE”) 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 TWSE.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 8, 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 a material impact on the accounting policies of the Company and its subsidiaries (collectively the “Group”).

- b. The IFRSs endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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 (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 amendments provide some transition relief regarding disclosure requirements.



As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of the aforementioned standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of the aforementioned standards and interpretations on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete 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 assets 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).

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, 2023	December 31, 2022	September 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	-	-	-	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) 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.