Fortune Electric Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies that are required to be included in the consolidated financial statements of affiliates as of and for the year ended December 31, 2023, under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with International Financial Reporting Standard No.10 “Consolidated Financial Statements”. In addition, relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

FORTUNE ELECTRIC CO., LTD.

By

____

March 8, 2024

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
110016 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 110016, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Fortune Electric Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Fortune Electric Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Fortune Electric Co., Ltd. and its subsidiaries for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2023 is stated as follows:

Occurrence of Revenue Recognition from New Customers among Top Ten Customers

The Group's operating revenues include the sales of transformers, distribution panels and other related products and the revenues are mainly from several major customers. The Group's revenue from new customers among the top ten customers accounted for the 15% of the revenue in the year needed December 31. Due to the significancy of the revenues and the major changes of customer portfolio, we identified the occurrence of revenue from new customers among the top ten customers to be a key audit matter. Refer to Note 4 of the consolidated financial statements of the accounting policies and details of revenue recognition.

In respect of this key audit matter, the following procedures were performed:

1. We obtained understanding of the design and implementation of related internal controls and tested the operating effectiveness of the key controls over the occurrence of revenue recognition.

2. We selected sample from some sales transactions of the new customers among top ten customers, and we traced to the original documents such as customer orders, delivery orders, documents signed by customers and payment documents to confirm the occurrence without exception.

3. We evaluated the reasonableness of the contract terms of the new customers among the top ten customers by reviewing their relevant background information.

Other Matter

We have also audited the parent company only financial statements of Fortune Electric Co., Ltd., as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Suei-Chin Lee and Shih-Chieh Chou.

Sueichin Lee SHIH CHIEH CHOU

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2024

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of NT$ and US$)

	2023		2022
ASSETS	**NT$**	**US$ (Note 4) (Unaudited)**	**NT$**
CURRENT ASSETS			
Cash and cash equivalents (Notes 4 and 6)	$ 1,737,486	$ 56,577	$ 595,630
Financial assets at amortized cost - current (Notes 4, 9 and 33)	219,106	7,135	241,607
Contract assets (Notes 4, 22 and 24)	2,037,295	66,340	1,457,760
Notes receivable (Notes 4 and 24)	95,968	3,125	95,625
Trade receivables from unrelated parties (Notes 4, 10 and 24)	2,372,784	77,264	2,046,524
Current tax assets (Notes 4 and 26)	22,286	726	21,513
Inventories, net (Notes 4 and 11)	5,441,259	177,182	4,204,838
Prepayments	453,494	14,767	303,601
Other current assets (Notes 22 and 33)	187,100	6,092	150,627
Total current assets	12,566,778	409,208	9,117,725
NON-CURRENT ASSETS			
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	288,752	9,403	312,386
Financial assets at amortized cost - non-current (Notes 4, 9 and 33)	18,241	594	8,129
Investments accounted for using the equity method (Notes 4 and 13)	2,328	76	2,405
Property, plant and equipment (Notes 4, 14 and 33)	2,080,565	67,749	1,976,677
Right-of-use assets (Notes 4, 15 and 32)	142,867	4,652	129,011
Intangible assets (Notes 4 and 16)	66,429	2,163	56,528
Deferred tax assets (Notes 4 and 26)	30,498	993	38,150
Other non-current assets (Note 33)	50,310	1,638	59,427
Total non-current assets	2,679,990	87,268	2,582,713
TOTAL	$ 15,246,768	$ 496,476	$ 11,700,438
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings (Notes 4, 17 and 33)	$ 20,000	$ 651	$ 896,751
Short-term bills payable (Notes 4 and 17)	219,747	7,156	349,564
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	279
Contract liabilities (Notes 4, 22 and 24)	2,855,544	92,984	1,572,104
Trade payables to unrelated parties (Notes 4 and 18)	3,342,361	108,836	2,149,731
Trade payables to related parties (Notes 4 and 32)	623	20	53
Other payables (Note 19)	1,160,643	37,794	531,883
Current tax liabilities (Notes 4 and 26)	515,783	16,795	19
Provisions (Notes 4 and 20)	18,522	603	11,496
Lease liabilities - current (Notes 4, 15 and 32)	19,622	639	15,537
Long-term loans due within one year (Notes 4, 17 and 33)	150,000	4,885	791,800
Other current liabilities	474,586	15,454	91,354
Total current liabilities	8,777,431	285,817	6,410,571
NON-CURRENT LIABILITIES			
Long-term borrowings (Notes 4, 17 and 33)	100,000	3,256	720,000
Deferred tax liabilities (Notes 4 and 26)	84,734	2,759	120,378
Lease liabilities - non-current (Notes 4, 15 and 32)	123,534	4,023	115,867
Net defined benefit liabilities (Notes 4 and 21)	5,105	166	42,612
Guarantee deposit received	23,371	761	25,737
Total non-current liabilities	336,744	10,965	1,024,594
Total liabilities	9,114,175	296,782	7,435,165
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	2,610,585	85,008	2,610,585
Capital surplus	86,956	2,832	86,685
Retained earnings			
Legal reserve	559,914	18,232	473,469
Special reserve	59,483	1,937	37,578
Unappropriated earnings	2,798,183	91,116	994,867
Total retained earnings	3,417,580	111,285	1,505,914
Other equity			
Exchange differences on translation of the financial statements of foreign operations	(50,385)	(1,641)	(44,877)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	(38,240)	(1,245)	(14,606)
Total other equity	(88,625)	(2,886)	(59,483)
Total equity attributable to owners of the Company	6,026,496	196,239	4,143,701
NON-CONTROLLING INTERESTS	106,097	3,455	121,572
Total equity	6,132,593	199,694	4,265,273
TOTAL	$ 15,246,768	$ 496,476	$ 11,700,438

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

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of NT$ and US$, Except Earnings Per Share)

	2023		2022
	NT$	US$ (Note 4) (Unaudited)	NT$
OPERATING REVENUES (Notes 4, 24, 32 and 38)			
Sales	$ 12,635,266	$ 411,439	$ 7,241,725
Construction revenue	1,264,474	41,175	509,002
Total operating revenues	13,899,740	452,614	7,750,727
OPERATING COSTS (Notes 4, 11, 21, 25 and 32)			
Cost of goods sold	8,408,155	273,792	5,580,833
Construction costs	1,157,566	37,692	582,286
Total operating costs	9,565,721	311,484	6,163,119
GROSS PROFIT	4,334,019	141,130	1,587,608
OPERATING EXPENSES (Notes 4, 21, 25, 32 and 34)			
Selling and marketing expenses	800,760	26,075	766,511
General and administrative expenses	481,361	15,675	267,379
Research and development expenses	214,461	6,983	148,317
Expected credit gain (Note 10)	(16,145)	(526)	(23,826)
Total operating expenses	1,480,437	48,207	1,158,381
PROFIT FROM OPERATIONS	2,853,582	92,923	429,227
NON-OPERATING INCOME AND EXPENSES			
Interest income (Notes 4 and 25)	26,835	874	8,219
Other income (Notes 25 and 32)	216,601	7,053	40,960
Other gains and losses (Notes 4, 25 and 28)	25,105	817	517,537
Finance costs (Notes 25 and 32)	(49,285)	(1,605)	(46,911)
Share of gain (loss) of associates and joint ventures (Note 13)	(758)	(25)	748
Total non-operating income and expenses	218,498	7,114	520,553
PROFIT BEFORE INCOME TAX	3,072,080	100,037	949,780
INCOME TAX EXPENSE (Notes 4 and 26)	510,295	16,617	127,476
NET PROFIT FOR THE YEAR	2,561,785	83,420	822,304

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of NT$ and US$, Except Earnings Per Share)

	2023		2022
	NT$	US$ (Note 4) (Unaudited)	NT$
OTHER COMPREHENSIVE INCOME AND LOSS (Note 4)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans (Note 21)	$ (16,185)	$ (527)	$ 32,750
Unrealized gain on investments in equity instruments at fair value through other comprehensive income (Note 23)	(23,634)	(769)	(3,647)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 26)	3,237	106	(6,550)
	(36,582)	(1,190)	22,553
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of the financial statements of foreign operations	(5,508)	(181)	(18,258)
Total other comprehensive loss	(42,090)	(1,371)	4,295
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 2,519,695	$ 82,049	$ 826,599
NET PROFIT ATTRIBUTABLE TO:			
Owners of the Company	$ 2,577,260	$ 83,923	$ 838,249
Non-controlling interests	(15,475)	(503)	(15,945)
	$ 2,561,785	$ 83,420	$ 822,304
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company	$ 2,535,170	$ 82,552	$ 842,544
Non-controlling interests	(15,475)	(503)	(15,945)
	$ 2,519,695	$ 82,049	$ 826,599
EARNINGS PER SHARE (Note 27)			
From continuing operations			
Basic	$9.87	$0.32	$3.21
Diluted	$9.85	$0.32	$3.20

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

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of NT$ and US$)

	Share Capital (Notes 4 and 24)	Capital Surplus (Note 23)	Retained Earnings (Note 23): Legal Reserve	Retained Earnings (Note 23): Special Reserve	Retained Earnings (Note 23): Unappropriated Earnings	Retained Earnings (Note 23): Total	Other Equity (Notes 4, 8 and 23): Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity (Notes 4, 8 and 23): Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Other Equity (Notes 4, 8 and 23): Total	Controlling Interests	Non-controlling Interests	Total Equity
	Equity Attributable to Owners of the Company											
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)
Unclaimed cash dividends from shareholders	-	(6)	-	-	-	-	-	-	-	(6)	-	(6)
Changes in percentage of ownership interests in subsidiaries	-	83,207	-	-	-	-	-	-	-	83,207	96,795	180,002
Net profit for the year ended December 31, 2022	-	-	-	-	838,249	838,249	-	-	-	838,249	(15,945)	822,304
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	26,200	26,200	(18,258)	(3,647)	(21,905)	4,295	-	4,295
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	864,449	864,449	(18,258)	(3,647)	(21,905)	842,544	(15,945)	826,599
BALANCE AT DECEMBER 31, 2022	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$2.50 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	-	271	-	-	-	-	-	-	-	271	-	271
Net profit for the year ended December 31, 2023	-	-	-	-	2,577,260	2,577,260	-	-	-	2,577,260	(15,475)	2,561,785
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(12,948)	(12,948)	(5,508)	(23,634)	(29,142)	(42,090)	-	(42,090)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	2,564,312	2,564,312	(5,508)	(23,634)	(29,142)	2,535,170	(15,475)	2,519,695
BALANCE AT DECEMBER 31, 2023	$ 2,610,585	$ 86,956	$ 559,914	$ 59,483	$ 2,798,183	$ 3,417,580	$ (50,385)	$ (38,240)	$ (88,625)	$ 6,026,496	$ 106,097	$ 6,132,593
BALANCE AT DECEMBER 31, 2022 (IN U.S. DOLLARS)	$ 85,008	$ 2,832	$ 18,232	$ 1,937	$ 91,116	$ 111,285	$ (1,641)	$ (1,245)	$ (2,886)	$ 196,239	$ 3,455	$ 199,694

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

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of NT$ and US$)

	2023		2022
	NT$	US$ (Note 4) (Unaudited)	NT$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	$ 3,072,080	$ 100,037	$ 949,780
Adjustments for:			
Depreciation expense	144,850	4,717	127,296
Amortization expense	27,575	898	22,701
Expected credit gain recognized on trade receivables	(16,145)	(526)	(23,826)
Finance costs	49,285	1,605	46,911
Interest income	(26,835)	(874)	(8,219)
Share of loss of associate	758	25	(748)
Loss on disposal of property, plant and equipment	436	14	3,550
Dealing with subsidiaries' interests	-	-	(468,312)
(Reversal) write-down of inventories	(29,891)	(973)	43,844
Unrealized net gain on foreign currency exchange	19,858	646	6,694
Provisions	7,026	229	276
Gain on remeasurement of lease arrangements	(37)	(1)	-
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	(279)	(9)	279
Contract assets	(579,535)	(18,871)	(39,618)
Notes receivable	(339)	(11)	(18,082)
Trade receivables	(330,857)	(10,774)	372,938
Inventories	(1,268,553)	(41,307)	(1,509,054)
Prepayments	(150,638)	(4,905)	(110,889)
Other current assets	(34,564)	(1,126)	136,555
Contract liabilities	1,284,006	41,811	1,076,248
Notes and trades payable	1,194,431	38,894	(130,259)
Trade payables to related parties	570	19	(33)
Other payables	634,185	20,650	142,479
Other current liabilities	383,232	12,478	434,466
Net defined benefit liabilities	(53,692)	(1,748)	(54,039)
Cash generated from operations	4,326,927	140,898	1,000,938
Interest received	26,659	868	8,278
Interest paid	(52,226)	(1,701)	(45,791)
Income tax paid	(20,060)	(653)	(125,609)
Net cash generated from operating activities	4,281,300	139,412	837,816
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at amortized cost	-	-	(144,446)
Disposal of financial assets measured at amortized cost	12,389	403	-

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of NT$ and US$)

	2023		2022
	NT$	US$ (Note 4) (Unaudited)	NT$
Disposal subsidiaries (Note 28)	$ -	$ -	$ (72,136)
Payments for property, plant and equipment	(118,140)	(3,847)	(110,575)
Acquisition of investments accounted for using the equity method	(1,000)	(33)	-
Proceeds from disposal of property, plant and equipment	-	-	2,194
Increase in refundable deposits	(12,209)	(398)	(12,133)
Payments for intangible assets	(37,180)	(1,211)	(35,723)
Increase in prepayments for equipment	(28,218)	(919)	(28,475)
Net cash used in investing activities	(184,358)	(6,005)	(401,294)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	-	-	4,755
Proceeds from short-term bills payable	(875,601)	(28,512)	-
Repayment of short-term bills payable	(129,817)	(4,227)	(200,115)
Proceeds from long-term borrowings	-	-	310,000
Repayments of long-term borrowings	(1,261,800)	(41,088)	-
Proceeds from guarantee deposits received	-	-	8,410
Refund of guarantee deposits received	(2,366)	(77)	-
Repayment of the principal portion of lease liabilities	(23,567)	(767)	(13,748)
Unclaimed share	271	9	(6)
Change in non-controlling interests	-	-	180,000
Issue of cash dividends	(652,646)	(21,252)	(261,059)
Net cash (used in) generated from financing activities	(2,945,526)	(95,914)	28,237
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(9,560)	(311)	(38,110)
NET INCREASE IN CASH	1,141,856	37,182	426,649
CASH AT THE BEGINNING OF THE YEAR	595,630	19,395	168,981
CASH AT THE END OF THE YEAR	$ 1,737,486	$ 56,577	$ 595,630

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

(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 switches 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 the New Taiwan dollars since the Company's shares are listed on the TWSE.

The translation of New Taiwan dollar into U.S. dollar was included solely for the convenience of the readers outside the Republic of China and has been made at the rate of NT$30.71 to US$1.00 as of December 31, 2023 and 2022, respectively. The base rates were announced by Bank of Taiwan. Such translation should not be construed as representation that the New Taiwan dollar amounts could be converted at that rate or any other rate.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") were approved by the Company's board of directors on March 8, 2024.

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 "IFRS Accounting Standards") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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 IFRS Accounting Standards 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 has assessed that the application of the aforementioned standards and interpretations will not have a material impact on the Group's financial position and financial performance.

c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	**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
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 New IFRS Accounting Standards 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

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

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. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

The Group is engaged in the business of electrical equipment works contracting services, which has an operating cycle of over one year. Thus, the normal operating cycle is applied when considering the classification of the Group’s engineering contracts - related assets and liabilities.

d. 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, including structured entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of 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 of the Group.

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.

See Note 12 Tables 5 and 6 for the detailed information of subsidiaries including the percentage of ownership and main business.

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income and attributed to the owners of the Company and non-controlling interests as appropriate.

f. Inventories

Inventories consist of raw materials, work in process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associates that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset, and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, Pledged deposit receipt trade receivables at amortized cost and trade receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. Financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1) Onerous contracts

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

2) Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of transformers, distribution panels, low voltage switches and substation equipment. Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location, FOB and on shipping because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

2) Construction contract revenue

Customers control properties while they are construction in progress, and thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

n. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee’s incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods, in which the Group recognizes in expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) 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.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

r. U.S. dollar amounts (unaudited)

A translation of the New Taiwan dollar (NT$) amounts into U.S. dollars in the consolidated financial statements for December 31, 2023 is included solely for the convenience of the readers and is unaudited, and has been made at the exchange rate set forth in the statistical release of the U.S. Federal Reserve Board of the United States, which was NT$30.71 to US$1.00 as of December 31, 2023. The translation should not be construed as a representation that the NT$amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact of energy, and foreign currency markets on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

6. CASH

	December 31	
	2023	2022
Cash on hand	$ 22	$ 22
Checking accounts and demand deposits	52,051	15,093
Cash equivalents (investment with original maturity within 3 months) time deposits	4,504	4,280
	$ 56,577	$ 19,395

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	December 31	
	2023	2022
Bank balance	0.001%-5.65%	0.001%-4.55%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Financial liabilities at FVTPL - current		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ 9

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2022			
Buy	NTD/USD	2023.03.24	NTD21,829/USD708

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness; therefore, they were not accounted for by using hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
Non-current		
Domestic investments		
Unlisted shares		
Ordinary shares - Raynergy Tek Incorporation	$ 872	$ 881
Ordinary shares - Hsin He Energy Co., Ltd.	7,400	8,324
Ordinary shares - E-Formula Technologies, Inc.	568	408
Ordinary shares - Synergy Co., Ltd.	563	559
	$ 9,403	$ 10,172

These investments in equity instruments are not held for trading. Instead, they are held for medium-to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2023	2022
Pledged time deposits		
Current	$ 567	$ 603
Time deposits with original maturities of more than 3 months	6,538	7,264
Deposits and retention money	30	-
	$ 7,135	$ 7,867
Non-current	$ 594	$ 265

a. The ranges of interest rates for time deposits were approximately 1.150%-1.565% and 0.990%-1.440% per annum as of December 31, 2023 and 2022, respectively.

b. The rates of pledged deposits ranged from 0.575%-1.585% and 0.375%-1.465% per annum as of December 31, 2023 and 2022, respectively.

c. Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

10. TRADE RECEIVABLES

	December 31	
	2023	2022
Trade receivables		
At amortized cost		
Gross carrying amount	$ 77,306	$ 67,230
Less: Allowance for impairment loss	(42)	(590)
	$ 77,264	$ 66,640

The average credit period for sales of goods was 90-180 days. Impairment of trade receivables was assessed by reference to the collectability of receivables on an individual account basis, and by account aging analysis, historical experience and current financial condition of customers.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2023

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 275 Days	276 to 640 Days	Over 641 Days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.01%	2.11%	80.75%	
Gross carrying amount	$ 64,091	$ 3,772	$ 4,544	$ 3,528	$ 1,355	$ 16	$ 77,306
Loss allowance (Lifetime ECLs)	-	-	-	-	(29)	(13)	(42)
Amortized cost	$ 64,091	$ 3,772	$ 4,544	$ 3,528	$ 1,326	$ 3	$ 77,264

December 31, 2022

	Not Past Due	1 to 60 Days	61 to 90 Days	91 to 275 Days	276 to 640 Days	Over 641 Days	Total
Expected credit loss rate	0.31%	0.33%	0.33%	0.40%	0.43%	21.2%	
Gross carrying amount	$ 41,323	$ 9,942	$ 110	$ 4,045	$ 10,060	$ 1,750	$ 67,230
Loss allowance (Lifetime ECLs)	(127)	(33)	-	(16)	(43)	(371)	(590)
Amortized cost	$ 41,196	$ 9,909	$ 110	$ 4,029	$ 10,017	$ 1,379	$ 66,640

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 590	$ 1,667
Add: Net remeasurement of loss allowance	(526)	(776)
Less: Amounts written off	(22)	(123)
Less: Transfer to held for sale	-	(180)
Foreign exchange gains and losses	-	2
Balance at December 31	$ 42	$ 590

11. INVENTORIES

	December 31	
	2023	2022
Finished goods	$ 44,095	$ 18,978
Work in progress	114,237	93,346
Raw materials	18,850	24,597
	$ 177,182	$ 136,921

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was $273,792 thousand and $181,727 thousand, respectively.

The cost of goods sold for the years ended December 31, 2023 and 2022 included write-down of inventories (reversal of write-down of inventories) of $(973) thousand and $1,428 thousand, respectively. Previous write-downs were reversed as a result of inventory devaluation.

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Entities covered by the consolidated financial statements are as follows:

			Proportion of Ownership (%) December 31		
Investor	Investee	Nature of Activities	2023	2022	Remark
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Trade business, Investment Holding, Agents business	100.00	100.00	
	Fortune Electric America Inc.	Agents business	100.00	100.00	
	Fortune Electric Extra High Voltage Co., Ltd.	Transformers manufacturing, machining and trading	100.00	100.00	
	Fortune Energy Co., Ltd.	Manufacture of power generation, transmission and distribution machinery	100.00	100.00	
	Fortune Electric Australia Pty Ltd.	Trade business	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	64.25	*
Power Energy International Ltd.	Wuhan Fortune Electric Co., Ltd	Import and export business of various commodities and technologies	100.00	100.00	

Remarks:

* On January 2022, Fortune Electric Value Company Limited apply for follow-on offering, and the Company have not executed the subscription by shareholding ratio, resulted in reducing its controlling interest from to 64.25%.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2023	**2022**
Associates that are not individually material		
E-Total Link	$ 69	$ 78
SQTek Co., Ltd.	7	-
	$ 76	$ 78

Aggregate Information of Associates That Are Not Individually Material

	For the Year Ended December 31	
	2023	**2022**
The Group’s share of:		
Net income (loss) for the year	$ (25)	$ 24
Other comprehensive income (loss)	(10)	(11)
Total comprehensive income (loss) for the year	$ (35)	$ 13

SQTek Co., Ltd., the share of profit or loss and other comprehensive income attributable to the adoption of the equity method, in 2023, and computed based on audited financial reports for the same period.

Except for E-Total Link, the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments was based on the associate’s financial statements audited by auditors in 2023 and 2022. Management believed there was no material impact on the financial statements of E-Total Link which had not been audited.

For the main business and products, location and registration information of the above associate, refer to Table 5.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	**2022**
Assets used by the Group	$ 67,746	$ 64,363
Assets leased under operating leases	3	3
	$ 67,749	$ 64,366

a. Assets used by the Group

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
Cost						
Balance at January 1, 2023	$ 20,704	$ 51,640	$ 51,226	$ 4,784	$ 8,820	$ 137,174
Additions	-	1195	1,956	71	625	3,847
Disposals	-	(18)	(795)	-	(27)	(840)
Transfer (Note 1)	-	-	591	-	1,429	2,020
Transfer (Note 2)	-	169	261	-	1,116	1,546
Effects of foreign currency exchange differences	-	-	-	-	-	-
Balance at December 31, 2023	$ 20,704	$ 52,986	$ 53,239	$ 4,855	$ 11,963	$ 143,747
Accumulated depreciation						
Balance at January 1, 2023	$ -	$ 21,092	$ 44,642	$ 2,521	$ 4,556	$ 72,811
Depreciation expense	-	1,057	1,594	229	1,136	4,016
Disposals	-	(7)	(796)	-	(23)	(826)
Effects of foreign currency exchange differences	-	-	-	-	-	-
Balance at December 31, 2023	$ -	$ 22,142	$ 45,440	$ 2,750	$ 5,669	$ 76,001
Carrying amount at December 31, 2023	$ 20,704	$ 30,844	$ 7,799	$ 2,105	$ 6,294	$ 67,746
Cost						
Balance at January 1, 2022	$ 20,704	$ 52,695	$ 55,220	$ 4,776	$ 8,022	$ 141,417
Additions	-	543	1,663	8	1,386	3,600
Disposals	-	(204)	(2,834)	-	(584)	(3,622)
Transfer (Note 1)	-	-	-	-	48	48
Transfer (Note 2)	-	27	251	-	81	359
Transfers to assets leased under operating leases	-	(1,460)	(3,139)	-	(141)	(4,740)
Transfers to disposal group held for sale	-	13	-	-	-	13
Effects of foreign currency exchange differences	-	26	65	-	8	99
Balance at December 31, 2022	$ 20,704	$ 51,640	$ 51,226	$ 4,784	$ 8,820	$ 137,174
Accumulated depreciation						
Balance at January 1, 2022	$ -	$ 21,465	$ 48,290	$ 2,287	$ 4,472	$ 76,514
Depreciation expense	-	1,009	1,678	234	730	3,651
Disposals	-	10	-	-	-	10
Transfers to assets leased under operating leases	-	(181)	(2,710)	-	(544)	(3,435)
Transfers to disposal group held for sale	-	(1,234)	(2,672)	-	(107)	(4,013)
Effects of foreign currency exchange differences	-	23	56	-	5	84
Balance at December 31, 2022	$ -	$ 21,092	$ 44,642	$ 2,521	$ 4,556	$ 72,811
Carrying amount at December 31, 2022	$ 20,704	$ 30,548	$ 6,584	$ 2,263	$ 4,264	$ 64,363

Note 1: Transferred from inventories to equipment.

Note 2: Transferred from prepayments for equipment to equipment.

Except for depreciation recognized, the Group did not have significant addition, disposal, or impairment of property, plant and equipment for the years ended December 31, 2023 and 2022.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Main buildings	55 years
Electromechanical power equipment	3 years
Equipment	3-15 years
Photovoltaic solar equipment	8-20 years
Other equipment	2-15 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 33.

b. Assets leased under operating leases

	Buildings
Cost	
Balance at January 1, 2023	$ 13
Balance at December 31, 2023	$ 13
Accumulated depreciation	
Balance at January 1, 2023	$ 10
Balance at December 31, 2023	$ 10
Balance at January 1, 2023	$ 3
Carrying amount at December 31, 2023	$ 3
Cost	
Balance at January 1, 2022	$ 26
Transfers from assets used by the Group	(13)
Balance at December 31, 2022	$ 13
Accumulated depreciation	
Balance at January 1, 2022	$ 20
Additions	-
Transfers from assets used by the Group	(10)
Balance at December 31, 2022	$ 10
Carrying amount at December 31, 2022	$ 3

Operating leases relate to lease of the building with lease terms 1 year. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives of 55 years.

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 33.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
Carrying amount		
Land	$ 3,045	$ 3,206
Buildings	1,302	718
Transportation equipment	305	277
	$ 4,652	$ 4,201

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	$ 1,257	$ 644
Depreciation charge for right-of-use assets		
Land	$ 113	$ 149
Buildings	431	213
Transportation equipment	156	132
	$ 700	$ 494

Except for depreciation recognized and addition, the Group did not have significant impairment of investment properties for the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
Carrying amount		
Current	$ 639	$ 506
Non-current	$ 4,023	$ 3,773

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.24%-1.26%	1.24%-1.26%
Buildings	1.26%-2.00%	1.26%
Transportation equipment	1.24%-2.00%	1.24%-2.00%

c. Material lease-in activities and terms

The Group leases land and buildings for the use of plants, offices and charging station for the use of operating with lease terms of 1 to 50 years. The Group does no has bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Sublease

The consolidated company has the following operating lease sublease transactions for the use of the following building equipment. The total lease payments to be received in the future from subleasing operating leases are as follows:

	For the Year Ended December 31	
	2023	2022
1 year	$ 3,321	$ 3,321
2 year	3,321	3,321
3 year	3,321	3,321
4 year	3,321	3,321
5 year	3,321	3,321
Year 6 onwards	22,974	26,295
	$ 39,579	$ 42,900

e. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	$ 772	$ 720
Expenses relating to low-value asset leases	$ 42	$ 55
Total cash outflow for leases	$ (1,660)	$ (1,273)

The Group’s leases of certain assets qualify as short-term leases and certain assets qualify as low-value asset leases. The Group has elected to apply the recognition exemption, and thus did not recognize right-of-use assets and lease liabilities for these leases.

16. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2022	$ 3,726
Acquired separately	1,163
Reclassifications	73
Disposals	(1,700)
Net exchange differences	-
Balance at December 31, 2022	$ 3,262

(Continued)

	Computer Software
Accumulated depreciation	
Balance at January 1, 2022	$ 2,382
Amortization expense	739
Disposals	(1,700)
Net exchange differences	-
Balance at December 31, 2022	$ 1,421
Carrying amount at December 31, 2022	$ 1,841
Cost	
Balance at January 1, 2023	$ 3,262
Acquired separately	1,211
Reclassifications	9
Disposals	(668)
Balance at December 31, 2023	$ 3,814
Accumulated depreciation	
Balance at January 1, 2023	$ 1,421
Amortization expense	898
Disposals	(668)
Balance at December 31, 2023	$ 1,651
Carrying amount at December 31, 2023	$ 2,163

(Concluded)

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Secured borrowings (Note 33)		
Issuance letters of credit	$ -	$ 2,294
Unsecured borrowings		
Line of credit borrowings	651	22,061
Issuance letters of credit	-	4,846
	651	26,907
	$ 651	$ 29,201

The effective interest rates for bank loans were 1.95% and 0.70%-5.93% per annum at December 31, 2023 and 2022, respectively.

b. Short-term bills payable

	December 31 2023	December 31 2022
Commercial paper	$ 7,164	$ 11,397
Less: Unamortized discounts on bills payable	(8)	(14)
	$ 7,156	$ 11,383

Outstanding short-term bills payable were as follows:

December 31, 2023

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
Commercial paper					
China Bills	$ 4,884	$ 5	$ 4,879	1.788%	N/A
Grand Bills	2,280	3	2,277	1.838%	N/A
	$ 7,164	$ 8	$ 7,156		

December 31, 2022

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
Commercial paper					
Dah Chung Bills	$ 4,884	$ 1	$ 4,884	1.898%	N/A
China Bills	3,256	11	3,246	1.988%	N/A
Mega Bill	3,256	3	3,253	1.85%	N/A
	$ 11,397	$ 14	$ 11,383		

c. Long-term borrowings

	December 31 2023	December 31 2022
Secured borrowings (Note 33)		
Bank of Taiwan	$ -	$ 16,281
Mega International Commercial Bank	-	7,874
	-	24,155

(Continued)

	December 31	
	2023	2022
Unsecured borrowings		
Yuanta Bank	$ 4,885	$ 14,653
E.Sun Commercial Bank	-	6,513
Bank SinoPac	-	3,256
Hwa Nan Commercial Bank	3,256	651
	8,141	25,073
	8,141	49,228
Less: Listed as part of the due within 1 year Long term loan	(4,885)	(25,783)
Long-term borrowings	$ 3,256	$ 23,445

(Concluded)

The period of the borrowings from Taiwan Bank is from May 25, 2022 to May 25, 2024, and the repayment was made in advance on October 31, 2023. The weighted average effective interest rate of the borrowings was 1.875% - 2.00% per annum for the years ended December 31, 2022.

The period of the borrowings from Mega International Commercial Bank is from October 23, 2020 to October 23, 2023, and the weighted average effective interest rate of the borrowings was 1.975% per annum for the years ended December 31, 2022.

The period of the borrowings from Yuanta Bank is from January 6, 2022 to January 5, 2024, and the weighted average effective interest rate of the borrowings was 1.65% and 1.60% per annum for the years ended December 31, 2023 and 2022.

The period of the borrowings from Bank SinoPac is from October 24, 2022 to October 31, 2024, and the repayment was made in advance on September 28, 2023. The weighted average effective interest rate of the borrowings was 1.90% per annum for the years ended December 31, 2022.

The period of the borrowings from Hwa Nan Commercial Bank is from May 23, 2023 to May 30, 2026, and the weighted average effective interest rate of the borrowings was 2.05% and 1.55% per annum for the years ended December 31, 2023 and 2022.

18. TRADE PAYABLES

	December 31	
	2023	2022
Operating	$ 108,836	$ 70,001

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES

	December 31	
	2023	2022
Accrued payroll	$ 17,891	$ 7,397
Export payable	3,739	1,620
Payable for compensation of employees and remuneration of directors	6,988	2,123
Design fees payable	1,600	1,124
Commission payable	1,152	354
Others	6,424	4,702
	$ 37,794	$ 17,320

20. PROVISIONS

	December 31	
	2023	2022
Warranties	$ 603	$ 374
Onerous contracts	-	-
	$ 603	$ 374

a. Warranty liability is the best estimate on the present value of future economic benefit outflows provided by the Company's management in accordance with the product sales agreements. This estimate is based on historical warranty experience.

b. The provision for onerous contracts represents the present value of the future payments that the Group was presently obligated to make under non-cancellable onerous operating contracts less revenue expected to be earned on the contracts.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Group's subsidiaries in the United States, Australia and China are members of state-managed retirement benefit plans operated by the local governments. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plans is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Group in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2023	**2022**
Present value of defined benefit obligation	$ 14,614	$ 13,992
Fair value of plan assets	(14,448)	(12,604)
Net defined benefit liabilities	$ 166	$ 1,388

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2022	$ 14,943	$ (10,730)	$ 4,214
Current service cost	123	-	123
Net interest expense (income)	88	(65)	23
Recognized in profit or loss	211	(65)	146
Remeasurement			
Return on plan assets	-	(811)	(811)
Actuarial loss - changes in demographic assumptions	(700)	-	(700)
Actuarial loss - experience adjustments	445	-	445
Recognized in other comprehensive income	(255)	(811)	(1,066)
Contributions from the employer	-	(1,906)	(1,066)
Benefits paid	(908)	908	-
Balance at December 31, 2022	13,992	(12,604)	1,388
Current service cost	90	-	90
Net interest expense (income)	164	(152)	12
Recognized in profit or loss	254	(152)	102
Remeasurement			
Return on plan assets	-	(127)	(127)
Actuarial loss - experience adjustments	654	-	654
Recognized in other comprehensive income	654	(127)	527
Contributions from the employer	-	(1,851)	(1,851)
Benefits paid	(286)	286	-
Balance at December 31, 2023	$ 14,614	$ (14,448)	$ 166

The amount of defined benefit plans recognized in profit or loss is summarized by function as follows:

	For the Year Ended December 31	
	2023	2022
Operating costs	$ 71	$ 103
Selling and marketing expenses	14	21
General and administrative expenses	10	14
Research and development expenses	6	8
	$ 101	$ 146

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2023	2022
Discount rate	1.20%	1.20%
Expected return rate of plan assets	1.20%	1.20%
Expected rate of salary increase	1.50%	1.50%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will decrease (increase) as follows:

	December 31	
	2023	2022
Discount rate		
0.25% increase	$ (267)	$ (277)
0.25% decrease	$ 275	$ 285
Expected rate of salary increase		
0.25% increase	$ 265	$ 277
0.25% decrease	$ (259)	$ (270)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2023	2022
The expected contributions to the plan for the next year	$ 1,339	$ 740
The average duration of the defined benefit obligation	7.45 years	8.08 years

22. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The current and non-current classification of the Group's assets and liabilities relating to the construction business was based on its operating cycle. The amounts expected to be recovered or settled within 1 year after the reporting period and more than 1 year after the reporting period for related assets and liabilities are as follows:

	December 31, 2023		
	Within 1 Year	More Than 1 Year	Total
Assets			
Refundable deposits (included in other current assets)	$ 4	$ -	$ 4
Contract assets	$ 13,498	$ -	$ 13,498
Liabilities			
Contract liabilities	$ 3,761	$ 1,847	$ 5,608

	December 31, 2022		
	Within 1 Year	More Than 1 Year	Total
Assets			
Refundable deposits (included in other current assets)	$ 7	$ -	$ 7
Contract assets	$ 6,260	$ -	$ 6,260
Liabilities			
Contract liabilities	$ 405	$ 127	$ 532

23. EQUITY

a. Share capital - ordinary shares

	December 31	
	2023	**2022**
Number of shares authorized (in thousands)	275,000	275,000
Shares authorized	$ 89,547	$ 89,547
Number of shares issued and fully paid (in thousands)	261,059	261,059
Shares issued	$ 85,008	$ 85,008

b. Capital surplus

	December 31	
	2023	**2022**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Treasury share transactions	$ 34	$ 34
Unclaimed cash dividends	26	17
May only be used to offset a deficit (2)		
Changes in percentage of ownership interests in subsidiaries	2,772	2,771
	$ 2,832	$ 2,822

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, subject to a limit within a certain percentage of the Company's capital surplus per year.

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposal or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. The board of directors is authorized to adopt a special resolution to distribute dividends and bonuses in cash and a report of such distribution should be submitted in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 25(6).

The Company's dividend policy is based on the current and future development plans, with the consideration of the investment environment, capital requirements and domestic and foreign competition, domestic and international competition, and the interests of shareholders, etc and provides that no less than 60% of the earnings available for distribution shall be paid to shareholders as dividends each year. Dividends to shareholders may be distributed in cash or in stock, with cash dividends of not less than 25% of the total dividends.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit, the board of directors is authorized to adopt a special resolution, the legal reserve that has exceeded 25% of the Company's paid-in capital and all or part of the capital reserve that complies with the Company Act may be transferred to capital or distributed in cash. A report of such distribution should be submitted in the shareholders' meeting.

When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the special reserve is only appropriated from the prior unappropriated earnings.

The appropriations of earnings for 2022 and 2021, which have been approved in the shareholders' meetings on June 15, 2023 and June 15, 2022, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2022	**2021**
Legal reserve	$ 2,815	$ 949
Special reserve	$ 713	$ 724
Cash dividends	$ 21,252	$ 8,501
Cash dividends per share	$ -	$ -

The appropriations of earnings for 2023 has been proposed by the Company's board of directors on March 8, 2024, were as follows:

	For the Year Ended December 31, 2023
Legal reserve	$ 8,350
Special reserve	$ 949
Cash dividends	$ 51,005
Stock dividends	$ 8,501
Cash dividends per share (NT$)	$ -
Stock dividends per share (NT$)	$ -

The above appropriation for cash dividends had been resolved by the shareholders in their meeting to be held on June 13, 2024.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ (1,461)	$ (867)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	(180)	(412)
Reclassification adjustments		
Disposal of a foreign operation	-	(182)
Other comprehensive loss	(180)	(594)
Balance at December 31	$ (1,641)	$ (1,461)

2) Unrealized valuation gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ (476)	$ (357)
Recognized for the year		
Unrealized gain - equity instruments	(769)	(119)
Balance at December 31	$ (1,245)	$ (476)

e. Noncontrolling interests

	For the Year Ended December 31	
	2023	2022
Balance at January	$ 3,958	$ 1,326
Noncontrolling interests arising from acquisition of subsidiaries	-	3,151
Share in loss for the year	(503)	(519)
Balance at December 31	$ 3,455	$ 3,958

24. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from sale of goods		
Transformers	$ 308,162	$ 176,659
Distribution panels and equipment	62,320	35,471
Sale of power	701	387
Others	40,256	23,293
Construction contracts	41,175	16,574
	$ 452,614	$ 252,384

a. Explanation of contract with customers

1) Revenue from the sale of goods

The Group recognizes revenue when the equipment is inspected and delivered to the designated place by the Mechanical and electrical department. The contract is recognized as contract asset when the commodity is transferred, and if it has unconditional right to receive consideration amount, it is recognized as accounts receivable. Advance payments for products are recognized as contract liabilities before the products meet the specified conditions.

2) Construction contract revenue

The Group measures the percentage of completion by the progress of the constructions. The Group recognizes contract assets during the construction process, and transferred to accounts receivables when issuing bills. If the payment received exceeds the revenue recognized, the differences shall be recognized as contract liabilities. The payment for the construction retained by the customer base on the terms of the contract is to ensure the Group would complete all the contractual obligations, which shall be recognized as contract assets before the Group completes the performance of the contract.

b. Contract balances

	December 31, 2023	**December 31, 2022**	**January 1, 2022**
Notes receivable	$ 3,125	$ 3,114	$ 2,522
Trade receivables (Note 10)			
Sale of goods	$ 77,306	$ 67,230	$ 85,811
Contract assets			
Engineering construction	$ 13,498	$ 6,260	$ 19,428
Sale of goods	52,842	41,209	26,751
	$ 66,340	$ 47,469	$ 46,179
Contract liabilities			
Engineering construction	$ 5,608	$ 532	$ 554
Sale of goods	87,376	50,660	15,579
	$ 92,984	$ 51,192	$ 16,133

The Group applies the same risk characteristics as the trade receivables for the same types of contracts. Refer to Note 10 for the details.

c. Disaggregation of revenue

Refer to Note 37 for information about the disaggregation of revenue.

	For the Year Ended December 31	
	2023	2022
Timing of revenue recognition		
Revenue recognized at a point in time	$ 411,439	$ 235,810
Revenue recognized over time	41,175	16,574
	$ 452,614	$ 252,384

25. NET PROFIT

a. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits	$ 871	$ 259
Others	3	9
	$ 874	$ 268

b. Other income

	For the Year Ended December 31	
	2023	2022
Export tax rebate income	$ 1,433	$ 914
Operating lease rental income	3,323	279
Government subsidies	481	42
Claims and compensation income	1,540	99
Others	276	-
	$ 7,053	$ 1,334

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Net foreign exchange gains (losses)	$ 870	$ 1,558
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	34	2
Loss on disposal of property, plant and equipment	(14)	(116)
Dealing with subsidiaries' interests (Note 28)	-	15,249
Others	(73)	159
	$ 817	$ 16,852

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank overdrafts and loans	$ 1,518	$ 1,471
Interest on lease liabilities	79	50
Other finance costs	8	7
	$ 1,605	$ 1,528

e. Depreciation, amortization and employee benefits expense

	2023			2022		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit expenses						
Salary	$ 28,149	$ 22,174	$ 50,323	$ 18,011	$ 13,033	$ 31,044
Labor insurance	1,815	941	2,756	1,506	775	2,281
Retirement expenses						
Defined contribution plans	684	408	1,092	695	364	1,059
Defined benefit plans	71	31	102	103	44	147
Remuneration of directors	-	2,034	2,034	-	446	446
Others	1,164	439	1,603	860	267	1,127
	$ 31,883	$ 26,027	$ 57,910	$ 21,175	$ 14,929	$ 36,104
Depreciation expense	$ 3,942	$ 775	$ 4,717	$ 3,404	$ 741	$ 4,145
Amortization expense	$ 313	$ 585	$ 898	$ 261	$ 478	$ 739

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors at rates of no less than 3% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2023 and 2022 which have been approved by the Company's board of directors on March 8, 2023 and March 8, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2023	2022
Compensation of employees	5.00%	4.87%
Remuneration of directors	1.50%	1.46%

Amount

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	$ 5,375	$ 1,633
Remuneration of directors	1,613	490

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2023	**2022**
Foreign exchange gain	$ 3,175	$ 3,170
Foreign exchange loss	(2,306)	(1,611)
Net gain	$ 869	$ 1,558

26. INCOME TAXES

a. Major components of income tax expense were as follows:

Components of tax expense Income tax were as follows:

	For the Year Ended December 31	
	2023	**2022**
Current tax		
In respect of the current period	$ 17,150	$ 702
Income tax on unappropriated earnings	169	-
Adjustments for prior periods	104	1,458
	17,423	2,160
Deferred tax		
In respect of the current year	(492)	2,307
Adjustments for prior periods	(314)	(316)
	(806)	1,991
Income tax expense recognized in profit or loss	$ 16,617	$ 4,151

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	$ 100,037	$ 30,925
Income tax expense calculated at the statutory rate	$ 23,223	$ 6,302
Tax-exempt income	(3,197)	(1,222)
Income tax on unappropriated earnings	169	-
Using investment credits	(271)	(154)
Unrecognized deductible temporary differences	(3,411)	(322)
Recognition of capital reduction of subsidiaries to make up losses	-	(1,594)
Adjustments to prior years' tax	104	1,141
Income tax expense recognized in profit or loss	$ 16,617	$ 4,151

Tax rates used by other entities in the Group operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	2022
Deferred tax		
In respect of the current period		
Remeasurement of defined benefit plans	$ 106	$ (213)
Total income tax recognized in other comprehensive income	$ 106	$ (213)

c. Current tax assets and liabilities

	December 31	
	2023	2022
Current tax assets		
Tax refund receivable	$ 726	$ 701
Current tax liabilities		
Income tax payable	$ 16,795	$ 1

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Defined benefit plans	$ 278	$ (350)	$ 106	$ 34
Inventory write-downs	284	(196)	-	88
Deferred revenue	643	-	-	643
Unrealized exchange loss	15	146	-	161
Others	22	45	-	67
	$ 1,242	$ (355)	$ 106	$ 993
Deferred tax liabilities				
Land value increment tax	$ 1,323	$ -	$ -	$ 1,323
Share of profit of subsidiaries				
Others	2,597	(1,161)	-	1,436
	$ 3,920	$ (1,161)	$ -	$ 2,759

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Transfer to Disposal Group Held For Sale	Exchange Differences	Closing Balance
Deferred tax assets						
Defined benefit plans	$ 843	$ (352)	$ (213)	$ -	$ -	$ 278
Inventory write-downs	153	270	-	(141)	2	284
Allowance for impaired receivables	103	(58)	-	(45)	-	-
Deferred revenue	4	639	-	-	-	643
Unrealized exchange loss	-	15	-	-	-	15
Others	56	(34)	-	-	-	22
	$ 1,159	$ 480	$ (213)	$ (186)	$ 83	$ 1,242
Deferred tax liabilities						
Land value increment tax	$ 1,323	$ -	$ -	$ -	$ -	$ 1,323
Share of profit of subsidiaries	124	2,473	-	-	-	2,597
Others	35	(2)	-	(33)	-	-
	$ 1,482	$ 2,471	$ -	$ (33)	$ -	$ 3,920

e. Income tax assessments

Fortune Electric Extra High Voltage Co., Ltd. and Fortune Energy Co., Ltd.'s tax returns through 2020 have been assessed by the tax authorities.

The Company, Fortune Electric Value Company Limited was established in 2021, and the tax return has not been approved by the tax authorities.

Fortune Electric Australia Pty Ltd., Fortune Electric America Inc., Fortune Electric (Wuhan) Ltd. and Wuhan Fortune Electric Co., Ltd have completed the 2022 tax returns within the deadline stipulated by the local tax authorities.

Power Energy International Ltd. was established in Samoa, therefore no relevant income tax.

27. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2023	**2022**
Profit for the period attributable to owners of the Company	$ 83,923	$ 27,296

The weighted average number of ordinary shares outstanding used in the computation of earnings per share (in thousands of shares) were as follows:

	For the Year Ended December 31	
	2023	**2022**
Weighted average number of ordinary shares used in the computation of basic earnings per share	261,059	261,059
Effect of potentially dilutive ordinary shares:		
Compensation of employees	636	1,140
Weighted average number of ordinary shares used in the computation of diluted earnings per share	261,695	262,199

The Group may settle compensation paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. DISPOSAL OF SUBSIDIARIES

The board of directors of the Group authorized the chairman to sign the equity sale contract of Fortune Electric (Wuhan) Ltd. and its subsidiaries on July 24, 2020, and the contract was signed on August 14, 2020. Fortune Electric (Wuhan) Ltd. and its subsidiaries are responsible for trading the transformers, capacitors, power distribution panels and equipment that are produced by the Group. The Group have completed its disposal on December 31, 2022, and lost control over these subsidiaries.

Consideration Received

	Wuhan Fortune Co., Ltd.
Cash	$ 13,455
Receivable disposal investment	4,459
Total consideration	$ 17,914

Analysis of Assets and Liabilities out of Control

	Wuhan Fortune Co., Ltd.
Current asset	
Cash	$ 13,065
Trade receivable	4,475
Prepayments	12
Non-current asset	
Financial assets at amortized cost - non-current	216
Property, plant and equipment	727
Right-of-use assets	657
Deferred tax assets	186
Current liabilities	
Trade payables to unrelated parties	(2,351)
Other payables	(165)
Non-current liabilities	
Advance payment	(14,339)
Deferred tax liabilities	(33)
Net assets disposed of	$ 2,450;

Benefit of Disposal of Subsidiaries

	Wuhan Fortune Co., Ltd.
Consideration received	$ 17,914
Net assets disposed of	(2,450)
Cumulative translation difference between equity reclassification and profit or loss of a subsidiary's net assets due to loss of control over the subsidiary	(215)
Disposal of benefits	$ 15,249

Net Cash Outflow of Subsidiaries for the Year

	Wuhan Fortune Co., Ltd.
Consideration received in cash	$ 13,455
Less: Amount received in advance at the beginning of the year for disposal of investments	(2,739)
Less: Cash balance disposed of	(13,065)
	$ (2,349)

29. EQUITY TRANSACTION WITH NON-CONTROLLING INTERESTS

On January 14, 2022, the Group subscribed for additional new shares of Fortune Electric Value Company Limited at a percentage different from its existing ownership percentage, and reduced its continuing interest from 80.18% to 64.25%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

	Fortune Electric Value Company Limited
Consideration received	$ 5,861
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	(3,152)
Differences recognized from equity transactions	$ (2,709)
Capital surplus - changes in percentage of ownership interests in subsidiaries	$ (2,709)

30. CAPITAL MANAGEMENT

The Group's capital management strategy is to maintain adequate capital to be able to operate according to the industrial scale and support the industry's future growth and development prospects of the Group's business; to set the appropriate market share; and make a plan of the required capacity and the requirement of the plant and equipment to achieve production and the corresponding capital expenditure. The Group calculates the required working capital and cash for the long-term development of the required asset size of the Group, and makes overall planning according to the industry characteristics.

The Group's management regularly reviews the capital structure, and considers the costs and risks of different capital structure. In general, the Group adopted a prudent risk management strategy.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022 approximate their fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$ -	$ -	$ 9,403	$ 9,403

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$ -	$ -	$ 10,172	$ 10,172
Financial liabilities at FVTPL				
Derivatives	$ -	$ 9	$ -	$ 9

There were no transfers between Level 1 and Level 2 in the current and prior period.

Reconciliation of Level 3 fair value measurements of financial instruments

December 31, 2023

Financial Assets Measured at Fair Value Through Other Comprehensive Income or Loss	Amounts
Balance at the beginning of the year	$ 10,172
Recognized in other comprehensive income	(769)
Year-end balance	$ 9,403

December 31, 2022

Financial Assets Measured at Fair Value Through Other Comprehensive Income or Loss	Amounts
Balance at the beginning of the year	$ 10,290
Recognized in other comprehensive income	(118)
Year-end balance	$ 10,172

c. Categories of financial instruments

	December 31	
	2023	**2022**
<u>Financial assets</u>		
FVTPL		
Financial assets at amortized cost (1)	$ 150,638	$ 97,897
Financial assets at FVTOCI		
Equity instruments	9,403	10,172
<u>Financial liabilities</u>		
Measured at fair value through profit or loss		
Held for trading	-	9
Amortized cost (2)	163,359	177,973

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables, and trade and other payables. The balances include the asset balance of the disposal group held for sales.

2) The balances include short-term and long-term loans, short-term bills payable, trade payables to related parties, trade and other payables, and guarantee deposits received. The balance include the liabilities balance of the disposal group held for sales.

d. Financial risk management objectives and policies

The Group's major financial instruments included cash, equity investments, trade receivables, trade payables, lease liabilities and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group manages exchange rate risk by using appropriate hedging tools. The Group does not trade financial instruments for speculative purposes. Foreign currency risk management strategy is to regularly review the net position of assets and liabilities in foreign currencies and manage accordingly. The choice of the tools to manage exchange rate risk takes into consideration the costs and duration of the hedge, exchange contract is used to manage risks.

The carrying amounts of the Group's nonfunctional-currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the USD. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in pre-tax profit and other equity assuming the New Taiwan dollar weakened (strengthened) 1% against the USD.

	USD Impact	
	For the Year Ended December 31	
	2023	**2022**
Profit or loss (Note)	$ 320	$ 257

Note: This was mainly attributable to the exposure outstanding on bank balances, receivables, payables and borrowings in USD, which were not hedged at the end of the reporting period.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2023	**2022**
Fair value interest rate risk		
Financial assets	$ 1,692	$ 867
Financial liabilities	11,817	22,802
Cash flow interest rate risk		
Financial assets	39,235	24,981
Financial liabilities	8,792	71,289

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by $304 thousand and $463 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank cash and borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. The Group does not actively trade these investments, but assigned relevant personnel to monitor price risks and evaluate when to increase the hedging positions.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2023 and 2022 would have increased/decreased by $94 thousand and $102 thousand, respectively, as a result of the changes in fair value of financial assets at FVOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management believes that the Group's credit risk was significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Group had available unutilized overdraft and bank loan facilities of approximately $370,329 thousand and $222,584 thousand, respectively.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2023

	Weighted Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years
Non-derivative financial liabilities						
Non-interest bearing liabilities		$ 21,471	$ 98,622	$ 2,013	$ -	$ -
Lease liabilities		71	142	576	1,274	3,506
Variable interest rate liabilities	1.82	5,540	-	-	3,323	-
Fixed interest rate liabilities	1.80	7,164	-	-	-	-
		$ 34,246	$ 98,764	$ 2,589	$ 4,597	$ 3,506

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 789	$ 1,274	$ 479	$ 479	$ 479	$ 2,069

December 31, 2022

	Weighted Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years
Non-derivative financial liabilities						
Non-interest bearing liabilities		$ 12,185	$ 109,867	$ 1,786	$ 2,414	$ -
Lease liabilities		47	94	414	1,051	3,602
Variable interest rate liabilities	1.72	-	-	26,238	23,959	-
Fixed interest rate liabilities	1.19	23,770	13,641	3,654	-	-
		$ 36,002	$ 123,602	$ 32,092	$ 27,424	$ 3,602

Additional information about the maturity analysis for lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 555	$ 1,051	$ 479	$ 479	$ 479	$ 2,165

Bank loans with a repayment on demand clause were included in the "on demand or less than 1 month" time band in the above maturity analysis. As of December 31, 2023 and 2022, the aggregate undiscounted principal amounts of these bank loans amounted to $12,691 thousand and $16,992 thousand, respectively.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that require net settlement; the table is based on the undiscounted contractual gross cash inflows and outflows on derivative instruments that require gross settlement. When the amount of payable or receivable is not fixed, the amount of disclosures is determined based on the estimated interest rate estimated by the yield curve on the balance sheet date.

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
Net settled				
Foreign exchange forward contracts	$ -	$ (9)	$ -	$ -

32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The Company is the ultimate parent of the Group. In addition to those disclosed elsewhere in other notes, summary of transactions between the Group and other related parties are disclosed below.

a. Related party name and the relationship

Related Party Name	Relationship With the Group
E-Total Link	Associates
SQTek Co., Ltd.	Associates
Hsin He Energy Co., Ltd.	Others
Hua Cheng Investment Co., Ltd.	Others

b. Sale of goods

	For the Year Ended December 31	
Related Party Category/Name	2023	2022
Associates	$ 2	$ 20

The sales prices and payment terms are the same as those of unrelated parties.

c. Purchase of goods

Related Party Category/Name	For the Year Ended December 31 2023	2022
Associates	$ 42	$ 83

The purchase price and payment terms are the same as those of unrelated parties.

d. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Category/Name	December 31 2023	2022
Accounts payable	Associates	$ 20	$ 2

The outstanding trade payables from related parties are unsecured.

e. Lease arrangements - Group is lessee

Related Party Category/Name	For the Year Ended December 31 2023	2022
Acquisition of right-to-use assets		
Other related party	$ -	$ 16

Line Item	Related Party Category/Name	December 31 2023	2022
Lease liabilities - current	Other related party	$ 6	$ 5
Lease liabilities - non-current	Other related party	$ -	$ 6

Related Party Category/Name	For the Year Ended December 31 2023	2022
Interest expense		
Other related party	$ -	$ -
Cost of goods sold - manufacturing costs		
Other related party	$ -	$ -
Operating expense		
Other related party	$ 5	$ 5

The lease arrangements are the same as those of unrelated parties.

f. Lease arrangements - Group is lessor

Lease arrangements - Group is lessor under operating leases

The Group leases out office to its associate - Hua Cheng Investment Co., Ltd. under operating leases with lease terms of 1 year. The rent is determined by referring to the market price, and the Company receive the fixed lease payment monthly according to the lease agreement. As of December 31, 2023 and 2022, the balance of operating lease receivables was both $2 thousand. Lease income recognized for the years ended December 31, 2023 and 2022 was both $2 thousand.

g. Purchase of other assets

		December 31	
Line Item	**Related Party Category/Name**	**2023**	**2022**
Software equipment	Associates	$ 12	$ -

h. Provision of endorsements and guarantees to others

The amount of endorsements provided by the Company for related parties and endorsement deeds with banks as approved by the Board of Directors as of the following balance sheet dates are as follows:

	For the Year Ended December 31	
Related Party Category/Name	**2023**	**2022**
Others		
Hsin He Energy Co., Ltd.	$ 8,230	$ 8,230

i. Other transactions with related parties

	For the Year Ended December 31	
Related Party Category/Name	**2023**	**2022**
Associates	$ 5	$ -

j. Compensation of key management personnel

	For the Year Ended December 31	
	2023	**2022**
Short-term employee benefits	$ 5,078	$ 3,118
Termination benefits	80	71
	$ 5,158	$ 3,189

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bid bonds of sales, performance bonds and bank borrowings:

	December 31	
	2023	2022
Refundable deposits (current portion is included in other current assets)	$ 1,684	$ 1,274
Pledged deposits (classified as financial assets at amortized cost)	1,161	868
Deposits and retention money (classified as financial assets at amortized cost)	30	-
Property, plant and equipment	31,844	31,098
	$ 34,719	$ 33,240

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2023 were as follows:

a. As of December 31, 2023, unused letters of credit for purchases of raw materials and machinery and equipment amounted to US$3,083 thousand, ￥164,830 thousand, €1,087 thousand and Kr55 thousand and Fr299 thousand.

b. As of December 31, 2023, promissory note of $73,360 thousand was made for bank financing, endorsements and the investee company's sales performance guarantee.

c. The Company signed a technical cooperation agreement with Meidensha, a Japanese firm, effective term from July 2017 to July 2022. According to the contract, the Company will design, produce and sell goods in the Republic of China. The Company cannot export the products covered by the technical cooperation agreement without prior written consent from Meidensha. The Company had paid ￥2,000 thousand for the cooperation, and agreed to pay 3% of net sales as technical remuneration on the Company's production and marketing fee was $0 thousand and $21 thousand for the year ended December 31, 2023 and 2022, which was included in operating expenses.

d. The Ministry of Economic Affairs offered government grant for establishing solar power system at the land subsidence in Pingtung County and Morakot disaster area. Regarding the solar energy project, Taiwan Power Company has signed a purchase and sale of electricity contract with the Company. The contract stated that Taiwan Power Company will purchase electricity from the Company for 20 years based on the ground-based solar power purchase rates announced by the Ministry of Economic Affairs. The power selling revenue for the years ended December 31, 2023 and 2022 was $370 thousand and $387 thousand, respectively. The rent of the land used for solar power plant is based on 9.7%, 11.5%, 12.3% of the sales of electricity for the first to tenth years, eleventh to fifteenth years, and sixteenth to twentieth years, respectively.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount (NTD)
Financial assets			
Monetary items			
USD	$ 42,931	30.71 (USD:NTD)	$ 1,318,196
Financial liabilities			
Monetary items			
USD	10,902	30.705 (USD:NTD)	$ 334,746

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount (NTD)
Financial assets			
Monetary items			
USD	$ 33,449	30.71 (USD:NTD)	$ 1,027,218
Financial liabilities			
Monetary items			
USD	7,720	30.71 (USD:NTD)	$ 237,081

The Group is mainly exposed to the USD. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant (realized and unrealized) foreign exchange gains were as follows:

	For the Year Ended December 31			
	2023		2022	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	$ 894	1 (NTD:NTD)	$ 1,872
RMB	4.396 (RMB:NTD)	(25)	4.4220 (RMB:NTD)	(314)
		$ 869		$ 1,558

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (Table 1)

3) Marketable securities held at the end of the year (excluding investment in subsidiaries, associates and joint ventures). (Table 2)

4) Marketable securities acquired or disposed at costs or prices at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

9) Trading in derivative instruments. (Note 7)

10) Intercompany relationships and significant intercompany transactions. (Table 7)

11) Information on investees. (Table 5)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1, 5-7)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.

e) The highest balance, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services.

c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods and services delivered or provided. The Group has disclosed its electrical department and turnkey department as its reporting segments. The electrical department manufactures, processes and trades transformers, distributors, low pressure switches and substation equipment; and the turnkey department mainly engages in engineering contracts.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment Revenue for the Year Ended December 31		Segment Profit for the Year Ended December 31	
	2023	2022	2023	2022
Electrical department	$ 411,439	$ 235,810	$ 105,115	$ 25,069
Construction department	41,175	16,574	3,483	(2,387)
Segment revenues	$ 452,614	$ 252,384	108,598	22,682
Other income			7,053	1,334
Interest income			874	268
Share of the loss of associate			(25)	24
Other gains and losses			817	16,852
Finance costs			(1,605)	(1,528)
General and administrative expense			(15,675)	(8,707)
Profit before tax			$ 100,037	$ 30,925

Segment revenues reported above represent revenues generated from external customers. There were no inter-segment sales during the years ended December 31, 2023 and 2022.

Segment profit represented the profit before tax earned by each segment without allocation of government grant, other income, interest income, gain from bargain purchase, share of the loss of associates, other gains and losses, finance costs, general and administrative expense and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group's measure of assets and liabilities was not provided to the chief operating decision maker. Therefore, no assets and liabilities were presented under operating segments.

c. Other segment information

	Depreciation and Amortization	
	2023	**2022**
Electrical department	$ 5,615	$ 4,884

d. Revenue from major products and services

For the analysis of the Group's revenue from continuing operations from its major products and services, refer to Note 24.

e. Information about major customers

Included in the total revenues of electrical and turnkey departments of $452,613 thousand and $252,384 thousand in 2023 and 2022, respectively.

Single customer contributed 10% or more the Group's revenue as follows:

	For the Year Ended December 31	
	2023	**2022**
Customer A	$ 111,952	$ 76,701
Customer B	72,604	Note

Note: The revenue of the customer had not reached 10% or more to the Group's revenue.

TABLE 1

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	$ 98,119	$ 61,022	$ 61,022	$ 19,520	$ -	31.10	$ 117,743	Y	N	N	
		Wuhan Fortune Electric Co., Ltd.	Subsidiary	98,119	1,018	1,000	-	-	0.51	117,743	Y	N	Y	
		Hsin He Energy Co., Ltd.	Co-investment	98,119	8,230	8,230	8,230	-	4.19	117,743	N	N	N	

Note 1: The limit on the total maximum endorsement for each guaranteed party is equal to 50% of the Company’s net equity: $196,239 x 50% = $98,119.

Note 2: The maximum limit is equal to 60% of the Company’s net equity: $196,239 x 60% = $117,743.

TABLE 2

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Fortune Electric Co., Ltd.	Shares							
	Raynergy Tek Incorporation	-	Financial assets at fair value through other comprehensive income	3,031	$ 872	6.59	$ 872	
	ProMOSTech Co., Ltd.	-	Financial assets at fair value through other comprehensive income	26	-	0.06	-	
	Hsin He Energy Co., Ltd.	Others	Financial assets at fair value through other comprehensive income	25,275	7,400	15.00	7,400	
	E-Formula Technologies Inc.	Others	Financial assets at fair value through other comprehensive income	1,200	568	5.52	568	
	Synergy Co., Ltd.	Others	Financial assets at fair value through other comprehensive income	1,471	563	14.71	563	

Note: The information of investments in subsidiaries and associates is provided in Tables 5 and 6.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of U.S., Unless Stated Otherwise)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage Co., Ltd.	Subsidiaries	Purchases	$ 43,970	18.33	90 days	-	-	$ (17,319)	(14.94)	
	Fortune Electric America Inc.	Subsidiaries	Sale	(10,942)	(2.42)	90 days	-	-	791	1.09	
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric America Inc.	Fellow subsidiary	Sale	(4,842)	(1.07)	90 days	-	-	240	1.32	

Note: The above purchase of goods and revenue as those of related parties have been eliminated upon consolidation in the preparation of the consolidated financial statements.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of U.S., Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric Co., Ltd.	Subsidiaries	$ 17,319	3.57	$ -	-	$ 17,029	$ -

Note: The above receivables from related parties amounting have been eliminated upon consolidation in the preparation of the consolidated financial statements.

TABLE 5

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 1)	Note
				December 31, 2023	December 31, 2022	Shares (Thousand)	%	Carrying Value			
Fortune Electric Co., Ltd.	Power Energy International Ltd.	2nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	Trading, investment holding, agent business	$ 1,418	$ 5,042	100	100.00	$ 5,209	$ 364	$ 364	Investee is a subsidiary (Note 2)
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Business agents	96	96	1	100.00	2,181	1,321	1,321	Investee is a subsidiary
	Fortune Electric Extra High Voltage Co., Ltd.	No. 500, Nanheng 1st Rd, Wuqi District, Taichung City 435, Taiwan	Transformers manufacturing, machining and trading	18,391	18,391	80,000	100.00	39,831	16,894	16,894	Investee is a subsidiary
	E-Total Link	Shin Osaka SONE Building No. 1204, Nish-Nakajima 7-chome No. 29, Yodogawa-ku, Osaka Prefecture	Transformers manufacturing, machining and trading	45	45	100	25.00	69	6	1	Associate
	Fortune Energy Co., Ltd.	10F, No. 368, Sec. 1, Fusing S. Rd., Da'an District., Taipei City 106, Taiwan	Manufacture of power generation transmission and distribution machinery	33	33	100	100.00	23	(2)	(2)	Investee is a subsidiary
	Fortune Electric Australia Pty, Ltd.	Level 7, 60, York Street, Sydney NSW 2000, Australia	Trading,	331	331	500	100.00	388	28	28	Investee is a subsidiary
	Fortune Electric Value Company Limited	14F., No. 191, Fuxing N. Rd., Songshan District., Taipei City	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	5,926	5,926	18,200	64.25	6,209	(1,407)	(907)	Investee is a subsidiary
Power Energy International Ltd.	Wuhan Fortune Co., Ltd.	Wuhan, China	Import and export business of various commodities and technologies	1000	500	-	100.00	1,590	298	298	Investee is a subsidiary
Fortune Electric Value Company	SQTek Co., Ltd.	2F., No. 423-5, Zhengguang Rd., Taoyuan Dist., Taoyuan City	Information software services	33	-	100	20.00	6	(130)	(26)	Associate (Note 3)

Note 1: Calculated based on the audited financial statements of the investee company and the Corporation's shareholding ratio.

Note 2: Power Energy International Ltd., refunded the payment of shares of US$3,700 thousand, equivalent to NT$111,296 thousand, the reduced capital after the capital reduction is US$100 thousand.

Note 3: In January 2023, Fortune Electric Value Company Limited invested NT$1,000 thousand to acquire a 20% equity stake (100,000 shares) in SQTek Co., Ltd.

Note 4: The related parties shown in the table, excluding E-Total Link and SQTek Co., Ltd. have been eliminated in the preparation of the consolidated financial statements.

TABLE 6

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023 (Note 3)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023	Note
					Outward	Inward							
Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	$ -	Indirect	$ 6,000	$ -	$ 6,000	$ -	$ -	-	$ -	$ -	$ -	(Note 3)
Wuhan Fortune Co., Ltd.	Import and export business of various commodities and technologies	1,000	Indirect	1,000	-	-	1,000	298	100	298	1,590	-	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA
$940	$1,000	$117,743

Note 1: The financial statements have been audited.

Note 2: The investment income/loss was recognized based on the average exchange rate from January 1, 2023 to December 31, 2023; the other accounts were all based on prevailing exchange rate as of December 31, 2023.

Note 3: The company completed the sale of 100% equity interest in Fortune Electric (Wuhan) Ltd. on December 31, 2022, and repatriated profits of US$6,060 thousand in January 2023, which was approved by the Investment Commission to offset the investment amount in mainland China and to cancel the investment quota of US$6,000 thousand in mainland China.

Note 4: The profit or loss attributable to the related parties mentioned above has been eliminated upon consolidation in the preparation of the consolidated financial statements.

.

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of U.S. Dollars, Unless Stated Otherwise)

No	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount	Transaction Terms	% to Total Sales or Assets
1	Fortune Electric Co., Ltd.	Fortune Electric America Inc.	a	Sales	$ 10,942	With non-related parties	2.42
2		Fortune Electric America Inc.	a	Marketing and promotion fee	2,550	Under arm's length terms	0.56
3		Fortune Electric America Inc.	a	Accounts payable	973	With non-related parties	0.20
4		Fortune Electric America Inc.	a	Contractual assets	680	With non-related parties	0.14
5		Fortune Electric America Inc.	a	Accounts receivable	791	With non-related parties	0.16
6		Fortune Electric Extra High Voltage Co., Ltd.	a	Purchases	43,970	With non-related parties	9.71
7		Fortune Electric Extra High Voltage Co., Ltd.	a	Prepaid expense	9,149	With non-related parties	1.84
8		Fortune Electric Extra High Voltage Co., Ltd.	a	Accounts payable	17,319	With non-related parties	3.49
9		Fortune Electric Extra High Voltage Co., Ltd.	a	Sales	75	With non-related parties	0.02
10		Wuhan Fortune Co., Ltd.	a	Accounts payable	154	With non-related parties	0.03
11		Wuhan Fortune Co., Ltd.	a	Purchases	2,898	With non-related parties	0.64
12		Wuhan Fortune Co., Ltd.	a	Property, plant and equipment	296	With non-related parties	0.06
13		Wuhan Fortune Co., Ltd.	a	Prepaid expense	80	With non-related parties	0.02
14		Fortune Electric Value Company Limited	a	Purchases	35	With non-related parties	0.01
15	Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric America Inc.	c	Accounts receivable	240	With non-related parties	0.05
16		Fortune Electric America Inc.	c	Sales	4,842	With non-related parties	1.07
17		Fortune Electric America Inc.	c	Accounts payable	167	With non-related parties	0.03
18		Fortune Electric America Inc.	c	Contractual liabilities	6,216	With non-related parties	1.25
19		Wuhan Fortune Co., Ltd.	c	Purchases	225	With non-related parties	0.05
20		Wuhan Fortune Co., Ltd.	c	Accounts payable	175	With non-related parties	0.04
21		Wuhan Fortune Co., Ltd.	c	Property, plant and equipment	691	With non-related parties	0.14
22	Fortune Electric Value Company Limited	Wuhan Fortune Co., Ltd.	c	Purchases	684	With non-related parties	0.15
23		Wuhan Fortune Co., Ltd.	c	Accounts payable	272	With non-related parties	0.05

Note 1: The types of relationship between the transaction parties are as follows:

a. The Company to the subsidiary.
c. The subsidiary to another subsidiary.

Note 2: The listed amounts above were eliminated upon consolidation.

TABLE 8

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Hua Cheng Investment Co., Ltd.	24,080,936	9.22
Hsu, Shou-Hsiung	22,603,419	8.65
Hsu, Bang-Fu	16,910,749	6.47

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.