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Fortune Electric Co., Ltd.

2022 Annual Report

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I. Letter to Shareholders

1. 2022 Business Report

1. Business Results and Budget Implementation

Consolidated operating Revenue of the year 2022 was NT\$ 7,750,727 thousand, among the products, transformers were NT\$ 5,425,187 thousand, accounting for 70.00%, distribution switchboards were NT\$ 874,468 thousand, accounting for 11.28%, and electrical distribution equipment were NT\$ 214,843 thousand, accounting for 2.77%, contracting revenue was NT\$ 509,002 thousand, accounting for 6.57%, electricity sales revenue was NT\$ 11,899 thousand, accounting for 0.15%, and others were NT\$ 715,328 thousand, accounting for 9.23%, net income was NT\$ 822,304 thousand. The prime reason for revenue diminishing was deferment of lead time in result of budget achievement rate was around 70%; profitability was over expected mainly from profits recognition of equity sale of subsidiaries.

2. Financial revenue and expenditure and profitability analysis

Unit: NT\$ Thousands

ITEM		2022	2021	Increase (decrease) ratio (%)
Financial Revenue and Expenditure	Operating net profit	429,227	391,966	9.51
	Non-operating income and expenses	520,553	(26,053)	2,098.05
	Net Profit Before Tax	949,780	365,913	159.56
	Net Profit	822,304	287,518	186.00
Profitability Analysis	Return on assets (%)	7.95	3.35	137.31
	Return on equity (%)	21.13	8.14	159.58
	Pre-tax net profit to paid-in capital ratio (%)	36.38	14.02	159.49
	Net profit ratio (%)	10.61	3.19	232.60
	Earnings per share (NT\$) (Note 1)	3.21	1.11	189.19

Note 1: Calculated based on Current Year weighted average number of ordinary shares outstanding for earnings per share.

3. Research & Development status

For year 2022, the Company invested NT\$148,317 thousand, accounting for 1.91% of business turnover, to dedicate in Research and Development (R&D) field and its results were in line with the Company's assumption. For details of new product successfully developed in 2022, please refer to page 54 of this Annual Report.

2. 2023 Business Plan Summary

1. Operating policy

- (1) Enhancing the competitiveness of core business, expending international marketing, innovating services and perpetuated quality, reaching steady growth and boost profitability.
- (2) Cultivating capabilities to seize green energy business opportunities, integrating resources to provide professional service, expanding plan to leap the growth, and turn into the leader of green energy in Taiwan.
- (3) Optimizing operational capability, building high-performance teams, instigating ESG-friendly workplaces, advancing corporation image, and creating a happy enterprise.

2. Sales estimation of Transformer and Distribution Boards and important sales and

marketing strategies

Main product / estimated quantity	2023		
	Domestic sales	Export sales	Total
Transformer (unit)	12,100	3,100	15,200
Distribution Board (pcs)	2,600	100	2,700

Electronic products are widely applied in our daily lives, commercial activities and manufacturing production; with the advancement of technology, the application of electricity is growing larger, and we may consider it the foundation of modern civilization. For the time being, in addition to plant building and/or factory expansion, domestic and overseas alike, or reinforcing sales and marketing activities for existing product portfolio, we are expecting to replace products to meet the market demands, as 69kV and above power Transformers and their related Distribution Boards system have been in use for over 4 decades. Major export sales product will mainly be Distribution Transformers, Electric Transformers, and Solar PV Box Modules, in line with overseas customer's needs, and continue expanding direct and indirect customer's cooperation to grow steadily with stable quality.

3. **Impact of the Company's development strategy, affected by external competition, regulatory environment, and overall business operating situation in the future**

Although COVID-19 pandemic is near the end, but interesting rate raise, inflation and economic growth uncertain as before and the international geopolitical risk still unpredictable, therefore, the global economy most likely remain in the downside. The domestic and foreign economic forecast institutions all hold a pessimistic view of the global outlook for 2023. IMF latest prediction of the global growth rate are 2.9%, while World bank's forecast was merely at 1.7%; OECD forecasted that the annual growth rate would be 2.2%. Most institutions believe that global inflation risks are not yet be contained, and geopolitical risks remain ongoing, the global economy faces significant challenges, global economic growth may step into the potential recession. Taiwan's economic performance would henceforth be affected by those. Estimation of the major domestic institutions on the growth of Taiwan's economy are 2.74%, 2.41%, 2.58% and 2.72% from Directorate General of Budget, Accounting and Statistics, Academia Sinica., Taiwan Economic Research Institute and Chung-Hua Institution for Economic Research respectively..., etc., therein, all revealing Taiwan overall economy growth are highly allied with global economic.

In the post-pandemic era, both domestic and international institutions held a rather conservative attitude of the global outlook of 2023. In response to these fluctuating circumstances, our company strives for steady but continuous to growth. The Company employs the upgrade of Industrial 4.0 intelligent manufacturing upgrades, including design standardization, manufacturing process optimization, purchase intellectualization, and quality optimization, lean and digitized management and heightened asset utilization etc. to reveal the competitive advantage of the Group difference to extend domestic and international market. Simultaneously, the Company will continue to increase the investment in smart manufacturing and energy sector, employ agile and lean management, strengthen supply chain networking, risk and financial management system..., etc. to adjust corporation structure to seize the opportunities of recovery after the pandemic. The short-term operation goals of current year are enhancing the competitiveness of core business, expending international marketing, innovating services and perpetuated quality, reaching steady growth and boost profitability. Cultivating capabilities to seize green energy business opportunities, integrating resources to provide professional service, expanding plan to leap the growth, and turn into the leader of green energy in Taiwan. Optimizing operational capability, building high-performance teams, instigating ESG-friendly workplaces, advancing corporation image with sustainable development, and creating a happy enterprise and creating a happy enterprise.

Fortune Electric Co., LTD, as a leader of the domestic heavy-duty electrical industry, has accumulated key technologies of professional customization for over fifty years with

firmly roots in the traditional power field. The recent investment in renewable energy, energy storage operations and electric vehicle charging operation also gradually blooming. The Group owns multiple modernized plants, and have the most complete domestic product lines, maximum product capacity of transformers, the highest voltage, the most certifications of Taiwan Power Company, the largest professional heavy electricity plants, and was the winner of Awards for Excellent Trading Businesses being the number one of export amount of equipment for power transmission and distribution. The Company also set a superb performance of domestic and overseas sales for 530kV-775MVA transformers having the highest voltage, the maximum capacity, and domestically initiated ultralow noise transformers, and the Company was the first one in the industry to have passed the 230 kV short-circuit test of KEMA. The Company received Taiwan Excellence Award for three consecutive years, further more receiving Taiwan Excellence Silver Award last year, having completed the building of power supply equipment and mechanical and electrical system engineering for the program of 150 MWp domestic largest solar photovoltaic plant in Tainan Yantian. The Company was the only domestic company having the performance of power system engineering in the land area of offshore wind power, and had the heavy electricity plant of equipment manufacturing in the fan tower, and had the brilliant performance of completing energy storage system building of domestic one of few single systems with battery capacity 2.964 MWh, etc.

The core of FORTUNE ELECTRIC CO., LTD. is to focus on power transformers, expanding toward up-end and down-end systems, seizes the business opportunity of energy transition, provides competitive and forward-thinking solutions to meeting the demand of customers. The Company provides from traditional electric equipment, integrates internal resource of the Group, invests the fields of renewable energy, energy storage, energy management, and charging service of electric vehicles, etc.

In the part of products' research and development emphasizes renewable energy, energy saving, energy management system, smart charging of electric vehicles, intelligent grid, and intelligent internet of things, etc. and successful linking cooperation, and it brought a huge benefit for enhanced market competitiveness, diversified development, and deepened original industry of heavy electricity. For marketing strategies, in addition to deeply ploughing existing markets and customers, the Company continue developing energy business, development, arranging and constructing solar energy and wind force, power plant, renewable/alternative energy, energy storage system, intelligent grid, intelligent electric meter, electric vehicles' charging equipment, and operating management, etc., new customers, new markets, new products, and service teams of professional technologies. Currently except the investments in the developments, such as offshore wind power, solar power plants, and large energy storage system, etc., the Company actively strives for large renewable energy power plants. In the aspect of exporting business, on top of grasping America market, and positively striving for orders, the Company also position itself to be in line with the government's new southbound policy, Japan market, and the business opportunities brought from the supply chain and the value chain of and Renewable energy.

The Company utilizes the group's resources, information sharing, and utilized full cooperation, which brings into the group's internal and external maximum benefits. Competitive differentiated advantages of core businesses were increased with the expansion of domestic and export markets; moreover, the Company actively research and develop new products to meet the market demand. Life-extending and optimization of power systems was driven, and developed intelligent power monitoring systems, and further expansively develop green energy markets. With investment in the operation of electric vehicles' charging stations, and enhancing automated system engineering of intelligent electric grid feeder, operate emergent recovery system and renewable energy

system, energy storage and energy management system were strengthened. By means of the group's labor division, the Company vertically integrates to improve key components for decreasing costs. Meanwhile, the Company focuses on electric peripheral energy-saving and intelligent equipment, such as ultralow noise transformers, maintenance-free respirators, and amorphous energy-saving eco-transformers, etc., to maintain the Company's industrial competitive advantages, and create excellent operating results.

The Company, through comprehensive innovation and improvement, and the work efficiency increased by elaborated manufacturing/process, implements industrial 4.0 technique, takes account of efficiency and quality, and intellectually manages enterprise upgrade; constantly implements design and manufacturing cycle, intelligent product lines, intelligent maintenance, constructs intelligent production model to expect the optimization of production quality, and decrease non-performing product costs. Meanwhile, the technology standard brings into KM comprehensive effects and the results of technology and development, all-around improves competitiveness, constantly drives the activities of Six Sigma production and marketing, implements ISO9001, 9002, 14000, OHSAS 18001 and manufacturing process JIT, management of TPM, CRM systems, and molds the Company's risk management culture to enable the actual implementation of risk management onto the Company's systems, and every employee's daily life while improving the quality, decreasing non-performing product costs, and increasing profitability and market share.

Apart from emphasis on business revenues, FORTUNE ELECTRIC CO., LTD. Upholds the missions of safe employees, safe customers, safe shareholders, and safe society. Continuously investing in employee care, social contribution and company governance which align perfectly with the spirit of ESG. Innovation and instigation ESG already are the driving force of the Company's development and transformation. The Company considers regulation compliance and corporate governance as a primary core value, ensures sustainable operation and steady growth of FORTUNE ELECTRIC CO., LTD., creates a happy work environment, implements the diversification of board members, and protects shareholders' equity.

The Company concerns about the issues of human rights, environmental protection, health and safety, and community involvement..., etc. Also, the Company strives for ethical operation, expands green energy business, takes corporate social responsibility, and does its duty of environmentally sustainable coexistence. In conclusion, the Company incessantly root the core strength, develop intelligent manufacturing, seize the national and international market opportunity, and invest in ESG to practice corporate sustainability as a purpose for satisfying the expectation of FORTUNE ELECTRIC CO., LTD. from all walks of life.

We look forward to all your continued support and encouragement.

Best regards,
Wish everyone good health and good fortunes!

Chairman Hsu, Bang-Fu

CEO Hsu, I- Sheng President Hsu, I-Te

II. Company Profile

2.1 Date of Incorporation: August 26th, 1969

2.2 Company History

<u>Time</u>	<u>Milestone</u>
1969	<ul style="list-style-type: none"> ● Fortune Electric was founded in Tu Cheng, Taiwan, manufacturing distribution transformers
1973	<ul style="list-style-type: none"> ● Qualified as a Class A manufacturer of distribution transformers by IDB
1976	<ul style="list-style-type: none"> ● Purchased land in Chung-Li Industrial Area for plant expansion use
1980	<ul style="list-style-type: none"> ● Construction of the Chung Li Plant (Phase I & II) completed. Started manufacturing various types of transformers and electrical panels ● Licensed with McGraw-Edison Company to produce power transformers up to 230 kV, 120 MVA ● Qualified as a Class A manufacturer of 69 kV power transformers, 24 kV and 15 kV distribution transformers and switchgears by IDB
1981	<ul style="list-style-type: none"> ● Rated as an "Excellent Quality Control Manufacturer" of transformers and switchgears by the Bureau of Commodity Inspection and Quarantine in Taiwan.
1982	<ul style="list-style-type: none"> ● Became the 1st manufacturer of arresters and fuse cutouts in Taiwan. ● To expand production lines, increased capital to NT\$50,000,000
1983	<ul style="list-style-type: none"> ● Implemented Company-wide Quality Control (CWQC) and factory-wide automation and rationalization
1984	<ul style="list-style-type: none"> ● To manufacture new product, expand factory and manufacturing equipment, increased capital to NT\$80,000,000
1986	<ul style="list-style-type: none"> ● Completed the Phase III, IV and V factory expansion project of Chung Li Plant ● Successfully lead the development of Metal Oxide Arresters in Taiwan's transmission and distribution market ● Successfully developed Current Transformer and started producing ● Cooperated with Meidensha Corp. in technology and introduced MCSG & VCB products to provide for Taiwan local market
1987	<ul style="list-style-type: none"> ● Completed Phase VI factory expansion project of Chung Li Plant ● Licensed with Takaoka Electric Manufacturing Ltd. to produce 69 kV and 161 kV Air Break Switch (ABS) and purchased manufacturing and testing equipment for 161 kV power transformer
1988	<ul style="list-style-type: none"> ● Successfully developed Three-Phase Pad-Mounted Transformers and Stainless Steel pad-mounted transformers and started production ● Expand factory to manufacture 161kV transformer, increased capital to NT\$167,750,000 ● Licensed with Togami Electric Manufacturing Co., Ltd. of Japan to produce SF6 Gas sealed Load Break Switches
1989	<ul style="list-style-type: none"> ● Successfully developed and started producing the following products: Exchangeable Fuse Cutout Switch, Cast Resin Dry Type Transformer and Heat-Shrinkable Salt-Proof Lightning Arrester
1990	<ul style="list-style-type: none"> ● Adjusted the Company's internal organization to include 3 divisions: management, manufacturing and business development
1991	<ul style="list-style-type: none"> ● Licensed with Hitachi Corp. Japan to produce power transformers up to 345 kV ● Completed the 7th and 8th stage of expansion project of Chung Li plant; enhance production workflow and product lines to optimize production output ● Acquired office building in Taipei and employee dormitories in Ta Yuan ● Adjusted the Company's internal organization to include 4 divisions: management, manufacturing, business development and R&D
1992	<ul style="list-style-type: none"> ● Licensed with ENCO, Austria to produce Cast Resin Transformers ● To expand manufacturing capacity, purchased and constructed Kuan Yi Plant and increased capital to NT\$400,000,000; obtained approval from Taiwan Securities and Exchange Commission (SEC) to complete supplementary procedures for classification as a public company ● Promoted 6S (Sort, Set in Order, Shine, Standardize, Sustain, and Safety) ● Promoted International Organization for Standardization (ISO) 9001 Quality Assurance system
1993	<ul style="list-style-type: none"> ● Licensed with G&W Electric Co. of U.S.A. to supply SF6 Switches to Taiwan's market. ● Further licensed with Takaoka Electric Manufacturing Ltd. to produce 69 kV 1200A and 161 kV 2000A ABS and power transformer ● President of Fortune Electric, was honored with the Excellent Business Executive Award

<u>Time</u>	<u>Milestone</u>
1994	<ul style="list-style-type: none"> ● Authenticated and approved by Bureau of Standards, Metrology and Inspection (BSMI), Ministry of Economic Affairs (MOEA), for ISO 9001 ● Completed construction of Guan Yin Plant, launched the manufacturing of up to 500 MVA 345 kV power transformers and successfully delivered these products to customer by end of year ● Successfully developed Three-Phase 2000kVA Model Cast Transformer; qualified for Tai Power standardization test and start production
1995	<ul style="list-style-type: none"> ● Licensed with AlliedSignal Inc., U.S.A., to produce Amorphous Metal Core Transformer
1996	<ul style="list-style-type: none"> ● Successfully developed the Gas Insulated Switch, the Amorphous Metal Core Transformer and Moulding Series Reactor; qualified for Tai Power standardization test and start production
1997	<ul style="list-style-type: none"> ● The Company, approved by the Security Exchange Committee, started public stock offering from April ● Awarded the Trade Technology Development Award by the Ministry of Economic Affairs; awarded by Taiwan Association for Magnetic Technology for Contribution to Magnetic Technology Industry
1998	<ul style="list-style-type: none"> ● Successfully developed Medium Pressure GIS; qualified for Tai Power standardization test and start production ● Granted registration of ISO14001 by BSMI, MOEA
1999	<ul style="list-style-type: none"> ● Expanded Guan Yin Plant II, and completed the construction of Guan Yin Plant III for Switchgear production
2000	<ul style="list-style-type: none"> ● Successfully developed High Pressure GIS; qualified for Tai Power standardization test and start production
2001	<ul style="list-style-type: none"> ● Successfully developed Underground Automatic Line Switch; qualified for Tai Power standardization test and start production
2002	<ul style="list-style-type: none"> ● Invested in Power Energy International Co., Ltd and re-invested Fortune Electric (Wuhan) Ltd. ● Successfully developed the 1st 161kV, SF6 Gas Insulated Transformer in Taiwan; qualified for Tai Power standardization test and start production
2003	<ul style="list-style-type: none"> ● Successfully developed the 1st 161kV Series Reactor in Taiwan; qualified for Tai Power standardization test and start production
2004	<ul style="list-style-type: none"> ● The Company was awarded of OHSAS18001 by BSMI, MOEA in September 2014Taiwan National Standard Bureau
2005	<ul style="list-style-type: none"> ● To cope with new business needs and organization operational efficiency, Engineering Division (renamed as New Energy Engineering Division in 2011 to demonstrate the Company's aspiration) and Incubation Center ● Invested in and developed 161kV 80MVAR Reactor manufacturing ● Granted the subsidy with honor, through MOEA's special science project – Heavy Electric Project Engineering joint design & plan ● Developed the highest capacity Cast Resin Transformers 7500/9375 kVA in Taiwan
2006	<ul style="list-style-type: none"> ● Established volunteer team (renamed as Volunteer Commission) to practice “Comfort the Society”, part of Fortune Electric spirits, and to be in line with corporate governance by fulfilling corporate social responsibility
2007	<ul style="list-style-type: none"> ● Developed the extra-large capacity Transformers 650MV, 1st of its kind in Taiwan ● Awarded the 1st Taoyuan County Evergreen Enterprise Excellence Award ● Awarded the Environment-Friendly medal for Amorphous Metal Core Transformers ● Awarded the 8th Industrial Sustainable Excellence Award, by MOEA, for dedication in Sustainable Evergreen Enterprise
2008	<ul style="list-style-type: none"> ● Won the 9th place in export growth rate of Awards for Excellent Trading Businesses as well as import and export performance ● Ranked as the 380th in the import and export performance with certificate of Award for International Trade Outstanding Export/Import Business ● Awarded the "National Sustainable Development Award" of the Executive Yuan, demonstrating that the Company has been constantly operating the business with our management philosophy of “Quality, Participation, Welfare, and Continuity,” and was exceedingly recognized by our government ● “Amorphous Alloy Multilevel Iron Core Bonded Construction” patent granted by Taiwan Intellectual Property Office (TIPO), MOEA ● Direct Sales of Sub-contract unit Non Yi of New Energy Construction Division won “Public Construction” Excellence Award by MOEA

<u>Time</u>	<u>Milestone</u>
2009	<ul style="list-style-type: none"> ● Signed “Benevolent Enterprise Engagement Declaration”, in response to the government policy, and joined Benevolent Enterprise task force ● Granted by TIPO, MOEA for “Amorphous Alloy Multilevel Iron Core Transformer”, “High-Temperature Resistant Transformer Loop”, “Three-Phase Five-Foot Iron Core Structure”, and “Bent Plier” patents ● Direct Sales of Sub-contract unit Nan Hsin of New Energy Construction Division won “Public Construction Quality” Excellence Award by MOEA ● Expanded Corporate Social Responsibility in good faith, be neighborly, promoted “Fortune Electric Benevolent Bank” (giving away without returning) campaign ● Awarded by MOEA in appreciation of the 40th anniversary
2010	<ul style="list-style-type: none"> ● Built the largest Solar Photovoltaic Plant 4.6MW in Taiwan at Yong An Salt Wetland ● Established Risk Management Department (later renamed as Risk and Legal management Department) to implement risk management related policy ● Developed and marketed exporting the 1st 345kV450MVA extra-large transformer ● Established Research & Development (R&D) center to deep plough technology, continue to innovate in new product development and technology
2011	<ul style="list-style-type: none"> ● Awarded 2010 Taiwan Magnetic Technology Industry Contribution Award ● Launched new product “Transformer Remote Monitor System” and was recognized with fame internationally ● Aimed to “building a nest to attract phoenix”, Fortune Electric University was founded ● In response to Pin Tung County government calling for “Raise Water and Plant Power (to stop fish farming business to protect seawater and used the land for solar photovoltaic generation)”, acquired plant building license from Pin Tung County government had completed it by end of 2011. Started to sell reusable energy to Tai Power from 2012 which best demonstrated the leading position in the market of power management integration ● Officially launched Yong Ang Salt Wetland Solar Photovoltaic Plant and total annual power generation was around 600 million kWh ● Established “Electric Vehicle R&D unit” to develop new business and research for new product ● Set up “Remuneration Committee”, in accordance with relevant codes and regulations, to strengthen remuneration system for the Company’s Directors, Supervisors and Managerial Officers
2012	<ul style="list-style-type: none"> ● Successfully passed short circuit test of Three-Phase 230kV240MVA large-scale transformer, independently developed, designed, and manufactured by the Company, in the Netherlands ● Participated in the MOU signing press conference held at “Green Energy Taipei Technology City” of Taipei Technology University, demonstrating the R&D results in electric vehicle’s charging and swapping power technology ● Established “Repair and Maintenance Agency Department” to unite Agent and repair and maintenance team ● Passed CESI 2500kVA short circuit test in the Italian laboratory which paved the way to march into Middle East and South African export markets ● Established “Skill & Legacy Center”, to fully integrate and utilize retired executives’ experience in management, technology, knowledge, and experience, and assisted cross-function units in management and all sorts of projects ● Verified and approved by third-party verification of carbon footprint and became the first company in the industry to have passed the carbon footprint verification ● Awarded with “Carbon Footprint Verification Statement of oil filled amorphous metal cord transformer” and became the 1st verified company in domestic Heavy Electric industry ● Selected as one of the key institutions for counseling in 1st “Mittelstand Leap Project”, by Executive Yuan
2013	<ul style="list-style-type: none"> ● To expand export business, Fortune Electric America Inc., was set up in California, US ● The Company’s sub-subsidiary Fortune Electric (Wuhan) acquired Wu Han Hwa Rong Machinery Co. on Jan 2013, taking up 60% of the shareholding ● Became the 1st Electrical Heavy-duty company to obtain ISO50001 energy management system certification ● Established "Hitachi Fortune Transformer, Inc." jointly with Hitachi of Japan, with 40% shareholding. Built up factory in Taichung Harbor manufacturing 200MVA above or

TimeMilestone

- 500kV super high-voltage transformer, and marched into international market together
- Acquired "underground four-way automatic line switch" certification qualified manufacturer, 1st of its kind in Electrical heavy-duty industry
- Successfully developed a complete set of Electric Vehicle charging equipment including, DC speed charger, AC32A wall-hung and shaft charging boards, large size charging battery swap system..., etc., and already joined Taiwan International Electric Vehicle Exhibition
- 2014 ● Passed ISO27001 certification (ISMS, Information Security Management System). Information security intelligence would be enhanced as well as the ability to cope with contingency whereby, breach of information security would be lower so that business operation could be continued
- Established "Smart Electricity Transmission Network Research Center" to cope with development trend of smart electricity network as well as actively keep up with relevant policies so that the Company still maintained competitiveness in the market while strengthening existing technical forces with advanced development
- Fortune Electric (Wuhan), Sub-subsidiary of the Company, setup "Wuhan Fortune Trade Co., Ltd.."
- Established "Raynergy Tek Inc." jointly with Polyera Co. in the U.S. and owned shareholding of 11.23% as financial investment
- Renamed "Risk Management Department", established in 2000, to be "Risk and Legal Management Department", on account of incorporating legal affairs into Risk Management Department's area of responsibilities
- 2015 ● Fortune Electric America Inc. set up a Representative Office in Pennsylvania
- Established "Hitachi Fortune Transformer, Inc.", jointly with Hitachi of Japan, in Taichung Free Trade Port Area. Inauguration ceremony for new plant was held on May 28th, 2015, being the only factory manufacturing 500kV ultra-high level transformer and all products manufactured would be for export only, and was awarded the 69th Outstanding Foreign Merchant of 2015
- Awarded the 1st Small Giant in the 2015 of "CommonWealth Magazine" CSR Corporate Citizen Award
- The "Talent Development Quality Management System" was certified as bronze award
- The Company has completed all sorts of charging piles equipment and software upgrade whereby through the intelligent cloud platform, provided charging station operators with different user experience as well as actively involved in intelligent electric vehicle carpool service associated plans, to realize the goal of an Intelligent City
- 2016 ● The Company was recognized in Corporate Governance, Enterprise Commitment, Social Participation, and Environmental Protection and was awarded the 15th place in the 2016 of CommonWealth Magazine CSR Corporate Citizen Award
- The Company, jointly with Japan Yorokonde Co., and three other Japanese companies, established E-Total Link Co., Ltd (E トータルリンク), with shareholding of 25%, mainly to acquire large solar photovoltaic plant "Power Construction" (110kV level) and expand export markets to Japan
- The Company was awarded "10th Service Quality Excellence Award" by Taoyuan City, for the Company's effort in continuously promoting corporate identity
- 2017 ● Elected Director Hsu, Bang-Fu to be the Chairman, Director Hsu, Shou-Hsiung to be Vice Chairman in 2017 Board Meeting, conducted after Shareholders' Meeting
- The Company appointed Independent Directors and formed Audit Committee according to relevant codes to replace Supervisors' responsibility
- The Company employed one President and one CEO to carry out the Board of Directors' resolution directives and governing the company's business individually
- Granted ISO45001 counseling by Bureau of Industry, MOEA, in June 2017
- The 1st company ever in Taiwan to successfully develop ultra-low noise transformer 132kV-45MVA, a Noise-loading 45dB(A) (lower than NEMA standard: 3dB(A))
- The Company was recognized in Corporate Governance, Enterprise Commitment, Social Participation, and Environmental Protection and was once again awarded the 13th place in the 2017 of CommonWealth Magazine CSR Corporate Citizen Award
- To develop Green Energy industry, the Company acquired Tai Power Solar Photovoltaic Equipment Project in Zhangbin Industrial Park, Zhanghua. This projected was led by Chunghwa Telecom and would be the largest scale Solar Photovoltaic Plant in Taiwan with total power generation to be 100MW

<u>Time</u>	<u>Milestone</u>
2018	<ul style="list-style-type: none"> ● The Company won the 26th Taiwan Excellence Awards for newly developed products like, maintenance-free breathers, Smart Electricity Surveillance System, and super low-noise transformers ● Completed 1st set and Phase I of demonstrative set of offshore wind power generation pressure booster module for Formosa I Wind Power Co., Ltd ● The Company's re-invested company, Hitachi Fortune Electric Co., produced 500kV super ultra-high voltage transformer has been certified by short-circuit test of KEMA of the Netherlands, which aided in expanding export markets ● Government promoted Electricity Transmission Network for energy storage system; the Company's EVI Center has established 1MW/1MWh grid-connected energy storage facility, the largest in Taiwan, to act in accordance with the demonstrative certification project of solar photovoltaic plant energy storage, and was the largest Photovoltaic grid-connected network ● The Company's EVI Center passed qualification of "The Smart City Taiwan" subsidy program by Bureau of Industry, MOEA, and proposed to integration IoT charging piles, city parking spaces, parking lots and charging operation as well as related service, to utilize service mode of diversified charging operation with Big Data analysis to solve lack of charging station issue ● In 2018, the Company was recognized in Corporate Governance, Enterprise Commitment, Social Participation, and Environmental Protection and was once more awarded the 15th place in the 2018 of Common Wealth Magazine CSR Corporate Citizen Award, and had been ranked top 15 for four consecutive years ● Awarded the highest honor award, Platinum Award for "2018 Multinational Innovative Technology Exposition" by noise reduction power distribution transformer ● Completed the project of setting up 50 sets of pressure booster stations Tai 100MW Power Solar Power Photovoltaic Equipment Project in Zhangbin Industrial Park
2019	<ul style="list-style-type: none"> ● Joint Venture contract, between the Company and Hitachi Japan, of the company, Hitachi Fortune Transformer Co., Ltd., has ended. Hitachi Japan transferred equity stock shareholding and the Company now owned 100% shareholding ● Phase II of offshore wind power generation onshore transmission and transformation system construction has been completed in June 2019 and completed high voltage 161kV substation connected to grid ● Registration of Wu Han Hwa Rong Machinery Co., reinvested company of Fortune Electric (Wuhan) Co. has been cancelled in August 2019 ● Successfully transformed OHSAS 18001 to brand new ISO 45001 certification at Zhongli Plant, Guan Yin Plant II, and Guan Yin Plant III ● Continued keeping abreast of the trend, the Company actively developed Green Energy and acquired again the power generation onshore transmission and transformation system of Formosa I Wind Power Co., Ltd and Tai Power Phase VI Tainan Yen-Tien 69 sets of 150MWp Solar Photovoltaic pressure booster station ● Acquired Tai Power Phase I (109MW) offshore wind power construction project of 21 sets of transformers embedded in Hitachi Wind Power Tower, and power modules. By far, the Company was the only electric heavy-duty manufacturer to have achievements in offshore wind power system engineering, onshore electricity system engineering and wind power tower internal equipment building experience ● Completed Tai Power Optical Phase III (Zhang Kuang G/S) solar photovoltaic generation construction 100MWp, a good demonstrative index project with the highest capacity of Ground-mounted PV Systems ● Recognized by Taoyuan/Hsinchu/Miaoli branch of Workforce Development Agency, Ministry of Labor as outstanding enterprise for "2019 Power Up Plan (talent development training program within big corporation)" ● Produced and exported ultra-high voltage 530kV power transformers to the U.S., became the first transformer manufacturer in Taiwan with the technical capability to produce 530kV transformers and acclaimed itself as world-class electric heavy-duty company ● "Distribution Breathers" as well as "Smart Cooling system with transformers", and "Variable-frequency fan cooling energy saving system" won "Taiwan Excellence Award" and "2019 International Invention" Bronze Award, respectively ● 2019 was the 50th anniversary of the Company. A celebration party was held in Pu-Hsin Farm in Yang Mei. Chairman inspired all employee to keep charging from 50 years to centennial

<u>Time</u>	<u>Milestone</u>
2020	<ul style="list-style-type: none"> ● To set foot in regional small renewable energy electricity retailing industry market, the Company has reinvested by 100% and established Fortune Energy Co., Ltd. ● The Company built up EValue charging station to tackle electricity transmission network operation with its 1st flagship station in Nehu. Fortune Electric demonstrated “Green Energy Charging Station” operating model by realizing one-stop charging of electricity generation, storing and consumption and got fully prepared for energy modulation in advance ● To get localized for Australian market operation and to get to know customers better, the Company reinvested by 100% and set up Fortune Electric Australia PTY Ltd. ● The Company participated in the largest solar photovoltaic power plant, Tainan 150MW solar power plant 161kV transformation station system engineering construction and related equipment project and brought forward to start earlier with trial run by Apr 10th, 2020 of 40MW grid-connected network. Better yet, floating photovoltaic vehicle 5.6MWp gri-connected network was also ready earlier than expected on June 30th, 2020 and started into operation on March 31st, 2021 ● To assist Tai Power to stabilize power supply quality to Matsu, Outlying Islands of Taiwan, the Company participated Zhushan Oil Tank expansion construction and completed ahead of time on May 22nd, 2020 and started in operation on July 15th, 2020 ● The Company continued to participate relevant Technology Development Programs by MOEA, covering associated projects as product design technology, smart manufacturing applied in decision management, connected supply chain in manufacturing workflow. Awarded “1st Digital Transformation Model Award” ● Maintenance-free respirators were awarded again in the “2020 Multinational Innovative Technology Exposition” of Gold Award by constantly innovate, research, and develop new product as well as improving and upgrading existing products ● The Company was awarded again the “2020 Taoyuan City Gold Enterprise Excellence Award – Mastermind Award” for the Company’s dedicated efforts in Taoyuan industry creativity as well as prospering jointly with Taoyuan, and further enhanced competitiveness and branding internationally ● The Company joined Sin Jhong Solar Power Co., Ltd. of Da Ya Group for the 1st private large land modified Ground-mounted PV 76MW Solar Plant installing ultra-high voltage 69kV system booster station construction and provided relevant equipment. Grid-connected network power generation was initiated on December 8th, 2020 ● To set foot in renewable energy power generation business, the company invested in Xin He Energy Development Co., Ltd. And appointed President Hsu, I-Te as corporate representative to serve as Director
2021	<ul style="list-style-type: none"> ● The Company was awarded Best Group Prize in electrical engineering category in CTCI’s annual suppliers convention on March 25th, 2021 ● The Company was responsible important assignments such as, 161kV large high voltage transformers, 24kV middle pressure switch and PV BOX solar power equipment, in Tai Power solar photovoltaic generation construction in Tainan Yen-Tien 150MW. Awarded by Premier of Executive Yuan of “Rebirth of Green Tainan” appreciation letter on March 31st, 2021 ● “Charging Station Operating Center” of the Company’s Power Operating Department was officially split-up from the organization and was reinvested to set up “Fortune Electric Value Co., Ltd.”, a 100% owned subsidiary, effective from June 30th, 2021 ● Followed by the honor of being awarded by the “2020 Taoyuan City Gold Enterprise Excellence Award – Mastermind Award,” the Company was invited to join Book Launch party of “Influence Strategy: 16 stories of Sustainability and Co-Prosperity enterprises”, which was hosted by Taoyuan City Government ● The Company’s “Transformer Electricity Surveillance System” and “Transformer Electric Current Surveillance Methods and Installation” won Gold Medal in the 2021 Taiwan Innotech Expo ● The Company participated in the “Taoyuan – Job Hunting Capability Training Field – 2021 Career Internship Program.” Top 3 interns of the program were all interns from the Company in the result sharing competition, which set the precedence of this program to have top 3 interns all from one single enterprise, and was awarded with appreciation letter ● The Company was contracted by Formosa I Wind Power Co., Ltd for Ultra-High Voltage pressure booster construction; the construction was completed and current

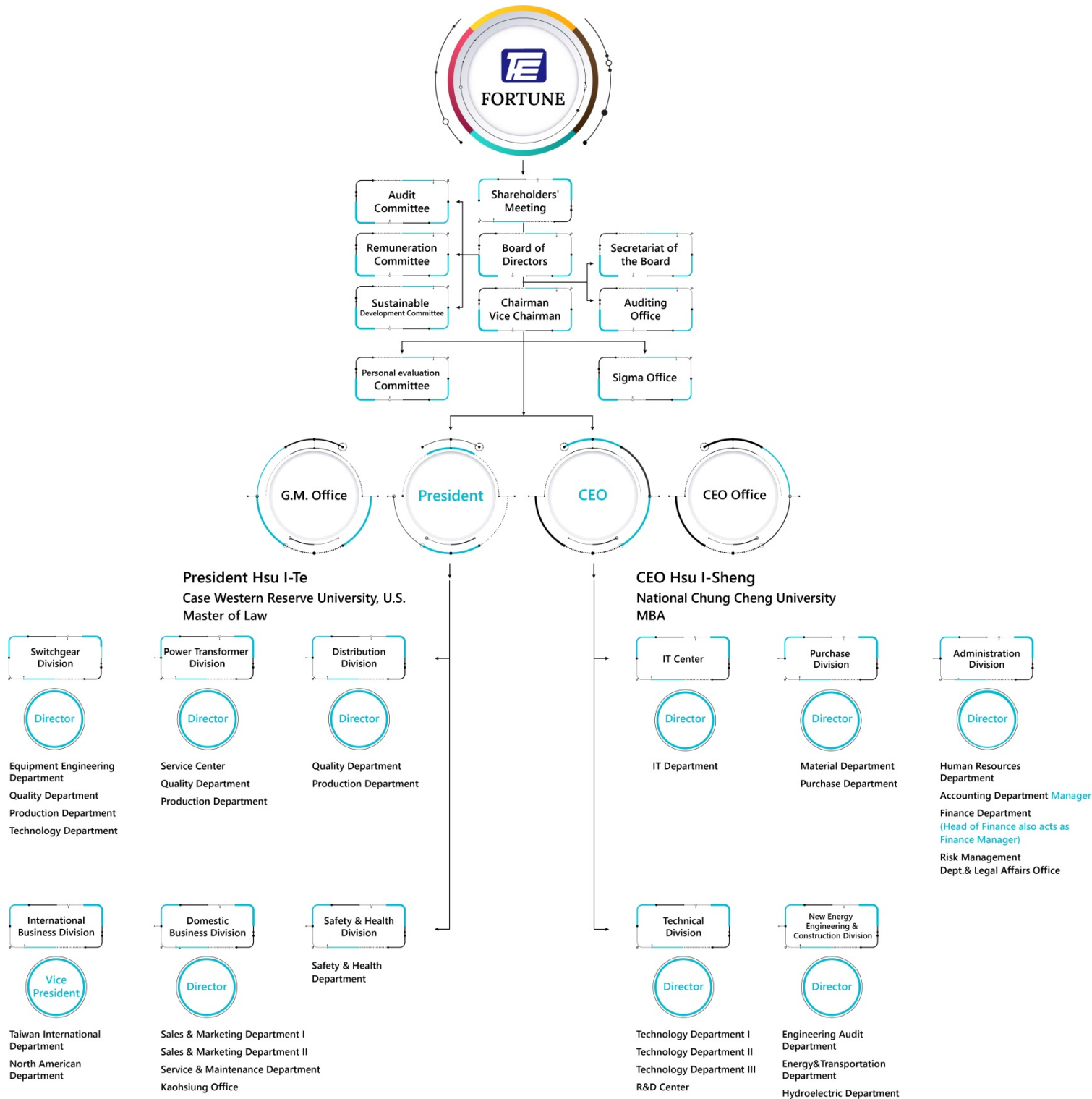
TimeMilestone

- delivered, as scheduled, on September 14th, 2021. Formosa I Wind Power Co., Ltd awarded the Company with appreciation certificate of “Outstanding Contribution - Health, Safety and Environment (HSE): 500,000 Zero-hazard working hours, from October 2019 to September 2021;” this best demonstrated that Fortune Electric Co., Ltd had met the ultra-high HSE management standards abroad and was highly recognized by international developer company
- 2022
- Hsu I-Te, President of the Company, was awarded with honor as Super MVP, Top 10 amongst Top 100 in 2021 “The 14th Top 100 MVP Managers” by “Manager Today” magazine
 - In view of the gradually increasing importance of risk management, compliance, and legal matters, and in order to fulfill ESG and to implement Corporate Governance and Sustainability, further, to consider mid-term and long-term organization development, “Risk and Legal Management Department” was renamed as “Risk Management and Legal Department” which segregated Risk Management and Legal matters by their roles and responsibilities respectively
 - In March 2022, the Board of Directors approved the establishment of “Sustainability Development Committee,” aiming to strengthen corporate governance, fulfill environmental protection and social caring to ensure promoting corporate social responsibility and sustainability operating management
 - In June, the Company was honored with the “GE Award of Excellent Supplier” when participated 2022 APAC Partners Summit of GE Gas power in Kuala Lumpur and continue being an important partner of power equipment for GE in Asian region.
 - The Company acquired the first 500kV 450MVA extra-high voltage transformer in South Asia, continue moving toward international extra-high voltage power plant.
 - Fortune Electric Extra High Voltage Co., Ltd. received “TTQS Talent Quality-management System” Bronze Award, further enhancing the alignment between company development goal and the effectiveness of training programs and creating final operational results and strengthens the mechanisms of talent development, also exhibiting one of the business results of ESG sustainable.
 - In August, the Company signed the “Proposal of Sustainable Development” in “Yu Shan ESG Sustainable Advocacy Action” to implement greenhouse gas emissions control and promote various ESG solidified action and strive for the balance of economic, environment and society development together, towards a sustainable and inclusive future.
 - Hsu, I-Te President of the Company was elected as the Chairman of 6th Taiwan Wind Turbine Industry Association (TWTIA) which aiming to promote Taiwan wind Turbine Industry integrate into the international supply chain.
 - The Company built smart manufacturing and was honored with the Digital Transformation “Ding Ge Award” of Global Traditional Chinese Version of Harvard Business Review. This is role model award of large enterprise smart manufacturing transformation and smart manufacturing of transformer and digital supply chain integration.
 - Fortune Electric Value Company’s “Smart Electric Vehicle AC Charging pile” was honored with Taiwan Excellence Silver Award
 - Green Consumerism is one of sustainable development goals (SDGs), the Company was honored with “Outstanding Unite of Private Enterprise and Group Green Procurement

III. Corporate Governance Report

3.1 Organization

(1) Organization Chart



(2) Major Corporate Functions

President's Office / CEO Office:

President Office: The New Business and Market Planning Department is under the President Office to assisted President / CEO in planning, execution of company business and development strategy according to the scope of the jurisdictional department. Also set up Smart Manufacturing Development Center to promote smart equipment construction and system application improving in manufacturing process, etc. CEO Office: The New Business Planning Department is under the CEO office to assisted CEO to plan, evaluate and investigate investment and cross-departmental communication and so on. Energy Management and Storage system Center to conduct new product research and development

Audit Office:

company-wide overall business operation audit; exception analysis; recommendation for improvement

Information Center:

under which consisting of "System Integrating Division" and "Technique Integration Division," each with their own responsibility; in charge of all operations' computerization and digitization; internal and external network system installation and maintenance; ISO27001 management system promoting unit meeting, internal audit, assessment execution and follow-up

Management Division

Accounting Department:

accounting & taxation management; accounting system execution; prepare financial statements and announcement; input data in Market Observation Post System website; monthly closing and annual final accounts

Finance Department:

capital management and control; payment tele-transfer, cash & check payment, cashier, bonds, land certificates, cash, and checks management

Human Resources Department:

staff recruitment, orientation, and human resources planning; remuneration, performance appraisal and employee training; Labor Insurance, National Health Insurance operation & handling

Risk Management & Legal Department:

legal contract review and consultation; established and implement effective risk management mechanism; continuously improving to create high-quality enterprise and assisted to fulfill operational targets

Domestic Business Division:

Business Unit I, Business Unit II, Repair and Maintenance Agency Department and Kaohsiung Business Station (including Kaohsiung and Taichung business sites):

domestic market development, maintenance & warranty and distributor of product, business goal fulfillment, order management, and payment collection

New Energy Engineering Division:

Engineering Audit Department, Electrical Engineering Department, and Energy Transportation Department:

coordination, planning, and execution of three system engineering system projects such as, electrical engineering, railway (MRT, Taiwan Railway, and High-Speed Railway), and Green Energy (Solar Photovoltaic, wind power, energy storage, and SCADA); Fortune Electric Value Company Limited EVI power charging market management

International Business Division: divided into North America and International Department, in charge of export market development and import/export business management

Technology Division:

Technology Unit I, Technology Unit II and Technology Unit III:

design all power transformer, distribution board, and Cast Resin Transformers

Research and Development Center:

develop and research in product improvement, rationalization, automation, and production technique and integrate innovative capability

Electrical Engineering Division:

Production Department: manufacturing and production process inspection of all power transformer, distribution board, and Cast Resin Transformers

Quality Assurance Department: quality control & guarantee, inspection & testing, after sales service and quality-control education of all power transformer, distribution board, Cast Resin Transformers, and power distribution equipment

Power Division:

Production Department: manufacturing and production process inspection of all transformers, and manufacturing progress control

Quality Assurance Department: quality control & guarantee, inspection & testing, after sales service and quality-control education of all transformers

International Sales Service Center: assisted in installation of export products, providing solution and responses to customers' queries to satisfy customer needs

Switch Division:

Production Department: manufacturing and production process inspection of all power distribution boards, and gas insulated switchgear, and manufacturing progress control; equipment engineering project (offshore wind power integration project, outlying islands' small-size power generator integration project and power distribution board equipment construction project) execution and management

Technology Department: design, development, improvement of product research, rationalization, automation, and production technique improvement of all power distribution boards, and gas insulated switchgear

Quality Assurance Department: quality control & guarantee, inspection & testing, after sales service and quality-control education of all power distribution boards and gas insulated switchgear

Equipment Engineering Department: execute and manage of equipment engineering projects (offshore wind power integration project, outlying islands' small-size power generator integration project and power distribution board equipment construction project)

Procurement Division: coordinated procurement of raw materials, components and equipment as well as sourcing for new suppliers

Material Department: get hold of international market trend on material and propose counter measures in procurement strategy to the Company's best interest; centralized procurement resources and develop new vendors..., etc.

Procurement Department: procurement handling and payment application; assessment on quality, quantity, delivery and supplier development, in accordance with manufacturing process

Safety & Health Head Office: assisted in preparing, initiating and promoting all environmental, safety and health management affairs of all plants

3.2 Information on the company's directors, supervisors, president, assistant presidents, deputy assistant presidents, and the supervisors of all the company's divisions and branch units

(1) Directors of the Board

April 17th, 2023

Title	Nationality / Place of Incorporation	Name	Gender (M / F) Age group	Date Elected / Representative Elected Date	Term (x Year)	Date First Elected / Representative First Elected Date	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Key Experience (Education)	Other Position in the Company and/or other companies	Executives, Directors or Supervisors Who are Spouses or within Two degrees of Kinship			Remarks (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	ROC	Hsu, Bang-Fu	M 81-90	109.6.12	3Y	68.7.27	19,631,986	7.52	18,088,322	6.93	12,568,761	4.81	0	0.00	Kyoto University, Japan Master of Graduate School of Engineering	Fortune Electric Co., Ltd. Chairman Fortune Electric Extra High Voltage Co., Ltd. Chairman Fortune Energy CO., LTD Chairman	Vice Chairman President	Hsu, Shou-Hsiung Hsu, I-Te	Brothers Father & Son	Operational consideration
Vice Chairman	ROC	Hsu, Shou-Hsiung	M 71-81	109.6.12	3Y	58.8.26	23,047,720	8.83	22,603,419	8.66	9,017,034	3.45	0	0.00	Sungkyunkwan University, Korea Master of Graduate school of International Trade and Policy	Fortune Electric Co., Ltd. Vice Chairman Hua Cheng Investment Corp. Chairman	Chairman CEO	Hsu, Bang-Fu Hsu, I-Sheng	Brothers Father & Son	Operational consideration
Director	ROC	Shu, Yi-Cheun	M 51-60	109.6.12	3Y	106.6.14	1,057,892	0.41	1,057,892	0.41	0	0.00	0	0.00	University of Southern California MBA	Formosa Oilseed Processing Co., Ltd. corporate representative Chairman & President Central Union Oil Corp. corporate representative Director Lucky Eggs Co., Ltd. & Chung Hsiang International Co., Ltd. corporate representative Chairman	NONE	NONE	NONE	-
Director	ROC	Hsu, I-Sheng	M 41-50	109.6.12	3Y	100.6.10	2,804,169	1.07	3,248,470	1.24	10,000	0.00	0	0.00	National Chung Cheng University, U.S. Master of Business Administration	Fortune Electric Co., Ltd. CEO Synergy Co., Ltd. & E-Formula Technologies, Inc. Director Fortune Electric Value Company Limited Chairman & CEO	Vice Chairman	Hsu, Shou-Hsiung	Father & Son	Operational consideration
Director	ROC	Hsu, I-Te	M 51-60	109.6.12	3Y	106.6.14	1,751,455	0.67	3,948,577	1.51	0	0.00	0	0.00	Case Western Reserve University, U.S. Master of Law	Fortune Electric Co., Ltd. President Hsin He Energy Co., Ltd. Director Fortune Electric Australia Pty Ltd Director	Chairman	Hsu, Bang-Fu	Father & Son	Operational consideration
Director	ROC	Weng, Jen-Pei	M 81-90	109.6.12	3Y	106.6.14	751,468	0.29	751,468	0.29	130,307	0.05	0	0.00	Sanno University, Japan Department of Sales	NONE	NONE	NONE	NONE	-
Independent Director	ROC	Hu, Len-Kuo	M 61-70	109.6.12	3Y	106.6.14	0	0.00	0	0.00	0	0.00	0	0.00	University of California, U.S. PhD and Master of Economics National Taiwan University Bachelor of Business Administration	Chung-Hua International Trade Association Chairman International Trade Department, National Chengchi University Adjunct Professor	NONE	NONE	NONE	-
Independent Director	ROC	Lei, Whey-Min	M 81-90	109.6.12	3Y	106.6.14	0	0.00	0	0.00	0	0.00	0	0.00	National Chengchi University Bachelor of International Business	Alumni of International Business, National Chengchi University Honorary Chairman	NONE	NONE	NONE	-
Independent Director	ROC	Liao, Chih-Hsiang	M 41-50	109.6.12	3Y	106.6.14	0	0.00	0	0.00	0	0.00	0	0.00	National Chengchi University Master of Accounting	Chainye Accounting Firm Partner Accountant	NONE	NONE	NONE	-

Note: Where the President or person of an equivalent post (the highest-level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, rationality, necessity thereof, and the measures adopted in response thereto must be disclosed.

Due to consideration of the Company operations the Chairman and the President or equivalent position are relative within first degree of relationship, in order to compliant with Securities and Exchange Act, current year board of directors fully reelection will appoint four Independent Directors.

1. Analysis of professional qualifications and independence the Directors
(Established Audit Committee, in accordance with regulations, in lieu of Supervisors)

Criteria Name	Professional Qualification and Experience (Note 3)	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Hsu, Bang-Fu	<ul style="list-style-type: none"> (1) Had over five years of working experience necessary for company business operation. (2) Currently serves as Chairman of the Company, Fortune Electric Extra High Voltage Co., LTD, and Fortune Energy Co., LTD (3) Master of Graduate School of Engineering from Kyoto University, Japan 	<ul style="list-style-type: none"> (1) Not the Chairman, President or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses; not a director (or governor), supervisor, or employee of that other company or institution. (2) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation, or a spouse (3) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. 	0
Hsu, Shou-Hsiung	<ul style="list-style-type: none"> (1) Had over five years of working experience necessary for the company business operation. (2) Currently serves as Vice Chairman of the Company and Chairman of Hua Cheng Investment Corp. (3) Master of Graduate school of International Trade and Policy in Sungkyunkwan University, Korea. 	<ul style="list-style-type: none"> (1) Not a director or supervisor of the company or any of its affiliates. (2) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person; not a director, supervisor, or employee of that other company. (3) Not the Chairman, President or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses; not a director (or governor), supervisor, or employee of that other company or institution (4) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation, or a spouse. (5) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. 	0
Shu, Yi-Cheun	<ul style="list-style-type: none"> (1) Had over five years of working experience necessary for the company business operation. (2) Currently serves as corporate representative, Chairman & President of Formosa Oilseed Processing Co., corporate representative and director of Ltd., of Central Union Oil Corp.; corporate representative Chairman of Lucky Eggs Co., Ltd. and Chung Hsiang International Co., Ltd. (3) Was Project Manager of Bank SinoPac and Vice President of Far East National Bank (4) Master of Business Administration in University of Southern California 	<ul style="list-style-type: none"> (1) Not a director or supervisor of the company or any of its affiliates. (2) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings. (3) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (4) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same 	0

		<p>person; not a director, supervisor, or employee of that other company.</p> <p>(5) Not the Chairman, President or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses; not a director (or governor), supervisor, or employee of that other company or institution</p> <p>(6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.</p> <p>(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation, or a spouse</p> <p>(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</p> <p>(9) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	
Hsu, I-Sheng	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Currently serves as CEO of the Company; Chairman & CEO of Fortune Value Co., LTD; Director of Synergy Co., Ltd. & E-Formula Technologies, Inc.</p> <p>(3) Master of Business Administration of National Chung Cheng University</p>	<p>(1) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.</p> <p>(2) Not the Chairman, President or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses; not a director (or governor), supervisor, or employee of that other company or institution</p> <p>(3) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation, or a spouse</p> <p>(4) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	0
Hsu, I-Te	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Currently serves as President of the Company; director of Xin He Energy Development Co., Ltd. & Fortune Electric Australia Pty Ltd</p> <p>(3) Master of Case Western Reserve University, U.S.</p>	<p>(1) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.</p> <p>(2) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person; not a director, supervisor, or employee of that other company.</p> <p>(3) Not the Chairman, President or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses; not a director (or governor), supervisor, or employee of that other company or</p>	0

		<p>institution</p> <p>(4) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation, or a spouse.</p> <p>(5) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	
Weng, Jen-Pei	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Was Auditor General of Grand Bills Finance Corp.; Director of Sales, Accounting Director, Audit Director and General Affair Director of International Bank of Taipei</p> <p>(3) Bachelor of Department of Sales, Sanno University, Japan</p>	<p>(1) Not an employee of the company or any of its affiliates.</p> <p>(2) Not a director or supervisor of the company or any of its affiliates.</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.</p>	0
Hu, Len-Kuo	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Currently serves as Adjunct Professor of International Trade Department, National Chengchi University</p> <p>(3) Was external Independent Director of KGI Securities Co.; Dean of Business School of National Kaohsiung University of Science and Technology; Dean of International Trade Department and Institute of International Trade of National Chengchi University; Council Member of Council Committee Small and Medium Enterprise Administration.</p> <p>(4) PhD and Master of Economics in University of California, U.S</p>	<p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.</p> <p>(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.</p> <p>(6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person; not a director, supervisor, or employee of that other company.</p>	0
Lei, Whey-Min	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Currently serves as Honorary Chairman of Alumni of International Business; permanent consultant of Taiwan Korean Trade Association..., etc.</p> <p>(3) Was Chief of on-the-job training team of Center for Public and Business Administration Education, NCCU; Dean's office secretary of Institute of International Trade of National Chengchi University; lecturer of International Trade Department and Institute of International Trade of National Chengchi University.</p> <p>(4) Bachelor of International Business in National Chengchi University</p>	<p>(7) Not the Chairman, President or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses; not a director (or governor), supervisor, or employee of that other company or institution</p> <p>(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.</p> <p>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation, or a spouse</p>	0
Liao, Chih-Hsiang	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Currently serves as Partner CPA of Chain Ye Accounting Firm.</p> <p>(3) CPA and Certified Internal Auditor of Taiwan ROC; was Assistant Manager of Audit Department of Deloitte Taiwan and Assistant Manager of Overseas Investment Department of KGI Securities.</p> <p>(5) Master of Accounting in National Chengchi University</p>	<p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.</p> <p>(11) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	0

Note: The above-mentioned Directors did not have any conditions defined in Article 30 of the Company Act.

2. Diversity and Independence of Board of Directors:

(1) Diversity of Directors:

It was stipulated in the Corporate Governance Best Practice Principles that the composition of the Board of Directors should be diversified. Directors concurrently serving as company officers should not exceed one-third of the total number of the board members, and All members of the board shall have the knowledge, skills, and experience necessary to perform their duties.

The composition of the board of directors shall be determined by taking diversity into consideration. An appropriate policy on diversity based on the company's business operations, operating dynamics, and development shall be formulated, including basic requirements and values (gender, age, nationality, and culture), professional knowledge and skills (law, finance, marketing, or technology).

The specific management goal and achievement of the Company's diversity policy are as follows:

Management goal	Achievement
The composition of the board of directors shall include ability to lead, make operational judgments, conduct management administration, conduct crisis management, and have knowledge of the industry and international market perspective.	Achieved
Independent directors shall exceed one-third of the total number of the board members that are specialized in international trade, business management, and finance and accounting.	Achieved
Directors concurrently serving as company officers not exceed one-third of the total number of the board members.	Achieved

Implementation status of the Diversity policy of Board Members is as of the following:

Title	Diversified Categories Name	Composition					Professional Background				Competency									
		Nationality	Gender M/F	Employee Identity	Age Group			CPA / Lawyer	Industry	Finance	Instructor in college	Operation Judgement	Accounting and Financial Analysis	Management	Crisis Management	Industry expertise	International Market Perspective	Leadership	Decision Making	
					41-50	51-60	61-70													71-81
Director	Hsu, Bang-Fu	ROC	M					V		V	V		V	V	V	V	V	V	V	V
	Hsu, Shou-Hsiung		M				V			V	V	V	V	V	V	V	V	V	V	V
	Shu, Yi-Cheun		M			V				V	V		V	V	V	V	V	V	V	V
	Hsu, I-Sheng		M	V	V					V	V		V	V	V	V	V	V	V	V
	Hsu, I-Te		M	V	V					V	V		V	V	V	V	V	V	V	V
	Weng, Jen-Pei		M					V		V	V		V	V	V	V	V	V	V	V
Independent Director	Hu, Len-Kuo		M				V			V	V	V	V	V	V	V		V	V	V
	Lei, Whey-Min		M						V		V	V	V	V	V	V		V	V	V
	Liao, Chih-Hsiang		M		V					V	V	V		V	V	V	V	V	V	V

(2) Independence of the Board of Directors:

There are 9 members in the Company's Board of Directors, including 2 Independent Directors and 3 Directors that are also employees (33.33% and 22.22% of all members of the Board, respectively), and 3 Independent Directors. As of December 31st, 2022, Independent Directors are all in compliance with conformity mandated by Securities and Futures Bureau, Financial Supervisory Commission, and all Directors and Independent Directors did not have any matters against the 3rd and 4th paragraphs of Article 26-3 of the Securities and Exchange Act. Primary responsibility of the Board of Directors is to supervise the Company to be law-abiding, with financial transparency, real-time disclosure of material information, and perform objective and independent judgement on company's financial matters. We are in full compliance of the regulations of the Act when Board Members were selected.

(2) Information on the company's directors, supervisors, president, assistant presidents, deputy assistant presidents, and the supervisors of all the company's divisions and branch units.

April 17th, 2023

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other positions in companies in which the Individual is concurrently serving	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	ROC	Hsu, I-Te	M	106.06.23	3,948,577	1.51	0	0.00	0	0.00	Case Western Reserve University, U.S. Master of Law	Hsin He Energy Co.,Ltd Director Fortune Electric Australia Pty Lt Director	International Division Vice President	Hsu, I-Ming	Brothers	Operation consideration
CEO	ROC	Hsu, I-Sheng	M	106.06.23	3,248,470	1.24	10,000	0.00	0	0.00	National Chung Cheng University, U.S. MBA	Synergy Co., Ltd. & E-Formula Technologies, Inc. Director Fortune Electric Value Company Limited Chairman & CEO	Management Division Division Head	Hsu, I-Yang	Brothers	Operation consideration
International Division Vice President	ROC/US/Canada	Hsu, I-Ming	M	106.11.06	1,812,174	0.69	0	0.00	0	0.00	University of Toronto, CA Bachelor of Software Engineering	Fortune Electric America Inc. Chairman Fortune Electric Australia Pty Ltd Director	President	Hsu, I-Te	Brothers	-
Procurement Division Division Head	ROC	Sun, Shih-Ming	M	107.04.01	143,500	0.05	8,674	0.00	0	0.00	Chien Hsin University of Science and Technology Department of Electrical Engineering	Fortune Electric (Wuhan) Co., Ltd. Chairman Wuhan Fortune Electric Co., Ltd. Chairman	NONE	NONE	NONE	-
Power Division Division Head	ROC	Chu, Huei-Long	M	103.01.02	250	0.00	0	0.00	0	0.00	Minghsin University of Science and Technology Department of Machinery	NONE	NONE	NONE	NONE	-
Electrical Engineering Division Division Head	ROC	Ku, Fu-Chen	M	105.10.01	27,964	0.01	58,471	0.02	0	0.00	St. Aloysius Technical School Department of Technician	NONE	NONE	NONE	NONE	-
Head of Management Division / Corporate Governance / Finance (Note 2)	ROC	Hsu, I-Yang	M	106.07.03	3,246,609	1.24	0	0.00	0	0.00	Abilene Christian University Master of Communications	Fortune Electric Value Company Limited Executive Assistant to Chairman	CEO	Hsu, I-Sheng	Brothers	-
Technology Division Division Head	ROC	Lee, Hsiao-Li	M	107.06.01	0	0.00	0	0	0	0.00	National Taipei University of Technology Department of Electrical Engineering	NONE	NONE	NONE	NONE	-
New Energy Engineering Division Division Head	ROC	Wang, Yiao-Fan	M	107.06.01	0	0.00	40,020	0.02	0	0.00	University of Pittsburgh Master of Mechanical Engineering	NONE	NONE	NONE	NONE	-
Switch Division Division Head	ROC	Tu, Cheng-Fah	M	107.10.01	0	0.00	1,000	0.00	0	0.00	Lunghwa University of Science and Technology Department of Electrical Engineering	NONE	NONE	NONE	NONE	-
Domestic Business Division Division Head	ROC	Chen, Meng-Yueh	M	107.10.01	253	0.00	0	0.00	0	0.00	Minghsin University of Science and Technology Mechanical Engineering	NONE	NONE	NONE	NONE	-
Information Center Division Head	ROC	Lin, Cheng-Chin	M	109.04.01	12	0.00	3	0.00	0	0.00	National Jinan University PhD, Business Administration	NONE	NONE	NONE	NONE	-
Accounting Manager	ROC	Chiu, Hsu-Lan	F	92.09.05	0	0.00	0	0.00	0	0.00	Tamkang University Department of Accounting	NONE	NONE	NONE	NONE	-

Note 1: Due to consideration of the Company operations the Chairman and the President or equivalent position are relative within first degree of relationship, in order to compliant with Securities and Exchange

Act, current year board of directors fully reelection will appoint four Independent Directors.

Note 2: Nominated and approved by Board of Directors as Head of Corporate Governance on March 22nd, 2021.

3.3 Remuneration paid during the most recent fiscal year to directors, supervisors, the president, and assistant presidents

(1) Remuneration of Directors and Supervisors in the Most Recent Year:

1. Remuneration of Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) and to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note 1)
		Base Compensation (A)		Severance Pay (B)		Director's Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements			
Chairman	Hsu, Bang-Fu	16,483	16,483		-	15,045	15,045	264	264	31,792 3.79%	31,792 3.79%	-	-	-	-	-	-	-	-	44,086 5.26%	44,635 5.32%	NONE
Vice Chairman	Hsu, Shou-Hsiung																					
Independent Director	Hu, Len-Kuo																					
Independent Director	Lei, Whey-Min																					
Independent Director	Liao, Chih-Hsiang																					
Director	Shu, Yi-Cheun											11,263	11,812	-	-	-1,031	-1,031	-				
Director	Weng, Jen-Pei																					
Director & CEO	Hsu, I-Sheng																					
Director & President	Hsu, I-Te																					

Please describe the policy, system, standard, and structure of remuneration to Independent Directors, and the correlation between duties, risk, and time input with the amount of remuneration:

Remuneration of the Independent Directors was construed, as stipulated in the Company's Articles of Incorporation, authorizing the Board of Directors to consider the level of operational involvement and contribution, and taking normal standards adopted by peer companies, that Directors' remuneration would not be more than 2%, as stipulated in the 27th article, within reasonable range.

* In addition to the above-mentioned, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors: NONE

Note: Chairman, President and CEO were all provided with a limousine, with monthly payment paid to the rental car company.

Range of Remuneration for the Company's Directors	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	-	-	-	-
NT\$1,000,000 ~ NT\$1,999,999	Hsu, I-Te, Hsu, I-Sheng, Weng, Jen-Pei, Shu, Yi-Cheun	Hsu, I-Te, Hsu, I-Sheng, Weng, Jen-Pei, Shu, Yi-Cheun	Weng, Jen-Pei, Shu, Yi-Cheun	Weng, Jen-Pei, Shu, Yi-Cheun
NT\$2,000,000 ~ NT\$3,499,999	Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	- Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang -
NT\$3,500,000 ~ NT\$4,999,999	-	-	-	-
NT\$5,000,000 ~ NT\$9,999,999	Hsu, Bang-Fu, Hsu, Shou-Hsiung	Hsu, Bang-Fu, Hsu, Shou-Hsiung	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng
NT\$10,000,000 ~ NT\$14,999,999	-	-	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-	-	-
Greater than or equal to NT\$100,000,000	-	-	-	-
Total	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng, Shu, Yi-Cheun, Weng, Jen-Pei, Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng, Shu, Yi-Cheun, Weng, Jen-Pei, Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng, Shu, Yi-Cheun, Weng, Jen-Pei, Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang	Hsu, Bang-Fu, Hsu, Shou-Hsiung, Hsu, I-Te, Hsu, I-Sheng, Shu, Yi-Cheun, Weng, Jen-Pei, Hu, Len-Kuo, Lei, Whey-Min, Liao, Chih-Hsiang

(2) Remuneration of CEO and President in the Most Recent Year:

1. Remuneration of President and CEO

Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) and to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO	Hsu, I-Sheng	7,133	7,682	-	-	4,130	4,130	383	-	1,031	-	12,294 1.47%	12,843 1.53%	無
President	Hsu, I-Te													

Range of Remuneration	Names of President and CEO	
	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	-	-
NT\$1,000,000 ~ NT\$1,999,999	-	-
NT\$2,000,000 ~ NT\$3,499,999	-	-
NT\$3,500,000 ~ NT\$4,999,999	-	-
NT\$5,000,000 ~ NT\$9,999,999	Hsu, I-Te; Hsu, I-Sheng	Hsu, I-Te; Hsu, I-Sheng
NT\$10,000,000 ~ NT\$14,999,999	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
Greater than or equal to NT\$100,000,000	-	-
Total	Hsu, I-Te; Hsu, I-Sheng	Hsu, I-Te; Hsu, I-Sheng

2. Remuneration of Managerial Officers in detail

December 31st 2022

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income (%)
Managerial Officers	CEO	Hsu, I-Sheng	-	NT\$3,560,000	NT\$3,560,000	0.42 %
	President	Hsu, I-Te				
	International Division Vice President	Hsu, I-Ming				
	Procurement Division Div. Head	Sun, Shih-Ming				
	Power Division Div. Head	Chu, Huei-Long				
	Electrical Engineering Division Div. Head	Ku, Fu-Chen				
	Head of Management Division / Corporate Governance / Finance	Hsu, I-Yang				
	Technology Division Division Head	Lee, Hsiao-Li				
	New Energy Engineering Division Division Head	Wang, Yiao-Fan				
	Switch Division Division Head	Tu, Cheng-Fah				
	Domestic Business Division Division Head	Chen, Meng-Yueh				
	Information Center	Lin, Cheng-Chin				
	Accounting Manager	Chiu, Hsu-Lan				

(3) Comparison of Remuneration for Directors, CEO, President and Vice Presidents in the Most Recent Two Fiscal Years and the ratio of the abovementioned total amount to Net Income in Individual Financial Statements, and the Remuneration policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and correlation between with business performance and risks.

1. Remuneration paid to Directors, CEO, President and Vice Presidents were NT\$34,972 thousand and NT\$29,112 thousand and ratios of remuneration paid to the abovementioned Managerial Officers to net income were 4.17% and 10.04% in 2022 and 2021, respectively.
2. The compensation to Chairman, Vice Chairman, and the Directors were determined by the Board of the Company, authorized by what were stipulated in the Articles of Incorporation, in accordance with the individual performance and the market trends. The compensation is measured based on the employee's personal achievements, contribution made to the business operation, and the market averages. The remuneration to CEO and President were stipulated in the "Remuneration Policy and Performance Appraisal for Managerial Officers."

3.4 The state of the company's implementation of corporate governance

(1) Operations of the Board of Directors

1. A total of 5 meetings of the Board of Directors were held in 2022. The attendance status of director and supervisor was as follows:

Title	Name	Attendance in Person (times)	By Proxy	Attendance Rate (%)	Remarks
Chairman	Hsu, Bang-Fu	5	0	100%	
Vice Chairman	Hsu, Shou-Hsiung	5	0	100%	
Director	Shu, Yi-Cheun	5	0	100%	
Director	Hsu, I-Sheng	5	0	100%	
Director	Hsu, I-Te	5	0	100%	
Director	Weng, Jen-Pei	5	0	100%	
Independent Director	Hu, Len-Kuo	5	0	100%	
Independent Director	Lei, Whey-Min	5	0	100%	
Independent Director	Liao, Chih-Hsiang	5	0	100%	

2. Other mentionable items:

- (1) If any of the following circumstances occur, all Independent Directors' opinions and the status of the Company's responses: NONE
- 1-1 Matters referred to in Article 14-3 of the Securities and Exchange Act
- 1-2 Other matters involving objections or reservations expressed by independent directors that were recorded or stated in writing that require a resolution by the board of directors
- (2) If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Board Meeting Dates	Director	Resolution	Rationale of avoidance of motions and voting result
March 23 th , 2022	Hsu, I-Sheng	Appointed Directors for Subsidiary Fortune Electric Value Company	Proposal was approved upon consent of all members present, with avoidance of interested party, Director Hsu, I-Sheng.
November 9 th , 2022	Hsu, Bang-Fu	Continue assign Mr. Hsu, Chung-Ming, Mr. Hsu, Bang-Fu and Mr. Sun, Shih-Ming to be the Director of Fortune Electric (Wuhan) Ltd. The tenure will end until the end of the case of "Fortune Electric (Wuhan) entity Transfer agreement"	Proposal was approved upon consent of all members present, with avoidance of interested party, Director Hsu, Bang-Fu.

(3) Implementation Status of Board Evaluations

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	Jan 1 st ~ Dec 31 st 2022	Board of Directors Individual Directors All Functional Committees	Self-evaluation by the Board of Directors Self-assessment by the Directors	As defined in the "Scope of evaluation: Board of Directors and Individual Directors," evaluation will be conducted in accordance with minimum 5 aspects, as defined in the appraisal criteria

(4) Evaluation of Implementation Status for enhancing capability of the Board in Current Year and Most Recent Year:

- The Company continued to enhance information transparency and disclose Corporate Governance related information to protect Shareholders' best interest.
- To assist the Directors in performing their duties and optimize the efficiency of the Board, the Company has established "Performance Appraisal of the Board of Directors" in 2020. 2022 self-assessment report to the Board of Directors, the resolution are as below:

Evaluation Item	Evaluation Description	Result
Board performance evaluation	A. level of participation in company operations B. quality enhancement of Board decisions C. Board composition and structure D. appointment of directors and their continued development E. internal controls	Outstanding
Self-assessment by the individual Directors	A. grasp of company targets and missions B. understanding of the director's role and responsibilities C. level of participation in company operations D. internal relationship management and communication E. director's specialty and continued development F. internal controls	Outstanding
Functional committee performance evaluation	A. participation in company operations B. understanding of the responsibilities of functional committees C. improvement of the decision-making quality of functional committees D. composition of functional committees, and member selection E. internal control	Outstanding

- To strengthen the functionality of Corporate Governance, the Company has elected 3 Independent Directors and has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties. In the future, other types of functional committees might also be established, if deemed necessary for accommodating business operating needs.

(2) Implementation Status of Audit Committee

The Audit Committee assists the Board in fulfilling its oversight of the quality and

integrity of the accounting, auditing, reporting, and financial control practices of the Company. Audit items were in accordance with the 8th Article in “Audit Committee Charter.”

In 2022, annual assessment tasks included: review quarterly financial statements and reports, endorsement guarantee censorship, annual profit distribution, affiliated product trading, material assessment trading, amendment of the “Assets Acquisition Handling Procedures”, audit “account receivable non Loaning of Funds and Making of Endorsements/Guarantees case” and effectiveness of Internal Control System. Proposals were reviewed and approved and will be submitted to the Board of Directors for discussion.

1. A total of 5 Audit Committee meetings were held in 2021. The attendance status of the Independent Directors was as follows:

Title	Name	Attendance in Person (times)	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Hu, Len-Kuo	5	0	100%	
Independent Director	Lei, Whey-Min	5	0	100%	
Independent Director	Liao, Chih-Hsiang	5	0	100%	

2. Other mentionable items:

- (1) If any of the following circumstances occur, all Audit Committee resolutions should clearly state the following: Audit Committee convened dates, Sequence No., Resolution description, consent or dissent opinions of the Independent Directors, key suggestion description and result as well as action status of the Company:

1-1 Matters referred to in Article 14-5 of the Securities and Exchange Act

Board Meeting Dates	Sequence No.	Resolution	Result
March 23 rd , 2022	1 st	<p>Discussion:</p> <ol style="list-style-type: none"> 1. 2021 Consolidated Financial Statements, Individual Financial Statements, and Business report 2. Status of buying / selling of Forward Foreign Exchange 3. Proposal for Distribution of 2021 4. Amendment of “Procedures of Acquisition or Disposal of Assets” 5. Drafted and initiated 2021 Internal Control System Statement 6. Fortune Electric Extra High Voltage Co., Ltd., subsidiary of the Company, proposed to apply bank financing with Taipei Fubon Bank and three other financial institutions to accommodate business operational needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee 7. Fortune Electric (Wuhan) Ltd., sub-subsidiary of the Company, proposed to apply bank financing of USD 3 million short-term loan with The Shanghai Commercial and Savings Bank to accommodate business operational turnover needs. Before this company equity transfer, requested the Company to provide endorsement by company guarantee for bank financing guarantee 8. Progress report on sale and reinvestment of Fortune Electric (Wuhan) Ltd. 	<p>Proposal was approved upon consent of all members present and would be submitted to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would be submitted to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would be submitted to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would be submitted to Board for further discussion.</p>
May 4 th , 2022	2 nd	<p>Discussion:</p> <ol style="list-style-type: none"> 1. 1Q 2022 Consolidated Financial Statements 2. Status of buying / selling of Forward Foreign Exchange 3. Progress report on sale and reinvestment of Fortune Electric (Wuhan) Ltd. 	<p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to Board for further discussion.</p> <p>Proposal was approved to adjust the payment schedule and term upon consent of all members present and would submit to Board for further discussion.</p>
July 6 th , 2022	3 rd	<p>Discussion:</p> <ol style="list-style-type: none"> 1. Status of buying / selling of Forward Foreign Exchange 2. Fortune Electric Extra High Voltage Co., Ltd., subsidiary of the Company, proposed to apply bank financing with Hua Nan Commercial Bank, Ltd. and 2 other financial institutions to accommodate business operational needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee 4. Equity transfer report of on sale and reinvestment of Fortune Electric (Wuhan) Ltd. 	<p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposed was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposed was approved modifying and adding partial wordings on transfer agreement upon consent of all members present and would submit to the Board for further discussion.</p>
August 9 th , 2022	4 th	<p>Discussion:</p> <ol style="list-style-type: none"> 1. 2Q 2022 Consolidated Financial Statements 2. Status of buying / selling of Forward Foreign Exchange 3. In consideration of the business operating status of Fortune Electric (Wuhan) Ltd., sub-subsidiary company of the Company, proposing to cancel endorsement by the Company’s guarantee to Fortune Electric (Wuhan) Ltd., upon guarantee maturity. 4. The Company invest company obtain project financing, agree to sign a letter of commitment of compulsory sale and so on 	<p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p>
November 9 th , 2022	5 th	<p>Discussion:</p> <ol style="list-style-type: none"> 1. 3Q 2022 Consolidated Financial Statements 2. Status of buying / selling of Forward Foreign Exchange 3. Fortune Electric (Wuhan) Ltd., sub-subsidiary of the Company, proposed 	<p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and would submit to the Board for further discussion.</p>

Board Meeting Dates	Sequence No.	Resolution	Result
		to apply bank financing credit line with Chang Hwa Commercial Bank and three other financial institutions to accommodate business operational turnover needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee	Proposal was approved upon consent of all members present and would submit to the Board for further discussion.
	4.	From November 2022 to 2023, to fulfill business needs and reduce interest cost, Fortune Electric (Wuhan) Ltd., sub-subsidiary of the Company, proposed to the Company to continue provide guarantee within a total credit limit of USD 1.5 million with permission to draw on it within quota.	Proposal was approved upon consent of all members present and would submit to the Board for further discussion.
	5.	As of the end of September of 2022, the Company has normal credit without recover exceeding the period of three months and the amount of 20 million NT dollars which not under the category of financial loads.	Proposal was approved upon consent of all members present and would submit to the Board for further discussion.
	6.	Equity of reinvested company disposal	Proposal was approved upon consent of all members present and would submit to the Board for further discussion.
	7.	Progress report on sale and reinvestment of Fortune Electric (Wuhan) Ltd.	Proposal was approved upon consent of all members present and would submit to the Board for further discussion.

1-2 Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

(2) If there are Independent Directors' avoidance of motions in conflict of interest and its status: NONE ◦

(3) Communication between Independent Directors, Internal Audit (IA) managers and CPA:

IA managers submitted monthly audit report to Independent Directors and would initiate direct communication, if deemed necessary. Participated in the routine quarterly Board Meetings and reported implementation status of audit matters. Internal Control Statement would be reviewed and approved by Audit Committee with onward submitting to the Board.

Communication between Independent Directors and Internal Audit (IA) managers:

Date	Key Points	Results
March 23 rd , 2022 (Board Meeting)	November 2021-February of 2022 Internal Audit execution status report	Agreed for future reference
May 4 th , 2022 (Board Meeting)	March 2022 Internal Audit execution status report	Agreed for future reference
July 6 th , 2022 (Board Meeting)	April to May 2022 Internal Audit execution status report	Agreed for future reference
August 9 th , 2022 (Board Meeting)	June 2022 Internal Audit execution status report	Agreed for future reference
November 9 th , 2021 (Board Meeting)	July to September 2022 Internal Audit execution status report	Agreed for future reference
March 8 th , 2023 (Board Meeting)	October 2022 to January 2023 Internal Audit execution status report	Agreed for future reference

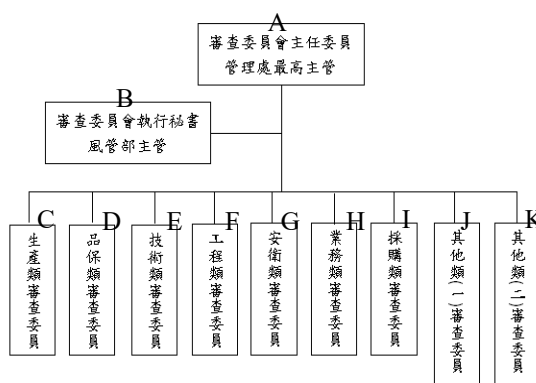
Communication between Independent Directors and CPA:

Dates	Key Points	Results
November 9 th , 2022 (Audit Committee)	CPA gave out explanation regarding 3Q 2022 financial, profit and loss status and communicated with the Company about 2022 financial statements' key audit findings.	No Comments
March 8 th , 2023 (Audit Committee)	CPA gave out explanation regarding 2022 financial, profit and loss status and communicated with the Company about 2022 financial statements' key audit conclusion report and corporate governance 3.0 financial report declaration regulation, new regulation of International Ethics Standards Board for Accountants (IESBA), Audit Quality Indicators (AQI) explanation	No Comments

(3) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles and its information has been disclosed on the Company’s website No deviation
2. Shareholding structure & shareholders’ rights			
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes, and litigations, and implement based on the procedure?	V		The Company has designated Spokesperson or Deputy Spokesperson to be responsible for investors’ suggestions or disputes
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		Shareholders’ list provided by agent for stock affairs
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		The Company has established “Supervision and Management of Subsidiaries” management procedure
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		The Company has established “Management Procedures for Preventing Insider Trading.”
3. Composition and Responsibilities of the Board of Directors			
(1) Does the Board develop and implement a diversified policy for the composition of its members?	V		In the 20 th Article in the Company’s “Corporate Governance Regulation”, it was stipulated that diversification was the key directive in Corporate Governance; the above-mentioned has been disclosed on the Company’s website. The Company’s current Board Members, Hsu, Bang-Fu, Hsu, Shou-Hsiung, Shu, Yi-Cheun, Hsu, I-Sheng, Hsu, I-Te, and Weng, Jen-Pei are all shrewd business leaders with sound operational judgement and management, crisis handling, and are all equipped with industry knowledge and international market views. Three Independent Directors, Lei, Whey-Min, Hu, Len-Kuo, and Liao, Chih-Hsiang were lecturers at International Trade Department, National Cheng-Chi University, and were all familiar with global trading business and enterprise operation....etc; amongst them, Lei, Whey-Min was CPA partner of Chainye Accounting Firm and would be very beneficial to the company when he got involved in terms of business management, accounting, financials as well as corporate governance....etc Although Board Members of the Company have fulfilled the requested diversification, the Company will continue to review composition of being diversified and constantly enhance Board Member’s diversification whenever needed, especially upon re-election. Please refer to page18 for diversification implementation status. Concrete management goal is to improve the member of the board of directors’ concept and background in Corporate Governance, Environmental Sustainability, Corporate Social Responsibility, and Legal, and supervising and guiding more effectively the company to respond to the development trends of international. No deviation
(2) Does the company, in accordance with the governing law, voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		Established Remuneration Committee in accordance with regulations and all Independent Directors served as committee members. Board meeting passed the resolution of setting up Sustainable development Committee on March, 2022. No deviation
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	V		The Company has established “Performance Appraisal of the Board of Directors” in 2020. Since then, Board evaluation was assessed every year and has completed declaration of appraisal results by 1Q of the following year. No deviation
(4) Does the company regularly evaluate the independence of CPAs?	V		2022 performance evaluation results submitted to the Board of Directors on March 8 th of 2023. The Board of the Company reviewed independence and competency of its certifying CPAs at least once a year and requested certifying CPAs to provide “Declaration of Independence and Detachment” and “Audit Quality Indicators Report”, and do not have any financial interest or business relationship other than financial statement certification fee. CPAs did not have a significant close business relationship with the Company nor any monetary loans with the Company. Family members of the CPAs will not violate independence. CPAs would be appointed, with the aforementioned criteria being met, and the Audit Committee discuss with resolution and report on March 8 th of 2023, also with the resolution of Board of Directors, then their information would be disclosed on the Company’s website. https://www.fortune.com.tw/tw/Investor_governance_05.html#governance No deviation

4.	Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V	In 2021, the Company has established Corporate Governance supervisor, approved by Board of Directors, to be responsible for Corporate Governance matters such as: handling of Board Meeting and Shareholders' Meeting, facilitating Directors to assume office and continuous learning, supporting Directors with materials for executing business, and assisting Directors to follow codes and acts..., etc. There were 14 days of training in 2021 and completed filing declaration within stipulated deadline. Please refer to the Company's website for detailed course content.	No deviation
5.	Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V	The Company provided detailed contact information in the "Stakeholder Area" section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels, such as Special Column, &As, Request-and-Reply..., etc. for all stakeholders to communicate with the Company. Starting 2021, the Company has authorized Deloitte to set up a channel, "Whistle Blower Platform," for all employees to seek assistance escalate injustice behaviors violating company requests. https://www.fortune.com.tw/tw/contact_stakeholder.aspx	No deviation
6.	Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V	Stock Transfer Department of Taishin Securities Co., Limited	No deviation
7.	Information Disclosure			
(1)	Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V	Please go to "Investor Service" on the Company's website.	No deviation
(2)	Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V	The Company has assigned an appropriate person to handle information collection and disclosure, and Spokesperson procedure has been established and implemented. The Company has established "Procedures for Handling Material Inside Information" as the basis for material information handling and the said procedure has been approved by the Board. According to the regulations, the information session shall host at least once a year, and the relevant information will be upload to the Company website.	No deviation
(3)	Does the Company disclose and announce Annual Financial Statements within two months after end of each Fiscal Year and announced Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V	The Company has reported annual financial statements within three months after the end of each fiscal year and made declaration accordingly. The Company announced and reported its financial statements for Q1, Q2, and Q3 within 45 days and filed monthly operating status 10 th on every month. Beginning from 2023, the annual financial statement will be filed within 75 days after the end of fiscal year.	Will implement according to regulations accordingly



A	Review Committee Chairperson Head of Management Division
B	Review Committee Executive Secretary Head of Risk Management
C	Production Review Member
D	Quality Assurance Review Member
E	Technology Review Member
F	Engineering Review Member
G	Safety and Health Review Member
H	Sales Review Member
I	Procurement Review Member
J	Other Category (I) Review Member
K	Other Category (II) Review Member

● All operating mechanism of risk management

To engage effectiveness of risk management execution, all roles and responsibilities, have been categorized and defined as below table:

Responsible Authority	Task Items
CEO Office / President Office	Assist cross-unit and all level of risk management communication and coordination
Audit Office	Supervise and audit all units to confirm whether risk management operation is in place
Management Division	Lead the formation of the Company's risk management mechanism Promote and supervise overall risk management plans Assess and evaluate risk profile of the Company and risk appetites of all business groups
Management Division Risk Management and Legal Department	Establish standardize risk management tools Assist in identifying and analyzing all departments' risk Evaluate over company risk (including legal risk) Assist in handling all departments' of extremely risky events and high-risk events Assist in handling all professional risks and company strategy risk
Management Division Human Resources Department	Assist in promoting risk management corporate culture Set up all departments' risk management related performance KPIs
Management Division Finance Department	Assist the Company in financial risk management
Divisional Heads	Establish responsible unit's risk management plans and goals Evaluate responsible unit's applicability of risk management Assist in supervising and controlling all departments' risk
All Units' Head	Evaluate effectiveness and consistency of risk management plan in practice Responsible for identifying, analyzing and supervising responsible unit's risk
Employees	Communicate with supervisor the risk associated with responsible business Clearly understand the importance of responsible business' risk profile
Review Committee Members	Assist Risk Management Department (RML Dep.) in handling risk management relevant tasks Identify and analyze overall company integrated risk events Evaluate effectiveness of overall company integrated risk events

● Risk Management Matters and management framework

	Major Risk evaluation matters	Risk Management Responsible Authority	Risk Review and Control	Decision and supervision mechanism
1.	Strategic risk: industry, strategy, annual targets, business environment, reputation, and human resources, ..., etc.	CEO Office, President Office, Domestic Business Division, International Business Department, New Energy Engineering Business Division, Management Division	All Division Heads, CEO Office、President Office、Risk Management Review Committee	The Board of Directors : highest directing unit for giving instruction and making decision Audit Office : Confirm whether corporate risk management mechanism is in place
2.	Operating risk: workflow, job safety, product quality, sales & marketing, suppliers, ..., etc.	CEO Office, President Office, Electrical Engineering Division, Power Division, Switch Division, New Energy Engineering Business Division, Safety & Health Department, Procurement Division, Domestic Business Division, International Business Department, Technology Division, Management Division		
3.	Financial risk: capital, credit line, inventory, and bad debts, ..., etc.	CEO Office, President Office, Domestic Business Division, International Business Department, New Energy Engineering Business Division, Procurement Division, Management Division, Electrical Engineering Division, Power Division, Switch Division		
4.	Information risk: R&D capability, information security, internal/external information communication, knowledge transformation, and legal related, ..., etc.	CEO Office, President Office, Technology Division, Domestic Business Division, International Department, Management Division, Information Center, Switch Division		

■ Risk Management Policy and measurement criteria:

On August 19th of 2010, the Company's Board of Directors passed Risk Management Commitment and Risk Management Policy project which include launch risk management system and implement risk management brochure publication. Management Policy mandates are as below:

- Corporate Value Creation
Prevent possible risk by optimizing customers and shareholders' interests as well as in line with corporate operating directives, whereas seeking balance between risk and reward and created benefits for all.
- Pursuit of Corporate Sustainability
Establish and promote Risk Management System to effectively identify, analyze, evaluate and handle all risks resulting from business engagement, and supervise and review its operating results. Ensure risk lies within the risk appetite of associated stakeholders to fulfill corporate sustainability.
- All-participating Risk Management
Through corporate commitment and risk management mechanism, from top to bottom, to reinforce employee riskawareness. From bottom to top, through employee training, cultivation of employee risk management capability, to create corporate risk management culture as well as implementing risk management in all employee's daily life and work so that risk management is embedded in company operation.

■ All risk management matters and detailed assessment operation description, please refer to page 230 to page 232 for details. The Company has committed to govern all company products, workflow and activities are in accordance with what's stipulated and defined in ISO31000.

■ Report to the Board of Directors previous year risk control management execution status at the beginning of each year:
(At least once a year)

■ On December 7th, 2021, risk management implementation progress was reported to the Board of Directors:

- Risk management task were conducted on schedule:
From identified risk matters, including Operation & Environment Climate., etc. pinpoint items with larger impact or needed timely improvement, and provide improvement plans. In addition, continue to exercise control over risk matters not yet submitted improvement plans; for those risk matters with higher risk levels, all units will monitor and exercise control individually and report to Risk Management and Legal Department.
- Risk Management Training implementation: up to end of 2021, for newcomer training and Risk Management Committee training, there were 47 people being trained with accumulated training hours of 77 hrs. (Due to COVID-19 pandemic eruption, majority of newcomers and manager-to-be trainings were suspended.)
- 2021 risk management results: completed 141 risk handling strategies and after assessment, 80% of risk matters could be reduced with effective controls.

■ On March 8th of 2023, 2022 risk management implementation progress was reported to the Board of Directors:

- Risk management task were conducted on schedule: 2022 identified 105 risk matters (in total), including Operation & Environment Climate., etc. pinpoint items with larger impact or needed timely improvement, and provide improvement plans. In addition, continue to exercise control over risk matters not yet submitted improvement plans; for those risk matters with higher risk levels, all units will monitor and exercise control individually and report to Risk Management and Legal Department.
- Risk Management Training implementation: up to end of 2022s, for newcomer training and Risk recognition and control training, there were 109 people being trained with accumulated training hours of 189 hrs.
- 2021 risk management results: completed 141 risk handling strategies and after assessment, 80% of risk matters could be reduced with effective controls.

5. The Company has established "Management Procedures for Preventing Insider Trading", in accordance with "Internal Control System Handling Procedure Amendment", which included defining range of internal material information affecting share prices, confidential handling and measures prohibited for selling and buying prior to internal material information affecting share prices made public and such material information's description, time, ways of communication and personnel, in order to prevent violation of insider trading occurrences.

6. For the Company's Directors and Managerial Officers to commit in business management comfortably, we have arranged liability insurance of USD 5 million for the Directors and Managerial Officers.

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures:

1. To reinforce the Board's structure and operation, the Company has established Audit Committee to replace Supervisors' functions.
2. The Company has been rated grade A for TWSE/TPEx Listed Companies in information transparency for many years consecutively. Governance self-assessment criteria included the following four categories: "protect shareholders' best interest and treat them fairly", "reinforce the Board's structure and operation", "enhance information transparency", and "fulfill Corporate Social Responsibility" and four categories of "implement sustainable development". The Company ranked 21%-35% and 36%-50% in the 4th and 5th sessions and from 6th to 9th sessions, respectively.

(4) Composition, Responsibilities and Operations of the Remuneration Committee or Nomination Committee

1. Members of Remuneration Committee (the Company has yet to establish Nomination Committee)

Title	Criteria	Professional Qualification and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
	Name			
Independent Director	Lei, Whey-Min	1. Had over five years of working experience necessary for the company business operation. 2. Currently serves as Honorary Chairman of Alumni of International Business; permanent consultant of Taiwan Korean Trade Association..., etc. 3. Was Chief of on-the-job training team of Center for Public and Business Administration Education, NCCU; Dean's office secretary of Institute of International Trade of National Chengchi University; lecturer of International Trade Department and Institute of International Trade of National Chengchi University. 4. Not having any matters as defined in Article 30 of the Company Act.	An Independent Director who maintains independence, including but not limited to himself, spouse, relative within the second degree of kinship, not being an employee, director, supervisor of the Company or any of its affiliates; not having any shares of the Company; not providing commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation	0
Independent Director	Hu, Len-Kuo	1. Had over five years of working experience necessary for the company business operation. 2. Currently serves as Adjunct Professor of International Trade Department, National Chengchi University 3. Was external Independent Director of KGI Securities Co.; Dean of Business School of National Kaohsiung University of Science and Technology; Dean of International Trade Department and Institute of International Trade of National Chengchi University; Council Member of Council Committee Small and Medium Enterprise Administration. 4. Not having any matters as defined in Article 30 of the Company Act.	An Independent Director who maintains independence, including but not limited to himself, spouse, relative within the second degree of kinship, not being an employee, director, supervisor of the Company or any of its affiliates; not having any shares of the Company; not providing commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation	0
Independent Director	Liao, Chih-Hsiang	1. Had over five years of working experience necessary for the company business operation. 2. Currently serves as Partner CPA of Chain Ye Accounting Firm. 3. CPA and Certified Internal Auditor of Taiwan ROC; was Assistant Manager of Audit Department of Deloitte Taiwan and Assistant Manager of Overseas Investment Department of KGI Securities. 4. Not having any matters as defined in Article 30 of the Company Act.	An Independent Director who maintains independence, including but not limited to himself, spouse, relative within the second degree of kinship, not being an employee, director, supervisor of the Company or any of its affiliates; not having any shares of the Company; not providing commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received compensation	0

2. Operating information and state of Remuneration Committee

- (1) There are 3 members in the Remuneration Committee, composed of by all the Independent Directors.
- (2) Current term of the members: June 12th, 2020 ~ June 11th 2023. Two Remuneration Committee meetings were held in the Most Recent Year.

2022 attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Lei, Whey-Min	2	0	100%	Roles & Responsibility were established in accordance with what was stipulated in “The Independent Director’s Roles and Responsibility”.
Committee Member	Hu, Len-Kuo	2	0	100%	
Committee Member	Liao, Chih-Hsiang	2	0	100%	

3. Other mentionable items:

Remuneration Committee	Motions and follow-up processing	Result	The Company’s response regarding Remuneration Committee’s opinions
The 5 th time of the 4 th Term March 23 rd , 2022	1. The Company’s 2021 Distribution of Directors and Employee Remuneration amount and distribution methods 2. The Company merge the “3W1880 distribution operation standard for engineering performance bonus of engineering project executed by Production Department” and “6W1701 distribution operation standard for engineering performance bonus for New Engineering department and renamed “6W1701 distribution operation standard for engineering performance bonus”	Motion was approved upon consent of all members present	To be implemented in accordance with Remuneration Committee’s opinion
The 6 th time of the 4 th Term November 9 th , 2022	The Company until October of 2022 reward statistics of The Company’s Managerial Officers	Motion was approved upon consent of all members present	To be implemented in accordance with Remuneration Committee’s opinion

(5) Fulfillment of Corporate Sustainable Development & Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and reasons:

Implementation Item	Implementation Status Explanation			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Abstract	
(1) Does the company establish exclusively (or concurrently) dedicated first-line managers, authorized by the Board, to oversee and propose the corporate sustainable development implementation status and reporting to the board?	V		Sustainable Development Committee, a functional committee, was approved by the Board of Directors on March 2022. The chairman and vice chairman are the directors of the members; whereas president and CEO are the deputy directors of the members. Corporate Governance manager will be the executive secretary, and the appointed internal managers will be the members. The Sustainability Development Committee Regulations, including member’s responsibilities and authorities for guidance, are established in accordance with Article 27 of the Corporate Governance Best Practice Principles. The Sustainability Development Committee is authorized as the comprehensive cross-function communication platform that identifies sustainable issues that concern the corporate operation and by the stakeholders, while making corresponding strategy and work policy, tracking the performance, and ensuring sustainable development strategy is fully implemented in the daily operation. The Sustainability Development Committee has prepared the ESG short, medium, and long term index setting to the Board of Directors on March 8, 2023. The Board of Directors shall evaluate the chance of success of the goal setting, and urge the operation team to make adjustment when necessary.	No deviation
(2) Does the company establish and disclose the Corporate Sustainable Best-Practice Principles based on “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies”?	V		The risk assessment boundary is focus on the company, including Chung Li plant, Guan Yin 2nd plant, and Guan Yin 3rd plant. Sustainability Development Committee will analyze in accordance with the material principles on the Sustainability Report, communicate with internal and external stakeholders, and integrate assessment data from every department to evaluate material ESG issues, while making effective identification, evaluation, supervision and control of risk management policy, adopting specific action plan to reduce impact of relevant risks. It establishes relevant risk management policy or strategy after evaluation. Please refer to supplement information on P.237 Matters of Special Notes.	No deviation

Implementation Item	Implementation Status Explanation			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Abstract	
(3) Environmental issues				
1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		The Company has adopted ISO14001, according to industry characteristics to have environmental management system in place. We execute production waste management, waste reduction and disposal, as well as resource recovery from waste, ..., etc., and obtained ISO14001 Environmental Management System certification in 2017.	Implemented in accordance with the regulation and no deviation.
2) Does the company endeavor to enhance energy efficiency and use renewable materials which have low impact on the environment?	V		Through the Energy Management System, the Company endeavors to enhance energy efficiency and improve facility energy consumption. On March 24 th , 2022, the Company was awarded by the result of “2021 Taoyuan City Low-Carbon Technology Industry subsidy and incentive program” and was granted funding for promoting lighting equipment, water Chiller and raining recycling device. Last year, the Company spent more than 5 million NTD in Green Mark products, namely, laptops, PCs, Air Conditioning equipment, A4 size papers, and leasing of company vehicles; on December 12 th of 2022, the company obtained Green Procurement certified documents from Environmental Protection Administration (EPA), Executive Yuan. This achievement ensured a bonus point for Tai Power bidding project and the Company will be awarded for Green Procurement Excellent Manufacturer by Taoyuan City Government. The Company has developed recycling equipment for Green House Gas (GHG) SF6; recycling mechanism is in place for production, inspection and repair and maintenance to reduce the impact of environment overload to the minimum. For the use of insulating oil, some manufacturing of transformer could use recyclable insulating oil, such as plant oil for which the transformer will become more environmentally friendly. Regarding our supply chains, some vendors also cooperated with us and recycle some of their products, which also helped to reduce the impact on the environment.	Implemented in accordance with the regulation and no deviation.
3) Does the company evaluate the potential risks and opportunities in climate change with regards to the present and future of its business, and take appropriate action to counter climate change issues?	V		The Company adopted ISO50001 and emphasized issues' resolution and responses pertinent to the stakeholders. Potential risk and opportunities have been identified to counteract and improve, projects for power, oil and water consumption have been arranged to manage resources, water recycling, resource recovery from waste and carbon footprint to best demonstrate corporate responsibility execution results.	Implemented in accordance with the regulation and no deviation.
4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	V		The Company promoted ISO14001 and ISO50001, with the intention of setting up goals in environment protection, energy reduction, to dutifully fulfill social responsibility. The Company established recycling system of SF6 residual steel bottom, factory paint equipment and method improvement, and conducted inventory checking on Green House Gas, water consumption and waste total weight. Through third party certification as well as management configuration of the system, we have set our target for electricity saving of 1%. 2022 Chung Li Plant, Guan Yin Plant II and Guan Yin Plant III with impressive performance to achieve energy saving rate 9.5%, 9.52 and 1.56% respectively.	Implemented in accordance with the regulation and no deviation.
(4) Social issues				
1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The Company complied with relevant codes of Internal Human Rights, and formulate “Fortune Electric Co., Ltd. human right policy and statement” and related regulation such as Basic Labor Rights, Gender Equality, Right-to-Work and Anti-Discrimination strictly. Implemented recruitment and employment terms, cared for Underprivileged Groups, prohibition on employment of child labor, fair and equal in compensation, benefits, training, and evaluation. An effective and appropriate complaint mechanism has been provided to ensure the fairness and transparency in complaint handling, including setting up of “Work Rule” by relevant codes as well as all sorts of management procedures and further to disclose in communication platform for all to reference to.	Implemented in accordance with the regulation and no deviation. https://www.fortune.com.tw/tw/Investor_human_right.html
2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		In accordance with the Company's “Comfort Employee” and upholding “Quality, Participation, Welfare, and Continuity” management principles, in addition to comply with relevant labor codes and acts, we have established “Welfare Committee” to handle all sorts of employee benefits measures as well as human resources management procedures including employee retention, training and development, promotion, year-end bonus and employee remuneration, which were all reflected in employee compensation and benefits.	Implemented in accordance with the regulation and no deviation.
3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		The Company conducted planned environment inspection and equipment maintenance as well as setting up EHS employee health and safety information platform website to promote a safe and healthy working environment by adopting 3 management systems, ISO45005, ISO14001 and ISO50001. Budget has been allocated to establish Sports Centers and periodically implement healthy promoting plans, such as Smoking Cessation as well as Weight Loss programs; in addition to these measures, the Company promulgate Four Guidance published by Occupational Safety and Health Administration jointly with on-site medical personnel for health consciousness promotion. Established a sound training quality management system including, newcomer orientation, pre-service training, on-the-job training, all sorts of career capability trainings. And linked with capability deficiency training	Implemented in accordance with the regulation and no deviation.

Implementation Item	Implementation Status Explanation			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and reasons
	Yes	No	Abstract	
<p>4) Does the company provide its employees with career development and training sessions?</p> <p>5) Do the company's products and services comply with relevant laws and international standards in relation to issues like customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer & client protection and grievance procedure policies implemented?</p> <p>6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights?</p>	V		<p>and promotion mechanism.</p> <p>Products were designed according to relevant conformity of countries and would only be ready for market sales after passing related certification. Please contact all branch office's toll-free hotlines. For details, please refer to our website: https://www.fortune.com.tw/tw/contact_map.html</p> <p>As stipulated in the procurement operating procedures, suppliers of Fortune Electric must observe relevant regulations of ISO and RoHS, and ensure restricted use or prohibit use of the 6 major hazardous matters, as defined in RoHS. As stipulated in IP2036, “Suppliers’ safety and health management procedure”, suppliers took advantage of Work Certificate Management, Safety & Hygiene Education Training, Consultative Organization Meeting, and safety patrol. With suppliers’ sound work safety and health measures, accidents would be reduced. By doing so, staff, equipment and property were kept safe and occupational hazards would be reduced and further minimize the impact to the environment. By way of counseling system, suppliers over all awareness of all sort of safe and health have been lifted and to maintain safety in our working environment. The Company has signed “Environment and Occupation Safety Cooperation Commitment” of 1W1611, which demonstrated our commitment in reducing and preventing of pollution, our continuity in promoting waste reduction as well as our determination in compliance with relevant environmental codes. For occupational safety, hazard prevention and “Independence, Interdependence and Dependence” protection policy have been in place for all to understand potential risk in all sorts of activities whereby risk would be reduced. To be in line with the requirement of the Company’s environment and occupational safety and health procedures, ISO 14001 Environmental Management System, ISO45001 Occupational Health and Safety management System, and ISO50001 Energy Management have been adopted to be one of the main criteria in supplier selection.</p> <p>It is clearly stipulated in the contract with suppliers that relevant codes must be observed in environmental health and safety; suppliers should uphold the spirits of corporate social responsibility and reduce operational impact to environment, community as well as humanity. Further, concept of sustainable consumption has been promoted and introduced and the following principles in R&D, procurement, production, operation, and services have to be observed accordingly:</p> <ol style="list-style-type: none"> 1. Reduce product and service’s waste of energy and resources. 2. Decrease emission of contaminated material, toxic matters, and waste and shall handle and dispose of waste properly. 3. Increase material or product’s recyclability and reusability. 4. Fully maximize reusable material for sustainability. 5. Extend product durability. 6. Increase product and service effectiveness. <p>Both parties strive to commit in implementing corporate social responsibility. Should Party B involve in violation of corporate social responsibility matters, or created explicit impact against the community and society, the contact may be terminated or cancelled immediately. To reinforce supplier quality management mechanism and further to implement source of supply’s impact against environment and society, suppliers and material development roles and responsibilities have been stipulated in 1W1611 (Supplier Development Evaluation) with the aforementioned relevant operational guidelines, to jointly fulfill corporate social responsibility.</p>	<p>Implemented in accordance with the regulation and no deviation.</p> <p>Implemented in accordance with the regulation and no deviation.</p> <p>Implemented in accordance with the regulation and no deviation.</p>
(5) Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose sustainable development report and non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third-party verification unit	V		<p>The Company has compiled ESG Sustainable Report according to GRI standard, 2016 edition which expected 2022 ESG Sustainable Report will obtain third party assurance.</p> <p>Please refer to the Company website https://www.fortune.com.tw/tw/attached/investor/%E8%8F%AF%E5%9F%8E%E9%9B%BB%E6%A9%9F2021%E6%B0%B8%E7%BA%8C%E5%A0%B1%E5%91%8A%E6%9B%B8.pdf</p>	Implemented in accordance with the regulation and no deviation.
<p>(6) Describe the difference, if any, between actual practice and the corporate sustainable development principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies:</p> <p>The Company has established “Corporate Social Responsibility Codes of Practice” for all employees to adhere. Volunteer programs were held randomly, aiming to foster employees’ awareness of corporate social responsibility. While engaging in business operations, the Company actively fulfills Corporate Social Responsibility to cope with international trend and pay attention to the rights of Interested Parties. The Company is seeking sustainability and profitability as well as high regards for environment, and corporate governance. These are the Company’s management directives and operational activities:</p> <p>We uphold “Comfort Employee”, “Comfort Customer”, “Comfort Shareholders” and “Comfort Society” missions and dedicate ourselves in Corporate Governance, rights of stakeholders; while pursuing sustainable business and profitability, we care about environment and social responsibility and ethical management and incorporate these important ideas into our management directives and operating activities. We expand Green Energy business and dutifully fulfill corporate social responsibility and sustainability. There is no deviation between actual operation and guidelines.</p> <p>(7) Other useful information for explaining the status of corporate sustainable development practices:</p> <p>The Company upholds operating concepts of “developing high-quality, and beneficial to human beings’ product, supplying to the society with abundant quantity and reasonable prices, to improve society, making profit, benefiting employees, pursuit of happiness, sharing prosperity and peace in harmony.” In other words, “Comfort Employees”, “Comfort Customers”, “Comfort Shareholders”, and “Comfort Society” are our mission statements.</p> <p>The Company solves customer and society problem in power supply with high quality, benefit the society directly and dedicated to power business the most by fulfilling corporate social responsibility, and is in harmony with the environment, by producing Green Electrical Engineering environmentally friendly products.</p> <p>To understand stakeholders’ reasonable expectations and needs, a special section for information asking and opinions for stakeholders has been placed in corporate website: https://www.fortune.com.tw/tw/contact_stakeholder.aspx</p>				

Implementation Item	Implementation Status Explanation			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Abstract	
The Company adopted the following measures to fulfill social responsibility as well as be neighborly and care for the society:				
<div>i. Major shareholders established a foundation for founder Mr. Hsu, “Mr. Hsien-Liang Hsu Social Welfare Charity Foundation”, engaged in scholarships for underprivileged students and social welfare matters.</div> <div>ii. Join Taoyuan County’s harmony plan and renamed the foundation as “Taipei Hsien-Liang Hsu Social Welfare Foundation Fortune Electric Taoyuan Plant Volunteer Committee”, to promote for handicapped, juvenile, family, senior citizens, children and composite benefits volunteering service work, as well as participating Taoyuan City’s charity donation and all sorts of non-profit charity activities. For details, please refer to our corporate website: http://www.fortune.com.tw/emp/charity/index.asp</div> <div>iii. Donation to Tunghai Rotary Club and Yoneyama Rotary Club for social charity relief.</div> <div>iv. Participated in Guan Yin District neighborly activities, by promoting “Fortune Electric Benevolent Bank” (giving away without returning) campaign, subsidizing middle-to-low income holders, and further dedicated in underprivileged, child care, adoption, community blood-donation, school donation, beach & mountain cleaning, street cleaning and drainage dredging project.</div> <div>v. In response to government’s calling and developed tree plant to counter global warming, environmental earth-loving, ..., etc. activities.</div> <div>vi. Cooperated with Taoyuan City government and executed O3 improvement plan, demonstrating real action to preserve earth.</div> <div>vii. Joined Taoyuan City factory neighboring river, Kuan Yi Stream’s adoption program, and passed down environmental protection and water resources concepts to employees, expecting to fulfill environment protection and earth-loving cultural heritage.</div> <div>viii. To cooperate with Tai Power necessity-reaction plan, by enhancing Tai Power’s operating reserve capacity during summer peaks, to adapt to Industrial Area’s power consumption with dexterity.</div> <div>ix. Collaborating between industry and academia and all sorts of cooperation project, to provide students with on-the-job training, part-time job and internship.</div> <div>x. Fulfill corporate responsibility and recruited R&D and training reserved Substitute Services, to incubate R&D technology talents with special skillsets.</div> <div>xi. Participated in government’s career promotion fair and reward program, to provide more job opportunities and lower unemployment rate.</div> <div>xii. In response to government’s policy, provide job opportunities to the underprivileged, disabled, indigenous peoples, middle-aged people, and all sorts of training subsidy projects to fulfill social responsibility.</div> <div>xiii. Set up Emergency power-restoration service system and provided customers with the shortest time to restore power supply in all-year-round.24hrs service, to fulfill “Comfort Society” Fortune Electric spirits</div> <div>xiv. The Company was awarded the 18th place in the 2015 of CommonWealth Magazine CSR Corporate Citizen Award</div> <div>xv. The Company was awarded “10th Service Quality Excellence Award” by Taoyuan City</div> <div>xvi. From 2015 to 2018, the Company was awarded by CommonWealth Magazine for CSR Corporate Citizen Award, best demonstration of the company’s operating results in Corporate Governance, Enterprise Commitment, Social Participation, and Environmental Protection.</div> <div>xvii. Awarded “2018 Innotech Expo” Platinum Medal and Silver Medal.</div> <div>xviii. Awarded “Taiwan Excellence Awards” in 2018 and 2019</div> <div>xix. The Company was awarded again the “2020 Taoyuan City Gold Enterprise Excellence Award – Mastermind Award” for the Company’s dedicated efforts in Taoyuan industry creativity as well as prospering jointly with Taoyuan, and further enhanced competitiveness and branding internationally</div> <div>xx. Won Gold Medal in the 2021 Taiwan Innotech Expo</div> <div>xxi. Hsu I-Te, President of the Company, was awarded with honor as “Taiwan MVP Managers”</div> <div>xxii. The Company was honored with the “Smart Manufacturing Transformation Award” of 2022 2nd “Digital Transformation Ding Ge Award, organized by Harvard Business Review.</div> <div>xxiii. The Company was honored the award of “Outstanding Unit in Green Procurement for private Enterprises and Group”.</div>				

(6) Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have a Board-approved Ethical Corporate Management Policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p> <p>(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?</p> <p>(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>	V		The Company has established "Ethical Corporate Management Guidelines" and "Ethical Management Operation Procedures and Conduct Guide.", being approved by the Board of Directors, stipulated explicitly in internal rules and external documents about ethical management procedures and methods for all Board Members and management to commit and uphold.	Implemented in accordance with the regulation and no deviation.
	V		The Company has established "Ethical Management Operation Procedures and Conduct Guide.". in accordance with 2 nd item of 7 th Article in "Ethical Corporate Management Guidelines" to define code of conduct to abide by and routinely make use of all meetings, occasions, and periodicals to strengthen promotion and training to avoid unethical behaviors occurrence.	Implemented in accordance with the regulation and no deviation.
	V		The Company's "Ethical Corporate Management Guidelines", clearly set forth ethical corporate management practices to prevent unethical behaviors in detail, included procedures, guides and training. "Whistleblower protection and report procedures", including penalty and complaint system, and implementation.	Implemented in accordance with the regulation and no deviation.
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	V		Established "Business Standard Operating Procedures" to conduct credit checking in JCIC and reputation in the industry on business partners prior to transaction being taken places, filtrate parties with unethical records to lower transaction and payment collection risk. Ethical fulfillment terms have been incorporated in the Company's standard contracts. It is stipulated in the Company's procurement strategy that "Filter out substandard supplier and provide high quality suppliers details to design unit and factory" to avoid doing business with supplier with unethical records.	Implemented in accordance with the regulation and no deviation.
	V		To strengthen ethical corporate management, Human Resources Department and Risk Management & Legal Department oversee establishing ethical corporate management policy and preventive measures whereas Risk Management & Legal Department will cooperate and conform for execution, and report to the Board of Directors in every quarter. https://www.fortune.com.tw/tw/Investor_integrity.html	Will implement in accordance with regulations.
	V		The Company has established "Avoidance of Conflict-of-Interest Policy" to identify, supervise and manage potential risk resulting from conflict of interest. Interested parties would be given proper channels to voluntarily explain if there will be potential conflict of interest with the Company whereas the Company's best interest would be prioritized, when conflict occurs, the aforementioned explanation would be brought for discussion for final decision.	Implemented in accordance with the regulation and no deviation.
	V		Internal Audit plans has scheduled compliance practices, based on the Company's "Ethical Management Operation Procedures and Conduct Guide."	Implemented in accordance with the regulation and no deviation.
	V		Periodically conduct internal employee training and promotion; set up "Supplier Cooperation Meeting" and invite all relevant parties of business engagement with the Company to join so that the Company's determination, policy and preventive measures of Ethical Management would be clearly understood by all.	Implemented in accordance with the regulation and no deviation.
<p>3. Operation of the integrity channel</p> <p>(1) Does the Company establish both a reward/punishment system and an integrity hotline,</p>	V		The Company set up "Personnel Assessment Committee" and designated an executive secretary to	Implemented in accordance with the regulation and no

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract	
for ease of whistleblowing? Does the Company appoint designated person appropriately to follow up with the person in question?			be contact window for all matters regarding report, investigation, punitive actions, complaint matters as well as rewards and disciplinary system. Since 2021, to boost willingness to report internal inappropriate conducts, the Company has authorized D&T Taiwan to set up Whistle Blowing Platform so that employees have easy access to seek assistance or to report any unfitting actions against company regulations. https://www.fortune.com.tw/tw/contact_whistle.html	deviation.
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		A sound whistle-blowing mechanism, providing a solid “Whistleblower protection and reporting procedure”, has been set up completely in 2019, which offered report channel for internal and external whistleblowers, and accepted, investigated, handled, avoidance and confidentiality system, and implemented accordingly.	Implemented in accordance with the regulation and no deviation.
(3) Does the company provide proper whistleblower protection?	V		The aforementioned whistleblowing system, being disclosed internally that, should rules of ethical management been violated, the Company regulations would be handled accordingly. Please find below whistleblowing system summary: (1) Set up internal and external report channels, contact window, handling unit, and complaint and reporting flow. (2) Handled report cases, investigation process, results, punitive actions, and record as well as preserve relevant documentation records. (3) Keep informants' identity and accusation content in strict confidence. (4) Whistleblower's protection measure and state witness leniency.	Implemented in accordance with the regulation and no deviation.
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The Company has established “Corporate Governance Management Guidelines”, “Corporate Ethical Management” and “Ethical Management Procedure and Behavior Guidelines.” which had been disclosed in corporate website. Further, “Employee Moral Character Assessment Guidelines”, as behavioral standards, has also been disclosed in communication platform for all employees to research and adhere. For details on Ethical Management promotion results, please refer to our website: https://www.fortune.com.tw/tw/Investor_integrity.html	Implemented in accordance with the regulation and no deviation.
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has established the “Ethical Corporate Management Policies” and “Ethical Corporate Management Procedure and Behavior Guides”, based on “ethical policy”, upholds “Quality, Participation, Welfare, and Continuity” management principles. Externally, we pay attention to customer with ethical principles and internally, we have reinforced employee moral characters' evaluation guidelines and request all employees to be disciplined and obey corporate internal regulations and norms. Effective corporate governance and risk management mechanism has been established to create everlasting operating environment. Accordingly, implemented according to guidelines without any deviation.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). 1. The Company defined relevant professional ethics regulations in the “Work Rules” and further request all employees to put into effect four big career tests of Truth, Fairness, Reputation, Honorable Friendship and Mutual Benefits. Further, spread out these ideas to customers and suppliers to carry out corporate ethical management belief. 2. The Company adheres to Corporate Act, Securities Exchange Act, relevant regulations of TWSE/TPEX Listed Companies and other commercial behavior codes and has been rated grade A for TWSE/TPEX Listed Companies in information transparency for many years consecutively. The Company ranked 21%-35% and 36%-50% in the 4 th and 5 th sessions and 6 th to 9 th sessions, respectively.				

(7) If the Company has established “Corporate Governance Guidelines”, please disclose how to search for it:

The Company has established “Corporate Governance Guidelines”. Please refer to our Company website, as below path indicated:

“Investor Service” → “Corporate Governance” → “Important Internal Rules”

https://www.fortune.com.tw/tw/Investor_governance_03.html#governance

(8) Any other information facilitating Corporate Governance implementation status should also be disclosed:

The Company has established “Ethical Corporate Management Guidelines”, “Ethical Management Operation Procedures and Conduct Guide.”, “Work Rules”, and “Personnel Assessment Committee Operating Procedures” detailing the Directors, Managerial Officers, Employees, Appointees, or those in actual control, may not directly or indirectly, provide, commit, request, or taking any unlawful interest in the process of building dealings or commit any other unethical, illegitimate obligations in order to gain or main personal interests. These are the evaluation criteria in which employee career ethics and moral appraisal and has been put in communication platform for all employees to look up and adhere.

(9) Internal Control System Implementation Status

1. Internal Control Statement

Fortune Electric Co., Ltd.

Internal Control Statement

Date: March 8th, 2023

Based on the self-assessment of Company's internal control system for year 2022, we hereby declare that:

1. The establishment, implementation and maintenance of an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system, designed to provide reasonable assurance with respect to the effectiveness and efficiency of business operations (including profitability, performance and safeguarding of assets), reporting that encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the Company's policies and their compliance with relevant rules and regulations.
2. An internal control system, no matter how well designed, has inherent limitations and therefore can provide only reasonable assurance with respect to the accomplishment of the above three goals. Furthermore, because of changing conditions and circumstances, the effectiveness of an internal control system may vary over time. Notwithstanding, the internal control system of the Company contains self-oversight mechanisms, and actions are taken to correct deficiencies as they are identified.
3. The Company examined the design and effective implementation of its internal control system according to the criteria prescribed in "Guidelines for Establishment of Internal Control Systems by Securities and Futures Related Organizations" (called the "Guidelines" below) promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. The "Guidelines" divide internal control into five constituents in line with the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring activities. Each constituent contains several criteria. Please refer to the "Guidelines" for details.
4. The Company has evaluated the design and effectiveness implementation of its internal control system in accordance with the above criteria.
5. Based on the results of assessment, the Company believes on December 31st, 2022, that the design and implementation of its internal control system (inclusive of the governance and control of the Company's subsidiaries), consisting of the effectiveness and efficiency of business operations, reporting that encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the Company's policies and the compliance of relevant rules and regulations, are effective and reasonably assure the achievement of the aforementioned goals
6. This Statement will be the key content in the Company's Annual Report and Prospectus and will be made public externally. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Article 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This Statement has been unanimously approved by the Board of Directors at the meeting held on March 8th, 2023. Among all attending 8 Directors, none held opposing opinion, and all are in favor of the content in this Statement.

Fortune Electric Co., Ltd.

Chairman: Hsu, Bang-Fu Signature

President: Hsu, I-Te Signature

CEO: Hsu, I-Sheng Signature

2. Disclosures Required for the Implementation of the Internal Control System audited by CPA: NONE

(10) If there has been any legal penalty against the company and its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year up to the publication date of the annual report, the penalty, main shortcomings, and condition of improvement: NONE °

(11) Major Resolutions of Shareholders' Meeting and Board Meeting in The Most Recent Year up to the Publication Date of the Annual Report

Major Resolutions of Shareholders' Meeting on June 15th, 2022, implementation status and summary:

1. Proposal

The Company's 2021 Consolidated Financial Statements, Individual Financial Statements and Business report are hereby submitted for ratification

Explanation:

- (1) The Company's 2021 Consolidated Financial Statements and Individual Financial Statements have been prepared, along with Business Report, and approved by Audit Committee with onward submission to the Board for approval by Board Meeting on March 23rd, 2022; these statements and reports were approved without any objection. Hereby, we are seeking the ratification from the Shareholders' Meeting in accordance with the law.
- (2) The abovementioned statements (omitted) are for your ratification.

Resolution:

Ratification votes: 179,165,014 votes, 98.45% of voting rights and hereby the motion carried as it was.

2. Proposal:

The Company's Profit Distribution for 2021 is hereby submitted for ratification

Explanation:

- (1) The Company's 2021 net profit after-tax was NT\$289,882,893, please refer to 2021 profit distribution table (omitted) for details.
- (2) For your ratification.

Resolution:

Ratification votes: 166,498,503 votes, 99.71% of voting rights and hereby the motion carried as it was.

Execution status:

Proposed to set August 6th, 2022 as cash dividend Ex-Dividend Date and would start to pay out from August 25th, 2022. (Cash dividend per share would be NT\$1)

3. Proposal:

Amendment of "Procedures of Acquisition or Disposal of Assets" to submit for referendum.

Explanation:

- (1) Cooperated with law and regulation to amend the "Procedures of Acquisition or Disposal of Assets"
- (2) The Amendment comparison Table (Omit)

Resolution: Ratification votes: 179,139,007 votes, 98.44% of voting rights and hereby the motion carried as it was.

Execution Status: Announced on the Company website after approved by the shareholders' meeting and process accordance with the amendment.

Major Resolutions of the Board Meeting on March 8th, 2023

1. Proposal:
The Company's 2022 Employee, Directors and Supervisors remuneration distribution is hereby submitted for review and approval.
Explanation:
(1) Omitted
(2) Proposed the total remuneration paid to Employees and the Directors at 4.87% and 1.46% of the 2022 cumulative net profit, which will be NT\$50,152,000 and NT\$15,045,000, respectively.

Resolution: (1) Remuneration for the Directors have been approved by all members of the Remuneration Committee on March 8 th , 2023. (2) Proposal has been approved by all Directors present unanimously and has been submitted for ratification by the Shareholders' meeting.
2. Proposal The Company's 2022 Consolidated Financial Statements, Individual Financial Statements and Business report are hereby submitted for review and approval.
Explanation: (Omitted)
Resolution: (1) The Company's 2022 Consolidated Financial Statements and Individual Financial Statements have been prepared and approved by all members present at the Audit Committee on March 8 th , 2023. (2) The abovementioned statements have been approved by all members present at the Board meeting with onward submission to the Shareholders' meeting for ratification.
3. Proposal: The Company's 2022 Business report is hereby submitted for review and approval.
Explanation: (Omitted)
Resolution: (1) The Company's 2020 Consolidated Financial Statements and Individual Financial Statements have been prepared and approved by all members present at the Audit Committee on March 8 th , 2023. (2) The abovementioned statements have been approved to modify "will continue to sluggish" into "highly allied with global economic" by all members present at the Board meeting with onward submission to the Shareholders' meeting for ratification.
4. Proposal: The Company's Profit Distribution for 2022 is hereby submitted for review and approval
Explanation: The Company's 2022 net profit after-tax was NT\$838,248,823, please refer to 2022 profit distribution table (omitted) for details.
Resolution: (1) Proposal has been approved by all members present at the Audit Committee on March 8 th , 2023 unanimously. (2) Proposal was approved by all members present at the Board meeting with onward submission to the Shareholders' meeting for ratification regarding profit distribution and cash dividend distribution.
5. Proposal: Amendment of "The Regulation of the Directors Election" is hereby submitted for review and approval
Explanation: Omitted
Resolution: (1) Proposal was approved by all members present at the Board meeting with onward submission to the Shareholders' meeting for ratification.
6. Proposal: Proposed to amend "Procedures of Lending or Endorsement Guarantees" and hereby for your review and approval.
Explanation: Omitted
Resolution: (1) Amendment of "Procedures of Lending or Endorsement Guarantees" has been reviewed and approved by all members present at the Audit Committee on March 8 th , 2023. (2) Proposal was approved by all members present at the Board meeting with onward submission to the Shareholders' meeting for ratification.
7. Proposal: Proposed to completely reelected Board of Directors and candidate nomination for review and approval.

Explanation: Omitted
Resolution: Proposal was approved by all members present at the Board meeting with onward submission to current Shareholders' meeting for approval
8. Proposal: Proposed to lift non-competition restriction of Directors for review and approval.
Explanation: Omitted
Resolution: Proposal was approved upon consent of all other seven Directors present, with avoidance of interested party, Director Hsu, I-Te, and Director Hsu, I-Sheng, with onward submission to Shareholders' meeting for approval
9. Proposal: Proposed to convene 2023 Annual Meeting of Shareholders for review and approval.
Explanation: Omitted
Resolution: Proposal was approved by all members present at the Board meeting

- (12) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: NONE .
- (13) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&, In the Most Recent Year up to the publication date of the Annual Report: NONE

3.5 Information on Certified Public Accountant professional fees

Unit: NT\$ thousands

Accounting Firm	CPA	Period covered by CPA audit	Audit Fee	Non-audit Fee	Subtotal	Remarks
Deloitte Taiwan	Tza Li Gung Suei Chin Lee	Year 2022	4,420	462	4,882	Non-audit fee, mainly are business tax, transfer pricing, legal counseling fee..., etc.

- (1) If there's been a replacement of CPA firm and its replacement of annual audit fee was less than the previous fiscal year, the reasons and audit fee should be disclosed:
NONE
- (2) If audit fee was less than the previous fiscal year by 10%, the reasons, amount and ratio should be disclosed: NONE

3.6 Information on replacement of Certified Public Accountant: None

3.7 Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed:

None of the company's chairperson, Vice chairperson, CEO, president, nor any managerial officer in charge of finance nor accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm.

3.8 Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report disclosed

(1) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: share

Title	Name	2022		As of o April 17 th , 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Hsu, Bang-Fu	(512,044)	-	-	-
Vice Chairman	Hsu, Shou-Hsiung	(300,000)	-	-	-
Director	Shu, Yi-Cheun	-	-	-	-
Director & Managerial officer	Hsu, I-Sheng	300,000	-	-	-
Director & Managerial officer	Hsu, I-Te	133,882	-	-	-
Director	Weng, Jen-Pei	-	-	-	-
Independent Director	Hu, Len-Kuo	-	-	-	-
Independent Director	Lei, Whey-Min	-	-	-	-
Independent Director	Liao, Chih-Hsiang	-	-	-	-
Managerial Officer	Hsu, I-Ming	890,206	1,600,000	-	-
Managerial Officer	Hsu, I-Yang	300,000	-	-	-
Managerial Officer	Sun, Shih-Ming	-	-	-	-
Managerial Officer	Chu, Huei-Long	-	-	-	-
Managerial Officer	Ku, Fu-Chen	-	-	-	-
Managerial Officer	Lee, Hsiao-Li	-	-	-	-
Managerial Officer	Wang, Yiao-Fan	-	-	-	-
Managerial Officer	Tu, Cheng-Fah	-	-	-	-
Managerial Officer	Chen, Meng-Yueh	-	-	-	-
Managerial Officer	Lin, Cheng-Chin	-	-	-	-
Account Head	Chiu, Hsu-Lan	-	-	-	-

(2) Share Trading information of Directors, Supervisors, Managerial Officers and Major Shareholders with Related parties

Unit: share

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and the Company, Directors, Supervisors, Managers and Major Shareholders holding over 10%	Shares	Transaction Price (NT\$)
Hsu, I-Yang	Gift (Transfer)	20220111	Huang, Hsiou-Chin	Mother & Son	100,000	34.85
Hsu, Shou-Hsiung	Gifted	20220111	Hsu, I-Sheng	Father & Son	100,000	34.85
Hsu, I-Sheng	Gift (Transfer)	20220111	Hsu, Shou-Hsiung	Father & Son	100,000	34.85
Hsu, Bang-Fu	Gifted	20220321	Hsu, I-Te	Father & Son	66,941	36.44
Hsu, I-Te	Gift (Transfer)	20220321	Hsu, Bang-Fu	Father & Son	66,941	36.44
Hsu, I-Te	Gift (Transfer)	20220321	Chen, Yen-Fang	Mother & Son	66,941	36.44
Hsu, Bang-Fu	Gifted	20220613	Hsu, I-Ming	Father & Son	445,103	33.69
Hsu, I-Ming	Gift (Transfer)	20220613	Hsu, Bang-Fu	Father & Son	445,103	33.69
Hsu, I-Ming	Gift (Transfer)	20220613	Chen, Yen-Fang	Mother & Son	445,103	33.69
Hsu, Shou-Hsiung	Gifted	20221125	Hsu, I-Sheng	Father & Son	200,000	36.2
Hsu, I-Sheng	Gift (Transfer)	20221125	Hsu, Shou-Hsiung	Father & Son	200,000	36.2
Hsu, I-Yang	Gift (Transfer)	20221125	Huang, Hsiou-Chin	Mother & Son	200,000	36.2

(3) Share Pledge information of Directors, Supervisors, Managerial Officers and Major Shareholders with Related parties: NONE

3.9 Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the of kinship within Two Degrees

April 17th 2023 / Unit: share

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the of kinship as defined in Financial Accounting Standards No. 6th Information of Related Party Relationship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hua Cheng Investment Corp.	24,080,936	9.22%	0	0.00%	0	0.00%	Hsu, Shou-Hsiung	Chairman of this corp.	
Hsu, Shou-Hsiung	22,603,419	8.66%	9,017,034	3.45%	0	0.00%	Huang, Hsiou-Chin Hsu, Chung-Ming, Hsu, Bang-Fu Hsu, Mei-Fang	Spouse Brothers Brother & Sister	
Hsu, Bang-Fu	18,088,322	6.93%	12,568,761	4.81%	0	0.00%	Chen, Yen-Fang Hsu, Chung-Ming, Hsu, Shou-Hsiung Hsu, Mei-Fang	Spouse Brothers Brother & Sister	
Chen, Yen-Fang	12,568,761	4.81%	18,088,322	6.93%	0	0.00%	Hsu, Bang-Fu	Spouse	
Chun Sheng Fa Corp.	11,515,000	4.41%	0	0.00%	0	0.00%	Hsu, Chung-Ming	Chairman of this corp. is son of Hsu, Chung-Ming	
Hsu, Mei-Fang	10,094,874	3.87%	0	0.00%	0	0.00%	Hsu, Chung-Ming, Hsu, Bang-Fu Hsu, Shou-Hsiung	Brother & Sister	
Huang, Hsiou-Chin	9,017,034	3.45%	22,603,419	8.66%	0	0.00%	Hsu, Shou-Hsiung	Spouse	
Hsu, Chung-Ming	8,474,677	3.25%	8,195,887	3.14%	0	0.00%	Kuan, Eiao-Chan Hsu, Bang-Fu, Hsu, Shou-Hsiung Hsu, Mei-Fang	Spouse Brothers Brother & Sister	
Kuan, Eiao-Chan	8,195,887	3.14%	8,474,677	3.25%	0	0.00%	Hsu, Chung-Ming	Spouse	
Hsu, I-Luan	6,400,000	2.45%	0	0.00%	0	0.00%	Hsu, Chung-Ming, Hsu, Bang-Fu Hsu, Shou-Hsiung	Uncle & Nephew	

Note: In accordance with the "Regulations Governing the Preparation of Financial Reports," relationship amongst the abovementioned shareholders, including juridical persons and natural persons, should be disclosed.

3.10 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company

Unit: share; %

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managerial Officers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Power Energy International Ltd.	3,800,000	100.00	0	0.00	3,800,000	100.00
Fortune Electric America Inc.	1,000	100.00	0	0.00	1,000	100.00
Fortune Electric Extra High Voltage Co., Ltd.	80,000,00	100.00	0	0.00	80,000,00	100.00
E-Total Link	100	25.00	0	0.00	100	25.00
Fortune Energy Co., Ltd	100,000	100.00	0	0.00	100,000	100.00
Fortune Electric Australia Pty Ltd.	500,000	100.00	0	0.00	500,000	100.00
Fortune Electric Value Co., Ltd.	18,200,000	64.25	0	0.00	18,200,000	64.25

Note: The Company adopted equity method for investment.

- (1) Power Energy International Co., Ltd 100% re-invested Fortune Electric (Wuhan) Ltd. was completed on December, 2022. 100% reinvested Wuhan Fortune Electric Co., Ltd.
- (2) Strategic investor was induced on Feb 2022, and shareholding of the Company reduced to 64.25% from 80.18%.
- (3) Fortune Electric Extra High Voltage Co., Ltd. has completed the capital reduction to offset the loss on June 2022 and the share capital after capital reduction is 800,000 thousand NT dollars

IV. Capital Overview & Financing Plans and Implementation

1. Capital and Shares, Corporate Bonds, Preferred Shares, Overseas Depositary Receipts, Restricted Employee Shares New Issuance, Mergers & Acquisition

(1) Source of Capital

M / Y	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		No. Of Shares	Amount	No. Of Shares	Amount	Source of Fund	Capital by assets other than cash	Other
08/1969	1000	3,000	3,000,000	3,000	3,000,000	Founding Cash	NONE	NONE
01/1975	1000	10,000	10,000,000	10,000	10,000,000	Capital Increase: 7,000,000	NONE	NONE
08/1979	1000	30,000	30,000,000	20,000	20,000,000	Capital Increase: 10,000,000	NONE	NONE
10/1982	1000	60,000	60,000,000	50,000	50,000,000	Capital Increase: 30,000,000	NONE	NONE
02/1984	1000	120,000	120,000,000	80,000	80,000,000	Capital Increase: 18,000,000 Capital surplus transferred: 12,000,000	NONE	NONE
12/1986	10	12,000,000	120,000,000	10,050,000	100,500,000	Capital Increase: 20,500,000	NONE	NONE
08/1987	10	16,000,000	160,000,000	13,100,000	131,000,000	Capital Increase: 30,500,000	NONE	NONE
11/1988	10	19,000,000	190,000,000	16,775,000	167,750,000	capitalization of retained earnings: 36,750,000	NONE	NONE
10/1991	10	19,990,000	199,900,000	19,990,000	199,900,000	capitalization of retained earnings: 32,150,000	NONE	NONE
10/1992	10	40,000,000	400,000,000	40,000,000	400,000,000	capitalization of retained earnings: 126,936,500 Capital surplus transferred: 40,979,500 Capital Increase: 32,184,000 SECAPN19921029 (81)TWFS(I)NO.02805	NONE	NONE
06/1993	10	80,000,000	800,000,000	50,000,000	500,000,000	capitalization of retained earnings: 80,000,000 Capital surplus transferred: 20,000,000 SECAPN1993060 (82)TWFS(I)NO.1591	NONE	NONE
11/1994	10	80,000,000	800,000,000	57,500,000	575,000,000	capitalization of retained earnings: 75,000,000 SECAPN19941118 (83)TWFS(I)NO.46437	NONE	NONE
06/1995	10	80,000,000	800,000,000	66,364,584	663,645,840	capitalization of retained earnings: 88,645,840 SECAPN19950616 (84)TWFS(I)NO.35875	NONE	NONE
06/1996	10	80,000,000	800,000,000	76,558,922	765,589,220	capitalization of retained earnings: 88,670,460 Capital surplus transferred: 13,272,920 SECAPN19960624 (85)TWFS(I)NO.39540	NONE	NONE
05/1997	10	110,000,000	1,100,000,000	88,459,583	884,595,830	capitalization of retained earnings: 111,350,710 Capital surplus transferred: 7,655,900 SECAPN19970528 (86)TWFS(I)NO.42245	NONE	NONE
09/1997	10	110,000,000	1,100,000,000	108,459,583	1,084,595,830	Capital Increase: 200,000,000 SFIAPN19970915 (86)TWFS(I)NO.68049	NONE	NONE
05/1998	10	200,000,000	2,000,000,000	132,911,194	1,329,111,940	capitalization of retained earnings: 157,748,440 Capital surplus transferred: 86,767,670 SFIAPN19980519 (87)TWFS(I)NO.43763	NONE	NONE
06/1999	10	200,000,000	2,000,000,000	162,823,596	1,628,235,960	capitalization of retained earnings: 179,503,950 Capital surplus transferred: 119,620,070 SFIAPN19990601 (88)TWFS(I)NO.50798	NONE	NONE

M / Y	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		No. Of Shares	Amount	No. Of Shares	Amount	Source of Fund	Capital by assets other than cash	Other
06/2000	10	200,000,000	2,000,000,000	199,436,289	1,994,362,890	capitalization of retained earnings: 211,444,520 Capital surplus transferred: 154,682,410 SFIAPN20000607 (89)TWFS(I)NO.48194	NONE	NONE
07/2001	10	275,000,000	2,750,000,000	219,560,444	2,195,604,440	capitalization of retained earnings: 113,745,220 Capital surplus transferred: 87,496,330 SFIAPN20010705 (90)TWFS(I)NO.143343	NONE	NONE
07/2002	10	275,000,000	2,750,000,000	220,119,434	2,201,194,340	capitalization of retained earnings: 5,589,900 SFIAPN20020708 (91)TWFS(I)NO.0910137372	NONE	NONE
12/2003	10	275,000,000	2,750,000,000	215,119,434	2,151,194,340	Treasury Stock Retired: 50,000,000 TWSEAPTWSUP NO.09300011291	NONE	NONE
12/2004	10	275,000,000	2,750,000,000	205,902,434	2,059,024,340	Treasury Stock Retired: 92,170,000 TWSEAPTWSUP NO.09400001802	NONE	NONE
08/2008	10	275,000,000	2,750,000,000	216,197,556	2,161,975,560	capitalization of retained earnings: 102,951,220 FSCDC20080813 FSCINO.0970040948	NONE	NONE
08/2009	10	275,000,000	2,750,000,000	248,627,189	2,486,271,890	capitalization of retained earnings: 324,296,330 FSCDC20090817 FSCFNO.0980040943	NONE	NONE
07/2010	10	275,000,000	2,750,000,000	261,058,548	2,610,585,480	capitalization of retained earnings: 124,313,590 FSCDC20000728 FSCFNO.0990039446	NONE	NONE

Type	Shares	Authorized Capital			Remarks
		Outstanding Shares (Public Listed Company)	Un-issued Shares	Total Shares	
Registered Common Shares		261,058,548	13,941,452	275,000,000	

(2) Status of Shareholders

April 17th, 2023

Quantity	Structure	Governme nt Agency	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders		3	45	48	18,163	72	18,331
Shares		2,604,000	14,254,033	37,026,330	177,757,028	29,417,157	261,058,548
Shareholding ratio		1.00%	5.46%	14.18%	68.09%	11.27%	100.00%

(3) Shareholding distribution

Par Value: NT\$10

April 17th, 2023

Class of Shareholding	Number of Shareholders	Shareholding (shares)	Percentage
1 ~ 999	5,825	1,051,375	0.40
1,000 ~ 5,000	10,720	18,802,922	7.20
5,001 ~ 10,000	957	7,634,565	2.92
10,001 ~ 15,000	255	3,249,180	1.24
15,001 ~ 20,000	156	2,876,962	1.10
20,001 ~ 30,000	117	3,021,759	1.16
30,001 ~ 40,000	65	2,377,943	0.91
40,000 ~ 50,000	46	2,156,941	0.83
50,001 ~ 100,000	79	6,001,393	2.30
100,001 ~ 200,000	36	5,203,612	1.99
200,001 ~ 400,000	16	4,481,034	1.72
400,001 ~ 600,000	13	6,678,563	2.56
600,001 ~ 800,000	5	3,452,632	1.32
800,001 ~ 1,000,000	6	5,439,783	2.08
1,000,001 or over	35	188,629,884	72.26
Total	18,331	261,058,548	100.00

(4) List of Major Shareholders (all shareholders with a stake of 5 percent or greater, all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list)
April 17, 2023/Unit: share

Name of Major Shareholders	Shares	Percentage
Hua Cheng Investment Corp.	24,080,936	9.22
Hsu, Shou-Hsiung	22,603,419	8.66
Hsu, Bang-Fu	18,088,322	6.93
Chen, Yen-Fang	12,568,761	4.81
Chun Sheng Fa Corp.	11,515,000	4.41
Hsu, Mei-Fang	10,094,874	3.87
Huang, Hsiou-Chin	9,017,034	3.45
Hsu, Chung-Ming	8,474,677	3.25
Kuan, Eiao-Chan	8,195,887	3.14
Hsu, I-Luan	6,400,000	2.45

(5) Market Price, Net Worth, Earnings, and Dividends per share for the Most Two Years

Unit: NT\$

Year		2022	2021	As of March 31 st , 2023
Items				
Market Price per Share (Note 1)	Highest	50.90	52.80	75.90
	Lowest	32.55	34.60	47.15
	Average	42.80	44.67	61.81
Net Worth per Share (Note 2)	Before Distribution	15.87	13.33	-
	After Distribution	13.37	12.33	14.16
Earnings per Share (Note 3)	Weighted Average Shares	261,058,548	261,058,548	261,058,548
	Earnings per Share Before adjustment	3.21	1.11	0.79
	Earnings per Share After adjustment	3.21	1.11	0.79
Dividends per Share (Note 4)	Cash Dividends	2.50	1.00	-
	Stock Dividends	-	-	-
		-	-	-
	Accumulated Undistributed Dividends	-	-	-
Return on Investment Analysis	Price / Earnings Ratio (Note 5)	12.26	37.46	-
	Price / Dividend Ratio (Note 6)	15.74	41.58	-
	Cash Dividend Yield Rate (Note 7)	6.35	2.41	-

NOTE 1: Highest Market Price and Lowest Market Price were listed separately for each year; Average Market Price was calculated against transaction value and volume.

NOTE 2: Issued shares, as of each yearend against distribution status approved by the following year's Shareholders' Meeting (Distribution of Cash Dividends has been approved by the Board Meeting on March 8th, 2023)

NOTE 3: If there are stock dividends being issued and will need to be adjusted retrospectively, Before Adjustment and After Adjustment of Earnings per Share should be listed.

NOTE 4: According to issuing terms of Equity Securities, if there is undistributed earnings, these could be distributed to the year making profit and these information should be disclosed.

NOTE 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

NOTE 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

NOTE 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

NOTE 8: Net worth per share and earnings per shares should be filled in with data, audited by CPA in the latest quarter up to the publication date of the annual report; the rest of the data should be filled in with data up to the publication date of the annual report.

(6) Dividend Policy and Implementation Status

1. Dividend Policy

If earnings are available for distribution at the end of a fiscal year, 10% of net earnings – that is, after offsetting any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve and appropriated in accordance with the Securities Exchange Act. The remaining net earnings can be distributed along with prior accumulated unappropriated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. Dividends will be distributed in accordance with the resolution approved by the Board of Directors and at the annual Shareholders' Meeting.

The Company authorized the Board of Directors may, by a resolution adopted by majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the company, have the whole or a part of the surplus profit distributable as dividends and bonuses distributed in cash and submit to the Shareholders' Meeting.

The Company's dividend policy, being in consideration of current and future development, investment environment, capital needs, domestic and overseas competitions and shareholders' interests, would allow no less than 60% of distributable net profit to be allocated as dividends to shareholders, either by way of cash or stock dividends, whereas ratio of cash dividends would be no lower than 25% of total distribution.

2. Implementation Status

The proposal for the distribution of 2022 profits, cash dividend of NT\$2.5 per share, was passed at the Board Meeting on March 8th, 2023.

(7) Impact of proposed distribution of bonus shares on the Company's Operating Performance and Earnings per Share: Not Applicable

Fortune Electric Co., Ltd.

Impact of proposed distribution of bonus shares on the Company's Operating Performance and Earnings per Share: Not Applicable

Unit: NT\$1,000, except for Earning per share, NT\$

ITEM \ YEAR		2023
Beginning Paid-in Capital		(Not applicable due to no distribution of Bonus Shares)
Dividend distribution of Current Year	Cash Dividend per Share	
	Retained earnings transferred Stock Dividend per Share	
	Capital surplus transferred Stock Dividend per Share	
Business Result Developments	Operating income	
	Operating income Year-Over-Year increase(decrease) ratio	
	Net Profit After-Tax	
	Net Profit After-Tax Year-Over-Year increase(decrease) ratio	
	Earnings per Share	
	Earnings per Share Year-Over-Year increase(decrease) ratio	
	Annual average return on investment (Price-to-Earnings Ratio reciprocal) (Note 3)	
Pro Forma Earnings per Share and Price-to-Earnings Ratio	If Retained earnings transferred to Cash Dividend per Share (Note 2)	Pro Forma Earnings per Share
		Pro Forma Annual average return on investment
	If no Capital surplus transferred	Pro Forma Earnings per Share
		Pro Forma Annual average return on investment
	If no Capital surplus transferred but Retained earnings transferred to Cash Dividend per Share	Pro Forma Earnings per Share
		Pro Forma Annual average return on investment

Note 1: The Company should explain estimated or pro forma data's basic assumptions.

Note 2: If capitalization of retained earnings were all changed to distribution of cash dividend, pro forma earnings per share would equal to $[\text{Net Profit after Tax} - \text{imputed interest on cash dividend} \times (1 - \text{tax rate})] / [\text{Weighted average number of ordinary shares outstanding for basic earnings per share} - \text{profit distributed shares} \times *]$ increase shares from remaining distributed stock dividend

Note 3: Annual average Price/Earnings ratio = Annual average price per Share / Annual Earnings per Share in Financial Statements.

(8) Remuneration of Employees and Directors

1. Remuneration of Employees and Directors' percentage or range:

If the Company has made any profit in a given year (meaning any net profit before tax, minus employee, and directors' compensation), the Company shall reserve a sufficient amount compensating any accumulated deficits (including adjustments to retained earnings), if any; then appropriate from the remaining amount no less than 3% for the employee compensation, and no more than 2% for the Directors' remuneration.

The aforesaid employees' rewards can be in stock or cash and the remuneration of the directors is limited to cash.

The two foregoing paragraphs shall be resolved by the Board of Directors, and reported to the shareholders' meeting.

2. The estimation and recording of the remuneration of Employees and Director were made in accordance with the stipulation of the Company's Articles of Incorporation. After the annual final settlement, if there's any significant changes with the provisioned amount, the designated annual fee would be adjusted appropriately.

3. State of Remuneration distribution approved by The Board Meeting:

On March 8th, 2023, the Board of Directors approved the resolution in regard to the 2022 Employee Remuneration at Cash NT\$ 50,152,000 and Director's compensation at NT\$15,045,000.

4. Distribution of Employee Remuneration and Directors in the Previous Year:

2022 actual pay out to Employee of Cash at NT\$19,490,000 and the Directors' compensation at NT\$4,770,000, same amount with what has been approved by The Board of Directors.

(9) The Company repurchasing its own shares:

In the Most Recent Year up to the Publication Date of the Annual Report, the Company has not repurchased any of its own shares.

(10) The state of Corporate Bond and Special Shares: NONE

(11) The state of Overseas Depositary Receipts, Employee Stock Option and New Restricted Employee Shares: NONE

(12) The state of issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: NONE

4.2 Financing Plans and Implementation

From Previous quarter up to the Publication Date of the Annual report, capital received from previously issued corporate bonds has been fully executed or all projects completed projects with benefits being realized in the Most Three Years, according to the required procedures.

V. Operational Highlights

5.1 Business Activities

(1) Business Scope

1. Description of major business

- (1) Sales business of manufactured and processed of transformer, inverters, power distribution boards, high-low voltage switches (including segment switch, fuse link switch, vacuum switch, load switch, air break disconnecting switch, oil switch and switch box equipment, ..., etc.) , transforming equipment (including lightning arrester, capacitor, comparator, current comparator, reactor, rectifier, circuit breaker, current-limiting fuse, ..., etc.), electric vehicle charging equipment, DC charging equipment, electric motorcycle charging equipment. The abovementioned business, being produced internally or with contractor alike, have adopted product standardization design to maintain core technology capability.
- (2) Turnkey Projects:
Continued to undertake Tai Power substation turnkey projects and electricity projects and applied relevant engineering experience in civil electric engineering projects (including factory, office, technology plant, ..., etc.); in addition, actively dedicated in recent public construction projects promoted by the government, such as, public housing and sports center, ..., etc., as well as Taoyuan Aerotropolis. Government has been planning to invest in expanding basic construction, with an aim to initiate and build what the country needs in the next 30 years, “ Forward-looking Infrastructure Plan”, which included 5 major construction plans: built safe and convenient rail tracks, water environment construction in response to climate-changing, Green Energy construction promoting environment sustainability, Smart Country digital establishment, reinforce balance of urban and rural construction, Tai Railway station reconstruction, South Link Line railway electrification, MRT DC power supply, elimination of old and replacement of new core technology electric engineering construction, environment protection and water resources construction, renewable energy and energy saving/storing constructions, ..., etc. To reach “Marching unto Non-nuclear homes by 2025 and promote new energy policy” goal, expanded non-nuclear power plant, solar photovoltaic, offshore wind power generation, electricity transmission network energy storage system, distributed system energy storage system, electric vehicle charging basic construction, Rapid DC Charging Station Construction for Car factory, Car owner home Charging Pile Installation Construction, Community Electric Vehicle Charging Area Construction and power generation new construction.
- (3) Automation of power transmission and distribution feeder, and computer software construction:
In response to automatic control, power distribution automation, distribution closed-loop automation, computer calculated billing system, automatic meter-reading system and all information maintenance service after reconstruction, substation, and power plant SCADA system replacement projects.
- (4) Power generation and energy storage construction:
In response to Tai Power and private company’s dedication of installing ground and offshore wind power generation and energy storage, solar photovoltaic power generation and energy storage and outlying islands’ power generation and energy storage, namely Green Energy storage construction.
- (5) General import and export trading business. (except for business requiring licensing)
- (6) All electrical engineering installation construction’s design, construction, maintenance, and warranty service as well as technology counseling business (except for business requiring licensing)
- (7) All electric machinery equipment’s design, manufacturing, processing, and sales. (except for business requiring licensing)
- (8) Central monitoring system equipment, automatic control system, GPS system’s design, manufacturing, processing, assembling, and sales.
- (9) High-low voltage electricity, tracks and vehicles’ accessory, and power transmission and distribution construction’ design, assembling and equipment sales.
- (10) DC and AC charging equipment for electric vehicles, area charging fee collecting

management system, EMA regional energy management system, APP for public charging operating management system, including but not limited to station checking, navigating, activation, deactivation, and payment functions. Design and establish electric vehicles charging station basic service network for Taiwan.

- (11) All business not prohibited or restricted by relevant codes, except for business requiring licensing

2. Current products and business ratio:

Unit: %

Product type \ Year	2022
Transformer	70.00%
Distribution Board	11.28%
Contract construction	6.57%
Devices for power distribution	2.77%
Electricity sales	0.15%
Other	9.23%
Total	100.00%

3. New product planning

Regional EMS - Technology Development of Charging Pile Management System, Material Specifications of Overhead Automatic Line Switch, Insulating Oil Level of Transformer Height Detection, Transformer Health Index System Development, and Load Forecasting System and so on.

(2) Industry overview

1. Industry Status and Development

Industry has always begun with heavy-duty electric industry; the Company's major products, transformer, and distribution board are essential equipment to construct and expand plans in various industrial and public infrastructures which link with electric power generation, transmission and distribution, and retailing to be important sectors in heavy-duty electric industry. Currently, business cycle has been climbing up from the slump, resulted from financial crisis and all countries' governments already started to expand public or infrastructure construction to boost consumption and promote economic development. Despite the disruption of COVID-19 pandemic flu in 2020 and Russia-Ukraine war, the raw material supply chain has transitioned from a long chain to a short chain even no chain, also allowing Taiwan be recognized and value even more by the world for its multi-directional capability. With the vaccines being injected step by step, countries are progressively lifting the restrictions for pandemic, also governments around the world have proposed expanding public or fundamental infrastructure or stimulating consumption to promote economic development, also business cycles are expected to recover domestic and worldwide, therefore, the demand for heavy-duty electric products will surely increase.

- (1) Executive Yuan announced "Marching unto Non-nuclear homes by 2025 and promote new energy policy" on September 17th, 2016, promoting and planning all sorts of tasks such as energy saving, energy creating, energy storing and SMART system integration. Shortly after the announcement, all corresponding policy and planning were sprouting, e.g., Tai Power and Private Power plant expansion from 2017 to 2025, increase gas-lit and coal-lit machinery for 8,896,000,000-Kilowatt and 1,000,000-Kilowatt Renewable energy ratio may reach 20% by 2025, among them, Ground-mounted PV Systems, offshore wind power and Geothermal power generation target to reach 17,000,000-Kilowatt, 5,500,000-Kilowatt and 200,000-Kilowatt by 2025, respectively. Third area wind power plant is targeted to reach 15,000,000-Kilowatt by 2035 while Geothermal power generation is targeted to reach 200,000-Kilowatt by 2025. In Response to net-zero emission by 2050, the government has planned power portfolio with 60-70% of renewable energy by 2050. The demand of renewable energy of power equipment installation will progressively increase before 2050.

- (2) In riposte to the nationwide power outage cause by the 303 incidents on March 3rd, 2022 which raised concerns regarding to the stability of domestic power grid system. Taiwan Power Company hosted a press conference on September 15 of 2022 and announced "Grid Resilience Strengthening Construction Plan" which

will invest 564.5 billion NT dollars over ten years (376.1 billion NT dollars already planed under implemented and continually planed and implemented 188.4 billion NT dollars project). Being ready for completely enhance the national power grid capability to unforeseen incidents and 2050 net zero transformation goal, the Company will actively participate government projects by providing relevant products and engineering services to improve Taiwan power network.

- (3) Resulted from U.S. government's "U.S. First" policy, U.S. enterprises have relocated manufacturing business back to USA, the demand for infrastructure construction increased, and more supportive towards energy industry. In addition to industry plant-building and requests for power equipment needs, power transmission, distribution lines and equipment's replacement and new increase would continue to progress due to increase in electricity. Meanwhile, Biden government demonstrated great emphasis and subsidy towards to Green Energy, which will aid to the Company's Green Energy product sales in U.S. For new economic bodies in South Eastern Asia, power generation equipment is vital for resources development to uplift economy situation. As transformer sales are expected to look good for the next 5 to 10 years, global concern regarding environment and energy cost has been increased will result in continued development of renewable energy stations. All the above showed positive effects for the Company's export business and expected the Company will own great growth in export business.
 - (4) Reproduction Method has been passed and along with government's promoting energy saving and carbon reduction, green energy policy, such as wind power, hydropower, solar power, environment protection construction, electricity transmission network energy storing system, distributed energy storing system, electric vehicle charging basic construction and operating network, ..., etc., business opportunities are limitless for heavy-duty electric industry.
 - (5) Developing countries' construction projects are in full wing; still, as the risk is high, we still have to handle it with caution.
 - (6) From Kyoto Protocol, Paris Agreement to United Nations Climate Change Conference, every country around the globe is paying great attention environmental issues. With all countries' promoting "Net zero CO2 emissions" as their ultimate goal, electric vehicles have become a global development trend and Taiwan is not exception to that. In 2022, over 16 thousand electric vehicles were sold in Taiwan. Compare with 7,064 electric vehicles were sold in 2021 that growth rate is up to 127% which is the evident that acceptance level of people in Taiwan for electric vehicles are enhancing step by step. Ever since Electric Vehicle charging station business has been established from 2011 onwards, we began to pave the road with multi-directional attempts and deep ploughing electric vehicle charging field for years and is considered to be in the leading position of Taiwan electric vehicle charging business. "EVALUE" electric vehicle charging station brand has been established since 2015 while "Car Factory Service Center" has been set up in 2016 to integrate electric vehicle charging station operation, charging equipment, and installation construction as a whole value chain. We were optimistic about the growth trend of electric vehicle and split up our charging operation business from Fortune Electric to set up Fortune Electric Value Co., Ltd. to enhance market competitiveness as well as operating results as a whole, aiming to provide charging operation service with best quality. We have rolled out various new products and innovative services to continue satisfy B2B needs as well as needs from Car Factory; furthermore, we are expanding to provide B2C business models with our strength and actively constructing and operating charging stations across Taiwan to provide charging services to electric vehicle owners.
2. Connectivity of the upstream, middle stream and downstream in the industry
- The Company's products are mainly for public construction, plant-building/extending investment and could be categorized as capital goods. Therefore, these products need to be used for infrastructure construction, new-build factory, capacity expanding or equipment elimination and replacement. Bulk material needed for these products are for instance, silicon steel plate, brass wire, brass plate, and insulating oil are categorized as upstream material and their controlling and protective material are considered middle stream and downstream value-added components. Materials supplying for these products

are abundant.

3. Product development trends and competition

There are two major development trends of the Company's major products: high efficiency, energy saving and smaller in sizes, and intellectualized. To raise added value and competitiveness, adoption of the highest quality material and excellent quality control and protective devices components are without question.

Since the Company remains committed to highest quality of product, we have maintained certain edge in product competitive advantages. To maintain competitive edge and sustainability, we strive to adhere to product Quality, Cost, and Delivery so that we continued to be trusted by our customers, domestic and overseas alike, and with continued orders.

In addition to manufacture heavy-duty electric products, the Company emphasized in pre-sales and after sales services. Besides implementing the 24-hour power restoration service and expanding repair and maintenance services, we have applied technology special project with Ministry of Economic Affairs with "Advanced service plan for Power Transformer". We have successfully researched and developed "Noise Analysis Modules", "Surveillance Equipment Installation and Data Analysis", "SMART Repair and Maintenance Decision Support Module", and have started our sales and marketing activities. Circumferential noise analysis could provide customer with simulation of installation environment, providing transformer reasonable noise regulated value, and assisted customer in reducing noise and provided suggestion. Real-time transformer surveillance system collects data of temperature, voltage and current when the transformer is in motion. It also provided countermeasures when the system is at fault, by determining the content and increment in the oil of inflammable gas. Determination of the residual life for the transformer is also one of the key functions of this module. Also, weekly, monthly, annual report, annual repair and maintenance suggested items with budget will be provided on a timely basis to offer best economical repair and maintenance recommendation. By way of the aforementioned pre-sales and after sales services, and IT technology application to carry out "Servitization of Manufacturing and Technologization of Service" in customer service to bring customers' needs closer and enhance interaction with the customers, and further to uplift re-purchase rate. In respect to electric vehicle charging field, besides autonomous self-developing capability and the ability to sell product and its turnkey project as well as providing car dealer in electric vehicle charging software and hardware equipment; we also assist car dealer in setting up charging system integration with SMART solution, software services, self-charging stations location checking, navigation, APP activation, and integrate and design for electric vehicle charging station basic infrastructure network to provide service to all electric vehicle owners.

(3) Technology and R&D overview

All the R&D expenses and the technology or product successfully developed in The Most Recent Year up to the Previous Season of the Publication Date of the Annual Report

Unit: NT\$ Thousands

Year	Amount	Ratio to Income
2022	148,317	1.91
1Q 2023	36,880	2.39

Product Specification successfully developed	Results
Single islanded energy management system	Already applied in Neihu electric Vehicle charging park lot.
Exported Single phase pad mounted transformer	Successfully meet customer efficiency requirement which have to comply with DOC (United States Department of Energy) requirements and IEEE C57.12 standard.
Universal energy storage boost system	In response to renewable energy integration in the grid, the boost system can enhance the stability and power quality of power system.

(4) The Company short-term and long-term business development plans (5 to 10 years) divide major businesses into equipment business and new energy engineering business. The key

target groups are renewable energy, technology industries and large-scale electricity consumer along with domestic, North America and Southeast Asia market as primary markets.

1. Short-term business development plan

Domestic sales: (equipment business and new energy engineering business)

Electric products are widely used in daily life, commercial activities and manufacturing and production. With the advancement of technology, electric product's application was broadened, and we may consider electricity the cornerstone in maintaining modern civilization. For the time being, in addition to reinforce existing product marketing and sales of domestic and international plant-building or expansion cases, in domestic markets 69kV and above transformers and related distribution boards have been in sale for over 4 decades, we are expecting a gradual elimination and replacement in market demands. In addition to manufacturing products, we are seeking for international product distribution or wholesaling, to reinforce system equipment integrity and competitiveness. In the meantime, we continue to dedicate in designing, manufacturing, turnkey project's marketing, construction, and water resources construction, MRT and Taiwan Railway construction, renewable energy, energy saving construction, electric transmission network energy storage system, distributed energy saving system, electric vehicle charging basic infrastructure, electric engineering construction (including firefighting, plumbing and electricity, surveillance system), and refrigeration and air conditioning related fields.

With regards to business development, we have opened up branches in central area, to serve central customers and architects, in advanced planning of equipment and electrical engineering related areas, to fight for more equipment and construction cases. Electric vehicles industry is on the rise globally and electrification of vehicles is already one of the important policies of Taiwan future development. The Company has deep rooted in electric vehicles field for more than 10 years and had successfully developed and sell electric vehicle charging related hardware and software equipment and had devoted itself in introducing high-power DC charging equipment. In response to rising demand of household charging from residential building and community construction, we have developed lighter and slimer models with new looks so that we are riding the wave of this fast-growing market. To improve our advantages of manufacturing cost, we have designed modularized appearance to satisfy Car Factory unique branding needs and to tailor-make branded charging pole. To integrate onto turnkey projects. Fortune Electric is supplier of charging hardware for electric vehicles for international car dealers and also assists car dealers to set up charging system at the plant and set up a goal to become Chinese Petroleum Co., in electric vehicle industry. The Company has completed version 1.0 of parking, charging and payment in one go system integration as well as checking charging station locations, navigation, APP activation. After that has been online for two years, we have finally rolled out our version 2.0 App, which we have devoted great efforts painstakingly for one year. Version 2.0 App will provide car owners with faster and friendlier customer experience and we continue to expand platform installation and further to expand charging network in Taiwan at the same time. We are also business partners of international electric vehicle dealer and besides installing FE's own brand, we are also good partner of international electric vehicle companies in Taiwan, to build household-fit type charging modules and speed charging station. We also have by far the most experience in building middle size and large size charging stations. FE used existing electricity transmission network professionalism, integrating with electric vehicle charging experience and devote in electric vehicle charging station operation. We fulfill social responsibility by providing electric vehicle owners a more friendly driving environment.

Export sales: (equipment business)

By fragmented market, servicing existing customer and providing overall pre-sales and after-sales service, with the rise of Green Energy market, to develop solar power and energy-saving projects.

We target to tackle developed countries first and then, the developing countries. Internally, we committed in enhancing quality and reducing cost, our main products in export sales are distributed transformer, power transformer, and solar PV Box modules. We take

orders by overseas customers' needs and requests and continue to expand cooperation relationship with direct and indirect customers to grow our business with steady quality progressively. We also actively look for Electricity company and international turnkey engineering company to fight for export sales, with transformers and solar modules. We integrated all units' resources and with FE Heavy-duty 500kV production capability, to satisfy customers' needs for different service, quality, pricing, and delivery and also fight for China, EPC and South Eastern Asia market orders.

2. Long-term business development plan

Domestic sales: (equipment business and new energy engineering business)

Under the influence of economic growth, climate changing and industry development promotion, the need for electricity will increase year over year. According to the plan by Bureau of Energy, Ministry of Economic Affairs, from 2018 to 2025 the target for reserve capacity rate for power generation will be 10.0% in 2018 to be raised to 17.1% in 2025. Renewable power generator modules would be increased over years to reduce air pollution, as well as big bulk gas-lit modules to be installed.

In the future, domestic needs for electrical engineering markets will be increased by large scale due to government big construction projects' being rolled out. At the same time, due to increase of National Income (NI), we have entered and listed as one of the developed countries. All public construction projects will also increase tremendously. To reach "Marching unto Non-nuclear homes by 2025 and promote new energy policy" goal, we are expanding non-nuclear power plants, solar photovoltaic, offshore wind power generation, energy storage system, ..., etc. All of these will bring another wave of rising demands for electrical engineering products. For construction business field, we continued to dig further into renewable energy construction, such as: Green Energy, Wind power, Solar photovoltaic, outlying islands' power generation, electricity transmission energy storing system, distributed energy storage system. The government's non-nuclear home promoting new energy policy including energy saving, energy creating, energy storing and SMART system integration. The Company could provide electrical engineering equipment, electrical engineering construction and operation and maintenance services. Relevant business opportunities counter proposals are:

Energy saving: high efficiency Amorphous Metal Core Transformer, Electrical Vehicle charging piles and construction, and charging station operation

Energy creating: transformers, distribution boards, switches, turnkey electrical engineering project, and repair & maintenance

Energy storing: transformers, distribution boards, switches, turnkey electrical engineering project, and repair & maintenance

SMART system integration: transformers, distribution boards, switches, turnkey electrical engineering project, remote surveillance RTU, and repair & maintenance

In the next 10 years, driven by needs of important energy policy and "Grid Resilience Strengthening Construction Project" of Taiwan Power Company, the above-mentioned products and services will increase over 10-20% of business growth annually.

Electrical engineering products, economic growth and lifting of quality life are closely related; electrical engineering market will be booming if society is advancing. As for product supply, due manufacturing of power transformer, distribution board, high voltage gas-insulated switch and devices for distribution are capital and technology intensive, especially for technology, which takes years and years of accumulation. Therefore, new competition is hardly seen. There was no growth in companies of the same industry in the last 10 years. Among the product lines, there is extremely big room for development in mid voltage 23kV GIS market and we're expecting a substantiated growth in market share in the future.

With the upward trend of electric vehicle market growth, we are expecting to see growing needs from car owners who use public charging station when they are away from home. As far as installation points, the Company install AC charging equipment stations to places where consumers are expecting to be away from home longer, while DC charging equipment would be installed around traffic junction points such as high-speed roads and vicinity. This would resolve the anxiety for car owners with the possibility of power storage and lack of public charging equipment; also, differentiated charging resources installation, based on car owners' usage, will provide the Company with charging fee and parking lot fee with continuous cash flow.

To cope with future market needs, the Company aggressively started automation and

talent cultivating plans, to expand productivity to the fullest, develop new product, new technology and with stable quality. Also, we cooperate with important customers to promote 6S in quality management, aiming to keep abreast of competitiveness advantages and to lay down sustainable operation goal.

Export sales: (equipment business)

Globally, all places are expediting implementing substitute energy policy as well as economy growth plan for developing countries, we are expecting no change for all countries' needs for power equipment. The Company is working diligently towards directions, as described below, to grasp growth trends and competitive niche.

- A. Established agency, branch office and sales office in major export countries.
Currently, these have been set up in major export countries but more are being developed.
- B. Form alliances with world-class direct and indirect customers and make effort for our products to be used in EPC or turnkey projects, to develop direct customers from these cases and obtain qualification review by newly developed countries to gain more customers.
- C. For U.S. markets, due to the outstanding quality of our product with short delivery period, punctual and high quality pre-sales and after-sales services, we have succeed in tackling into focused U.S. power companies and customer and orders are growing steadily.
- D. We have acquired qualification for major newly developed countries' power company and some business of power companies. We continue to offer products with high quality and reasonable price to expand in export sales. Our competitive niche lies in our Q.C.D. capability enhancement of our own products as well as established service cooperation partners locally. Aided by ISO9001, 14001 and Six Sigma, assorted quality activities, we have obtained qualified reviews from majority of international power companies and EPC customer review factory of large scale. We are recognized by our capability and with deep rooted business management and the establishment of international sales location, partners and network, our export sales grow year by year.
- E. 500kV level transformer plant, with 100% shareholding, its space and location edges, not only enabled us to devote in global sales of large transformers, but also gave us an opportunity in striving for domestic offshore wind power vendors' transformer within wind power tower, electrical engineering module and assembly orders.

5.2 Market and Sales Overview

(1) Market Analysis

1. Sales of major products and services, offering location and market share

The Company has always been pursuit of excellent quality, quick and precise service, and fair pricing. Therefore, all transformers, distributed transformers, high-low voltage distribution boards and all sorts of transformers, are widely trusted and loved by domestic institutions of public sectors and private sectors. Export sales market are developing with sales revenue increase year by year.

Major product market shares are as below:

Power transformer: 35% of domestic sales volume and over 75% of export sales volume.

Distributed transformer: 18% of domestic sales volume and over 35% of export sales volume.

High-low voltage distribution boards: 10% of domestic sales volume.

2. Competitive niche and future development pros and cons and countermeasures

Advantages

- (1) Government is planning in investing in expanding basic construction, with an aim to initiate and build what the country needs in the next 30 years, "Forward-looking Infrastructure Plan", which included 5 major construction plans: built safe and convenient rail tracks, water environment construction in response to climate-changing, Green Energy construction promoting environment sustainability, Smart Country digital establishment, reinforce balance of urban and rural construction, ..., etc. there will be electric engineering construction direct or indirect needs increase in the future.
- (2) Driven by demand of "Grid Resilience Strengthening Construction Plan" of Taiwan Power Company, the demand for electronical equipment and related engineering

services will have significant growth in the next 10 years.

- (3) To reach “Marching unto Non-nuclear homes by 2025 and promote new energy policy” goal, expanded non-nuclear power plant, solar photovoltaic, offshore wind power generation, electricity transmission network energy storage system, distributed system energy storage system, electric vehicle charging basic construction and power generation new construction. Our existing as well as newly developed products and services could satisfy the abovementioned new energy construction and future repair and maintenance needs. As we already have experiences in these projects, we are indeed best partner in terms of providing electrical engineering equipment as well as electrical engineering construction. The government has planned power portfolio with 60-70% of renewable energy by 2050 raise from 20% by 2025. The demand of renewable energy of power equipment installation and engineering service will have significant increase in the next 2050. The Company has important foundations through complete project such as offshore wind power, solar photovoltaic, energy storing project which positions us well for competing related projects.

Completed projects or on-going projects:

Energy creating:

- Ocean Phase I and II offshore wind power terrestrial construction booster station and power transmission turnkey project
- Hai Nan offshore wind power terrestrial construction booster station and power transmission turnkey project
- Tai Power Phase I offshore wind power booster transformer / modules and dock pre-assembling
- Ørsted offshore wind power terrestrial main and secondary transformer
- WPD Yun Nan offshore wind power terrestrial main and secondary transformer
- Tai Power Zhang Kuang solar power 100MW equipment
- Tai Power Chi Ku solar power 150MW equipment
- Luan Wei East solar power 180MW equipment
- Hsin Chu 9 2MW Bei Tang project equipment
- Kuo Ruei Car Chung Li and Guan Yin plant roof PV 750kW*2 turnkey project
- Da Ya Tainan Sin Jhong 76MW equipment and turnkey project
- Xin He Energy solar power 120MW equipment
- Zhang Fong, West Island, Chung Nan offshore wind power generator assembly
- Kuo Ruei Car Guan Yin plant 2.5MW solar power equipment
- Kuo Ruei Car Chung Li plant 4.8MW solar power equipment
- Yunlin Gukeng 25MW solar power 69KV main transformer
- Qigu Solar Shared Booster Station 161KV main transformer and 23KV C-GIS
- Ørsted 2nd offshore wind power terrestrial main and secondary transformer
- Hai Long offshore wind power terrestrial main and secondary transformer
- Multiple projects for solar power generation transformers in United States
- Multiple projects for solar power generation transformers in Japan
- Jiji Weir North shore small hydropower plant channel contact electrical equipment engineering

Energy storing:

- Hsin Chu Industrial Park Management Bio-Technology building 741kW/2964kWh energy storage system installation (1st Tesla energy storing case in Taiwan)
- Set up Green Energy charging station in Neihu that has energy creating, energy saving and charging functions in one go
- Installation of all electric vehicles' charging stations. Completed installation of 138 EVALUE brand public power charging stations, including 58 DC fast charging equipment and 290 AC charging poles
- Kaohsiung Fengshan 4.9MW energy storage AC equipment engineering, Yilan energy storing transformer, Changhua Ming Hsing 4.9MW energy storage AC equipment engineering, Changhua Shuoh Tay 4.9MW energy storage AC equipment engineering, He Ji 2MW energy storing transformer

- Tun Green Power- Hualien Min Xin section 2.9MW AFC energy storing system engineering, Hualien Min Xin section 2.9MW AFC power interconnection installation engineering turnkey project; Ta Tun Electric Wire and Cable- Hualien Min Xin section 4MW AFC energy storing system engineering, Hualien Min Xin section 4MW AFC power interconnection installation engineering turnkey project; Yi Guang Neg- Regulating reserve grid connection type energy storage product procurement and engineering turnkey project (4.023MW/8.046MWh)

- (4) The Company has accumulated over half a century projects and experience and was recognized by customers, domestic and international alike, which helped in business development.
- (5) The Company's labor relation is in harmony and employees worked well in a team. The Company's R&D capability is extraordinary and was certified by Tai Power with the most products, which helped us in market competitiveness.
- (6) In our product lines, distributed transformer, power transformers, distribution boards, power center, motor control center, moulded cast transformer won ISO9001 certification with registration. Metal clad switch box, gas-lit switch and capacitor was certified by ISO9002. We are the 1st composite heavy-duty plant to be awarded with such recognition, which helped market competition in the future.
- (7) The Company has completed new product development in June 1996 of air-sealed gas switch (2 WAY SW, 4 WAY SW), and was the 1st company to have both products certified. Currently, we have sold billions of them in every year and will continue to develop automatic switches. In 2014, we were 1st company to have passed certification by Tai Power for manufacturing underground 4W switch, which will increase said product's market shares.
- (8) Became the 1st company to be certified for manufacturing of Amorphous Metal Distribution Transformer as well as selling iron core of other companies in the industry. This is quite beneficial for future revenue generation and profit increase.
- (9) Obtained Tai Power new middle voltage 23kV GIS manufacturing qualification. As this product is a important index of heavy-duty electric industry, it is quite beneficial for future revenue generation and profit increase with this qualification.
- (10) The Company devoted itself in power transmission, distribution and feeder automatic system's research and development, estimating NT\$ 1 billion business opportunity per year.
- (11) The Company continued to obtain qualification from major international brands which was quite beneficial for future revenue generation and profit increase.
- (12) In 2011, we have built the largest Solar Photovoltaic Plant 4.6MW at once in Taiwan at Yong An Salt Wetland. Turnkey project will continue with Solar power and wind power generator, substation turnkey project, power distribution construction, water resources construction, ..., etc. Also, MRT, light rail and railway electrification construction in transportation are rolled out gradually, we have also dedicated in private sector electrical engineering transportation constructions. Majority of the undertaken projects were gradually completed and building. We continued to accumulate our experience and ability to further deep plough electrical engineering market.
- (13) We have completed the only 230kV 240MVA large capacity transformer short-circuit testing certification. 500kV level transformer plant, with 100% shareholding, with export sales in this product, helped us to expand power transformer business development domestically and internationally.
- (14)(13) With oil and electricity prices going up, Amorphous Metal Distribution Transformer, Solar power turnkey project and environmental and energy saving product and services are benefited.
- (15) In the development of Green Energy, we continue to promote product and operation innovation, aiming to become leading enterprise of Green Energy field, including: developing several energy saving transmission and distribution equipment, developing renewable energy, built several MW level solar power plants, MW level energy saving installation (completed Hsin Chu Bio-Technology building distributed power system

integration; it was considered at that time the largest project, 741kW/2964kWH, in Taiwan), SMART electricity transmission installation, undertaking offshore terrestrial electrical engineering construction, and open up electric vehicles power charging field. For electric vehicle charging needs, hardware, software and operation services are provided for, from single charging product to installation of a whole station as well as charging basic infrastructure network operation. The sound service provided could really satisfy customers' needs; we have now become suppliers of many renowned car dealers. Charging poles installation ranked among top 3 in Taiwan, which realized charging station operating goal. In addition to the operation in Green Energy product, we have participated in investing in large scale solar power plant to further aggressively participated in Green Energy business.

Disadvantages

- (1) Manufacturing of heavy-duty electrical product requires more experienced skill workers; but with minimum wage being increased constantly, manufacturing cost has been increased relatively.
- (2) Working hours had been reduced in Taiwan whereas manpower cost, workforce training and cost of automation were increased comparatively, which disrupted manufacturing capacity to a certain degree.
- (3) Fluctuation of foreign currency rate of exchange somewhat impacted on competitiveness and profitability of export markets.

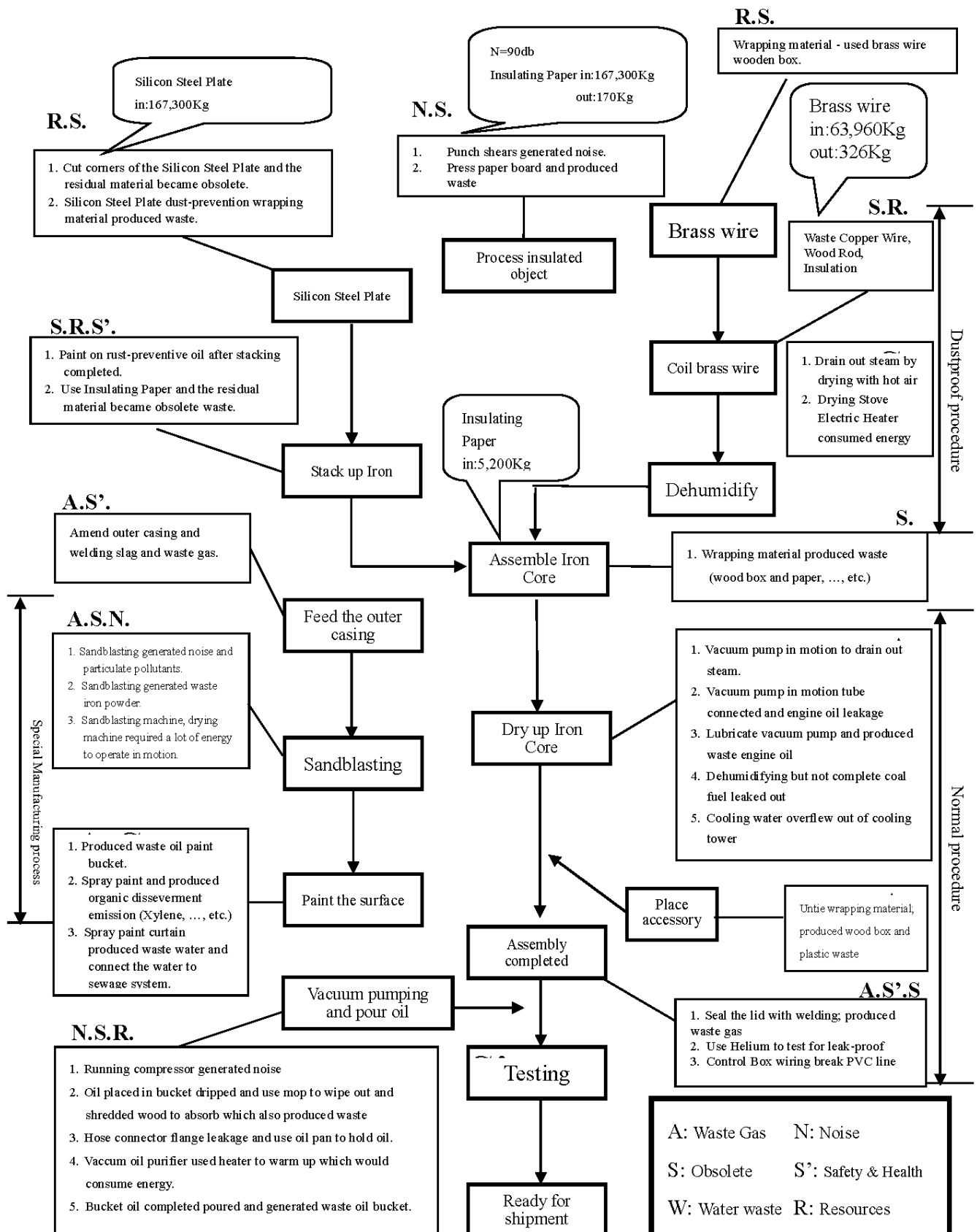
Countermeasures

- (1) Expedite in research and development of new product to widen distance with competitors, with market segmentation, to increase revenue and profitability.
 - (2) From global viewpoint, through assignment of responsibility, procure components or process semi-finished goods from places with favorable prices to sell.
 - (3) Fought for export business opportunities by way of our government's joining WTO, as markets would be opened bilaterally.
 - (4) Reduce cost, enhance competitiveness, and target to provide low cost, high quality, and good service to customers.
 - (5) Continued to develop new customers and new distributors; those whose performance was below acceptance or no results.
 - (6) Key materials were paid in USD, with foreign currency risk hedged naturally, plus using forward FX hedging mechanism in financial operations, risk of USD appreciation for imported materials have been lowered to the minimum.
 - (7) Actively expand cooperation with solar photovoltaic battery modules companies and seek for solar photovoltaic projects appropriately and jointly open up overseas markets.
 - (8) Actively cooperated with all construction projects at the design phase by providing optimized electrical engineering layout before sales, and fight for more business opportunities of electrical engineering project.
 - (9) By providing differentiated pre-sales/after-sales services such as: "Emergency power restoration system within 24 hours", "Emergency power restoration system", and "Broaden maintenance and repair services" to implement second and half industry operating strategy.
 - (10) Intellectualized product lines, reinforce factory facility automation, real-time information, big data analysis, and simulated automation controls to enhance workflow and product competitiveness.
- (2) Main product applicability and manufacturing process flow:
1. Main product applicability
 - (1) Transformer:
The power generated by power plant can reach user through transmission. In the process of transmission, high quality transformer has to be the media, by boosting up power pressure through distribution lines to transmit to all areas and decrease pressure as per all users' needed voltage, to be connected to machinery in use.
 - (2) Distribution Board:
Switch box, electricity board, control board, and power distribution box, with system protection and coordination functions namely, activating, and deactivating devices, surveillance and safety detachment, in power plant, transmission and distribution system's substation, factory, public facilities, office and residential buildings.
 - (3) Devices for power distribution:
Devices for power distribution: switch for power transmission and distribution system and circuits, and power consumption enhancement and protective equipment.

2. Key products production workflow

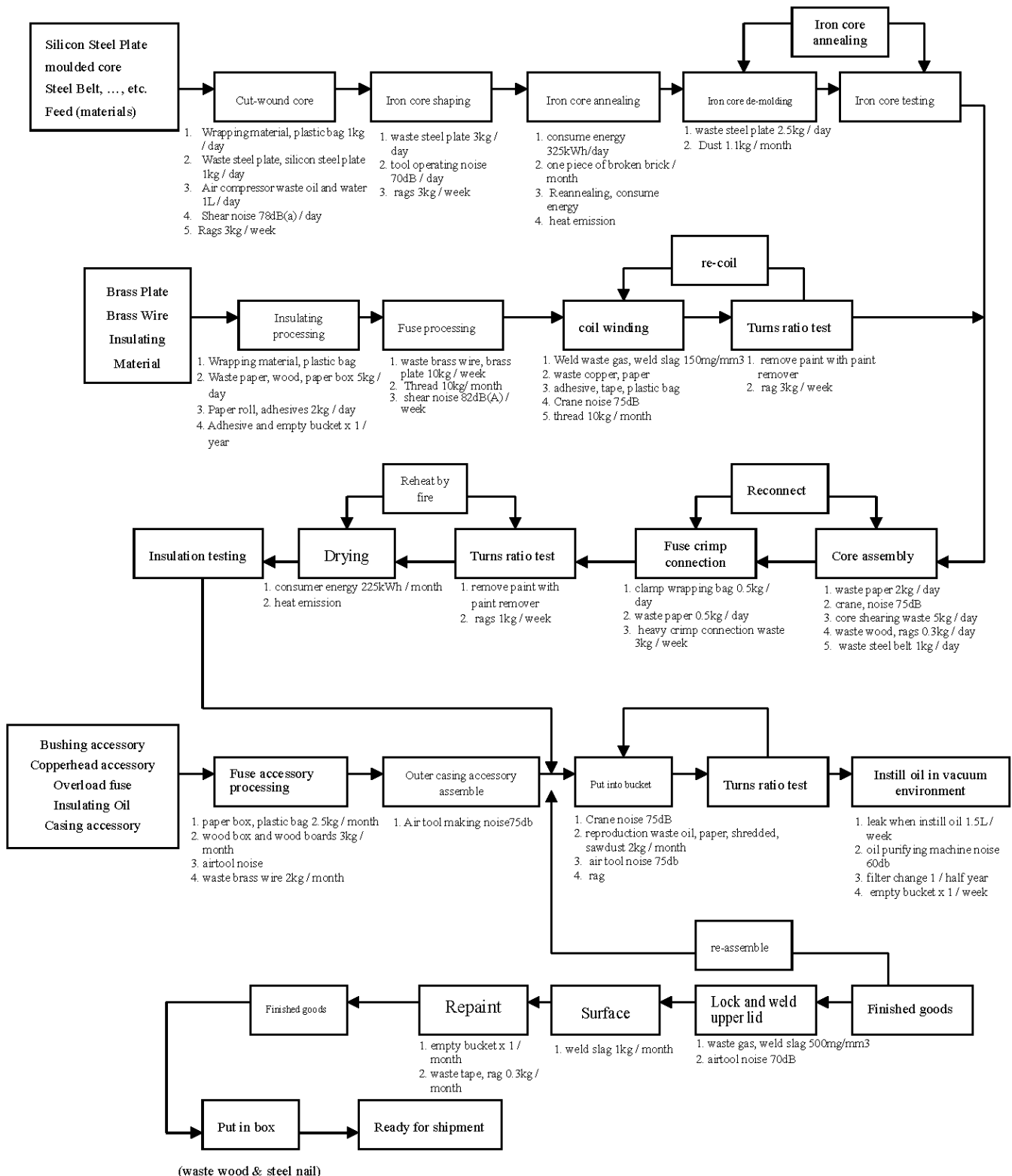
(1) Power Transformer production Diagram:

Power Transformer Production Diagram

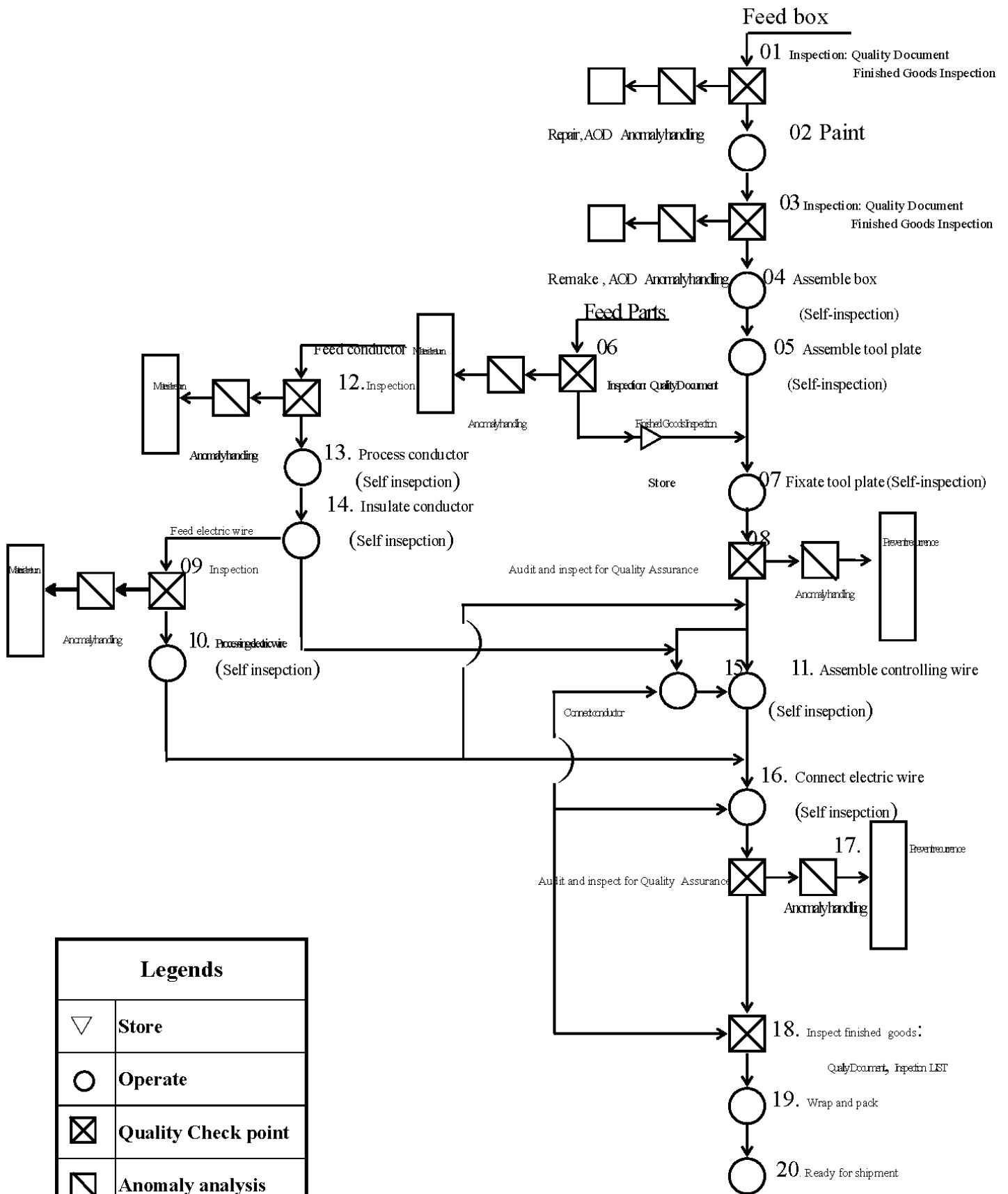


(2) Distributed transformer manufacturing diagram:

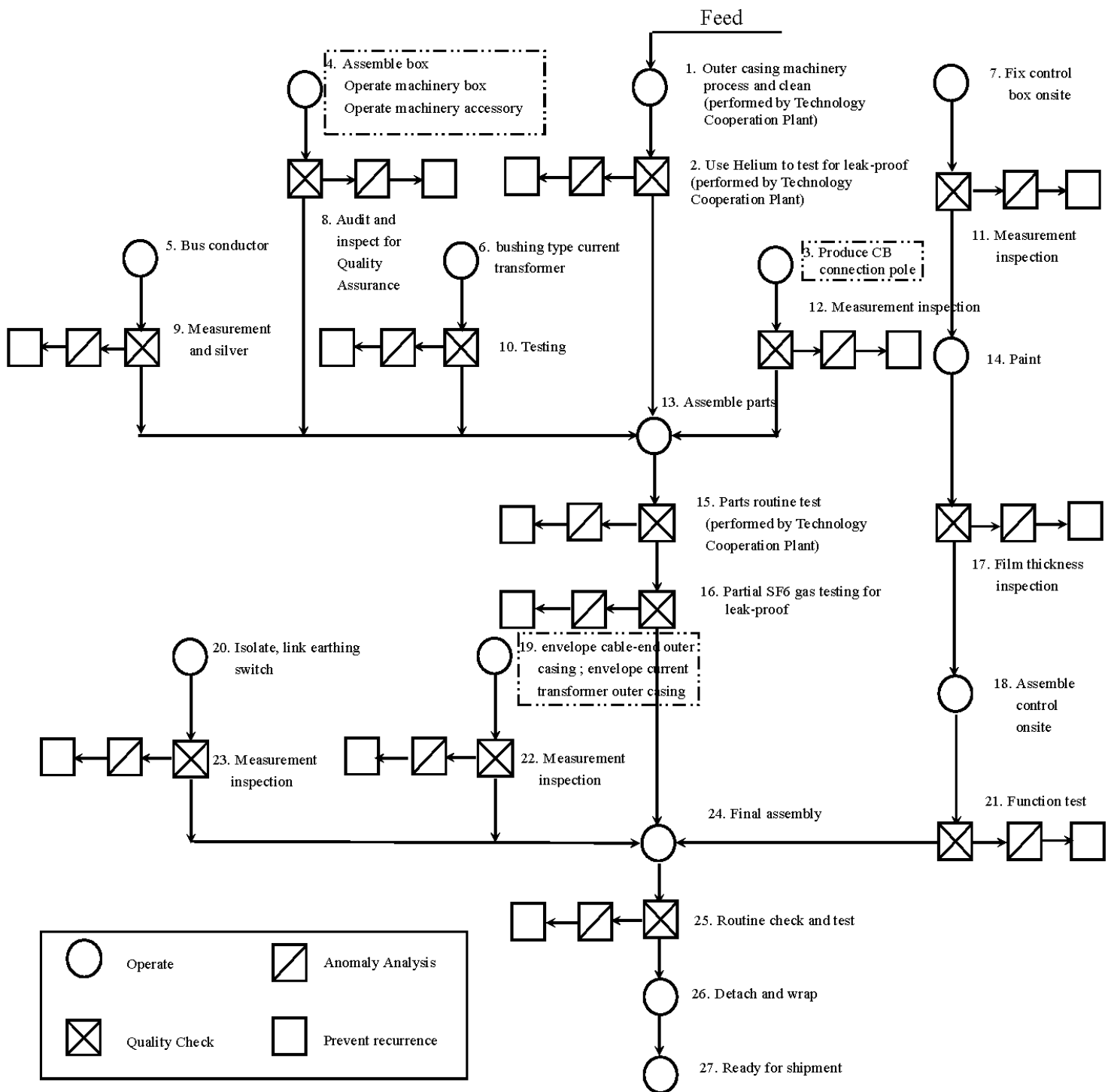
Distributed Transformer Manufacturing Diagram



(3) Distribution Board manufacturing diagram :



(4) SF6 gas-insulated switch equipment quality control workflow diagram:



(3) Supply Status of Main materials

Main material	Application	Source of Supply
Silicon Steel Plate	To manufacture core of transformer	ROC, Asia, Europe, U.S., and Middle East
Brass wire	To manufacture core of transformer	ROC, Korea
Insulating Oil	Insulate transformer	ROC, U.S., Singapore, India, Sweden, Australia and Europe
Switch box	Metal-clad switch box, all sorts of switches	ROC and abroad
Iron (outer casing)	To manufacture transformer and distribution board outer casing	ROC and Asia

All abovementioned materials are to be regarded as buyers' market whereas the Company could have full control over source of material, payment and delivery terms.

(4) Any Company commanding 10%-plus share of annual order (sales) volume in the most Recent Two Years, please disclose name, amount and ratio and the rational for increase or decrease

1. Any Suppliers commanding 10%-plus share of annual order volume: As below table

2022					2021				Up to Previous Quarter in 2023			
NO	Name	Amount	Ratio to Annual Net Sales (%)	Relation with issuer	Name	Amount	Ratio to Annual Net Sales (%)	Relation with issuer	Name	Amount	Ratio to Net sales up to	Relationship with issuer
1	Fortune Electric Extra	1,067,202	18	interested party	Fortune Electric	496,174	9	interested party	Fortune Electric Extra High	-	-	interested party
	Other	4,954,172	82		Other	4,866,762	91		Other	1,682,447	100	
	Net of sales	6,021,374	100		Net of sales	5,362,936	100		Consolidated Net of	1,682,447	100	

Fortune Electric Extra High Voltage Co., Ltd. is 100% re-invested company. The company shift the production order after receiving large capacity transformer order because close to Port of Taichung could reduce inland transportation cost and also allow to leverage the production capacity

2. Any Customers commanding 10%-plus share of annual sales volume: As below table

Unit: NT\$ Thousands

2022					2021				Up to Previous Quarter in 2023			
NO	Name	Amount	Ratio to Annual Net	Relation with issuer	Name	Amount	Ratio to Annual Net	Relation with issuer	Name	Amount	Ratio to Net sales	Relationship with issuer
1	A	2,355,491	32	Non-interested	A	2,798,688	32	Non-interested	A	540,394	35	Non-interested
2	B	0	0	Non-interested	B	1,292,603	15	Non-interested	B	-	-	Non-interested
	Other	4,902,146	68		Other	4,534,090	53		Other	1,000,151	65	
	Net of sales	7,257,637	100		Net of sales	8,625,381	100		Consolidated Net of	1,540,545	100	

1. Compared to 2021, current year sales to Company A decreased 15.84%, mainly reduced from execution of open contract current year deliver.
2. The Company undertook Company B's offshore wind power substation and terrestrial power system engineering construction which current year construction was completed.

(5) Production volume and value in the Past Two Years

Unit: Productivity: kVA, set
volume: kVA, set
value: in NT\$1,000

Major Products \ Year	2022			2021		
	Productivity	Volume	Value	Productivity	Volume	Value
Transformer (kVA)	23,500,000	10,200,978	4,244,808	22,400,000	9,601,028	3,600,358
Distribution Board (set)	200	75	689,656	200	101	1,128,980
Devices for distribution (set)	53,000	8,024	212,358	53,000	44,461	409,258
Other	-	-	534,266	-	-	933,454
Total	23,500,000 kVA 200 set 53,000 Tool	10,200,978 kVA 75 set 8,024 Tool	5,681,088	22,400,000 kVA 200 set 53,000 Tool	9,601,028 kVA 101 set 44,461 Tool	6,072,050

(6) Sales Quantity and volume of the Most Recent Two Years

Unit: Sales Volume – kVA, set
Sales Amount – in NT\$1,000

Major Product \ Year	2022				2021			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Sales Volume	Sales Amount	Sales Volume	Sales Amount	Sales Volume	Sales Amount	Sales Volume	Sales Amount
Transformer (kVA)	6,380,481	3,193,438	4,360,573	2,016,792	4,036,963	2,463,871	5,299,071	1,887,400
Distribution Board (Set)	66	643,056	3	38,232	98	1,271,162	4	25,588
Devices for distribution (Set)	11,893	207,168	2	7,677	40,524	409,886	3	3,110
Other	-	562,577	-	67,797	-	910,249	-	101,913
Construction	-	509,002	-	-	-	1,539,976	-	-
Electricity sales	1,699,747	11,898	-	-	1,746,680	12,226	-	-
合計	6,380,481 kVA 66 set 11,893 Tool 1,699,747 Spend	5,127,139	4,360,573 kVA 3 set 2 Tool -	2,130,498	4,036,963 kVA 98 set 40,524 Tool 1,746,680 Spend	6,607,370	5,299,071 kVA 4 set 3 Tool -	2,018,011

Note: "Other" meant sales of accessories other the aforementioned and its volume is insignificant.

5.3 Employee Information, including No. Of employees, average service years, average age, and education distribution, for the Past Two Years, up to the publication date of the Annual Report (education distribution including foreign employees)

Item / Year		2022	2021	Up to Publication date of the Annual Report
No. of Staff	Business Management	221	224	238
	Indirect manufacturer	233	215	240
	Direct Manufacturer	294	305	337
	Total	748	744	815
Average Age		41.25	41.39	40.59
Average Seniority		11.88	11.84	11.07
Education Distribution	P.H.D.	0.13	0.13	0.25
	Master Degree	13.64	13.04	13.50
	College	58.96	59.14	56.44
	Senior High School	19.92	19.89	22.82
	Under Senior High School	7.35	7.8	6.99

5.4 Environmental Expenditure Information

- (1) The Company introduced ISO 14001 environment management system and ISO 45001 Occupational Safety and Health management system, with the intention of combining safety concern and business operation in one and embed into the manufacturing process to assist in management and improvement of manufacturing technology, to provide better and safer working environment to all employees as well as reducing environment and construction risk, whereas manufacturing efficiency were uplifted, being compliant with Green product, reducing waste production, increase re-use of resources, reduce pollution emission, and committed in protecting earth to fulfill social responsibility. In 2014, participated Taoyuan City government ed O3 improvement plan, demonstrating real action to preserve earth. In 2014, the Company was awarded in US and Canada area by third party ISN, with rating A; in the same year, participated in Tai Power necessity-reaction plan, by enhancing Tai Power's operating reserve capacity during summer peaks, to adapt to Industrial Area's power consumption with dexterity. In 2016, joined Taoyuan City factory neighboring river, Kuan Yi Stream's adoption program, and passed down environmental protection and water resources concepts to employees, expecting to fulfill environment protection and earth-loving cultural heritage. In 2017, obtained ISO 14001 environment management system (version 2015). In 2019, all 3 plants were transformed smoothly from OHSAS 18001 to brand new ISO 45001 certification. The Company kept abreast of newest trend, and effectively continue to improve with system management concepts.
- (2) The Company upheld and paid attention to environment protection managerial concepts and cooperated with the government to execute all kinds of environment protection measures. In addition to assigning designated personnel, we have allowed operators to join professional environment protection training and acquired licensing. Expert system is in place, from fixing pipe end progressing to source improvement. We began to promote energy saving and carbon reduction, by setting up a counseling mechanism for suppliers, namely, to do what we could to preserve Green Earth, we have implemented all kinds of improvement procedures and was awarded by Bureau of Industry, MOEA, to be outstanding company in carbon reduction. In 2012, we became the 1st company in heavy-duty electric industry to have passed product carbon foot investigation and we began to establish energy management system from 2013. In January 2014, we became the 1st company in heavy-duty electric industry to have passed ISO50001 certification. In 2015, we assisted Bureau of Industry to set up transformer carbon footprint product specification and have published in GEDnet international website for all countries to check and reference.
- (3) The Company's products were not under ROHS restricted equipment or products. We only used very few repair parts, under ROHS restrictive material control. Therefore, financial business impact to the Company was of little significance.

5.5 Labor Relations

- (1) Summary of Employee Benefits, continued studies, training, retirement..., etc., all sorts of welfare scheme as below:

1. Employee Benefits

To safeguard Employee's rights of Occupational Safety and Health, each Employee was insured with "Employer's Compensation Insurance and Employer Group Insurance" and Group Medical Insurance; further, Welfare Committee was established to promote all sort of benefits for Employees to be substantially benefited economically and psychologically.

(1) Sound Welfare System

All sort benefits were arranged such as, scholarship program has been set for Employees and their children, Flexible employee benefits programs such as group outing activities and self-service welfare funds, Family Day, Birthday Celebration, Comprehensive, Child Raising subsidy, Fertility Subsidy, Child Schooling Companion Leave, Employee injury/sickness consolation, marriage/grievance subsidy, maternity subsidy, yearend parties, and lottery draws.

(2) Employee Daily Care

Food:	Free lunch and lunch subsidy
Clothing:	Summer and winter uniforms for employees
Housing:	Dormitory provided for single Employee
Transportation:	Shuttle buses vehicles were provided in Taoyuan Plant during getting on/off work periods
Education:	Create corporate culture of a learning organization,

entertainment: establish corporate university, encourage employee for on-the-job further studies, subsidy of tuition fee, promoting study group, and health promotion, ..., etc.

Entertainment: Promoted social clubs and all sorts of gathering activities; by way of diversified organization and social activities, to enhance employee emotion and motivate employee to cultivate personal interests and learning for life so that goals of learning, from fun activities, could be reached.

2. Sound talent cultivation and employee training system

- (1) Set up employee training committee, to promote TTQS Talent Quality-management System. Formulated the training policies to ensure that effective implementation of Talent Quality Management System, guarantee training quality and results consistency, and also link with short, medium and long-term business strategies and annual operational plan to achieve systematically.
 - A. Implementing “building a nest to attract phoenix” to cultivate A level talent and promoting A+ Talent Gordon handcuff System.
 - B. Establishing human resource policy base on teaching-oriented organization and core competencies.
 - C. Promoting “Fortune Enterprise University” to foster the culture of company professor/ coaching and implement knowledge management (KM) and internal instructor system, nurture crossing electronical and mechanical engineering field managerial talent, encourage colleagues to pursue master or doctor degrees and enhance the quality of personnel and managerial capabilities.
 - D. Strengthen the function of cultivation center, promoting dual-ladder career development of professional and managerial competencies, and also link with promotion and executed various professional core technical and operational management talent, internationalization and all levels successors cultivating to achieve different level of company talent development plans and vision.
 - E. Nurturing internal professional instructors, enriching the depth and diversity of training materials to augment the actual result of training and serve as cradle of talent development of the heavy electrical industry of the Company.
 - F. Cultivating international talent by establishing international marketing, technical, and service teams to expand into overseas markets.
 - G. Ensure training quality and effectiveness by implementing the organizational operations of employee training committee.
- (2) Made good use of government resources to conduct all kinds of employee training and talent cultivation program, including recruiting R&D Substitute Services, and participate in all sorts of enterprise human resources lifting programs and reward plans.
- (3) Think highly of subject experts and licensing system and conducted all types of vocational training and professional skill sets certification.
- (4) According to annual training plan execution, and with rolling adjustment of training policy in response to pandemic situation, there were 1,115 people (times) in 2021 and total training hours were circa 6,074 hours and total training expenses were NT\$2,395,000

3. Pension system

- (1) The Company has established sound retirement system. In order to protect employee benefits for those who had elected to adopt old retirement scheme, we have increased allocation ratio every year, and also have allocated employee retirement reserve to be deposited into Taiwan Bank to generate interests to counteract and supply employee retirement reserve in full.
- (2) The Company has complied with relevant codes and withheld Labor Insurance, National Health Insurance for employees. For employees electing to adopt new retirement scheme, 6% of monthly salary will be wired into employee's retirement account in Labor Insurance Bureau.

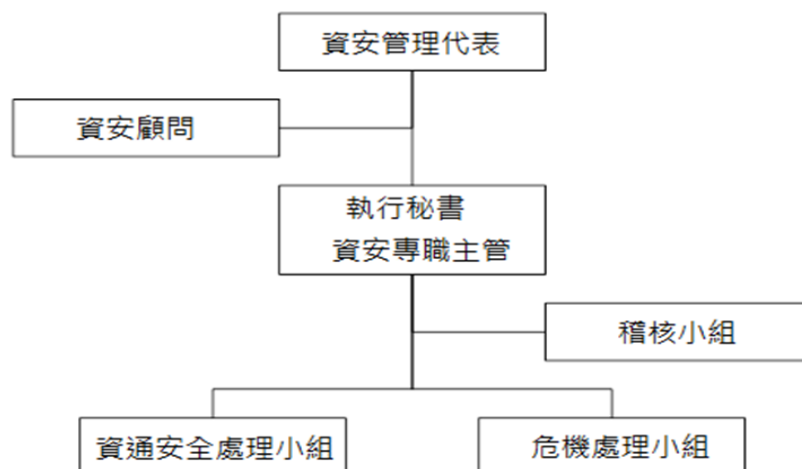
4. Management of Labor negotiation and all employee rights protective measures:

- (1) Labor-management meeting
Labor-management meeting was convened routinely for all labor and management communication matters to construct consensus as well as enhance customer, employee, the Company, shareholders and social

- public's best interests.
- (2) E-opinion and Management by Walking Around
Maintain FE family suggestion box and routinely conduct interviews with employees; keep a clear communication channel, dig out issues and solve them.
 - (3) Climate investigation of organization
Routinely conduct organizational climate investigation, count, analyze, and improve accordingly, to uplift employee satisfaction of the Company.
 - (4) Labor relation
The Company's labor relation is harmonious and there was no material labor dispute occurred since 1969, when the Company was founded, nor were there any loss incurred resulting from labor disputes.
 - (5) The Company adheres to "Gender Equality Act" and provided personnel (including employee, dispatched worker, technician, and interns) and job seekers to be free from sexual harassment and service environment whereby established "Fortune Electric preventive measures, complaint, and disciplinary procedures of sexual harassment", to appropriately prevent, correct, penalize and handle and protect event party's rights and privacy.
- (2) Loss incurred by Labor dispute and disclosure of current and possible future incurred amount and countermeasures in The Most Recent Year and up to the Publication Date of the Annual Report:
1. Labor dispute status: NONE
 2. Incurred loss amount: NONE
 3. Possible loss amount in the future: NONE
 4. Countermeasures:
Harmonious labor relationship is the cornerstone of corporate development. Over the years, the Company's labor relationship has been in the state of harmonious, stable and prosperity-sharing. The Company dedicated in promoting employee compensation and benefits, improving working environment, and understand employee needs and requests, by way of communication channels such as Management and Labor Council, employee opinion box, interview, and questionnaire. These are valued and assisted by managers of all levels and appropriate feedback and handling were given.

5.6 Information and Communication Security Management

1. Information and Communication Security Management framework, policy and specific management practices and resources used in management of information security were clearly stated.
 - (1) Information and Communication Security Management framework, and Roles and Responsibilities



Representative of Information and Communication Security Management:

Establish and review information and communication security relevant policy and regulations, promote information security management system, and coordinate allocation of resources needed execution of information security management system

Executive Secretary (Dedicated Information Security Chief):

Supervise and execute various tasks of information security management system, coordinate all units in the execution of all information security operation and perform self-assessment of information security execution

Information and Communication Security Handling Team:

Executive Secretary, being appointed by Representative of Information and Communication Security Management, assembled business related personnel to form such team to plan and execute all information security operation

Crisis Handling Team:

Crisis Handling Team is a task force in which all relevant personnel will be assembled by Executive Secretary with needs

(2) Information and Communication Security Policy:

- Implement Information Security
- Reinforce Job Quality
- Strengthen Risk Management
- Ensure Continuous Operation

(3) Specific Management Practices and resources dedicated to Information Security Management:

The Company established Information and Communication Security Management System according to the standard procedures laid out in ISO27001:2013 (certified period: April 2nd 2020 to April 1st 2023). Overall information and communication security management system, implementation of operation, surveillance censorship were established to continuously monitor related conformities, software and hardware facilities, to satisfy information security management goal.

The Company procure software and hardware equipment on a timely to ensure information and communication security. Maintenance contracts, as stipulated in annual plans, were arranged to ensure relevant network management equipment will function normally.

2. Any loss incurred by material information and communication security events, possible impact, and counter measures; if no reasonable estimation could be provided, facts should be disclosed: NONE

5.7 Important Contracts

Type of Contract	Party	Contract Period	Major Content	Restrictive Terms and Conditions
Technical Cooperation	Japan HITACHI	From January 13 th , 2019 till January 12 th , 2024	Power Transformer: 1. Sulfur hexafluoride gas-insulated : 12~69kV and 3~30MVA 2. Sulfur hexafluoride gas-insulated :12~16 1kV, 31~100MVA 3. Oil-immersed: 346~400kV and	1. Within valid period of this contract, technology provider agreed for FE to design, manufacture, and sell the technical cooperated product in ROC. Also, FE technical cooperated product needs to have written approval from technology provider before export sales. 2. Technology provider's trademark and commercial name would not be authorized for use. 3. 10 years after this contract's validity, technology provided by the technology provider cannot be disclosed to third party. 4. FE cannot apply for patent in any countries for technology provided while the contract

Type of Contract	Party	Contract Period	Major Content	Restrictive Terms and Conditions
			32~300MVA 4. Oil-immersed: 161kV and 651~750MVA 5. Oil-immersed: 345kV and 651~1000MVA 6. Oil-immersed: 345kV 1001~1300 MVA 7. Oil-immersed: 346~400kV and 301~400MVA	is still binding and even after the contract has matured. 5.If either fails to fulfill its obligation, bankruptcy, operation stopped or operation has material changes resulting from M&A or any other causes which led to changes of shareholding, or if third party gained control over either party, or if either party complied with government's order to stoop, the contract may be terminated before the maturity date. 6. If early termination was caused by FE, FE needed to return all technology data to technology provider. 7. All technology transfer without technology provider's written consent is not valid.
Technical Cooperation	Germany ABB Co., Calor Emag GmbH	From September 23 rd , 2002 until termination notification by either party	Gas-insulated distribution Board: below 24kV (inclusive)	1. Manufacturing is limited in Taiwan and could only be sold to Tai Power. For other market to be sold, prior consent has to be obtained. 2. Cooperator has to purchase breaker from technology provider. 3. Cooperator will not disclose to non-related third party about any information obtained from technology provider. 4.Cooperator will not provide technical data provided by technology provider unless such data has been published and already confirmed by both parties in writing. 5. Prior consent of the technology provider has to be sought for the contract's product, component's registration, and distribution of patent.
Technical Cooperation	Japan Meidensha Corp.	July 10 th , 2017 till July 9 th , 2027	Resistor: 1. 161kV and 80MVA 2. 161kV and 40MVA 3. 3.33kV and 40MVA 4. (Cooler and Radiator Type)	1. Within valid period of this contract, technology provider agreed for FE to design, manufacture, and sell the technical cooperated product in ROC. Also, FE technical cooperated product needs to have written approval from technology provider before export sales. 2. Technology provider's trademark and commercial name would not be authorized for use. 3. 10 years after this contract's validity, technology provided by the technology provider cannot be disclosed to third party. 4. FE cannot apply for patent in any countries for technology provided while the contract is still binding and even after the contract has matured. 5.If either fails to fulfill its obligation, bankruptcy, operation stopped or operation has material changes resulting from M&A or any other causes which led to changes of shareholding, or if third party gained control over either party, or if either party complied with government's order to stoop, the contract may be terminated before the

Type of Contract	Party	Contract Period	Major Content	Restrictive Terms and Conditions
				<p>maturity date.</p> <p>6. If early termination was caused by FE, FE needed to return all technology data to technology provider.</p> <p>7. All technology transfer without technology provider's written consent is not valid.</p>
Third model Solar Photovoltaic power generator contract	Tai Power Co., Ltd, Ping Tung Branch	Contract was signed on September 2 nd , 2011. Period would be 20 years, starting from 1 st time of grid connected.	Pricing was according to announced bulk sale pricing by MOEA of Ground-mounted PV Systems, to be sold to Tai Power	As per stipulation in the contract.

VI. Financial Highlights

6.1 Condensed Balance Sheet, Consolidated Income Statement and the CPA's name and audit comments; audited financial information in the Most Recent Year up to the publication date of the Annual Report

(1) Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ Thousands						
Year		Consolidated Financial Summary for The Last Five Years (Note 1)				
		2022	2021	2020	2019	2018
Item						
						Financial Data of Current Year up to March 31st (Note 3)
Current Assets		9,117,725	7,343,070	6,453,655	6,236,861	5,039,167
Property, Plant and Equipment		1,976,677	1,993,355	1,982,681	2,049,431	1,317,950
Intangible assets		56,528	41,266	31,214	28,528	20,716
Other assets		549,508	544,690	224,802	271,811	449,025
Total assets		11,700,438	9,922,390	8,692,352	8,586,631	6,826,858
Current Liabilities	Before distribution	6,410,571	4,896,632	3,934,794	4,069,636	2,716,227
	After distribution	7,063,217	5,157,691	4,274,170	4,330,695	2,794,545
Non-current Liabilities		1,024,594	1,506,021	1,210,542	1,138,090	1,047,435
Total liabilities	Before distribution	7,435,165	6,402,653	5,145,336	5,207,726	3,763,662
	After distribution	8,087,811	6,663,712	5,484,712	5,468,785	3,841,980
Equity attributable to shareholders of the parent		4,143,701	3,479,015	3,547,016	3,378,905	3,067,582
Capital stock		2,610,585	2,610,585	2,610,585	2,610,585	2,610,585
Capital surplus		86,685	3,484	1,414	1,251	1,251
Retained earnings	Before distribution	1,505,914	902,524	950,364	776,044	467,019
	After distribution	853,268	641,465	610,988	514,985	388,701
Other equity interest		(59,483)	(37,578)	(15,347)	(8,975)	(11,273)
Treasury Stock		-	-	-	-	-
Non-controlling interest		121,572	40,722	-	-	(4,386)
Total equity	Before distribution	4,265,273	3,519,737	3,547,016	3,378,905	3,063,196
	After distribution	3,612,627	3,258,678	3,207,640	3,117,846	2,984,878

Unit: NT\$ Thousands						
Year		Individual Financial Summary for The Last Five Years (Note 1)				
		2022	2021	2020	2019	2018
Item						
						Financial Data of Current Year up to March 31st
Current Assets		7,688,034	6,104,555	5,647,095	5,841,270	4,586,165
Property, Plant and Equipment		1,232,669	1,219,122	1,238,263	1,233,572	1,260,530
Intangible Assets		54,123	39,313	31,181	28,493	20,679
Other Assets		1,849,328	1,159,035	831,295	725,972	666,129
Total assets		10,824,154	8,522,025	7,747,834	7,829,307	6,533,503
Current Liabilities	Before distribution	5,943,361	3,704,248	3,191,311	3,414,083	2,419,524
	After distribution	6,596,007	3,965,307	3,530,687	3,675,142	2,497,842
Non-current Liabilities		737,092	1,338,762	1,009,507	1,036,319	1,046,397
Total liabilities	Before distribution	6,680,453	5,043,010	4,200,818	4,450,402	3,465,921
	After distribution	7,333,099	5,304,069	4,540,194	4,711,461	3,544,239
Equity attributable to shareholders of the parent		4,143,701	3,479,015	3,547,016	3,378,905	3,067,582
Capital stock		2,610,585	2,610,585	2,610,585	2,610,585	2,610,585
Capital surplus		86,685	3,484	1,414	1,251	1,251
Retained earnings	Before distribution	1,505,914	902,524	950,364	776,044	467,019
	After distribution	853,268	641,465	610,988	514,985	388,701
Other equity interest		(59,483)	(37,578)	(15,347)	(8,975)	(11,273)
Treasury Stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total Equity	Before distribution	4,143,701	3,479,015	3,547,016	3,378,905	3,067,582
	After distribution	3,491,055	3,217,956	3,207,640	3,117,846	2,989,264

Note 1: Financial data of the Past 5 Years were all audited and signed by CPAs.

Note 2: Parent company 2022 distribution of cash dividend has been approved by the Board of Directors on March 8th, 2023, earnings per share is NT\$2.5.

Note 3: Financial data Up to March 31st, 2023 have been audited by CPAs

(2) Consolidated Balance Sheet – Based on IFRS

Unit: NT\$ Thousands

Item \ Year	Consolidated Financial Statement of the Past 5 years (Note 1)					Financial Data of Current Year up to March 31 st (Note 3)
	2022	2021	2020	2019	2018	
Operating Revenue	7,750,727	9,020,094	8,471,592	7,176,598	5,996,563	1,540,545
Operating Margin	1,587,608	1,406,906	1,354,050	1,126,700	624,248	431,787
Operating income	429,227	391,966	474,093	331,055	13,147	222,191
Non-operating income and expenses	520,553	(26,053)	74,527	170,385	62,072	16,748
Income from continuing operations before income tax	949,780	365,913	548,620	501,440	75,219	238,939
Net income of continuing business units	822,304	287,518	457,514	415,149	53,213	202,854
Loss of suspended business unit	-	-	-	-	-	-
Net income	822,304	287,518	457,514	415,149	53,213	202,854
Other comprehensive income, net of tax	4,295	(20,578)	(28,508)	(21,122)	(3,142)	784
Total comprehensive income	826,599	266,940	429,006	394,027	50,071	203,638
Net income attributable to stockholders of the parent	838,249	289,883	457,514	410,652	60,082	205,674
Net income attributable to non-controlling interests	(15,945)	(2,365)	-	4,497	(6,869)	(2,820)
Total comprehensive income attributable to stockholders of the parent	842,544	269,305	429,006	389,641	55,798	206,458
Total comprehensive income attributable to non-controlling interests	(15,945)	(2,365)	-	4,386	(5,727)	(2,820)
Earnings per share (Note 2)	3.21	1.11	1.75	1.57	0.23	0.79

Unit: NT\$ Thousands

Item \ Year	Individual Financial Data for the Past 5 Years (Note 1)					Financial Data of Current Year up to March 31 st
	2022	2021	2020	2019	2018	
Operating Revenue	7,257,637	8,625,381	7,996,479	6,869,985	5,687,135	Not Applicable
Operating Margin	1,212,036	1,257,053	1,188,917	1,049,571	577,248	
Operating income	349,087	429,497	414,928	336,830	24,991	
Non-operating income and expenses	616,179	(61,800)	133,276	159,963	56,583	
Income from continuing operations before income tax	965,266	367,697	548,204	496,793	81,574	
Net income of continuing business units	838,249	289,883	457,514	410,652	60,082	
Loss of suspended business unit	-	-	-	-	-	
Net income	838,249	289,883	457,514	410,652	60,082	
Other comprehensive income, net of tax	4,295	(20,578)	(28,508)	(21,011)	(4,284)	
Total comprehensive income	842,544	269,305	429,006	389,641	55,798	
Net income attributable to stockholders of the parent	838,249	289,883	457,514	410,652	60,082	
Net income attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to stockholders of the parent	842,544	269,305	429,006	389,641	55,798	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share (Note 2)	3.21	1.11	1.75	1.57	0.23	

Note 1: Financial data of the Past 5 Years were all audited and signed by CPAs.

Note 2: Calculated as per weighted average stock of current year

Note 3: Financial data Up to March 31st, 2023 have been audited by CPAs

(3) Most Recent Five Years CPA names and Audit Comments

Year	Accounting Firm	CPA	Audit comments
2022	Deloitte & Touche	CPA Tza-Li Gung CPA Swei-Chin Lee	No unqualified opinions
2021	Deloitte & Touche	CPA Tza-Li Gung CPA Swei-Chin Lee	No unqualified opinions
2020	Deloitte & Touche	CPA Tun-Fang Lee CPA Tza-Li Gung	No unqualified opinions
2019	Deloitte & Touche	CPA Tun-Fang Lee CPA Tza-Li Gung	No unreserved opinions nor other matter paragraph
2018	Deloitte & Touche	CPA Tun-Fang Lee CPA Tza-Li Gung	No unqualified opinions nor other matter paragraph

6.2 Audited Financial Analysis in the Past Five Years and in the Most Recent Year up to the publication date of the Annual Report

(1)- Consolidated Financial Analysis – Based on IFRS

<div> <div></div> <div>Year</div> <div>Items for Analysis</div> </div>		Consolidated Financial Analysis for The Last Five Years					Current Year up to March 31st (Note)
		2022	2021	2020	2019	2018	
Financial Structure %	Debt to asset ratio	63.55	64.53	59.19	60.65	55.13	69.54
	Long term capital to property, plant, and equipment ratio	252.20	236.86	221.36	201.07	288.71	225.06
Solvency %	Current ratio	142.23	149.96	164.02	153.25	185.52	125.68
	Quick ratio	68.90	78.37	95.29	77.36	92.37	53.55
	Interest earned ratio (times)	21.25	12.96	21.34	16.17	3.52	15.77
Operating capacity	Accounts receivable turnover (times)	3.18	3.35	3.08	2.88	2.37	3.19
	Average collection period	115	109	119	127	154	115
	Inventory turnover (times)	1.61	2.51	2.54	2.24	2.35	0.93
	Accounts payable turnover (times)	2.46	2.18	2.38	2.48	2.58	3.21
	Average days in sales	227	146	144	163	155	394
	Property, plant and equipment turnover (times)	3.92	4.53	4.27	3.50	4.55	3.14
	Total assets turnover (times)	0.66	0.91	0.97	0.84	0.88	0.49
Profitability	Return on total assets (%)	7.95	3.35	5.55	5.73	1.11	7.12
	Return on stockholders' equity (%)	21.13	8.14	13.21	12.89	1.72	20.08
	Pre-tax income to paid-in capital (%)	36.38	14.02	21.02	19.21	2.88	36.61
	Profit ratio (%)	10.61	3.19	5.40	5.78	0.89	13.17
	Earnings per share (NT\$)	3.21	1.11	1.75	1.57	0.23	0.79
Cash Flow	Cash flow ratio (%)	13.07	(8.94)	5.49	17.10	23.20	(3.16)
	Cash flow adequacy ratio (%)	46.48	29.60	97.82	41.94	10.31	22.24
	Cash reinvestment ratio (%)	7.66	(10.54)	(0.65)	9.21	9.36	(3.62)
Leverage	Operating leverage	2.97	3.61	2.79	3.48	56.13	1.86
	Financial leverage	1.12	1.08	1.06	1.11	(0.79)	1.08

Analysis of financial ratio differences for the last two years up to the Publication Date of the Annual Report

1. The probability of current year has been good. Profit before tax and net profit increased 159.56% and 186% respectively compared to the same period of last year, as a result, interest coverage ratio and the profitability index (PI) variance was over 20%
2. The inventory turnover ratio compared to same time last year the variance. The key factors are revenue deferring and main materials shortage in bull market. In response to the order booming, purchasing in advance and also to secure the safety stock levels result the increase in inventory.
3. Accounts receivable and unearned sales revenue increase, also equity sales in subsidiary companies' recognition has generate annual operating cash flow increased as a result to cash flow amount relevant financial ratio variance compared to the same period was over 20% YoY
4. In response to the need of production materials procurement and shipment in the 2nd half of year, resulted in the business operation appear net cash outflow in first quarter of 2023 and lead to significant change in various cash flow ratios.

Note: Financial data Up to March 31st, 2023 have been audited by CPAs in Consolidated financial statements.

Items for Analysis \ Year		Individual Financial Analysis for The Last Five Years					Current Year up to March 31st
		2022	2021	2020	2019	2018	
Financial Structure%	Debt to asset ratio	61.72	59.18	54.22	56.84	53.05	Not Applicable
	Long term capital to property, plant, and equipment ratio	380.78	379.03	346.36	334.05	302.20	
Solvency%	Current ratio	129.35	164.80	176.95	171.09	189.55	
	Quick ratio	57.76	88.60	98.54	83.00	93.03	
	Interest earned ratio (times)	28.96	20.03	33.72	25.44	4.99	
Operating capacity	Accounts receivable turnover (times)	3.34	3.40	3.02	3.00	2.45	
	Average collection period	109	107	121	122	149	
	Inventory turnover (times)	1.98	2.96	2.79	2.45	2.41	
	Accounts payable turnover (times)	2.94	2.58	2.44	2.54	2.69	
	Average days in sales	185	123	131	149	151	
	Property, plant and equipment turnover (times)	5.89	7.08	6.46	5.57	4.51	
	Total assets turnover (times)	0.67	1.01	1.03	0.88	0.87	
Profitability	Return on total assets (%)	8.95	3.75	6.05	5.94	1.15	
	Return on stockholders' equity (%)	21.99	8.25	13.21	12.74	1.94	
	Pre-tax income to paid-in capital (%)	36.98	14.08	21.00	19.03	3.12	
	Profit ratio (%)	11.55	3.36	5.72	5.98	1.06	
	Earnings per share (NT\$)	3.21	1.11	1.75	1.57	0.23	
Cash Flow	Cash flow ratio (%)	(0.11)	(1.59)	9.48	10.75	27.94	
	Cash flow adequacy ratio (%)	34.11	38.53	92.97	24.88	5.15	
	Cash reinvestment ratio (%)	(4.20)	(6.32)	0.69	4.97	10.45	
Leverage	Operating leverage	3.42	3.15	3.01	3.28	28	
	Financial leverage	1.11	1.05	1.04	1.06	5.52	

Analysis of financial ratio differences for the last two years:

1. The current ratio and quick ratio were 21.51% and 34.81% respectively compared to the same period. This is primarily due to short-term loan and advance payment increase.
2. The probability of current year has been good. Profit before tax and net profit increased 162.52% and 189.17% respectively compared to the same period, as a result, interest coverage ratio and the profitability index (PI) variance was over 20%
3. The inventory turnover ratio compared to same time last year the variance was 33.10%. The key factors are revenue deferring and main materials shortage in bull market. In response to the order booming, purchasing in advance and also to secure the safety stock levels result the increase in inventory.

Please find below calculation formulas:

1. Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets °
- (2) Long term capital to property, plant and equipment ratio = (Total equity + Non-current Liabilities) / property, plant and equipment net

2. Solvency

- (1) Current ratio = Current Assets / Current Liabilities °
- (2) Quick ratio = (Current Assets – Inventories – Prepaid expenses) / Current Liabilities °
- (3) Interest coverage ratio = net profit before income tax and interest expense / Interest expenses °

Operating capacity

- (1) Accounts Receivable (including Trade Receivable and Notes Receivable) Turnover = Net of sales / average Accounts Receivable (including Trade Receivable and Notes Receivable) Balance
- (2) Average cash recovery day = 365 / Receivable turnover rate
- (3) Inventory Turnover Ratio = Cost of Sales / Average Inventory
- (4) Accounts Payable (including Accounts Payable and Notes Payable) Turnover = Cost of Sales / Average Accounts Payable (including Account Payable and Notes Payable) Balance
- (5) Days sales outstanding = 365 / Inventory Turnover
- (6) Property, Plant, and Equipment Turnover = Cost of Net Sales / Average Net of Property, Plant, and Equipment
- (7) Total asset turnover = Net of Sales / Average Total assets

4. Profitability

- (1) Return on assets = [P&L after tax + Interest expense × (1 – Tax Ratio)] / Average Total assets
- (2) Return on equity = P&L after tax / Average Total Equity
- (3) Net profit ratio = P&L after tax / Net of Sales
- (4) Earnings per Share = (P&L attributable to stockholders of the parent – Dividend of Preferred Shares) / Weighted average number of outstanding shares

5. Cash Flow

- (1) Cash Flow ratio = Net Cash of Operating activities / Current Liabilities
- (2) Net Cash flow adequacy ratio = Net Cash Flow of Operating activities of the Last 5 Years / of the Last 5 Years (Capital Expenses + Inventories Increase + Cash Dividend)
- (3) Cash reinvestment ratio = (Net Cash Flow from Operating activities – Cash Dividend) / (Property, Plant and Equipment + Long-term Investment + Other Non-Current Assets + Operating Capital) °

6. Leverage

- (1) Operating Leverage = (Net of Operating Revenue – Variable operating costs and expenses) / Operating Income
- (2) Financial Leverage = Operating Income / (Operating Income – Interest Expenses)

6.3 Audit Committee Review Report of the Most Recent Year Financial Statement

Audit Committee Report

The Board of Directors submitted the Company's 2022 Financial Statements, Business Report and Distribution of Profit. 2022 Financial Statements have been audited by D&T accounting firm CPA Tza-Li Gung and CPA Suei-Chin Lee, with relevant audit report being submitted.

The aforementioned financial statements, business report as well as distribution of profit have been audited by Audit Committee without any deviation, in accordance with Article 14-4 of Securities Exchange Act and Article 219 of Company Law.

For your review and approval.

Sincerely,

The Company's 2023 Shareholders' Meeting

Fortune Electric Co., Ltd.

Convener of Audit Committee: Lei, Whey-Min

March 8th, 2023

6.4 Latest Financial 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, 2022, 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, 2023

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, 2022 and 2021, 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 a summary of significant accounting policies (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, 2022 and 2021, 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 Auditing and Attestation of Financial Statements by 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, 2022. 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, 2022 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 21% of the revenue in the year ended December 31. Due to the significance 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, 2022 and 2021, on which we have issued an unmodified opinion with other matter paragraph.

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 IFRS, IAS, IFRIC Interpretations and 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 financial reporting process of the Group.

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 internal control of the Group.
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 ability to continue as a going concern of the Group. 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, 2021, 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 Tza-Li Gung and Suei-Chin Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2023

Notice to Readers

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, 2022 AND 2021 (In Thousands of NT\$ and US\$)

	2022		2021
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
ASSETS			
CURRENT ASSETS (Note 4)			
Cash (Note 6)	\$ 595,630	\$ 19,395	\$ 168,981
Financial assets at amortized cost - current (Notes 9 and 33)	241,607	7,867	114,777
Contract assets (Notes 22 and 24)	1,457,760	47,469	1,418,142
Notes receivable (Note 24)	95,625	3,114	77,443
Trade receivables from unrelated parties (Notes 10 and 24)	2,046,524	66,640	2,584,062
Current tax assets (Note 26)	21,513	701	2,070
Inventories, net (Note 11)	4,204,838	136,921	2,731,230
Prepayments	303,601	9,886	177,878
Other current assets (Notes 23 and 33)	<u>150,627</u>	<u>4,905</u>	<u>68,487</u>
Total current assets	<u>9,117,725</u>	<u>296,898</u>	<u>7,343,070</u>
NON-CURRENT ASSETS (Note 4)			
Financial assets at fair value through other comprehensive income - non-current (Note 8)	312,386	10,172	316,033
Financial assets at amortized cost - non-current (Notes 9 and 33)	8,129	265	3,759
Investments accounted for using the equity method (Note 13)	2,405	78	2,002
Property, plant and equipment (Notes 14 and 33)	1,976,677	64,366	1,993,355
Right-of-use assets (Notes 15, 32 and 33)	129,011	4,201	142,079
Intangible assets (Note 16)	56,528	1,841	41,266
Deferred tax assets (Notes 4 and 26)	38,150	1,242	35,610
Prepayments for equipment	40,501	1,319	38,446
Refundable deposits (Note 33)	<u>18,926</u>	<u>616</u>	<u>6,770</u>
Total non-current assets	<u>2,582,713</u>	<u>84,100</u>	<u>2,579,320</u>
TOTAL	<u>\$ 11,700,438</u>	<u>\$ 380,998</u>	<u>\$ 9,922,390</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES (Note 4)			
Short-term borrowings (Notes 17 and 33)	\$ 896,751	\$ 29,201	\$ 888,088
Short-term bills payable (Note 17)	349,564	11,383	549,679
Financial liabilities at fair value through profit or loss - current (Note 7)	279	9	-
Contract liabilities (Notes 22 and 24)	1,572,104	51,192	495,444
Notes payable	-	-	1
Trade payables to unrelated parties (Note 18)	2,149,731	70,001	2,351,132
Trade payables to related parties (Note 32)	53	2	86
Other payables (Note 19)	531,883	17,320	405,991
Current tax liabilities (Notes 4 and 26)	19	1	39,847
Provisions (Note 20)	11,496	374	11,220
Lease liabilities - current (Notes 15 and 32)	15,537	506	11,312
Long-term loans due within one year (Notes 17 and 33)	791,800	25,783	-
Other current liabilities	<u>91,354</u>	<u>2,975</u>	<u>143,832</u>
Total current liabilities	<u>6,410,571</u>	<u>208,747</u>	<u>4,896,632</u>
NON-CURRENT LIABILITIES (Note 4)			
Long-term borrowings (Notes 17 and 33)	720,000	23,445	1,201,800
Deferred tax liabilities (Note 26)	120,378	3,920	45,520
Lease liabilities - non-current (Notes 15 and 32)	115,867	3,773	111,973
Net defined benefit liabilities (Notes 4 and 21)	42,612	1,388	129,401
Guarantee deposit received	<u>25,737</u>	<u>838</u>	<u>17,327</u>
Total non-current liabilities	<u>1,024,594</u>	<u>33,364</u>	<u>1,506,021</u>
Total liabilities	<u>7,435,165</u>	<u>242,111</u>	<u>6,402,653</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 4)			
Share capital	<u>2,610,585</u>	<u>85,008</u>	<u>2,610,585</u>
Capital surplus	<u>86,685</u>	<u>2,822</u>	<u>3,484</u>
Retained earnings			
Legal reserve	473,469	15,417	444,315
Special reserve	37,578	1,223	15,347
Unappropriated earnings	<u>994,867</u>	<u>32,395</u>	<u>442,862</u>
Total retained earnings	<u>1,505,914</u>	<u>49,035</u>	<u>902,524</u>
Other equity			
Exchange differences on translation of the financial statements of foreign operations	(44,877)	(1,461)	(26,619)
Unrealized gain or loss on financial assets at fair value through other comprehensive income	<u>(14,606)</u>	<u>(475)</u>	<u>(10,959)</u>
Total other equity	<u>(59,483)</u>	<u>(1,936)</u>	<u>(37,578)</u>
Total equity attributable to owners of the Company	<u>4,143,701</u>	<u>134,929</u>	<u>3,479,015</u>
NON-CONTROLLING INTERESTS	<u>121,572</u>	<u>3,958</u>	<u>40,722</u>
Total equity	<u>4,265,273</u>	<u>138,887</u>	<u>3,519,737</u>
TOTAL	<u>\$ 11,700,438</u>	<u>\$ 380,998</u>	<u>\$ 9,922,390</u>

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, 2022 AND 2021 (In Thousands of NT\$ and US\$, Except Earnings Per Share)

	2022		2021
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
OPERATING REVENUES (Notes 4, 24, 32 and 38)			
Sales	\$ 7,241,725	\$ 235,810	\$ 7,480,118
Construction revenue	<u>509,002</u>	<u>16,574</u>	<u>1,539,976</u>
Total operating revenues	<u>7,750,727</u>	<u>252,384</u>	<u>9,020,094</u>
OPERATING COSTS (Notes 4, 11, 21, 25 and 32)			
Cost of goods sold	5,580,833	181,727	6,221,075
Construction costs	<u>582,286</u>	<u>18,961</u>	<u>1,392,113</u>
Total operating costs	<u>6,163,119</u>	<u>200,688</u>	<u>7,613,188</u>
GROSS PROFIT	<u>1,587,608</u>	<u>51,696</u>	<u>1,406,906</u>
OPERATING EXPENSES (Notes 4, 21, 25, 32 and 34)			
Selling and marketing expenses	766,511	24,960	655,262
General and administrative expenses	267,379	8,707	223,058
Research and development expenses	148,317	4,830	127,873
Expected credit loss	<u>(23,826)</u>	<u>(776)</u>	<u>8,747</u>
Total operating expenses	<u>1,158,381</u>	<u>37,721</u>	<u>1,014,940</u>
PROFIT FROM OPERATIONS	<u>429,227</u>	<u>13,975</u>	<u>391,966</u>
NON-OPERATING INCOME AND EXPENSES (Note 4)			
Other income (Notes 25 and 32)	39,664	1,292	37,737
Government grants	1,296	42	6,667
Other gains and losses (Notes 4, 25 and 28)	517,537	16,852	(42,651)
Interest income (Note 25)	8,219	268	1,347
Finance costs (Notes 25 and 32)	(46,911)	(1,528)	(30,586)
Share of gain (loss) of associates and joint ventures (Note 13)	<u>748</u>	<u>24</u>	<u>1,433</u>
Total non-operating income and expenses	<u>520,553</u>	<u>16,950</u>	<u>(26,053)</u>
PROFIT BEFORE INCOME TAX	949,780	30,925	365,913
INCOME TAX EXPENSE (Notes 4 and 26)	<u>127,476</u>	<u>4,151</u>	<u>78,395</u>
NET PROFIT FOR THE YEAR	<u>822,304</u>	<u>26,774</u>	<u>287,518</u>

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of NT\$ and US\$, Except Earnings Per Share)

	<u>2022</u>		<u>2021</u>
	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)	\$ 32,750	\$ 1,066	\$ 2,066
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(3,647)	(119)	(19,770)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 26)	<u>(6,550)</u>	<u>(213)</u>	<u>(413)</u>
	<u>22,553</u>	<u>734</u>	<u>(18,117)</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of the financial statements of foreign operations	<u>(18,258)</u>	<u>(595)</u>	<u>(2,461)</u>
	<u>(18,258)</u>	<u>(595)</u>	<u>(2,461)</u>
Total other comprehensive loss	<u>4,295</u>	<u>139</u>	<u>(20,578)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 826,599</u>	<u>\$ 26,913</u>	<u>\$ 266,940</u>
NET PROFIT ATTRIBUTABLE TO:			
Owners of the Company	\$ 838,249	\$ 27,296	\$ 289,883
Non-controlling interests	<u>(15,945)</u>	<u>(519)</u>	<u>(2,365)</u>
	<u>\$ 822,304</u>	<u>\$ 26,777</u>	<u>\$ 287,518</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company	\$ 842,544	\$ 27,435	\$ 269,305
Non-controlling interests	<u>(15,945)</u>	<u>(519)</u>	<u>(2,365)</u>
	<u>\$ 826,599</u>	<u>\$ 26,916</u>	<u>\$ 266,940</u>
EARNINGS PER SHARE (Note 28)			
From continuing operations			
Basic	<u>\$3.21</u>	<u>\$0.10</u>	<u>\$1.11</u>
Diluted	<u>\$3.20</u>	<u>\$0.10</u>	<u>\$1.11</u>

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, 2022 AND 2021 (In Thousands of NT\$ and US\$)

	Equity Attributable to Owners of the Company											
	Share Capital (Note 24)	Capital Surplus (Note 24)	Retained Earnings (Note 24)				Other Equity (Notes 8 and 24)			Controlling Interests	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Total			
BALANCE AT JANUARY 1, 2021	\$ 2,610,585	\$ 1,414	\$ 400,777	\$ 8,975	\$ 540,612	\$ 950,364	\$ (24,158)	\$ 8,811	\$ (15,347)	\$ 3,547,016	\$ -	\$ 3,547,016
Appropriation of 2020 earnings												
Legal reserve	-	-	43,538	-	(43,538)	-	-	-	-	-	-	-
Special reserve	-	-	-	6,372	(6,372)	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$1.3 per share	-	-	-	-	(339,376)	(339,376)	-	-	-	(339,376)	-	(339,376)
	-	-	43,538	6,372	(389,286)	(339,376)	-	-	-	(339,376)	-	(339,376)
Unclaimed cash dividends from shareholders	-	157	-	-	-	-	-	-	-	157	-	157
Changes in percentage of ownership interests in subsidiaries	-	1,913	-	-	-	-	-	-	-	1,913	43,087	45,000
Net profit for the year ended December 31, 2021	-	-	-	-	289,883	289,883	-	-	-	289,883	(2,365)	287,518
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	1,653	1,653	(2,461)	(19,770)	(22,231)	(20,578)	-	(20,578)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	291,536	291,536	(2,461)	(19,770)	(22,231)	269,305	(2,365)	266,940
BALANCE AT DECEMBER 31, 2021	<u>2,610,585</u>	<u>3,484</u>	<u>444,315</u>	<u>15,347</u>	<u>442,862</u>	<u>902,524</u>	<u>(26,619)</u>	<u>(10,959)</u>	<u>(37,578)</u>	<u>3,479,015</u>	<u>40,722</u>	<u>3,519,737</u>
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	<u>\$ 2,610,585</u>	<u>\$ 86,685</u>	<u>\$ 473,469</u>	<u>\$ 37,578</u>	<u>\$ 994,867</u>	<u>\$ 1,505,914</u>	<u>\$ (44,877)</u>	<u>\$ (14,606)</u>	<u>\$ (59,483)</u>	<u>\$ 4,143,701</u>	<u>\$ 121,572</u>	<u>\$ 4,265,273</u>
BALANCE AT DECEMBER 31, 2022 (IN U.S. DOLLARS)	<u>\$ 85,008</u>	<u>\$ 2,822</u>	<u>\$ 15,417</u>	<u>\$ 1,223</u>	<u>\$ 32,395</u>	<u>\$ 49,035</u>	<u>\$ (1,461)</u>	<u>\$ (475)</u>	<u>\$ (1,936)</u>	<u>\$ 134,929</u>	<u>\$ 3,958</u>	<u>\$ 138,887</u>

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, 2022 AND 2021 (In Thousands of NT\$ and US\$)

	2022		2021
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax	\$ 949,780	\$ 30,927	\$ 365,913
Adjustments for:			
Depreciation expense	127,296	4,145	122,609
Amortization expense	22,701	739	17,310
Expected credit loss recognized on trade receivables	(23,826)	(776)	8,747
Finance costs	46,911	1,528	30,586
Interest income	(8,219)	(268)	(1,347)
Share of loss of associate	(748)	(24)	(1,433)
Loss on disposal of property, plant and equipment	3,550	116	1,022
Dealing with subsidiaries' interests	(468,312)	(15,249)	-
(Reversal) write-down of inventories	43,844	1,428	(203)
Unrealized net gain on foreign currency exchange	6,694	218	(3,065)
Provisions	276	9	1,481
Gain on remeasurement of lease arrangements	-	-	(517)
Changes in operating assets and liabilities			
Financial instruments at fair value through profit or loss	279	9	(4)
Contract assets	(39,618)	(1,290)	(422)
Notes receivable	(18,082)	(589)	40,179
Trade receivables	372,938	12,144	(592,648)
Inventories	(1,509,054)	(49,139)	(342,534)
Prepayments	(110,889)	(3,611)	(52,879)
Other current assets	136,555	4,447	(23,127)
Contract liabilities	1,076,248	35,046	125,630
Notes payable	(1)	-	1
Trade payables	(130,258)	(4,242)	(105,846)
Trade payables to related parties	(33)	(1)	(13)
Other payables	142,479	4,639	64,116
Other current liabilities	434,466	14,147	51,810
Net defined benefit liabilities	(54,039)	(1,760)	(47,392)
Cash generated from operations	1,000,938	32,593	(342,026)
Interest received	8,278	270	1,342
Interest paid	(45,791)	(1,491)	(29,418)
Income tax paid	(125,609)	(4,090)	(67,852)
Net cash (used in) generated from operating activities	837,816	27,282	(437,954)

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of NT\$ and US\$)

	<u>2022</u>		<u>2021</u>
	NT\$	US\$ (Note 4) (Unaudited)	NT\$
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets as fair value through other comprehensive income	\$ -	\$ -	\$ (291,460)
Purchase of financial assets at amortized cost	(144,446)	(4,704)	(41,149)
Disposal Subsidiaries (Note 28)	(72,136)	(2,349)	-
Payments for property, plant and equipment	(110,575)	(3,601)	(67,228)
Proceeds from disposal of property, plant and equipment	2,194	71	3,832
Increase in refundable deposits	(12,133)	(395)	(5,412)
Payments for intangible assets	(35,723)	(1,163)	(26,253)
Increase in prepayments for equipment	<u>(28,475)</u>	<u>(927)</u>	<u>(49,797)</u>
Net cash used in investing activities	<u>(401,294)</u>	<u>(13,068)</u>	<u>(477,467)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	4,755	155	508,855
Proceeds from short-term bills payable	-	-	309,889
Repayment of short-term bills payable	(200,115)	(6,516)	-
Proceeds from long-term borrowings	310,000	10,094	360,000
Proceeds from guarantee deposits received	8,410	274	4,947
Repayment of the principal portion of lease liabilities	(13,748)	(448)	(12,352)
Issue of cash dividends	(261,059)	(8,501)	(339,376)
Change in non-controlling interests	180,000	5,861	45,000
Unclaimed share	<u>(6)</u>	<u>-</u>	<u>157</u>
Net cash generated from financing activities	<u>28,237</u>	<u>919</u>	<u>877,120</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(38,110)</u>	<u>(1,240)</u>	<u>(7,227)</u>
NET (DECREASE) INCREASE IN CASH	426,649	13,893	(45,528)
CASH AT THE BEGINNING OF THE YEAR	<u>168,981</u>	<u>5,502</u>	<u>214,509</u>
CASH AT THE END OF THE YEAR	<u>\$ 595,630</u>	<u>\$ 19,395</u>	<u>\$ 168,981</u>

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

(Concluded)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (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 and NT\$27.68 to US\$1.00 as of December 31, 2022 and 2021, 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, 2023.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

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

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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 IFRSs 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 the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. 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 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). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

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 measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on 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 case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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. 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 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 an entity in 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 associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

Depreciation 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 value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in 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 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 for the asset or cash-generating unit 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 asset is 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, 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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 determines that the following situations indicate 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. When a 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. 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. Leasing

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 Group uses the lessee's incremental borrowing rate.

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 are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 associates, except when 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. Deductible temporary differences associated with such investments are only recognized 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 they 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 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 liability is settled or the asset 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, 2022 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, 2022. 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, estimates 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.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH

	December 31	
	2022	2021
Cash on hand	\$ 22	\$ 23
Checking accounts and demand deposits	15,093	5,480
Cash equivalents (investment with original maturity within 3 months) time deposits	<u>4,280</u>	<u>-</u>
	<u>\$ 19,395</u>	<u>\$ 5,502</u>

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

	December 31	
	2022	2021
Bank balance	0.001%-4.55%	0.001%-0.200%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial liabilities at FVTPL - current</u>		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 9</u>	<u>\$ -</u>

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)
<u>December 31, 2022</u>			
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

	<u>December 31</u>	
	2022	2021
<u>Non-current</u>		
Domestic investments		
Unlisted shares		
Ordinary shares - Raynergy Tek Incorporation	\$ 881	\$ 832
Ordinary shares - Hsin He Energy Co., Ltd.	8,324	7,995
Ordinary shares - E-Formula Technologies, Inc.	408	985
Ordinary shares - Synergy Co., Ltd.	<u>559</u>	<u>479</u>
	<u>\$ 10,172</u>	<u>\$ 10,291</u>

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.

In the 1st quarter of 2021, the Group acquired 25,275 thousand shares of Hsin He Energy Co., Ltd. at the price of NT\$252,750 thousand, with the percentage of ownership of 15%. Hsin He Energy Co., Ltd. is mainly engaged in the development of renewable energy and the construction of solar power plants.

In the 2nd quarter of 2021, the Group acquired 1,200 thousand shares of E-Formula Technologies, Inc. at a price of NT\$24,000 thousand, with the percentage of ownership of 5.52%. E-Formula Technologies, Inc. is mainly engaged in the construction of telecommunication base stations, energy conservation and energy management system planning.

In the 4th quarter of 2021, the Group acquired 1,471 thousand shares of Synergy Co., Ltd. at a price of NT\$14,710 thousand, with the percentage of ownership of 14.71%. Synergy Co., Ltd. is mainly engaged in the development of renewable energy, the installation of solar power plants, and the maintenance and operation of offshore wind power.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Pledged time deposits</u>		
Current	\$ 603	\$ 727
Time deposits with original maturities of more than 3 months	<u>7,264</u>	<u>3,010</u>
	<u>\$ 7,867</u>	<u>\$ 3,737</u>
Non-current	<u>\$ 265</u>	<u>\$ 122</u>

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

10. TRADE RECEIVABLES

	December 31	
	2022	2021
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 67,230	\$ 85,811
Less: Allowance for impairment loss	<u>(590)</u>	<u>(1,667)</u>
	<u>\$ 66,640</u>	<u>\$ 84,144</u>

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, 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)	<u>(127)</u>	<u>(33)</u>	<u>-</u>	<u>(16)</u>	<u>(43)</u>	<u>(371)</u>	<u>(590)</u>
Amortized cost	<u>\$ 41,196</u>	<u>\$ 9,909</u>	<u>\$ 110</u>	<u>\$ 4,029</u>	<u>\$ 10,017</u>	<u>\$ 1,379</u>	<u>\$ 66,640</u>

December 31, 2021

	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	0.04%	0.56%	0.00%	0.16%	2.02%	23.78%	
Gross carrying amount	\$ 48,932	\$ 10,976	\$ 3,545	\$ 8,954	\$ 7,415	\$ 5,989	\$ 85,811
Loss allowance (Lifetime ECLs)	<u>(18)</u>	<u>(61)</u>	<u>-</u>	<u>(14)</u>	<u>(150)</u>	<u>(1,424)</u>	<u>(1,667)</u>
Amortized cost	<u>\$ 48,914</u>	<u>\$ 10,915</u>	<u>\$ 3,545</u>	<u>\$ 8,940</u>	<u>\$ 7,266</u>	<u>\$ 4,565</u>	<u>\$ 84,144</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	\$ 1,667	\$ 1,655
Add: Net remeasurement of loss allowance	(776)	285
Less: Amounts written off	(123)	(271)
Less: Transfer to held for sale	(180)	-
Foreign exchange gains and losses	<u>2</u>	<u>(2)</u>
Balance at December 31	<u>\$ 590</u>	<u>\$ 1,667</u>

11. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Finished goods	\$ 18,978	\$ 19,033
Work in progress	93,346	54,958
Raw materials	<u>24,597</u>	<u>14,945</u>
	<u>\$ 136,921</u>	<u>\$ 88,936</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$181,727 thousand and \$202,575 thousand, respectively.

The cost of goods sold for the years ended December 31, 2022 and 2021 included write-down of inventories (reversal of write-down of inventories) of \$1,428 thousand and \$(7) thousand, respectively. Previous write-downs were reversed as a result of inventory devaluation.

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2022	2021	
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	80.18	Note a
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	-	100.00	Note b
	Wuhan Fortune Electric Co., Ltd	Import and export business of various commodities and technologies	100.00	100.00	Note c
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	Trading	-	100.00	Note d

Remarks:

- Fortune Electric Value Company Limited was established on May 6, 2021 in Taipei City, the primary business of Fortune Electric Value Company Limited is Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment, systems, and technology. The Company passed the resolution of the board of directors on May 10, 2021 to split and transfer the business related to the electric vehicle charging operation business department to Fortune Electric Value Company Limited, and the split-up base date on June 30, 2021. The percentage of ownership of Fortune Electric Value Company Limited is 100%. On September, 2021 and 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 100% to 64.25%.
- The Group completed the transaction of disposing of 100% equity of Fortune Electric (Wuhan) Ltd. on December 31, 2022. Refer to Note 28 for information on the subsidiary company.
- Wuhan Fortune Electric Co., Ltd. was established on October 26, 2021 in Wuhan, China and the Group acquired 100% ownership of Wuhan Fortune Co., Ltd. Wuhan Fortune Co., Ltd. mainly engaged in the import and export business of various commodities and technologies.
- Wuhan Fortune Trade Co., Ltd. completed deregistration on August 11, 2022.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2022	2021
<u>Associates that are not individually material</u>		
E-Total Link	\$ <u>78</u>	\$ <u>65</u>

Aggregate Information of Associates That Are Not Individually Material

The Group, Hamadenk Co., Ltd. and other companies jointly established E-Total Link in 2017. The Group invested \$45 thousand and acquired 25% ownership of E-Total Link.

	For the Year Ended December 31	
	2022	2021
The Group's share of:		
Net income (loss) for the year	\$ 24	\$ 47
Other comprehensive income (loss)	<u>(11)</u>	<u>(6)</u>
Total comprehensive income (loss) for the year	\$ <u>13</u>	\$ <u>41</u>

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 for the same years. 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	
	2022	2021
Assets used by the Group	\$ 64,363	\$ 64,903
Assets leased under operating leases	<u>3</u>	<u>6</u>
	\$ <u>64,366</u>	\$ <u>64,909</u>

a. Assets used by the Group

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
<u>Cost</u>						
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	<u>-</u>	<u>26</u>	<u>65</u>	<u>-</u>	<u>8</u>	<u>99</u>
Balance at December 31, 2022	\$ <u>20,704</u>	\$ <u>51,640</u>	\$ <u>51,226</u>	\$ <u>4,784</u>	\$ <u>8,820</u>	\$ <u>137,174</u>

(Continued)

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
<u>Accumulated depreciation</u>						
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	<u>\$ -</u>	<u>\$ 21,092</u>	<u>\$ 44,642</u>	<u>\$ 2,521</u>	<u>\$ 4,556</u>	<u>\$ 72,811</u>
Carrying amount at December 31, 2022	<u>\$ 20,704</u>	<u>\$ 30,548</u>	<u>\$ 6,584</u>	<u>\$ 2,263</u>	<u>\$ 4,264</u>	<u>\$ 64,363</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ 20,704	\$ 52,584	\$ 54,440	\$ 4,939	\$ 7,043	\$ 139,711
Additions	-	202	1,109	30	848	2,189
Reclassified	-	-	-	-	41	41
Disposals	-	(78)	(592)	(194)	(196)	(1,059)
Transfer (Note 1)	-	-	-	-	87	87
Transfer (Note 2)	-	-	295	-	202	497
Effects of foreign currency exchange differences	-	(13)	(32)	-	(4)	(49)
Balance at December 31, 2021	<u>\$ 20,704</u>	<u>\$ 52,695</u>	<u>\$ 55,220</u>	<u>\$ 4,776</u>	<u>\$ 8,022</u>	<u>\$ 141,417</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ 20,485	\$ 47,155	\$ 2,220	\$ 4,021	\$ 73,882
Depreciation expense	-	1,058	1,675	241	577	3,550
Reclassified	-	-	-	-	22	22
Disposals	-	(68)	(514)	(173)	(146)	(901)
Effects of foreign currency exchange differences	-	(10)	(26)	-	(3)	(39)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 21,465</u>	<u>\$ 48,290</u>	<u>\$ 2,287</u>	<u>\$ 4,472</u>	<u>\$ 76,513</u>
Carrying amount at December 31, 2021	<u>\$ 20,704</u>	<u>\$ 31,230</u>	<u>\$ 6,930</u>	<u>\$ 2,489</u>	<u>\$ 3,550</u>	<u>\$ 64,903</u>

(Concluded)

Note 1: Transferred from inventories to equipment.

Note 2: Transferred from prepayments for equipment to equipment.

No impairment assessment was performed for the years ended December 31, 2022 and 2021 as there was no indication of impairment.

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	3-15 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
<u>Cost</u>	
Balance at January 1, 2022	\$ 26
Transfers from assets used by the Group	<u>(13)</u>
Balance at December 31, 2022	<u>\$ 13</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 20
Additions	-
Transfers from assets used by the Group	<u>(10)</u>
Balance at December 31, 2022	<u>\$ 10</u>
Carrying amount at December 31, 2022	<u>\$ 3</u>
<u>Cost</u>	
Balance at January 1, 2021	<u>\$ 26</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 19
Depreciation expense	<u>1</u>
Balance at December 31, 2021	<u>\$ 20</u>
Carrying amount at December 31, 2021	<u>\$ 6</u>

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

	<u>December 31</u>	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 3,206	\$ 3,944
Buildings	718	529
Transportation equipment	<u>277</u>	<u>154</u>
	<u>\$ 4,201</u>	<u>\$ 4,626</u>

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	\$ <u>644</u>	\$ <u>828</u>
Depreciation charge for right-of-use assets		
Land	\$ 149	\$ 144
Buildings	213	146
Transportation equipment	<u>132</u>	<u>151</u>
	\$ <u>494</u>	\$ <u>441</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	\$ <u>506</u>	\$ <u>368</u>
Non-current	\$ <u>3,773</u>	\$ <u>3,646</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.24%-1.26%	1.24%-1.26%
Buildings	1.26%	1.26%
Transportation equipment	1.24%-2.00%	1.24%-1.26%

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 not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

The Group leases land from Port of Taichung, Taiwan International Ports Corporation, Ltd. since March 20, 2014, covering a total area of 40,600 square meters. Except for the land use fee, the management fee is \$2.45 per square meter according to the lease agreement. The lease payments will be adjusted each year on the basis of the changes in the wholesale price index in Taiwan, but the maximum annual adjustment is limited to 2% each year.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ <u>720</u>	\$ <u>438</u>
Expenses relating to low-value asset leases	\$ <u>55</u>	\$ <u>322</u>
Total cash outflow for leases	\$ <u>(1,273)</u>	\$ <u>(1,213)</u>

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.

Right-of-use assets pledged as collateral for bank borrowings are set out in Note 33.

16. INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2021	\$ 2,836
Acquired separately	855
Reclassifications	36
Disposals	(1)
Net exchange differences	<u>-</u>
Balance at December 31, 2021	<u>\$ 3,726</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 1,820
Amortization expense	564
Disposals	<u>(1)</u>
Balance at December 31, 2021	<u>\$ 2,382</u>
Carrying amount at December 31, 2021	<u>\$ 1,344</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 3,726
Acquired separately	1,163
Reclassifications	73
Disposals	(1,700)
Net exchange differences	<u>-</u>
Balance at December 31, 2022	<u>\$ 3,262</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 2,382
Amortization expense	739
Disposals	(1,700)
Net exchange differences	<u>-</u>
Balance at December 31, 2022	<u>\$ 1,421</u>
Carrying amount at December 31, 2022	<u>\$ 1,841</u>

The above computer software is amortized on a straight-line basis over its estimated useful life of 3 to 10 years.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
<u>Secured borrowings (Note 33)</u>		
	\$ -	\$ 5,526
Bank loans	<u>2,294</u>	<u>1,938</u>
Issuance letters of credit	<u>2,294</u>	<u>7,464</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	22,061	15,923
Issuance letters of credit	<u>4,846</u>	<u>5,531</u>
	<u>26,907</u>	<u>21,455</u>
	<u>\$ 29,201</u>	<u>\$ 28,919</u>

The ranges of weighted average effective interest rate on bank loans were 0.70%-5.9291% and 0.53%-4.385%

b. Short-term bills payable

	December 31	
	2022	2021
Commercial paper	\$ 11,397	\$ 17,909
Less: Unamortized discounts on bills payable	<u>(14)</u>	<u>(10)</u>
	<u>\$ 11,383</u>	<u>\$ 17,899</u>

Outstanding short-term bills payable were as follows:

December 31, 2022

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
<u>Commercial paper</u>					
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	<u>3,256</u>	<u>3</u>	<u>3,253</u>	1.85%	N/A
	<u>\$ 11,397</u>	<u>\$ 14</u>	<u>\$ 11,383</u>		

December 31, 2021

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral
<u>Commercial paper</u>					
Dah Chung Bills	\$ 3,256	\$ 1	\$ 3,255	1.04%	N/A
The Shanghai Commercial & Saving Bank	3,256	1	3,256	1.04%	N/A
China Bills	3,256	7	3,249	1.04%	N/A
Mega Bills	3,256	1	3,256	1.04%	N/A
Grand Bills	3,256	1	3,256	1.04%	N/A
Taiwan Cooperative Bills	<u>1,628</u>	<u>1</u>	<u>1,628</u>	1.02%	N/A
	<u>\$ 17,909</u>	<u>\$ 10</u>	<u>\$ 17,899</u>		

c. Long-term borrowings

	December 31	
	2022	2021
<u>Secured borrowings (Note 33)</u>		
Bank of Taiwan	\$ 16,281	\$ 16,281
Mega International Commercial Bank	<u>7,874</u>	<u>7,874</u>
	<u>24,155</u>	<u>24,155</u>
<u>Unsecured borrowings</u>		
Yuanta Bank	14,653	9,769
Bank SinoPac	3,256	3,256
Hwa Nan Commercial Bank	651	1,954
E.Sun Commercial Bank	<u>6,513</u>	<u>-</u>
	<u>25,073</u>	<u>14,979</u>
	49,228	39,134
Less: Listed as part of the due within 1 year Long term loan	<u>(25,783)</u>	<u>-</u>
Long-term borrowings	<u>\$ 23,445</u>	<u>\$ 39,134</u>

The original term of the borrowings from Bank of Taiwan was from December 4, 2013 to April 19, 2022. In April 2021, the Company negotiated the new loan period from May 25, 2021 to May 25, 2024 with the bank. The weighted average effective interest rate of the borrowings was 1.875%-2.00% and 1.20% per annum for the years ended December 31, 2022 and 2021.

The original term of the borrowings from Mega International Commercial Bank was from September 14, 2018 to October 23, 2021. In October 2020, the Company negotiated the new loan period from October 23, 2020 to October 23, 2023 with the bank. The weighted average effective interest rate of the borrowings was 1.85% and 1.275% per annum for the years ended December 31, 2022 and 2021.

The original term of the borrowings from Yuanta Bank was from March 29, 2019 to March 29, 2021. In June 2021, the Company negotiated the new loan period from May 5, 2021 to May 20, 2024 with the bank. The weighted average effective interest rate of the borrowings was 1.60% and 1.15% per annum for the year ended December 31, 2021.

The original term of the borrowings from Bank of SinoPac was from December 20, 2021 to September 30, 2023. The weighted average effective interest rate of the borrowings was 1.90% and 1.10% per annum for the year ended December 31, 2021.

The period of the borrowings from Hwa Nan Commercial Bank is from June 8, 2020 to June 8, 2023, and the weighted average effective interest rate of the borrowings was 1.55% and 1.30% per annum for the years ended December 31, 2022 and 2021.

The period of the borrowings from E.Sun Commercial Bank is from August 23, 2022 to March 30, 2024, and the weighted average effective interest rate of the borrowings was 1.95% per annum for the years ended December 31, 2022.

18. TRADE PAYABLES

	December 31	
	2022	2021
Operating	<u>\$ 70,001</u>	<u>\$ 76,559</u>

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	
	2022	2021
Accrued payroll	\$ 7,397	\$ 4,191
Export payable	1,620	2,277
Payable for compensation of employees and remuneration of directors	2,123	790
Design fees payable	1,124	1,247
Commission payable	354	728
Interest payable	100	63
Others	<u>4,602</u>	<u>3,924</u>
	<u>\$ 17,320</u>	<u>\$ 13,220</u>

20. PROVISIONS

	December 31	
	2022	2021
Warranties	\$ 374	\$ 188
Onerous contracts	<u>-</u>	<u>177</u>
	<u>\$ 374</u>	<u>\$ 365</u>

- a. The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under contracts for the sale of goods.

- 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	
	2022	2021
Present value of defined benefit obligation	\$ 13,992	\$ 14,943
Fair value of plan assets	<u>(12,604)</u>	<u>(10,730)</u>
Net defined benefit liabilities	<u>\$ 1,388</u>	<u>\$ 4,214</u>

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, 2021	<u>\$ 14,814</u>	<u>\$ (8,990)</u>	<u>\$ 5,824</u>
Current service cost	154	-	154
Net interest expense (income)	<u>44</u>	<u>(27)</u>	<u>16</u>
Recognized in profit or loss	<u>197</u>	<u>(27)</u>	<u>170</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets	\$ -	\$ (135)	\$ (135)
Actuarial loss - changes in demographic assumptions	(73)	-	(73)
Actuarial loss - experience adjustments	140	-	140
Recognized in other comprehensive income	67	(135)	(67)
Contributions from the employer	-	(1,713)	(1,713)
Benefits paid	(135)	135	-
Balance at December 31, 2021	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	<u>\$ 13,992</u>	<u>\$ (12,604)</u>	<u>\$ 1,388</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ 103	\$ 121
Selling and marketing expenses	21	25
General and administrative expenses	14	15
Research and development expenses	8	9
	<u>\$ 146</u>	<u>\$ 170</u>

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	
	2022	2021
Discount rate	1.20%	0.60%
Expected return rate of plan assets	0.60%	0.30%
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	
	2022	2021
Discount rate		
0.25% increase	\$ (277)	\$ (321)
0.25% decrease	\$ 285	\$ 332
Expected rate of salary increase		
0.25% increase	\$ 277	\$ 320
0.25% decrease	\$ (270)	\$ (311)

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	
	2022	2021
The expected contributions to the plan for the next year	\$ 740	\$ 790
The average duration of the defined benefit obligation	8.08 years	8.78 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, 2022		
	Within 1 Year	More Than 1 Year	Total
<u>Assets</u>			
Refundable deposits (included in other current assets)	\$ 7	\$ -	\$ 7
Contract assets	\$ 6,260	\$ -	\$ 6,260
<u>Liabilities</u>			
Contract liabilities	\$ 405	\$ 127	\$ 532

	December 31, 2021		
	Within 1 Year	More Than 1 Year	Total
<u>Assets</u>			
Refundable deposits (included in other current assets)	\$ 14	\$ -	\$ 14
Contract assets	\$ 19,428	\$ -	\$ 19,428
<u>Liabilities</u>			
Contract liabilities	\$ 554	\$ -	\$ 554

23. EQUITY

a. Share capital - ordinary shares

	December 31	
	2022	2021
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	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Treasury share transactions	\$ 34	\$ 34
Unclaimed cash dividends	17	17
<u>May only be used to offset a deficit (2)</u>		
Changes in percentage of ownership interests in subsidiaries	<u>2,771</u>	<u>62</u>
	<u>\$ 2,822</u>	<u>\$ 113</u>

- 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).

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.

Items referred to under Rule No. 1090150022, issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2021 and 2020, which have been approved in the shareholders' meetings on June 13, 2023 and June 13, 2022, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ 949	\$ 1,418
Special reserve	\$ 724	\$ 207
Cash dividends	\$ 8,501	\$ 11,051
Cash dividends per share	\$ -	\$ -

The appropriations of earnings for 2021 has been proposed by the Company's board of directors on March 22, 2021, were as follows:

	For the Year Ended December 31, 2022
Legal reserve	\$ 2,815
Special reserve	\$ 713
Cash dividends	\$ 21,252
Cash dividends per share (NT\$)	\$ -

The above appropriation for cash dividends had been resolved by the shareholders in their meeting to be held on June 15, 2022.

d. Other equity items

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (867)	\$ (787)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	(412)	(80)
Reclassification adjustments		
Disposal of a foreign operation	(182)	-
Other comprehensive loss	(594)	(80)
Balance at December 31	\$ (1,461)	\$ (867)

2) Unrealized valuation gain on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (357)	\$ 287
Recognized for the year		
Unrealized gain - equity instruments	(119)	(644)
Balance at December 31	\$ (476)	\$ (357)

e. Noncontrolling interests

	For the Year Ended December 31	
	2022	2021
Balance at January	\$ 1,326	\$ -
Noncontrolling interests arising from acquisition of subsidiaries	3,151	1,403
Share in loss for the year	<u>(519)</u>	<u>(77)</u>
Balance at December 31	<u>\$ 3,958</u>	<u>\$ 1,326</u>

24. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods		
Transformers	\$ 176,659	\$ 149,846
Distribution panels	28,475	42,226
Distribution equipment	6,996	13,448
Sale of power	387	398
Others	23,293	37,654
Construction contracts	<u>16,574</u>	<u>50,146</u>
	<u>\$ 252,384</u>	<u>\$ 293,718</u>

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, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ <u>3,114</u>	\$ <u>2,522</u>	\$ <u>3,830</u>
Trade receivables (Note 10)			
Sale of goods	\$ <u>67,230</u>	\$ <u>85,811</u>	\$ <u>72,280</u>
Contract assets			
Engineering construction	\$ 6,260	\$ 19,428	\$ 11,452
Sale of goods	<u>41,209</u>	<u>26,751</u>	<u>28,931</u>
	\$ <u>47,469</u>	\$ <u>46,179</u>	\$ <u>40,383</u>
Contract liabilities			
Engineering construction	\$ 532	\$ 554	\$ 1,393
Sale of goods	<u>50,660</u>	<u>15,579</u>	<u>12,122</u>
	\$ <u>51,192</u>	\$ <u>16,133</u>	\$ <u>13,515</u>

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 38 for information about the disaggregation of revenue.

	For the Year Ended December 31	
	2022	2021
From contract liabilities at the start of the year		
Engineering construction	\$ 554	\$ 1,393
Sale of goods	<u>14,877</u>	<u>12,122</u>
	\$ <u>15,432</u>	\$ <u>13,515</u>
Timing of revenue recognition		
Revenue recognized at a point in time	\$ 235,810	\$ 243,573
Revenue recognized over time	<u>16,574</u>	<u>50,146</u>
	\$ <u>252,384</u>	\$ <u>293,718</u>

25. NET PROFIT

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ 259	\$ 17
Others	<u>9</u>	<u>27</u>
	\$ <u>268</u>	\$ <u>44</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Export tax rebate income	\$ 914	\$ 990
Operating lease rental income	279	2
Claims income	<u>99</u>	<u>237</u>
	<u>\$ 1,292</u>	<u>\$ 1,229</u>

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Net foreign exchange gains (losses)	\$ 1,558	\$ 583
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	2	-
Loss on disposal of property, plant and equipment	(116)	(33)
Dealing with subsidiaries' interests	15,249	-
Gain on remeasurement of lease arrangements	-	17
Others	<u>159</u>	<u>(1,956)</u>
	<u>\$ 16,852</u>	<u>\$ (1,389)</u>

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank overdrafts and loans	\$ 1,471	\$ 904
Interest on lease liabilities	50	50
Other finance costs	<u>7</u>	<u>42</u>
	<u>\$ 1,528</u>	<u>\$ 996</u>

e. Depreciation, amortization and employee benefits expense

	2022			2021		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit expenses						
Salary	\$ 18,011	\$ 13,480	\$ 31,491	\$ 15,740	\$ 10,841	\$ 26,580
Labor insurance	1,506	775	2,281	1,528	688	2,216
Retirement expenses						
Defined contribution plans	695	364	1,059	585	297	882
Defined benefit plans	<u>103</u>	<u>44</u>	<u>146</u>	<u>121</u>	<u>49</u>	<u>170</u>
	<u>\$ 20,315</u>	<u>\$ 14,663</u>	<u>\$ 34,977</u>	<u>\$ 17,974</u>	<u>\$ 11,875</u>	<u>\$ 29,849</u>
Depreciation expense	<u>\$ 3,404</u>	<u>\$ 741</u>	<u>\$ 4,145</u>	<u>\$ 3,300</u>	<u>\$ 692</u>	<u>\$ 3,992</u>
Amortization expense	<u>\$ 261</u>	<u>\$ 478</u>	<u>\$ 739</u>	<u>\$ 209</u>	<u>\$ 355</u>	<u>\$ 564</u>

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, 2022 and 2021 which have been approved by the Company's board of directors on March 23, 2023 and March 23, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Compensation of employees	4.87%	4.97%
Remuneration of directors	1.46%	1.22%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	\$ 1,633	\$ 635
Remuneration of directors	490	155

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	
	2022	2021
Foreign exchange gain	\$ 3,170	\$ 973
Foreign exchange loss	<u>(1,611)</u>	<u>(390)</u>
Net gain	<u>\$ 1,558</u>	<u>\$ 583</u>

26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2022	2021
<u>Current tax</u>		
In respect of the current period	\$ 702	\$ 2,525
Income tax on unappropriated earnings	-	246
Adjustments for prior periods	<u>1,458</u>	<u>(71)</u>
	<u>2,160</u>	<u>2,700</u>
<u>Deferred tax</u>		
In respect of the current year	2,307	(300)
Adjustments for prior periods	<u>(316)</u>	<u>153</u>
	<u>1,991</u>	<u>(147)</u>
Income tax expense recognized in profit or loss	<u>\$ 4,151</u>	<u>\$ 2,553</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	<u>\$ 30,925</u>	<u>\$ 11,915</u>
Income tax expense calculated at the statutory rate	\$ 6,302	\$ 2,481
Nondeductible expenses in determining taxable income	-	(51)
Tax-exempt income	(1,222)	-
Income tax on unappropriated earnings	-	246
Using investment credits	(154)	(148)
Effect of different tax rates of appropriations of foreign earnings in other tax law	-	(276)
Unrecognized deductible temporary differences	(322)	286
Recognition of capital reduction of subsidiaries to make up losses	(1,594)	-
Unrecognized loss carryforwards	-	(67)
Adjustments to prior years' tax	<u>1,141</u>	<u>82</u>
Income tax expense recognized in profit or loss	<u>\$ 4,151</u>	<u>\$ 2,553</u>

The applicable tax rate used by subsidiaries in China is 25%. 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	
	2022	2021
<u>Deferred tax</u>		
In respect of the current period		
Remeasurement of defined benefit plans	\$ (213)	\$ (13)
Total income tax recognized in other comprehensive income	<u>\$ (213)</u>	<u>\$ (13)</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
<u>Current tax assets</u>		
Tax refund receivable	\$ <u>701</u>	\$ <u>67</u>
<u>Current tax liabilities</u>		
Income tax payable	\$ <u>1</u>	\$ <u>1,298</u>

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, 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
<u>Deferred tax assets</u>						
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	<u>56</u>	<u>(34)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22</u>
	<u>\$ 1,159</u>	<u>\$ 480</u>	<u>\$ (213)</u>	<u>\$ (186)</u>	<u>\$ 83</u>	<u>\$ 1,242</u>
<u>Deferred tax liabilities</u>						
Land value increment tax	\$ 1,323	\$ -	\$ -	\$ -	\$ -	\$ 1,323
Share of profit of subsidiaries	124	2,473	-	-	-	2,597
Others	<u>35</u>	<u>(2)</u>	<u>-</u>	<u>(33)</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,482</u>	<u>\$ 2,471</u>	<u>\$ -</u>	<u>\$ (33)</u>	<u>\$ -</u>	<u>\$ 3,920</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Defined benefit plans	\$ 1,165	\$ (309)	\$ (13)	\$ 843
Inventory write-downs	155	(1)	-	154
Allowance for impaired receivables	166	(63)	-	103
Deferred revenue	158	(153)	-	5
Unrealized exchange loss	16	(16)	-	-
Others	<u>58</u>	<u>(2)</u>	<u>-</u>	<u>56</u>
	<u>\$ 1,718</u>	<u>\$ (545)</u>	<u>\$ (13)</u>	<u>\$ 1,160</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Land value increment tax	\$ 1,323	\$ -	\$ -	\$ 1,323
Share of profit of subsidiaries	818	(694)	-	124
Others	<u>33</u>	<u>2</u>	<u>-</u>	<u>35</u>
	<u>\$ 66,769</u>	<u>\$ (692)</u>	<u>\$ -</u>	<u>\$ 1,482</u> (Concluded)

e. Income tax assessments

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

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 2021 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

	<u>For the Year Ended December 31</u>	
	2022	2021
Profit for the period attributable to owners of the Company	<u>\$ 27,296</u>	<u>\$ 3,439</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<u>For the Year Ended December 31</u>	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	8,501	8,501
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>37</u>	<u>20</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>8,538</u>	<u>8,521</u>

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. 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	<u>4,459</u>
Total consideration	<u>\$ 17,914</u>

Analysis of Assets and Liabilities out of Control

	Wuhan Fortune Co., Ltd.
Current asset	\$ 13,065
Cash	4,475
Trade receivable	12
Prepayments	
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	(14,340)
Deferred tax liabilities	<u>(33)</u>
Net assets disposed of	<u>\$ 2,482</u>

Benefit of Disposal of Subsidiaries

	Wuhan Fortune Co., Ltd.
Consideration received	\$ 17,914
Net assets disposed of	(2,482)
Cumulative translation difference between equity reclassification and profit or loss of a subsidiary's net assets due to loss of control over the subsidiary	<u>(183)</u>
Disposal of benefits	<u>\$ 15,249</u>

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	<u>(13,065)</u>
	<u>\$ (2,349)</u>

29. EQUITY TRANSACTION WITH NON-CONTROLLING INTERESTS

On September 27, 2021, 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 100% to 80.18%.

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	\$ 3,908
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>(3,970)</u>
Differences recognized from equity transactions	<u>\$ (62)</u>
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ (62)</u>

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	<u>(3,152)</u>
Differences recognized from equity transactions	<u>\$ (2,709)</u>
Capital surplus - changes in percentage of ownership interests in subsidiaries	<u>\$ (2,709)</u>

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.

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, 2022 and 2021 approximate their fair values.

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

Fair value hierarchy

December 31, 2022

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

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments at FVTOCI				
Unlisted shares	\$ -	\$ -	\$ 10,290	\$ 10,290

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

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	<u>(118)</u>
Year-end balance	<u>\$ 10,172</u>

December 31, 2021

Financial Assets Measured at Fair Value Through Other Comprehensive Income or Loss	Amounts
Balance at the beginning of the year	\$ 1,444
Purchase	9,491
Recognized in other comprehensive income	<u>(10,172)</u>
Year-end balance	<u>\$ 10,290</u>

c. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Financial assets at amortized cost (1)	\$ 97,897	\$ 96,249
Financial assets at FVTOCI		
Equity instruments	10,172	10,291
<u>Financial liabilities</u>		
Measured at fair value through profit or loss		
Held for trading	9	-
Amortized cost (2)	177,973	176,298

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

- 2) The balances include financial liabilities at amortized cost, which comprise 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.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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 36.

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	
	2022	2021
Profit or loss (Note)	\$ <u>257</u>	\$ <u>145</u>

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	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 867	\$ 849
Financial liabilities	22,802	29,382
Cash flow interest rate risk		
Financial assets	24,981	6,623
Financial liabilities	71,289	55,057

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, 2022 and 2021 would have increased/decreased by \$463 thousand and \$448 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.

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, 2022 and 2021 would have increased/decreased by \$102 thousand and \$103 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, 2022 and 2021, the Group had available unutilized overdraft and bank loan facilities of approximately \$222,584 thousand and \$202,783 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, 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
<u>Non-derivative financial liabilities</u>						
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	2.43	-	-	26,238	23,959	-
Fixed interest rate liabilities	0.68	<u>23,504</u>	<u>13,496</u>	<u>3,636</u>	<u>-</u>	<u>-</u>
		<u>\$ 35,736</u>	<u>\$ 123,457</u>	<u>\$ 32,074</u>	<u>\$ 27,424</u>	<u>\$ 3,692</u>

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	<u>\$ 555</u>	<u>\$ 1,051</u>	<u>\$ 479</u>	<u>\$ 479</u>	<u>\$ 479</u>	<u>\$ 2,165</u>

December 31, 2021

	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
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities		\$ 21,640	\$ 59,844	\$ 17,812	\$ 1,604	\$ -
Lease liabilities		36	71	309	869	3,698
Variable interest rate liabilities	1.09	3,259	4,106	14,210	39,888	-
Fixed interest rate liabilities	0.97	<u>17,991</u>	<u>1,900</u>	<u>5,561</u>	<u>-</u>	<u>-</u>
		<u>\$ 42,926</u>	<u>\$ 65,921</u>	<u>\$ 37,892</u>	<u>\$ 42,361</u>	<u>\$ 3,698</u>

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	\$ 416	\$ 869	\$ 479	\$ 479	\$ 479	\$ 2,261

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, 2022 and 2021, the aggregate undiscounted principal amounts of these bank loans amounted to \$16,992 thousand and \$650,229 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 following table details the Group’s liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis.

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Net settled</u>				
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

<u>Related Party Name</u>	<u>Relationship With the Group</u>
E-Total Link	Associates
Hua Cheng Investment Co., Ltd.	Others

b. Sale of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ 20	\$ 2

c. Purchase of goods

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Associates	\$ <u>83</u>	\$ <u>84</u>

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	
		2022	2021
Accounts payable	Associates	\$ <u>2</u>	\$ <u>3</u>

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	
	2022	2021
Acquisition of right-to-use assets		
Other related party	\$ <u>16</u>	\$ <u>-</u>

Line Item	Related Party Category/Name	December 31	
		2022	2021
Lease liabilities - current	Other related party	\$ <u>5</u>	\$ <u>6</u>
Lease liabilities - non-current	Other related party	\$ <u>6</u>	\$ <u>-</u>

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
<u>Cost of goods sold - manufacturing expense</u>		
Other related party	\$ <u>-</u>	\$ <u>-</u>
<u>Cost of goods sold - manufacturing costs</u>		
Other related party	\$ <u>-</u>	\$ <u>1</u>
<u>Operating expense</u>		
Other related party	\$ <u>5</u>	\$ <u>4</u>

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, 2022 and 2021, the balance of operating lease receivables was \$2 thousand and \$0 thousand. Lease income recognized for the years ended December 31, 2022 and 2021 was both \$2 thousand.

g. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 3,118	\$ 1,998
Termination benefits	<u>71</u>	<u>70</u>
	<u>\$ 3,189</u>	<u>\$ 2,068</u>

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	
	2022	2021
Refundable deposits (current portion is included in other current assets)	\$ 1,274	\$ 765
Pledged deposits (classified as financial assets at amortized cost)	867	849
Property, plant and equipment	31,098	30,472
Right-of-use assets (classified as disposal held for sale on)	<u>-</u>	<u>669</u>
	<u>\$ 33,239</u>	<u>\$ 32,755</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2021 were as follows:

- As of December 31, 2022, unused letters of credit for purchases of raw materials and machinery and equipment amounted to US\$8,008 thousand, ¥9,325 thousand, €660 thousand and Kr766 thousand and Fr240 thousand.
- As of December 31, 2022, promissory note of \$65,589 thousand was made for bank financing, endorsements and the investee company's sales performance guarantee.
- 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 \$21 thousand and \$51 thousand for the year ended December 31, 2022 and 2021, which was included in operating expenses.
- 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, 2022 and 2021 was \$387 thousand and \$442 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 EVENTS AFTER THE REPORTING PERIOD

The Group has implemented the capital reduction of Power Energy International Ltd., refunded the payment of shares of US\$3,700 thousand, and remitted back profits of US\$6,060 thousand, based on the board of directors' resolution on January 16, 2023. The relevant registration and remittance procedures have been completed.

36. 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, 2022

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

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying Amount (NTD)
<u>Financial assets</u>			
Monetary items			
USD	\$ 25,596	27.6800 (USD:NTD)	\$ 708,498
USD	146	6.3720 (USD:RMB)	<u>4</u>
			<u>\$ 708,502</u>
<u>Financial liabilities</u>			
Monetary items			
USD	9,427	27.6800 (USD:NTD)	\$ 260,939
USD	560	6.3270 (USD:RMB)	<u>1,550</u>
			<u>\$ 262,489</u>

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:

Foreign Currency	For the Year Ended December 31			
	2022		2021	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Gain
NTD	1 (NTD:NTD)	\$ 1,872	1 (NTD:NTD)	\$ 541
RMB	4.4220 (RMB:NTD)	<u>(314)</u>	4.3526 (RMB:NTD)	<u>42</u>
		<u>\$ 1,558</u>		<u>\$ 583</u>

37. 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, 6-7)
 - 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)

38. 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	
	2022	2020	2022	2021
Electrical department	\$ 235,810	\$ 243,572	\$ 25,069	\$ 15,609
Construction department	<u>16,574</u>	<u>50,146</u>	<u>(2,386)</u>	<u>4,418</u>
Segment revenues	<u>\$ 252,384</u>	<u>\$ 293,718</u>	22,683	20,027
Government grant			42	217
Other income			1,292	1,229
Interest income			268	44
Share of the loss of associate			24	46
Other gains and losses			16,852	(1,389)
Finance costs			(1,527)	(996)
General and administrative expense			<u>(8,707)</u>	<u>(7,263)</u>
Profit before tax			<u>\$ 30,927</u>	<u>\$ 11,915</u>

Segment revenues reported above represent revenues generated from external customers. There were no inter-segment sales during the years ended December 31, 2022 and 2021.

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

	<u>Depreciation and Amortization</u>	
	2022	2021
Electrical department	\$ <u>4,884</u>	\$ <u>4,556</u>

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 \$252,384 thousand and \$325,870 thousand in 2022 and 2021, respectively.

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

	<u>For the Year Ended December 31</u>	
	2022	2021
Customer A	\$ 76,701	\$ 91,133
Customer B	Note	42,091

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, 2022
(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 (Wuhan) Co., Ltd.	Subsidiary	\$ 6,747	\$ 6,800	\$ -	\$ -	\$ -	-	\$ 80,958	Y	N	Y	Note 3
		Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	6,747	47,216	47,216	765,401	-	35.09	80,958	Y	N	N	
		Hsin He Energy Co., Ltd.	Co-investment	6,747	8,230	8,230	8,230	-	6.12	80,958	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: \$125,687 x 50% = \$62,843

Note 2: The maximum limit is equal to 60% of the Company’s net equity: \$125,687 x 60% = \$75,412

TABLE 2

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(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, 2022				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Fortune Electric Co., Ltd.	<u>Shares</u>							
	Raynergy Tek Incorporation	-	Financial assets at fair value through other comprehensive income	3,031	\$ 881	8.05	\$ 881	
	ProMOSTech Co., Ltd.	-	Financial assets at fair value through other comprehensive income	26	-	0.06	-	
	Hsin He Energy Co., Ltd.	-	Financial assets at fair value through other comprehensive income	25,275	8,323	15.00	8,323	
	E-Formula Technologies Inc.	-	Financial assets at fair value through other comprehensive income	1,200	408	5.52	408	
	Synergy Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,471	559	14.71	559	

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

TABLE 3

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, 2022
(In Thousands of New Taiwan Dollars, 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. Fortune Electric America Inc.	Subsidiaries Subsidiaries	Purchases Sale	\$ 34,751 (9,287)	19.31 (3.68)	90 days 90 days	- -	- -	\$ (7,337) 6,656	(10.33) 47.56	

TABLE 4

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, 2022
(In Thousands of New Taiwan Dollars, 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. Fortune Electric America Inc.	Subsidiaries Fellow subsidiary	\$ 7,337	5.81	\$ -		\$ 7,337	\$ -
			6,656	2.13	-		-	-

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 1)	Note
				December 31, 2022	December 31, 2021	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	\$ 5,042	\$ 4,574	3,800	100.00	\$ 14,537	\$ 12,237	\$ 12,237	Investee is a subsidiary (Note 5)
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Business agents	96	96	1	100.00	815	116	116	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	22,936	7,066	7,066	Investee is a subsidiary (Note 4)
	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	78	97	97	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	24	(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	357	(13)	(13)	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	7,116	(1,476)	(1,476)	Investee is a subsidiary
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	Wuhan, China	Transformers, capacitors, power distribution equipment manufacturing	-	6,500	-	-	-	(2,429)	(2,429)	Investee is a subsidiary (Note 2)
	Wuhan Fortune Electric Co., Ltd	Wuhan, China	Import and export business of various commodities and technologies	1,000	500	-	100.00	1,315	320	320	
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	Wuhan, China	Trade business	-	RMB 500	-	-	-	RMB 149	RMB 149	Investee is a subsidiary (Note 3)

Note 1: Except for E-Total Link, net asset values were based on audited financial statements of the investees and calculated at the investor's shareholding proportion.

Note 2: The shareholder meeting of Power Energy International Ltd. approved appropriations of cash dividends of \$3,057 thousands for 2021.

Note 3: On June 30, 2021, Fortune Electric Value Company Limited became a subsidiary and the Group's percentage of ownership was 100%; as a result, Fortune Electric Value Company Limited was included in the Group since then.

Note 4: On November 26, 2021, Wuhan Fortune Co., Ltd. was established as a subsidiary and the Group's percentage of ownership was 100%; as a result, Wuhan Fortune Co., Ltd. was included in the Group since then.

TABLE 6**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES****INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022****(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, 2022 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (Note 3)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022	Note
					Outward	Inward							
Fortune Electric (Wuhan) Ltd.	Transformers, capacitors, power distribution equipment manufacturing	\$ 6,500	Indirect	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ (2,429)	-	\$ (2,429)	\$ -	\$ -	
Wuhan Fortune Electric Ltd.	Import and export business of various commodities and technologies.	1,000	Indirect	500	500	-	1,000	320	100.00	320	1,315	-	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by Investment Commission, MOEA
\$7,000	\$7,000	\$80,733

Note 1: Net asset values were based on audited financial statements of the investees and calculated at the investor's shareholding proportion.

Note 2: The investment income/loss was recognized based on the average exchange rate from January 1, 2021 to December 31, 2021; the other accounts were all based on prevailing exchange rate as of December 31, 2021.

Note 3: The difference between the accumulated investment of \$6,000 thousand from Taiwan and the paid-in capital balance of \$6,500 thousand of Fortune Electric (Wuhan) Ltd. was due to the direct investment of \$500 thousand by Power Energy International Ltd., which is 100% owned by the Company.

TABLE 7

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(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
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Co., Ltd.	a	Sales	\$ 2,117	With non-related parties	0.84
		Fortune Electric America Inc.	a	Marketing and Promotion Fee	1,601	Under arm’s length terms	0.63
		Fortune Electric America Inc.	a	Accounts payable	37	With non-related parties	0.01
		Fortune Electric Extra High Voltage Co., Ltd.	a	Purchases	34,751	With non-related parties	13.77
		Fortune Electric Extra High Voltage Co., Ltd.	a	Prepaid expense	11,460	With non-related parties	3.00
		Fortune Electric Extra High Voltage Co., Ltd.	a	Accounts payable	7,337	With non-related parties	1.92
		Fortune Electric Extra High Voltage Co., Ltd.	a	Sales	35	With non-related parties	0.01
		Fortune Electric Extra High Voltage Co., Ltd.	a	Warehousing Costs	147	With non-related parties	0.06
		Wuhan Fortune Co., Ltd.	a	Prepaid expense	253	With non-related parties	0.07
		Wuhan Fortune Co., Ltd.	a	Accounts payable	68	With non-related parties	0.02
		Wuhan Fortune Co., Ltd.	a	Sales	1	With non-related parties	0.00
		Wuhan Fortune Co., Ltd.	a	Purchases	911	With non-related parties	0.36
		Wuhan Fortune Co., Ltd.	a	Property, plant and equipment	279	With non-related parties	0.07
		Wuhan Fortune Co., Ltd.	a	Prepaid expense	126	With non-related parties	0.03
		Fortune Electric Value Company Limited	a	Sales	39	With non-related parties	0.02
		Fortune Electric Value Company Limited	a	Purchases	245	With non-related parties	0.10
		Fortune Electric Value Company Limited	a	Accounts payable	113	With non-related parties	0.03
		Fortune Electric Australia Pty, Ltd.	a	Sales	833	With non-related parties	0.33
	Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric America Inc.	b	Accounts receivable	6,656	With non-related parties	1.74
		Fortune Electric America Inc.	b	Sales	9,287	With non-related parties	3.68
		Fortune Electric America Inc.	b	Accounts payable	78	With non-related parties	0.02
		Fortune Electric America Inc.	b	Contractual Liabilities	517	With non-related parties	0.14
		Wuhan Fortune Co., Ltd.	b	Purchases	249	With non-related parties	0.10
		Wuhan Fortune Co., Ltd.	b	Prepaid expense	62	With non-related parties	0.02
		Fortune Electric Value Company Limited	b	Purchases	840	With non-related parties	0.33
		Wuhan Fortune Co., Ltd.	b	Accounts payable	80	With non-related parties	0.02
	Fortune Electric (Wuhan) Co., Ltd.	Wuhan Fortune Co., Ltd.	b	Sales	75	With non-related parties	0.03
		Wuhan Fortune Co., Ltd.	b	Purchases	265	With non-related parties	0.10

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, 2022**

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	18,088,322	6.92

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 trustor 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.

6.5 Latest Financial Report of the Parent Company Audited and Certified by CPAs

Independent Auditors' Report

To Fortune Electric Co., Ltd.

Opinion

We have audited the accompanying parent company only financial statements of Fortune Electric Co., Ltd. (the 'Company'), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Fortune Electric Co., Ltd. as of December 31, 2022 and 2021, and its financial performance and its parent company only cash flow for years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of parent company only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant 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 parent company only financial statements of Fortune Electric Co., Ltd. for the year of 2022. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements of Fortune Electric Co., Ltd. for the year of 2022 is stated as follows:

Occurrence of sales revenue from new customers among top ten customers

The sales revenue of Fortune Electric Co., Ltd. mainly arises from the sales of power transformers, distribution panels, etc. and other related products, and the sales is concentrated in main customers. As of the years ended December 31, 2022, the sales revenue from new customers among top ten customers accounted for 21% of total revenue of the whole year. And the main customers vary widely. Therefore, the sales revenue from the new customers among top ten customers of Fortune Electric Co., Ltd. is identified as a key audit matter. Please refer to Note 4 to the parent company only financial statements for the details of the information about the accounting policy for recognizing revenue and relevant information disclosed.

Our key audit procedures performed in respect of the above area included the following

1. Obtain an understanding of and test the design and operating effectiveness of main internal control related to occurrence of sales revenue.
2. Obtain the samples from the sales details of new customers among top ten customers, implement substantive tests of details, and inspect customer order, delivery order and customer's signed receipt and other vouching, to confirm whether there is any abnormal situation in the occurrence of sales revenue.
3. Check Fortune Electric Co., Ltd.'s related background information for assessing the new customers among top ten customers, and whether the contract terms are reasonable.

Responsibilities of Management and those charged with Governance for the Parent Company Only Financial Statements

The management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statement, management is responsible for assessing Fortune Electric Co., Ltd.'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 Company 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 Company's financial reporting process.

Auditor's responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 auditing standards generally, 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 parent company only financial statements.

As part of an audit in accordance with the Auditing standards generally, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :

1. Identify and assess the risks of material misstatement of the parent company only 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 errors 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 Fortune Electric Co., Ltd.'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 existed related to events or conditions that may cast significant doubt on Fortune Electric Co., Ltd.'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 parent company only 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements (including the Notes), and whether the parent company only financial statement 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 the entities or business activities within Fortune Electric Co., Ltd. to express an opinion on the parent company only 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, (including related safeguards).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of Fortune Electric Co., Ltd.'s the parent company only financial statements for the year ended 2022 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.

Deloitte & Touche
CPA Gung, Tza-Li

CPA Lee, Suei-Chin

Reference number of the FSC approval letter,
No. Financial-Supervisory-
Securities-Auditing-1000028068

Reference number of the FSC approval letter,
No. Financial-Supervisory-
Securities-Auditing-1100356048

March 8, 2023

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Fortune Electric Co., Ltd.
Parent Company Only Balance Sheet
As of December 31, 2022 and 2021Unit: In Thousands of New Taiwan Dollar
December 31, 2021

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets (Note 4)				
1100	Cash (Note 6)	\$ 170,131	2	\$ 16,117	-
1136	Current financial assets at amortized cost (Notes 9 and 33)	18,507	-	19,135	-
1140	Contract asset (Notes 21 and 23)	1,457,760	13	1,418,142	17
1150	Notes receivable (Note 23)	94,654	1	72,964	1
1170	Account receivable, net (Notes 10 and 23)	1,823,043	17	2,247,092	26
1180	Account receivable due from related parties, net (Note 32)	85	-	45,644	1
1220	Current tax assets (Note 25)	21,513	-	2,070	-
130X	Current inventories (Note 11)	3,462,210	32	2,065,326	24
1410	Prepayments (Note 32)	600,948	6	160,710	2
1470	Other current assets (Notes 21, 32, 33)	39,183	-	57,355	1
11XX	Total current assets	7,688,034	72	6,104,555	72
	Non-current assets (Note 4)				
1517	Non-current financial assets at fair value through other comprehensive income (Note 8)	312,386	3	316,033	4
1535	Non-current financial assets at amortized cost (Notes 9 and 33)	5,067	-	3,759	-
1550	Investments accounted for using equity method (Note 12)	1,408,462	13	761,851	9
1600	Property, Plant and equipment (Notes 13 and 32)	1,232,669	11	1,219,122	14
1755	Right-of-use assets (Notes 14 and 32)	24,029	-	10,488	-
1780	Intangible assets (Note 15)	54,123	1	39,313	1
1840	Deferred tax assets (Note 25)	38,150	-	29,973	-
1915	Prepayments for business facilities	44,179	1	31,386	-
1920	Guarantee deposits paid (Note 33)	17,055	-	5,545	-
15XX	Total Non-current assets	3,136,120	29	2,417,470	28
1XXX	Total assets	\$ 10,824,154	100	\$ 8,522,025	100
	Liabilities and equity				
	Current Liabilities (Note 4)				
2100	Short-term borrowings (Note 16 and 33)	\$ 656,641	6	\$ 512,047	6
2110	Short-term notes payable (Note 16)	249,891	2	-	-
2120	Current financial liabilities at fair value through profit or loss (Note 7)	279	-	-	-
2130	Current contract liabilities (Notes 21 and 23)	1,501,117	14	473,552	6
2150	Notes payable	-	-	1	-
2170	Accounts payable (Note 17)	1,944,831	18	2,157,714	25
2180	Account payable to related parties (Note 32)	232,076	2	167,159	2
2200	Other payables (Note 18)	422,885	4	287,627	3
2230	Current tax liabilities (Note 25)	-	-	39,763	-
2250	Provisions (Note 19)	11,496	-	11,220	-
2280	Current lease liabilities (Note 14, 31, and 32)	8,760	-	4,832	-
2399	Other payables	123,585	1	50,333	1
2320	Long-term debts payable due within one year or one operating cycle (Note 16 and 33)	791,800	8	-	-
21XX	Total current liabilities	5,943,361	55	3,704,248	43
	Non-current liabilities (Note 4)				
2540	Long-term borrowings (Notes 16 and 33)	550,000	5	1,141,800	13
2570	Deferred tax liabilities (Note 25)	120,378	1	44,512	1
2580	Non-current lease liabilities (Notes 14, 31, and 32)	15,365	-	5,722	-
2640	Net defined benefit liability, non-current (Note 20)	42,612	1	129,401	2
2645	Guarantee deposits received	8,737	-	17,327	-
25XX	Total non-current liabilities	737,092	7	1,338,762	16
2XXX	Total liabilities	6,680,453	62	5,043,010	59
	Equity (Note 4)				
3110	Ordinary Share	2,610,585	24	2,610,585	31
3200	Capital surplus	86,685	1	3,484	-
	Retained earnings				
3310	Legal reserve	473,469	5	444,315	6
3320	Special reserve	37,578	-	15,347	-
3350	Unappropriated retained earnings	994,867	9	442,862	5
3300	Total retained earnings	1,505,914	14	902,524	11
	Other equity				
3410	Exchange difference on translation of foreign financial statements	(44,877)	(1)	(26,619)	(1)
3420	Unrealized Gain or Losses on FVTOCI Financial Assets	(14,606)	-	(10,959)	-
3400	Other equity interest	(59,483)	(1)	(37,578)	(1)
3XXX	Total equity	4,143,701	38	3,479,015	41
	Total liabilities and equity	\$ 10,824,154	100	\$ 8,522,025	100

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Hsu, Bang-Fu

General Manager: Hsu, I-Sheng, Hsu, I-Te

Accounting Supervisor: Chiu, Hsu-Lan

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Fortune Electric Co., Ltd
Parent Company Only Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share

Code		2022		2021	
		Amount	%	Amount	%
	Operating revenue (Notes 4, 23, and 32)				
4100	Sales revenue	\$ 6,748,635	93	\$ 7,085,405	82
4520	Construction revenue	<u>509,002</u>	<u>7</u>	<u>1,539,976</u>	<u>18</u>
4000	Total operating revenue	<u>7,257,637</u>	<u>100</u>	<u>8,625,381</u>	<u>100</u>
	Operating costs (Notes 4, 11, 20, 24, and 32)				
5110	Sales costs	5,463,315	75	5,964,015	69
5520	Construction cost	<u>582,286</u>	<u>8</u>	<u>1,404,313</u>	<u>16</u>
5000	Operating costs	<u>6,045,601</u>	<u>83</u>	<u>7,368,328</u>	<u>85</u>
5900	Gross profit from operations	<u>1,212,036</u>	<u>17</u>	<u>1,257,053</u>	<u>15</u>
	Operating expenses (Notes 4, 20, 24, and 31)				
6100	Selling expenses	541,003	7	548,160	6
6200	Administrative expenses	216,903	3	157,510	2
6300	Research and development expense	125,666	2	118,149	2
6450	Expected credit loss	(<u>20,623</u>)	-	<u>3,737</u>	-
6000	Total operating expenses	<u>862,949</u>	<u>12</u>	<u>827,556</u>	<u>10</u>
6900	Net operating income	<u>349,087</u>	<u>5</u>	<u>429,497</u>	<u>5</u>
	Non-operating income and expenses (Note 4)				
7100	Interest revenue (Note 24)	2,883	-	855	-
7190	Other income (Note 24, and 32)	31,317	-	37,832	-
7190	Government grants income	1,121	-	6,667	-
7020	Other gains and losses (Note 24)	48,088	1	(30,459)	-

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Code		2022		2021	
		Amount	%	Amount	%
7050	Financial Cost (Note 24 and 32)	(\$ 34,519)	-	(\$ 19,319)	-
7070	Share of profit (loss) of Associates & Joint Ventures accounted for using equity method (Note 12)	<u>567,289</u>	<u>8</u>	(<u>57,376</u>)	(<u>1</u>)
7000	Total non-operating income and expenses	<u>616,179</u>	<u>9</u>	(<u>61,800</u>)	(<u>1</u>)
7900	Profit before tax	965,266	14	367,697	4
7950	Tax expense (Note 4 and 25)	<u>127,017</u>	<u>2</u>	<u>77,814</u>	<u>1</u>
8200	Profit	<u>838,249</u>	<u>12</u>	<u>289,883</u>	<u>3</u>
	Other comprehensive income (Note 4)				
8310	Components of other comprehensive income that will not be reclassified to profit or loss:				
8311	Gains (Losses) on remeasurements of defined benefit plans (Note 20)	32,750	-	2,066	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(3,647)	-	(19,770)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 25)	(<u>6,550</u>)	-	(<u>413</u>)	-
		<u>22,553</u>	-	(<u>18,117</u>)	-
8360	Components of other comprehensive income that may be reclassified subsequently to profit or loss:				
8363	Cash flow hedge	-	-	-	-
8370	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method	(<u>18,258</u>)	-	(<u>2,461</u>)	-
		(<u>18,258</u>)	-	(<u>2,461</u>)	-
8300	Other total comprehensive income	<u>4,295</u>	-	(<u>20,578</u>)	-
8500	Total comprehensive income	<u>\$ 842,544</u>	<u>12</u>	<u>\$ 269,305</u>	<u>3</u>
	Earnings per share (Note 26)				
9710	Basic earnings per share	\$ 3.21		\$ 1.11	
9810	Diluted earnings per share	\$ 3.20		\$ 1.11	

The accompanying notes are an integral part of the parent company only financial statements.

Chairman : Hsu, Bang-Fu General Manager : Hsu, I-Sheng, Hsu, I-Te Accounting Supervisor : Chiu, Hsu-Lan

Fortune Electric Co., Ltd
Parent Company Only Statement of Changes in Equity
For the years ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars, Except Earnings per Share

							Other equity interest (Note 4, 8 and 22)				
		Ordinary share	Capital surplus	Retained (Note 22 and 26)			Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on assets at fair value through other comprehensive income	Total	Total Equity	
Code		(Note 22)	(Note 22)	Legal reserve	Special reserve	Unappropriated Retained Earnings	Total				
A1	Balance, January 1, 2021	\$2,610,585	\$ 1,414	\$ 400,777	\$ 8,975	\$ 540,612	\$ 950,364	(\$ 24,158)	\$ 8,811	(\$ 15,347)	\$3,547,016
	Appropriations of 2020 earnings										
B1	Legal reserve appropriated	-	-	43,538	-	(43,538)	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	6,372	(6,372)	-	-	-	-	-
B5	Cash dividends – NT\$1.3/per share	-	-	-	-	(339,376)	(339,376)	-	-	-	(339,376)
		-	-	43,538	6,372	(389,286)	(339,376)	-	-	-	(339,376)
C17	Unclaimed cash dividends	-	157	-	-	-	-	-	-	-	157
M7	Changes in ownership interests in subsidiaries	-	1,913	-	-	-	-	-	-	-	1,913
D1	Net profit for 2021	-	-	-	-	289,883	289,883	-	-	-	289,883
D3	Other comprehensive income(loss) for 2021 after tax	-	-	-	-	1,653	1,653	(2,461)	(19,770)	(22,231)	(20,578)
D5	Total comprehensive income(loss) for 2021	-	-	-	-	291,536	291,536	(2,461)	(19,770)	(22,231)	269,305
Z1	Balance, December 31, 2021	2,610,585	3,484	444,315	15,347	442,862	902,524	(26,619)	(10,959)	(37,578)	3,479,015
	Appropriation of 2021 earnings										
B1	Legal reserve appropriated	-	-	29,154	-	(29,154)	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	22,231	(22,231)	-	-	-	-	-
B5	Cash dividends – NT\$ 1/per share	-	-	-	-	(261,059)	(261,059)	-	-	-	(261,059)
		-	-	29,154	22,231	(312,444)	(261,059)	-	-	-	(261,059)
C17	Unclaimed cash dividends	-	(6)	-	-	-	-	-	-	-	(6)
M7	Changes in ownership interests in subsidiaries	-	83,207	-	-	-	-	-	-	-	83,207
D1	Net profit for 2022	-	-	-	-	838,249	838,249	-	-	-	838,249
D3	Other comprehensive income(loss) for 2022 after tax	-	-	-	-	26,200	26,200	(18,258)	(3,647)	(21,905)	4,295
D5	Total comprehensive income(loss) for 2022	-	-	-	-	864,449	864,449	(18,258)	(3,647)	(21,905)	842,544
Z1	Balance, 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

The accompanying notes are an integral part of the parent company only financial statements.

Chairman: : Hsu, Bang-Fu

General Manager: Hsu, I-Sheng, Hsu, I-Te

Accounting Supervisor: Chiu, Hsu-Lan

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Fortune Electric Co., Ltd
Parent Company Only Statements of Cash Flows
For the year ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

Code		2022	2021
	Cash flows from operating activities		
A00010	Profit before tax	\$ 965,266	\$ 367,697
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	75,260	75,985
A20200	Amortization expense	21,240	16,914
A20300	Expected credit loss (reversal profit)	(20,623)	3,737
A20900	Financial cost	34,519	19,319
A21200	Interest income	(2,883)	(855)
A22400	Share of loss (profit) of Associates & Joint Ventures Accounted for Using Equity Method	(567,289)	57,376
A22500	Loss (gain) on disposal	139	662
A23700	Provisions for liability	276	1,481
A23800	(Gain)Loss on inventory valuation	41,558	(203)
A29900	Gain on lease modifications	-	(516)
A30000	Changes in operating assets and liabilities, net		
A31110	Financial instruments at fair value through profit or loss	279	4
A31125	Contract asset	(39,618)	(422)
A31130	Note receivable	(21,690)	44,658
A31150	Account receivable	444,672	(516,155)
A31160	Receivable from related parties	45,559	(39,722)
A31200	Inventories	(1,438,442)	(108,382)
A31230	Accounts payable	440,238	11,277
A31240	Other current assets	18,197	(18,370)
A32125	Contract liability	1,027,565	111,976
A32130	Notes payable	(1)	1
A32150	Accounts payable	(212,883)	(93,307)
A32160	Payable to related parties	64,917	145,484
A32180	Other payable	134,187	(6,286)
A32230	Other current liabilities	73,252	1,301
A32240	Net defined benefit liability	(54,039)	(47,392)
A33000	Cash generated from operations	149,180	26,254
A33100	Interest received	\$ 2,859	\$ 894

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Code		2022	2021
A33300	Interest paid	(33,448)	(18,438)
A33500	Income tax paid	(125,084)	(67,534)
AAAA	Net cash flows (out) from operating activities	(6,493)	58,824
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(291,460)
B00040	Acquisition of financial assets at amortized cost	(680)	9,171
B02200	Investments accounted for using equity method	(14,373)	(134,947)
B02700	Acquisition of property, plant and equipment	(71,235)	(54,097)
B02800	Proceeds from disposal of property, plant and equipment	80	1,178
B03800	Increase in refundable deposits	(11,510)	(1,194)
B04500	Acquisition of intangible assets	(33,862)	(25,716)
B05000	Cash outflows from business demerger	-	(10,272)
B07100	Increase in prepayments for business facilities	(25,996)	(43,608)
B07600	Dividends received	-	84,619
BBBB	Net cash flows from investing activities	(157,576)	(466,326)
	Cash flows from financing activities		
C00200	Increase in short-term loans	144,594	352,481
C00500	Increase in short-term notes payables	249,891	
C01600	Payments of finance lease liabilities	200,000	400,000
C03000	Guarantee deposit received	-	6,913
C04000	Return deposit deposit	(8,590)	-
C04500	Cash dividends paid	(261,059)	(339,376)
C04020	Payments of lease liabilities	(6,747)	(9,068)
C09900	Unclaimed cash dividends	(6)	157
CCCC	Net cash flows (out) from financing activities	318,083	411,107
EEEE	Net increase(decrease) in cash	154,014	(114,043)
E00100	Cash at beginning of the year	16,117	130,160
E00200	Cash at end of period	\$ 170,131	\$ 16,117

The accompany notes are an integral part of the parent company only financial statements.

Chairman: Hsu, Bang-Fu General Manager: Hsu, I-Sheng, Hsu, I-Te Accounting supervisor: Chiu, Hsu-Lan

Fortune Electric Co., Ltd.
Notes to Parent Company Only Financial Statements
For the years ended December 31, 2022 and 2021

(Amounts in Thousands of New Taiwan Dollar, unless specified otherwise)

1. General Information

Fortune Electric Co., Ltd (the “Company”) was incorporated in August 1969. The Company is mainly engaged in the manufacturing, processing, trading and engineering contracting of power transformer, distribution panels, high and low voltage switch and substation equipment.

In April 1997, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE). The parent company only financial statements were expressed in the Company’s functional Currency New Taiwan Dollars.

2. The date of Authorization for issuance of Financial Statements and Procedures for Authorization

The accompanying parent company only financial statements were approved and authorized for issue by the Company’s Board of Directors on March 8, 2023.

3. Application of new and revised international financial reporting standards

(1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRS”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company’s accounting policies:

(2) The IFRSs endorsed by the FSC for application starting from 2023

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

Note 1: The amendments are applicable since the annual reporting period beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and accounting policies since the annual reporting period beginning on or after January 1, 2023.

Note 3: Except the deferred income tax recognized on January 1, 2022 for the temporary differences arising from lease and decommissioning obligations, the amendments are applicable to transactions occur on or after January 1, 2022.

1. Amendments to IAS 1 “Disclosure of Accounting Policies”

According to the amendments, the Company shall determine the material accounting policy information to be disclosed based on the definition of materiality. Accounting policy information are considered material if they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. The follows shall be amended or clarified:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.
- Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial.
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

In addition, the amendments explain that the Company is likely to consider accounting policy information material if that information relates to material transactions, other events or conditions and:

- (a) the Company changed the accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- (b) the Company chose the accounting policy from one or more options permitted by IFRS;
- (c) the accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- (d) the accounting policy relates to an area for which the Company is required to make significant judgments or assumptions in applying an accounting policy, and the Company discloses those judgments or assumptions; or
- (e) the accounting required for them is complex and users of the Company’s financial statements would otherwise not understand those material transactions, other events or conditions

2. Amendments to IAS 8 “Definition of Accounting Estimates”

According to the amendments, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The accounting policy may require items in financial statements to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company shall use measurement techniques and inputs to develop an accounting estimate to achieve the objective set out by the accounting policy. The effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates, instead of correction of an error in prior periods.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible

impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

(3) New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued 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
Amendments to IFRS 16 "Lease Liability in Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

(1) Statement of Compliance

The accompanying parent company only financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of Preparation

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

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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., as derived from prices); and
3. Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to “investments accounted for using the equity method”, “share of profits of subsidiaries for using the equity method in the parent company only financial statements” and related equity items.

(3) Standard of Current and Noncurrent Assets and Liabilities

Current assets including:

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 including:

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 balance sheet date and before the financial reports are authorized for issue; and
3. It does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. 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.

Those that are not classified as current assets or current liabilities are classified as non-current assets or non-current liabilities.

The Company is engaged in the engineering contracting of electronic equipment, and the operating cycle is longer than one year. Therefore, the assets and liabilities related to engineering contracting shall be classified as current or noncurrent by normal operating cycle.

(4) Foreign Currencies

In preparing the parent company only financial statements, transactions in currencies other than the entity's functional currency (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. Such exchange differences are recognized in profit or loss in the year in which they arise.

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

Non-monetary items denominated in foreign currencies and measured at historical cost, which are translated at the exchange rate at the date of the transaction, will not be retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations (including the subsidiaries or associates, joint ventures or branches of the country in which the country of operation or currency is used) are translated into NT\$ 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. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

(5) Inventories

Inventories including finished goods, work in progress and raw materials. Inventories are stated at the lower of cost or net realizable value. Comparisons of cost and net realizable value are based on individual items, except for inventories of the same type. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. The cost of inventories is calculated using the weighted-average method.

(6) Investment in Subsidiaries

Investments accounted for using the equity method include investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. In addition, changes in other rights and interests of subsidiaries that the Company is entitled to are recognized based on the shareholding ratio.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equal or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form

part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

When the Company evaluates the impairment, it considers the cash-generating unit as a whole in the financial report and compares its receivable carrying amount. If the receivable amount of the asset increases, the amount of the impairment loss is recognized as gain on reversal of impairment loss. However, the carrying amount of an asset after reversal of impairment loss shall not exceed the carrying amount that would have been determined as recognized impairment loss, net of book value after amortization.

Unrealized profits or losses on downstream transactions between the Company and its subsidiaries are eliminated in the parent company only financial statements. Profits and losses from upstream with a subsidiary and lateral transactions between subsidiaries are recognized in the Parent Company only financial statements only to the extent of interests in the subsidiary that are not related to the Company.

(7) Investment in Associates

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

The Company accounts for its investments in an associate using the equity method.

Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes its share in the changes in the equities of an associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. When the loss shares of the Company to an associate equal or exceeds its equity in the associate (including the book value of the investment in the associate under the equity method and other long-term equity substantially belonging to the net investment component of the Company to the associate), the Company shall stop recognizing further losses. The Company recognizes additional losses and liabilities only to the extent of legal obligations, presumptive obligations or payments made on behalf of associate.

The profits and losses arising from the upstream, downstream and lateral transactions between the Company and its associate is recognized in parent company only financial statements, only to the extent unrelated to the Company's equity in an associate.

(8) Property, Plant and Equipment

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

Except for self-owned land which is not depreciated, depreciation of other property, plant and equipment is recognized separately using a straight-line basis for each significant component over their useful lives. The Company examines the estimated useful lives, residual values and depreciation methods at least at the end of each year and defers the impact of changes in applied accounting estimates.

(9) Intangible Assets

1. Acquire 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 lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates being accounted for on a prospective basis.

2. Derecognition

When the intangible assets are derecognized, the difference between the net disposal price and the carrying amount of the asset is recognized in the current profit and loss.

(10) Impairment of Tangible and Intangible Assets

The Company reviews the carrying amounts of its tangible 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. When it is not possible to estimate the recoverable amount of an individual asset, the Company 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. An impairment loss is recognized immediately in profit or loss.

For the inventory recognized in the customer contract, impairment shall be recognized first according to the provision for inventory write-down and secondly, the impairment loss shall be recognized according to the amount of the book value of the relevant assets at the contract cost exceeds the remaining amount from providing good or service expects to receive and the remaining amount after deducting the directly related costs, and the book value of the related assets of the contract cost shall be included in the cash-generating unit, to evaluate the impairment of the cash-generating unit.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined no impairment loss been recognized for the asset or cash-generating unit or contract cost in prior years. A reversal of an impairment loss (minus amortization or depreciation) is recognized in profit or loss.

(11) Financial Instruments

Financial assets and financial liabilities are recognized in the parent company only balance sheets when the Company becomes a party to the contractual provisions of the instruments.

When initially recognizing financial assets and financial liabilities, if the financial assets and financial liabilities are not measured at fair value through profit or loss, they will be measured at fair value plus transaction costs, directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial Assets

All conventional transactions of financial assets are recognized and derecognized on the trade date accounting.

(1) Measurement Category

The categories of financial assets held by the Company are those measured at amortized cost and investments in equity instruments evaluated at fair value through other comprehensive income.

A. Financial assets measured at amortized costs

The financial investments made by the Company are measured and categorized by amortized costs, if they meet the following two conditions at the same time:

- a. They are held in a business model where financial assets are kept to collect contractual cash flows; and
- b. The cash flows derived from contractual terms of specific financial assets under consideration are used as the sole payments for the principals and interests of the outstanding principals.

Financial assets, which are measured at amortized cost (including cash, pledged certificates of deposit, notes receivable and accounts receivable measured at amortized cost) after initially recognized, are measured at amortised cost of their gross carrying amount decided by the effective interest method minus any impairment losses. And any foreign currency exchange gain or loss is recognized in profit or loss.

B. Investments in equity instruments measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable option at initial recognition to recognize changes in fair value in other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value are presented in other comprehensive income, and accumulated in other equity. On disposal of investments, accumulated gains and losses are directly transferred to retained earnings and are not reclassified as gains and losses.

Dividends on investments in equity instruments measured at fair value through other comprehensive profits and losses are recognized in profits and losses when the Company's right to receive payments is established, unless the dividends clearly represent the recovery of part of the investment cost.

(2) Impairment of Financial Assets

At the end of each reporting period, the Company measures and recognizes loss allowances for expected credit losses of the financial assets at amortized cost (including accounts receivable) and impairment losses on contract assets.

For accounts receivable and contract assets, the Company will recognize allowance for expected credit losses (ECLs) over the period of their existence. For other financial assets, the Company first evaluate whether the credit risk has increased significantly since the initial recognition. If no significant increase is found, the allowance loss is to be recognized at the 12-month expected credit loss. If there has been a significant increase, it will be recognized as the expected credit loss at the duration period.

The expected credit loss is the weighted-average credit loss weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from the possible default of the financial instrument within 12 months following the report. The expected credit loss during the duration represents the expected credit loss arising from all possible defaults of the financial instrument during the expected duration.

For the purpose of internal credit risk management, the Company determines that the following circumstances represent the default of financial assets without considering the collateral held :

- A. There is internal or external information indicating that it is impossible for the debtors to pay off their debts.
- B. Overdue for more than 90 days, unless there is reasonable and verifiable information indicates that the delayed default benchmark is more appropriate.

Impairment losses on all financial assets are reduced by the provision account, provided that the provision for losses on investments in debt instruments measured at fair value through other comprehensive profit and loss is recognized as other comprehensive profit without reducing their book value.

(3) Derecognition of Financial Assets and Contract Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that 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 in its entirety, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without reclassified as profit or loss.

2. Equity Instruments

Debt and equity instruments issued by the Company 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 Company are recognized as 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. 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

(1) Subsequent Measurement

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

Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading.

Financial liabilities held for trading are measured at fair value, and the profits or losses arising from the remeasurement (excluding any dividends or interests paid on the financial liabilities) are recognized in profit or loss. For the determination of fair value, please refer to Note 31.

(2) Derecognition of Financial Liabilities

The Company derecognized financial liabilities, the difference between the carrying amount of such 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 derivative instruments signed by the Company are Forward Exchange Contracts for the purpose of managing exposure to currency 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 gain or loss from follow-up measurement is recognized directly in profit or loss, but the point of recognition in profit or loss for derivatives that are designated as effective hedging instruments is determined by the characteristics 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.

(12) Provision (Liability Reserve)

The amount recognized as the provision is the best estimate of the expenditure required to liquidate the obligation on the balance sheet date, taking into account the risks and uncertainties of the obligations. Provision is measured at the discounted value of the estimated cash flow of the liquidated obligation.

1. Onerous contract
When the unavoidable cost of the Company's expected performance of its contractual obligations exceeds the expected economic benefits from the contract, the current obligations arising from the onerous contract shall be recognized as provision.
2. Warranty
The warranty obligation to guarantee the conformity of products to the agreed specifications is based on management's best estimate of the expenses required to settle the Company's liabilities and is recognized when the Company has recognized revenue from the related products.

(13) Revenue Recognition

The Company identifies performance obligations in customer contracts and the transaction price will be apportioned to each performance obligation. The income will be recognized when each performance obligation is met.

If the time interval between the transfer of goods or services and the collection of payment due is less than one year, the transaction price of the significant financing components of the contract shall not be adjusted.

1. Sales of Goods

Sales revenue comes from the sales of transformers, distribution boards, high and low voltage switches and distribution equipment. Since the customer already set the prices and has the rights to use the goods when the goods arrive at the locations designated by the customer, when the goods are shipped and when the goods are loaded onto the ships, and the customer has the main responsibility for resale, and bears the risk of obsolescence of the goods, the Company recognized the revenue and accounts receivable at that time. Receipts of advances from products are recognized as contractual liabilities before the products meet specified conditions.

2. Construction Revenue

In the process of construction, the asset is the real estate construction contract controlled by the customer. The Company recognizes the revenue over time gradually. Since the cost of construction is directly related to the degree of fulfillment of the performance obligations, the Company measures the completion progress by the proportion of the actual cost to the expected total cost. The Company gradually recognizes revenue during the construction process and transfers them into accounts receivable when bill is issued. If the construction payment received exceeds the recognized revenue, the difference is recognized as a contractual liability. The construction retention money withheld by the client in accordance with the terms of the contract is intended to ensure that the Company fulfills all its contractual obligations and is recognized as contract assets before the Company completes the contract.

(14) Leases

The Company assesses whether the contract is (or includes) a lease on the effective date of the contract.

1. The Company as lessor

When the terms of a lease transfers substantial portion of the risks and rewards incidental to the ownership of the asset to the lessee, it is classified as a finance lease. All other leases are classified as operating leases.

Under an operating lease, the lease payment after deduction of the lease incentives is recognized as income on a straight-line basis during the relevant lease term. The original direct cost incurred in obtaining the operating lease is the book value added to the target asset and recognized as an expense on a straight-line basis over the lease term.

2. The Company as Lessee

Except for leases of low-value underlying assets which are subject to the recognition exemption, and the lease payments of short-term leases which are recognized as expenses over the lease terms on a straight-line basis, the Company recognizes all other leases as right-of-use assets and lease liabilities at the inception date of the lease.

Right-of-use assets are measured at cost (includes the initial measurement of the lease liabilities, the lease payments made before the commencement date of the lease less the lease incentives received, the original direct cost and the estimated cost of reinstatement of the subject asset). Subsequent measurement is calculated at cost less the accumulated depreciation and accumulated impairment loss, and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented separately in the parent company only 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.

The lease liability was initially measured at the present value of the lease payment. If the interest rate implicit in the lease is easy to determine, the lease payment should be discounted by the interest rate. If the interest rate is not readily determined, the incremental lessee's borrowing rate is applied.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. During the lease period or under the residual value guarantee, if the expected payment amount changes, resulting in changes in future lease payments, the Company will remeasure the lease liabilities and relatively adjust the right-of-use assets. If the book value of the right-to-use asset is decreased to zero, the residual remeasurement amount is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

(15) Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

If the government grants are used to compensate for expenses or losses incurred, or for the purpose of providing immediate financial support to the Company without future related costs, it is recognized as profit or loss during the period in which it can be collected.

(16) 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 service rendered by employees.

2. Retirement benefits

For defined retirement benefit plans, the cost of providing benefit is recognized when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined 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 liability (asset) are recognized as employee benefits expense in the period they occur. Rereasurement (including actuarial profit and loss and the interest deduction of return on plan assets) recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Net defined benefit asset shall not exceed the present value of the allocation from the plan or the reduction of future allocation.

3. Other long-term employee benefits

The accounting treatment for other long-term employee benefits is the same as that for defined retirement benefit plans, except that the relevant rereasurement is recognized in profit or loss.

(17) Taxation

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

1. Current Tax

The Company determines the income (loss) for the current period in accordance with the regulations established by each income tax reportable jurisdiction, and calculates the income tax payable (recoverable).

Pursuant to Income Tax Act of the Republic of China, income tax on unappropriated earnings shall be recognized in the annual resolution by the shareholders' meeting.

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

2. Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements 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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company 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 are only recognized 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 they 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 deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of 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 year in which the liability is settled or the asset is 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 Company 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 for the year

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.

5. Critical Accounting Judgment and Key Sources of Estimation and Uncertainty

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

The Company has considered the economic implications of COVID-19 on critical accounting estimates and will continue evaluating the impact on its financial position as a result of the pandemic. The estimates and underlying assumptions are reviewed on an ongoing basis. If the revision of an estimate affects only the current period, it is recognized in the period in which it is revised. If such a revision affects both the current and future periods, it will be recognized in the current period of the revision and in the future period.

6. Cash

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 680	\$ 700
Bank notes and demand deposits	68,108	15,417
Cash equivalents (investments due within 3 months)		
Time deposits	<u>101,343</u>	<u>-</u>
	<u>\$ 170,131</u>	<u>\$ 16,117</u>

The interest rate range of bank deposits on the balance sheet date is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposits	0.001% ~ 4.55%	0.001% ~ 0.2%

7. Financial instruments at Fair Value Through Profit or Loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets - Current</u>		
Derivative instruments (non-designated hedge)		
Forward Exchange Contracts	<u>\$ 279</u>	<u>\$ -</u>

On the balance sheet date, the forward exchange contracts which are not applicable to hedge accounting and have not yet matured are as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2022</u>			
Buy	NTD to USD	March 24, 2023	NTD21,829/USD708

The purpose of conducting forward exchange transactions by the Company is to reduce the risk of foreign currency assets and liabilities due to exchange rate fluctuations. The forward exchange contracts held by the Company do not meet the hedge effectiveness requirements, therefore, these forward exchange contracts do not apply to hedge accounting.

8. Financial assets at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Domestic investment		
Unlisted (OTC) common stock		
Raynergy Tek Inc.	\$ 27,061	\$ 25,556
Hsin He Energy Co., Ltd.	255,604	245,515
E-Formular Technologies, Inc	12,540	30,252
Synergy Co., Ltd.	<u>17,181</u>	<u>14,710</u>
	<u>\$ 312,386</u>	<u>\$ 316,033</u>

The Company invests in the common stocks of the aforementioned companies for medium- and long-term strategic purposes and expects to make profits from long-term investments. Management of the Company considers that the inclusion of short-term fair value fluctuations of such investment in profit and loss is inconsistent with the aforementioned long-term investment plans and therefore choose designated such investment as measured at fair value through other comprehensive gains and losses.

In the 1st quarter of 2021, the company acquired 25,275 thousand shares of Hsin He Energy Co., Ltd. at the price of NTD 252,750 thousand, equaling 15% of Hsin He Energy Co., Ltd. company's shareholding. Hsin He Energy Co., Ltd. is primarily engaged in the development of renewable energy and the construction of solar power plants.

In the 2nd quarter of 2021, the Company acquired 1,200 thousand shares of E-Formular Technologies, Inc at a price of NTD24,000 thousand, representing a 5.52% stake. E-Formular is mainly engaged in telecom base station construction, energy saving and designing of energy management systems.

In the 4th quarter of 2021, the Company acquired 1,471 thousand shares of Synergy Co., Ltd at the price of NTD14,710 thousand, equaling 14.71% of Synergy Co., Ltd. Synergy Co., Ltd. is mainly engaged in the development of renewable energy, the installation of solar power plants, and the maintenance of offshore wind power.

9. Financial assets measured at amortised cost

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Pledged CD</u>		
Current	\$ 18,507	\$ 19,135
Non-current	<u>5,067</u>	<u>3,759</u>
	<u>\$ 23,574</u>	<u>\$ 22,894</u>

For information on pledged financial assets measured at amortized cost, please refer to Note 33.

10. Account Receivable

	<u>December 31 2022</u>	<u>December 31, 2021</u>
<u>Account Receivable</u>		
at amortized cost		
Total Carrying Amount	\$ 1,839,124	\$ 2,287,583
Less: Loss Allowance	(<u>16,081</u>)	(<u>40,491</u>)
	<u>\$ 1,823,043</u>	<u>\$ 2,247,092</u>

The Company's average credit extension period for product sales is 90 days to 180 days from the invoice date. The impairment assessment of accounts receivable, including accounts receivable-related parties, is based on individual assessment, aging analysis, historical experience and analysis of customers' current financial situation to estimate the amount that cannot be recovered.

The Company recognizes the allowance for the loss of accounts receivable according to the expected credit loss during the period of existence. The expected credit loss during the period of existence is calculated by using provision matrix, which considers the past default records of customers, the current financial situation and the economic situation of the industry. As the Company's historical experience of credit loss shows that there is no significant difference in loss types among different customer groups, the provision matrix does not further differentiate customer groups, and only sets the expected credit loss rate based on days overdue of receivables.

If there is evidence showing that the counterparty of the transaction is facing serious financial difficulties and the Company cannot reasonably expect the recoverable amount, the Company will directly write off the relevant receivables, but will continue to pursue recourse activities. The amount recovered due to pursue recourse is recognized in profit and loss.

The Company measures the allowance for the loss of accounts receivable according to provision matrix as follows:

December 31, 2022

	Not past due	Past due 1 ~ 60 days	Past due 61 ~ 90 days	Past due 91 ~ 275 days	Past due 276 ~ 640 days	Past due More than 641 days	Total
Expected credit losses ratio	0.33%	0.33%	0.33%	0.35%	0.41%	18.88%	
Total carrying amount	\$ 1,046,380	\$ 304,272	\$ 3,370	\$ 124,076	\$ 308,838	\$ 52,188	\$ 1,839,124
Loss allowance (Lifetime expected credit losses)	(<u>3,511</u>)	(<u>991</u>)	(<u>11</u>)	(<u>440</u>)	(<u>1,277</u>)	(<u>9,851</u>)	(<u>16,081</u>)
At amortized cost	<u>\$ 1,042,869</u>	<u>\$ 303,281</u>	<u>\$ 3,359</u>	<u>\$ 123,636</u>	<u>\$ 307,561</u>	<u>\$ 42,337</u>	<u>\$ 1,823,043</u>

December 31, 2021

	Not past due	Past due 1 ~ 60 days	Past due 61 ~ 90 days	Past due 91 ~ 275 days	Past due 276 ~ 640 days	Past due More than 641 days	Total
Expected credit losses ratio	0.00%	0.00%	0.00%	0.00%	12.98%	31.33%	
Total carrying amount	\$ 1,672,930	\$ 159,186	\$ 92,151	\$ 215,889	\$ 31,072	\$ 116,355	\$ 2,287,583
Loss allowance (Lifetime expected credit losses)	-	-	-	-	(<u>4,032</u>)	(<u>36,459</u>)	(<u>40,491</u>)
At amortized cost	<u>\$ 1,672,930</u>	<u>\$ 159,186</u>	<u>\$ 92,151</u>	<u>\$ 215,889</u>	<u>\$ 27,040</u>	<u>\$ 79,896</u>	<u>\$ 2,247,092</u>

Movements of the loss allowance for accounts receivable:

	2022	2021
Balance, beginning of the year	\$ 40,491	\$ 45,333
Add: expected credit loss (reversal)	(20,623)	3,737
Subtract: Write-offs for the year	(3,787)	(8,326)
Subtract: Split and transferred	-	(<u>253</u>)
Balance, end of the year	<u>\$ 16,081</u>	<u>\$ 45,333</u>

11. Net balance of inventories

	December 31, 2022	December 31, 2021
Finished goods	\$ 508,321	\$ 348,979
Work in process	2,330,901	1,388,923
Raw materials	<u>622,988</u>	<u>327,424</u>
	<u>\$ 3,462,210</u>	<u>\$ 2,065,326</u>

In 2022 and 2021, the cost of goods sold related to inventory was NT\$5,463,315 thousand and NT\$5,964,015 thousand respectively. The cost of goods sold in 2022 and 2021 includes the inventory valuation losses (gain from price recovery of inventory) of NT\$41,558 thousand and (NT\$203 thousand). The rise in the net realizable value of inventories was due to the use of inventories for which the inventory valuation losses have been recognized in the middle of the year.

12. Investment accounted for using equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$1,406,057	\$ 759,849
Associates	<u>2,405</u>	<u>2,002</u>
	<u>\$1,408,462</u>	<u>\$ 761,851</u>

(1) Investments in subsidiaries

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Power Energy International Ltd. (Power Energy Company)	\$ 446,419	\$ 77,604
Fortune Electric America Inc. (North American Division)	25,015	18,419
Fortune Electric Extra High Voltage Co., LTD. (Fortune Extra High Voltage Company)	704,377	487,366
Fortune Energy CO., LTD. (Fortune Energy Company)	747	804
Fortune Electric Australia Pty Ltd (Australian Company)	10,969	10,956
Fortune Electric Value Co., LTD. (Fortune Electric Value Company)	<u>218,530</u>	<u>164,700</u>
	<u>\$1,406,057</u>	<u>\$ 759,849</u>

% of Ownership and Voting Rights Held by
the Company

<u>Subsidiaries</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Power Energy Company	100.00%	100.00%
North America Company	100.00%	100.00%
Fortune Extra High Voltage Company	100.00%	100.00%
Fortune Energy Co., LTD.	100.00%	100.00%
Australian Company	100.00%	100.00%
Fortune Electric Value Company (Note)	64.25%	80.18%

For the years of 2022 and 2021, share of the profit or loss of subsidiaries, accounted for using equity method and other comprehensive profit and loss share, are recognized according to the financial statements of the subsidiaries audited by accountants in the same period.

For details of the investment subsidiaries indirectly owned by the Company, please refer to Appendix Table 5 "information of the invested company, location and other related information."

The Company provides endorsement and guarantee for bank loans of subsidiaries Fortune Electric (Wuhan) Ltd. and Fortune Electric Extra High Voltage Co., Ltd. Please refer to Note 32 for the balance as of December 31, 2022 and 2021.

Note: Fortune Electric Value Co., LTD. was established in Taipei on May 6, 2021. It is mainly engaged in the businesses of electric vehicle charging and operation services, including the design and establishment of various charging stations, research and development of electric vehicle charging-related equipment, systems, and technologies, as well as sales. Based on the board of directors' resolution made on May 10, 2021, the Company split the electric vehicle charging and operation department to Fortune Electric Value Co., LTD. The base date of the split is June 30, 2021. The percentage of the ownership by the Company is 100%. In addition, Fortune Electric Value Co., LTD. had cash capital increase in September, 2021, and in January, 2022. As Fortune Electric Co., Ltd. did not subscribe in proportion respectively to its original shareholding, the percentage of ownership by the Company decreased from 100% to 64.25%.

(2) Investments in associates

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Individual insignificant associates</u>		
E-Total Link	<u>\$ 2,405</u>	<u>\$ 2,002</u>

Summary Information of Individual insignificant associates

In 2017, the Company established E トータルリンク (E-Total Link) in Japan as a joint venture with Hamaden Electrical Design and Installation and other companies, and obtained 25% of its equity at a price of NT\$ 1,385 thousand. The summary information is as follows:

	<u>2022</u>	<u>2021</u>
Share of profit of the Company		
Net Profit (loss)	\$ 748	\$ 1,433
Other comprehensive income	(<u>345</u>)	(<u>181</u>)
Total comprehensive income	<u>\$ 403</u>	<u>\$ 1,252</u>

For details of the investment subsidiaries indirectly owned by the Company, please refer to Appendix Table 5 "information of the invested company, location and other related information."

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 not audited by auditors for the same period. Management believes there is no material impact on the financial statements of E-Total Link, which had not been audited.

13. Property, Plant and Equipment

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Assets used by the Company	\$ 1,232,432	\$ 1,218,861
Assets subject to operating leases	<u>237</u>	<u>261</u>
	<u>\$ 1,232,669</u>	<u>\$ 1,219,122</u>

(1) Assets used by the Company

	Land	Buildings	Machinery Equipment	Solar Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2022	\$ 635,827	\$ 682,844	\$ 1,062,770	\$ 146,664	\$ 172,830	\$ 2,700,935
Additions	-	15,412	41,725	257	13,841	71,235
Disposals	-	-	(53,683)	-	(6,520)	(60,203)
Transfer (Note 2)	-	825	7,700	-	2,490	11,015
Balance at January 1, 2022	<u>\$ 635,827</u>	<u>\$ 699,081</u>	<u>\$ 1,058,512</u>	<u>\$ 146,921</u>	<u>\$ 182,641</u>	<u>\$ 2,722,982</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 392,717	\$ 916,734	\$ 70,242	\$ 102,381	\$ 1,482,074
Depreciation	-	15,128	34,662	7,193	11,477	68,460
Disposals	-	-	(53,573)	-	(6,411)	(59,984)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 407,870</u>	<u>\$ 897,798</u>	<u>\$ 77,435</u>	<u>\$ 107,447</u>	<u>\$ 1,490,550</u>
Net balance at January 1, 2022	<u>\$ 635,827</u>	<u>\$ 290,127</u>	<u>\$ 146,036</u>	<u>\$ 76,422</u>	<u>\$ 70,449</u>	<u>\$ 1,218,861</u>
Net balance at December 31, 2022	<u>\$ 635,827</u>	<u>\$ 291,211</u>	<u>\$ 160,714</u>	<u>\$ 69,486</u>	<u>\$ 75,193</u>	<u>\$ 1,232,432</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ 635,827	\$ 677,148	\$ 1,040,709	\$ 151,688	\$ 175,889	\$ 2,681,261
Additions	-	6,093	27,783	920	19,301	54,097
Disposals	-	-	(4,137)	(5,944)	(2,740)	(12,821)
Transfers (Note 1)	-	-	-	-	2,659	2,659
Transfers (Note 2)	-	-	8,771	-	2,856	11,627
Partition and transfer	-	-	(10,356)	-	(25,135)	(35,491)
Transfers to assets subject to operating leases	-	(397)	-	-	-	(397)
Balance at December 31, 2021	<u>\$ 635,827</u>	<u>\$ 682,844</u>	<u>\$ 1,062,770</u>	<u>\$ 146,664</u>	<u>\$ 172,830</u>	<u>\$ 2,700,935</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ -	\$ 377,959	\$ 898,766	\$ 68,177	\$ 98,292	\$ 1,443,194
Depreciation	-	15,061	32,328	7,390	12,120	66,899
Disposals	-	-	(4,095)	(5,325)	(1,561)	(10,981)
Partition and transfer	-	-	(10,265)	-	(6,470)	(16,735)
Transfers to assets subject to operating leases	-	(303)	-	-	-	(303)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 392,717</u>	<u>\$ 916,734</u>	<u>\$ 70,242</u>	<u>\$ 102,381</u>	<u>\$ 1,482,074</u>
Net balance at January 1, 2021	<u>\$ 635,827</u>	<u>\$ 299,189</u>	<u>\$ 141,943</u>	<u>\$ 83,511</u>	<u>\$ 77,597</u>	<u>\$ 1,238,067</u>
Net balance at December 31, 2021	<u>\$ 635,827</u>	<u>\$ 290,127</u>	<u>\$ 146,036</u>	<u>\$ 76,422</u>	<u>\$ 70,449</u>	<u>\$ 1,218,861</u>

Note 1: Transfer from inventory to machinery equipment.

Note 2: Transfer from prepayments for equipment to machinery equipment, building equipment, and lease improvement.

There was no sign of impairment in 2022 and 2021, and the Company did not perform the impairment assessment.

Depreciation expenses are accrued on a straight-line basis according to the following durable years:

Buildings	
Plant main building	55 Years
Electromechanical equipment	3 Years
Machinery and equipment	3 to 15 Years
Solar equipment	8 to 20 Years
Other equipment	3 to 15 Years

For the amount of self-use real estate, plant and equipment set as a loan guarantee, please refer to Note 33.

(2) Operating leases

	<u>Buildings</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 1,191
Balance at December 31, 2022	<u>\$ 1,191</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 930
Accumulated depreciation	<u>24</u>
Balance at December 31, 2022	<u>\$ 954</u>
Net Balance at January 1, 2022	\$ 261
Net Balance at December 31, 2022	<u>\$ 237</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 794
Transfers from assets used by the Company	<u>397</u>
Balance at December 31, 2021	<u>\$ 1,191</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 598
Transfers from assets used by the Company	303
Depreciation expense	<u>29</u>
Balance at December 31, 2021	<u>\$ 930</u>
Net amount at January 1, 2021	\$ 196
Net amount at December 31, 2021	<u>\$ 261</u>

The Company leases out buildings on operating leases for a period of one year. The lessees do not have purchase options to acquire the assets at the expiry of the lease period.

Depreciation expenses are accrued in 55 years on a straight-line basis.

For the amount of property, plant and equipment set as a loan guarantee, please refer to Note 33.

14. Lease agreements

(1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount		
Land	\$ -	\$ -
Buildings	15,610	5,857
Transportation equipment	<u>8,419</u>	<u>4,631</u>
	<u>\$ 24,029</u>	<u>\$ 10,488</u>
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets	<u>\$ 20,317</u>	<u>\$ 14,721</u>
Depreciation of right-of use assets		
Land	\$ -	\$ 844
Buildings	3,297	4,140
Transportation equipment	<u>3,479</u>	<u>4,073</u>
	<u>\$ 6,776</u>	<u>\$ 9,057</u>

(2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount		
Current	<u>\$ 8,760</u>	<u>\$ 4,832</u>
Non-current	<u>\$ 15,365</u>	<u>\$ 5,722</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	-	1.26%
Buildings	1.26%	1.26%
Transportation equipment	1.26% ~ 2.00%	1.26%

(3) Other lease information

	<u>2022</u>	<u>2021</u>
Expenses relating to short-term leases	<u>\$ 18,219</u>	<u>\$ 6,144</u>
Expenses relating to low-value asset leases	<u>\$ 823</u>	<u>\$ 12,225</u>
Total cash (outflow) for leases	<u>(\$ 25,966)</u>	<u>(\$ 27,702)</u>

The Company has opted for the exemption from the recognition of certain asset leases that qualify as short-term leases and several asset leases that qualify as low-value asset leases and does not recognize the related right-of-use assets and lease liabilities for these leases.

15. Intangible Assets

	<u>Computer software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 87,017
Acquired separately	25,716
Reclassified	1,110
Partition and transfer	(2,828)
Balanced at December 31, 2021	<u>\$ 111,015</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 55,836
Amortized expense	16,914
Partition and transfer	(1,048)
December 31, 2021	<u>\$ 71,702</u>
Carrying amount at Balance at December 31, 2021	<u>\$ 39,313</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 111,015
Acquired separately	33,862
Reclassified	2,188
Disposal	(51,169)
Balance at December 31, 2022	<u>\$ 95,896</u>
<u>Accumulated amortization</u>	
Balance January 1, 2022	\$ 71,702
Amortized expense	21,240
Disposal	(51,169)
Balance at December 31, 2022	<u>\$ 41,773</u>
Carrying amount at December 31, 2022	<u>\$ 54,123</u>

The above -mentioned computer software is amortized on a straight-line basis for three to five years of durability.

16. Loans

(1) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured loan</u> (Note 33)		
Usance Letter of Credit	\$ 70,437	\$ 59,512
<u>Unsecured loans</u>		
Line of Credit	480,000	377,000
Forward letter of credit	<u>106,204</u>	<u>75,535</u>
	<u>\$ 656,641</u>	<u>\$ 512,047</u>

The interest rates of bank loans were 0.84567% ~ 5.9291% and 0.53% ~ 1.00% on December 31, 2022 and 2021 respectively.

(2) Short-term notes payables

	<u>December 31, 2022</u>
Commercial paper payable	\$ 250,000
Less : Discount on short-term notes payables	(<u>109</u>)
	<u>\$ 249,891</u>

Undue short-term notes payables are as follows :

December 31, 2022

<u>Guarantee institution</u>	<u>Par value</u>	<u>Discount</u>	<u>Carrying amount</u>	<u>Interest rate interval</u>	<u>Collateral</u>
<u>Commercial paper payable</u>					
DAH CHUNG BILLS FINANCE CORP.	\$ 150,000	\$ 23	\$ 149,977	1.898%	None
MEGA BILLS FINANCE CO., LTD.	<u>100,000</u>	<u>86</u>	<u>99,914</u>	1.85%	None
	<u>\$ 250,000</u>	<u>\$ 109</u>	<u>\$ 249,891</u>		

(3) Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured loans</u> (Note 33)		
Bank of Taiwan	\$ 500,000	\$ 500,000
Mega Bank	<u>241,800</u>	<u>241,800</u>
Subtotal	<u>741,800</u>	<u>741,800</u>

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<u>Unsecured loans</u>		
Yuanta Bank	\$ 300,000	\$ 300,000
Bank SinoPac	100,000	100,000
E.SUN Bank	<u>200,000</u>	<u>-</u>
Subtotal	<u>600,000</u>	<u>400,000</u>
	1,341,800	1,141,800
Less : the portion recognized		
in long-term borrowings		
due within one year	(791,800)	-
	\$ 550,000	\$1,141,800

It is agreed that the loan of Bank of Taiwan can be circulated during the credit period. During the agreed credit period, the initial loan period is from December 4, 2013 to April 19, 2022. In February 2022, the Company agreed with the bank that the new loan period is from May 25, 2022 to May 25, 2024. The annual interest rates were set at 1.875~2.00% and 1.20% as of December 31, 2022 and 2021 respectively.

It is agreed that the loan of Mega Bank can be circulated during the credit period. During the agreed credit period, the initial loan period is from September 14, 2018 to October 23, 2021. In October 2022, the Company agreed with the bank that the new loan period is from October 23, 2022 to October 23, 2023. The annual interest rates were 1.975% and 1.25% as of December 31, 2022 and 2021 respectively.

It is agreed that the loan of Yuanta Bank can be circulated during the credit period. During the agreed credit period, the initial loan period is from March 29, 2019 to March 29, 2021. In June 2021, the Company agreed with the bank that the new loan period is from May 20, 2021 to May 20, 2023. The annual interest rate was 1.15% as of December 31, 2021.

It is agreed that the loan of Bank SinoPac can be circulated during the credit period. During the agreed credit period, the initial loan period is from December 28, 2021 to October 31, 2024. The annual interest rates were set as 1.90% and 1.10% as of December 31, 2022 and 2021 respectively.

It is agreed that the loan of E.SUN Bank can be circulated during the credit period. During the agreed credit period, the initial loan period is from August 23, 2022 to March 30, 2023. The annual interest rate was set as 1.95% as of December 31, 2022.

17. Accounts Payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Arising from operations	<u>\$ 1,944,831</u>	<u>\$ 2,157,714</u>

The Company establishes a financial risk management policy to ensure that all accounts payables are repaid within the credit commitment period.

18. Other Payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary	\$ 180,197	\$ 105,299
Export	49,737	43,030
Remuneration to employees and directors and supervisors	65,197	24,260
Design	34,508	38,302
Commission	10,873	20,065
Interest	2,258	1,187
Other	<u>80,115</u>	<u>55,484</u>
	<u>\$ 422,885</u>	<u>\$ 287,627</u>

19. Provisions

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Warranty	\$ 11,492	\$ 5,783
Onerous contract	<u>4</u>	<u>5,437</u>
	<u>\$ 11,496</u>	<u>\$ 11,220</u>

(1) 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.

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

20. Retirement Benefit Plans

(1) Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "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.

(2) Defined benefit plans

The Company implements the pension system and benefit plans in accordance with the R.O.C. Labor Standards Law. The payment of the pension is based on the length of service and average salary for the six-month period prior to the approved retirement date. The Company contributes an amount equal to 10% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

Amounts recognized in respect of these defined benefit plans were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present Value of a Defined		
Benefit Obligation	\$ 429,686	\$ 458,914
Fair value of plan assets	(387,074)	(329,513)
Net defined benefit liability	<u>\$ 42,612</u>	<u>\$ 129,401</u>

Movements of the net defined benefit liability are as follows:

	<u>Present Value of a defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Balance, January 1, 2021	<u>\$ 454,940</u>	<u>(\$ 276,081)</u>	<u>\$ 178,859</u>
Current service cost	4,720	-	4,720
Interest expense (income)	<u>1,339</u>	<u>(833)</u>	<u>506</u>
Recognized in profit or loss	<u>6,059</u>	<u>(833)</u>	<u>5,226</u>
Remeasurement			
Return on plan assets	-	(4,135)	(4,135)
Actuarial loss (gain) arising from changes in financial assumptions	(2,229)	-	(2,229)
Actuarial loss (gain) arising from experience adjustments	<u>4,298</u>	<u>-</u>	<u>4,298</u>
Recognized in other comprehensive income	<u>2,069</u>	<u>(4,135)</u>	<u>(2,066)</u>
Contributed by the Company	<u>-</u>	<u>(52,618)</u>	<u>(52,618)</u>
Benefits paid	<u>(4,154)</u>	<u>4,154</u>	<u>-</u>
Balance, December 31, 2021	<u>458,914</u>	<u>(329,513)</u>	<u>129,401</u>
Current service cost	3,790	-	3,790
Interest expense (income)	<u>2,696</u>	<u>(1,993)</u>	<u>703</u>
Recognized in profit or loss	<u>6,486</u>	<u>(1,993)</u>	<u>4,493</u>

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	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Remeasurement			
Return on plan assets	\$ -	(\$ 24,906)	(\$ 24,906)
Actuarial loss (gain) arising from changes in financial assumptions	(21,510)	-	(21,510)
Actuarial loss (gain) arising from experience adjustments	<u>13,666</u>	<u>-</u>	<u>13,666</u>
Recognized in other comprehensive income	(<u>7,844</u>)	(<u>24,906</u>)	(<u>32,750</u>)
Contributed by the Company	<u>-</u>	(<u>58,532</u>)	(<u>58,532</u>)
Benefits paid	(<u>27,870</u>)	<u>27,870</u>	<u>-</u>
Balance, December 31, 2022	<u>\$ 429,686</u>	(<u>\$ 387,074</u>)	<u>\$ 42,612</u>

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

	2022	2021
Operating cost	\$ 3,157	\$ 3,718
Selling expenses	648	770
Administrative expenses	429	473
Research and Development Expenses	<u>259</u>	<u>265</u>
	<u>\$ 4,493</u>	<u>\$ 5,226</u>

Through the defined benefit plans under the R.O.C. Labor Standards Law, the Company is exposed to the following risks:

1. Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the 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 debt investments of the plan assets.
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 principal assumptions of the actuarial valuation were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discounted rate	1.20%	0.60%
Expected return rate on plan assets	0.60%	0.30%
Future salary increase rate	1.50%	1.50%

If there are reasonably possible movements in the major actuarial assumptions respectively, and all other assumptions remain constant, the amount that will increase (decrease) the present value of defined benefit obligation is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount Rate		
Increase 0.25%	(\$ 8,501)	(\$ 9,852)
Decrease 0.25%	<u>\$ 8,767</u>	<u>\$ 10,182</u>
Future salary increase rate		
Increase 0.25%	<u>\$ 8,496</u>	<u>\$ 9,828</u>
Decrease 0.25%	(<u>\$ 8,283</u>)	(<u>\$ 9,563</u>)

Since the actuarial assumptions may be correlated to each other and the movement of single assumption is unlikely, the above sensitivity analysis may not reflect the actual movement of the present value of defined benefit obligation.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Forecast amount within one year	<u>\$ 22,712</u>	<u>\$ 24,643</u>
Average maturity period of defined benefit obligations	8.08 Years	8.78 Years

21. Maturity analysis of assets and liabilities

The Company's assets and liabilities related to construction contract are classified as current or noncurrent according to operating cycle. According to the amounts expected to be receivable or payable within one year or longer than one year of the balance sheet date, the relevant accounts are listed as follows :

	<u>December 31, 2022</u>		
	<u>Within 1 Year</u>	<u>Longer than 1 Year</u>	<u>Total</u>
<u>Assets</u>			
Refundable deposits (included			
in other current assets)	<u>\$ 207</u>	<u>\$ 3</u>	<u>\$ 210</u>
Contract assets	<u>\$ 192,230</u>	<u>\$ -</u>	<u>\$ 192,230</u>
<u>Liabilities</u>			
Contract liabilities	<u>\$ 12,442</u>	<u>\$ 3,911</u>	<u>\$ 16,353</u>

	December 31, 2021		
	Within 1 Year	Longer than 1 Year	Total
<u>Assets</u>			
Refundable deposits (included in other current assets)	\$ 418	\$ 3	\$ 421
Contract assets	\$ 596,634	\$ -	\$ 596,634
<u>Liabilities</u>			
Contract liabilities	\$ 17,028	\$ -	\$ 17,028

22. Equity

(1) Capital - common stock

	December 31, 2022	December 31, 2021
Authorized shares (in thousands)	275,000	275,000
Authorized capitals	\$ 2,750,000	\$ 2,750,000
Issued and paid shares (in thousands)	261,059	261,059
Issued capital	\$ 2,610,585	\$ 2,610,585

(2) Capital surplus

	December 31, 2022	December 31, 2021
<u>Can be used to offset a deficit, distributed as cash dividends or expansion capital stocks (1)</u>		
Treasury stock transactions	\$ 1,033	\$ 1,033
Unclaimed cash dividends	532	538
<u>Can be used to offset a deficit (2)</u>		
Recognition of changes in ownership interests in subsidiaries	85,120	1,913
	\$ 86,685	\$ 3,484

1. This type of capital reserve can be used to make up for losses, and can also be used to distribute cash or capitalized when the Company has no losses, however the combined amount of any portions capitalized in any 1 year may not exceed certain percent of paid-in capital.
2. This type of capital surplus refers to the effect of equity transactions recognized for changes in the Company's equity when the Company has not effectively acquired or disposed of shares in a subsidiary, or the adjustments to the capital surplus recognized by the equity method for the Company's subsidiaries.

(3) Retained earnings and dividend policy

In accordance with the Company's Articles of Incorporation, if the Company has made any profit in a given year, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings, then set aside a special capital reserve in accordance with relevant laws or regulations or in accordance with the provisions of laws. If there are still any earnings, the Board of Directors shall prepare a proposal to distribute bonus to shareholders with the remaining earnings plus any retained earnings and submit to the shareholders' meeting for resolution. The Company delegates to the Board of Directors the authority to resolve, by special resolution, that all or a portion of the dividends and bonuses payable shall be paid in cash and submitted to the shareholders' meeting. Regarding the remuneration policy of employees and directors, please Note 24 (6) Remuneration of employees and directors.

The dividend distribution policies shall be in response to current and future development plan, in consideration of investment requirements, funding requirements, and shareholders' benefit of the Company. The dividends distributed to shareholders shall not be lower than 60% of surplus available for distribution, may be distributed in cash or in stock, and the ratio of cash dividend shall be no less than 25% of total distribution.

An 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 deficits. 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.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of 2021 and 2020 earnings proposed by the Company's Board of Directors meeting held on June 15, 2022, and August 5, 2021 are as follows :

	2021	2020
Legal reserve	<u>\$ 29,154</u>	<u>\$ 43,538</u>
Special reserve	<u>\$ 22,231</u>	<u>\$ 6,372</u>
Cash dividends	<u>\$ 261,059</u>	<u>\$ 339,376</u>
Cash dividends per share (NT\$)	<u>\$ 1.00</u>	<u>\$ 1.30</u>

The appropriations of earnings for 2022 proposed by the Company's Board of Directors on March 8, 2023 are as follows:

	<u>2022</u>
Legal reserve	<u>\$ 86,445</u>
Special reserve	<u>\$ 21,905</u>
Cash dividends	<u>\$ 652,646</u>
Cash dividends per share (NT\$)	<u>\$ 2.5</u>

The above appropriations of cash dividends have been approved by the Board of Directors, and the rest is yet to be resolved at the regular shareholders' meeting expected to be held on June 15, 2023.

(4) Other equity items

1. Exchange differences arising on translation of the financial statements of foreign operations

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	(\$ 26,619)	(\$ 24,158)
Occurred in the current year		
Exchange differences arising on translation of foreign operations	(12,655)	(2,461)
Reclassification		
Disposal of foreign operations	(5,603)	-
Other comprehensive income of the year	(18,258)	(2,461)
Balance, end of year	(<u>\$ 44,877</u>)	(<u>\$ 26,619</u>)

2. Unrealized gain (loss) on financial assets at FVTOCI

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	(\$ 10,959)	\$ 8,811
Unrealized gain or losses		
Equity instruments		
Equity instrument	(3,647)	(19,770)
Balance, end of year	(<u>\$ 14,606</u>)	(<u>\$ 10,959</u>)

23. Net Revenue

	<u>2022</u>	<u>2021</u>
Revenue from contract with customers		
Sales revenue		
Power transformer	\$ 5,210,230	\$ 4,351,271
Distribution	681,288	1,296,750
Transformer	214,845	412,996
Electricity	11,898	12,226
Other	630,374	1,012,162
Construction revenue	<u>509,002</u>	<u>1,539,976</u>
	<u>\$ 7,257,637</u>	<u>\$ 8,625,381</u>

(1) Explanation of contract with customers

1. Revenue from sale of goods

Revenue shall be recognized when the equipment is inspected by electrical & mechanical department and delivered to designated place. Contract assets shall be recognized when goods are transferred. Accounts receivables shall be recognized at the time when the Company has the unconditional right to receive the consideration. Receipts in advance shall be recognized as contract liabilities before the goods meet designated conditions.

2. Revenue from constructions

The Company measures the percentage of completion by the progress of the constructions. The Company 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 Company would complete all the contractual obligations, which shall be recognized as contract assets before the Company completes the performance of the contract.

(2) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	<u>\$ 94,654</u>	<u>\$ 72,964</u>	<u>\$ 117,622</u>
Accounts receivable (Note 10)			
Sale of goods	<u>\$ 1,839,124</u>	<u>\$ 2,287,583</u>	<u>\$ 2,323,444</u>
Contract asset			
Construction	\$ 192,230	\$ 596,634	\$ 351,686
Sale of goods	<u>1,265,530</u>	<u>821,508</u>	<u>888,480</u>
	<u>\$ 1,457,760</u>	<u>\$ 1,418,142</u>	<u>\$ 1,240,166</u>
Contract liabilities			
Construction	\$ 16,353	\$ 17,028	\$ 42,774
Sale of goods	<u>1,484,764</u>	<u>456,524</u>	<u>367,395</u>
	<u>\$ 1,501,117</u>	<u>\$ 473,552</u>	<u>\$ 410,169</u>

The credit risk management of contract assets adopted by the Company is the same as that of accounts receivable. Please refer to Note 10.

The revenue, which arises from the contract liabilities in the beginning of the year, recognized in the current year is as follows :

	<u>2022</u>	<u>2021</u>
<u>From the contract liabilities in the beginning of the year</u>		
Construction	\$ 17,028	\$ 42,774
Sale of goods	<u>434,983</u>	<u>367,395</u>
	<u>\$452,011</u>	<u>\$410,169</u>

(3) Revenue from Contracts with Customers

2022

	<u>Electrical & Mechanical Department</u>	<u>Turnkey Department</u>	<u>Total</u>
Sales revenue	\$ 6,748,635	\$ -	\$ 6,748,635
Construction revenue	<u>-</u>	<u>509,002</u>	<u>509,002</u>
	<u>\$ 6,748,635</u>	<u>\$ 509,002</u>	<u>\$ 7,257,637</u>

2021

	<u>Electrical & Mechanical Department</u>	<u>Turnkey Department</u>	<u>Total</u>
Sales revenue	\$ 7,085,405	\$ -	\$ 7,085,405
Construction revenue	<u>-</u>	<u>1,539,976</u>	<u>1,539,976</u>
	<u>\$ 7,085,405</u>	<u>\$ 1,539,976</u>	<u>\$ 8,625,381</u>

24. Net Income

(1) Interest income

	<u>2022</u>	<u>2021</u>
Bank deposits	\$ 2,605	\$ 20
Other	<u>278</u>	<u>835</u>
	<u>\$ 2,883</u>	<u>\$ 855</u>

(2) Other income

	<u>2022</u>	<u>2021</u>
Export tax rebate	\$ 25,862	\$ 30,391
Rental income from operating lease	171	152
Indemnity income	807	7,289
Others	<u>4,477</u>	<u>-</u>
	<u>\$ 31,317</u>	<u>\$ 37,832</u>

(3) Other profit and loss

	2022	2021
Financial assets and liabilities interest (loss)		
Financial assets (mandatorily) measured at fair value through profit or loss	\$ 56	(\$ 1)
Loss on disposal of property, plant and equipment	(139)	(662)
Net gain and loss on foreign currency exchange	49,263	9,336
Gain on contract amendment	-	516
Others	(1,092)	(39,648)
	<u>\$ 48,088</u>	<u>(\$ 30,459)</u>

(4) Financial cost

	2022	2021
Bank loan interest	\$ 34,151	\$ 17,769
Interest of lease liabilities	177	265
Other financial cost	191	1,285
	<u>\$ 34,519</u>	<u>\$ 19,319</u>

(5) Depreciation, Amortization, and Employee benefits expenses

	2022			2021		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Employee benefits expenses						
Salary	\$ 475,253	\$ 311,780	\$ 787,033	\$ 421,801	\$ 237,094	\$ 658,895
Labor and Health Insurance	40,014	18,588	58,602	41,220	18,278	59,498
Pension						
Defined contribution plan	18,626	8,281	26,907	15,207	8,112	23,319
Defined benefit plan	3,157	1,336	4,493	3,718	1,508	5,226
Compensation to directors	-	13,712	13,712	-	17,732	17,732
Other employee benefits	21,052	7,708	28,760	22,475	7,960	30,435
	<u>\$ 558,102</u>	<u>\$ 361,405</u>	<u>\$ 919,507</u>	<u>\$ 504,421</u>	<u>\$ 290,684</u>	<u>\$ 795,105</u>
Depreciation	<u>\$ 63,817</u>	<u>\$ 11,443</u>	<u>\$ 75,260</u>	<u>\$ 62,546</u>	<u>\$ 13,349</u>	<u>\$ 75,985</u>
Amortization	<u>\$ 7,952</u>	<u>\$ 13,288</u>	<u>\$ 21,240</u>	<u>\$ 6,430</u>	<u>\$ 10,511</u>	<u>\$ 16,914</u>

(6) Employee and directors' compensation

In accordance with the Article of Incorporation, the Company has made any profit in a given year (meaning any net profit before tax, minus employee and directors' compensation), the Company shall appropriate from the remaining amount no less than 3% for the employee compensation, and no more than 2% for the Directors' remuneration. The resolutions of estimated employee compensation and Directors' remuneration for 2022 and 2021 by the Board of Directors on March 8, 2023 and March 23, 2022 respectively as follows:

Estimated percentage

	<u>2022</u>	<u>2021</u>
Employee compensation	4.87%	4.97%
Directors' remuneration	1.46%	1.22%

Amount

	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Employee compensation	\$ 50,152	\$ 19,490
Directors' remuneration	15,045	4,770

If there is still any change in the amount of the annual parent only financial statements after the date of publication, it shall be handled according to the changes in accounting estimates and adjusted and recorded in the next year.

There is no difference between the amounts of appropriations of employee compensation and directors' remuneration and the amounts recognized in the parent only financial statements of 2021, 2020 respectively.

The information about the appropriations of the Company's employee compensation and directors' remuneration is available at the Market Observation Post System website.

(7) Exchange gains and (losses)

	<u>2022</u>	<u>2021</u>
Gain on foreign exchange	\$ 75,656	\$ 21,428
Loss on foreign exchange	(26,393)	(12,092)
Net gain and loss	<u>\$ 49,263</u>	<u>\$ 9,336</u>

25. Income tax

(1) Key items of income tax expense recognized in profit or loss

	<u>2022</u>	<u>2021</u>
Current income tax expense		
Recognized in the current year	\$ 21,112	\$ 76,894
Tax on undistributed earnings	-	7,567
Adjustments on prior years	<u>44,766</u>	<u>(2,130)</u>
	<u>65,878</u>	<u>82,331</u>
Deferred income tax benefit		
Recognized in the current year	70,862	(9,221)
Adjustment on prior years	<u>(9,723)</u>	<u>4,704</u>
	<u>61,139</u>	<u>(4,517)</u>
Income tax expense recognized in profit or loss	<u>\$ 127,017</u>	<u>\$ 77,814</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	<u>2022</u>	<u>2021</u>
Income before tax	<u>\$ 965,266</u>	<u>\$ 367,697</u>
Income tax expense at the statutory rate	\$ 193,053	\$ 73,539
Nondeductible (deductible) items tax-exempt income	(37,514)	(2,490)
Additional income tax on unappropriated earnings	-	7,567
Investment Tax Credit	(4,715)	(4,559)
Effects of separate taxation for foreign capitals returning to Taiwan	-	(8,462)
Unrecognized deductible temporary difference	(68,573)	14,349
Income tax adjustments on prior years adjustments on current year	<u>44,766</u>	<u>(2,130)</u>
Income tax expense recognized in profit or loss	<u>\$127,017</u>	<u>\$ 77,814</u>

(2) Income tax expense recognized in other comprehensive income

	<u>2022</u>	<u>2021</u>
<u>Deferred income tax</u>		
Recognized in the current year		
- Remeasurement of defined benefit obligation	(\$ 6,550)	(\$ 413)
Income tax expense recognized in other comprehensive income	(\$ 6,550)	(\$ 413)

(3) Income tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Income tax assets</u>		
Income tax refund receivable	<u>\$ 21,513</u>	<u>\$ 2,070</u>
<u>Income tax liabilities</u>		
Income tax payable	<u>\$ -</u>	<u>\$ 39,763</u>

(4) Deferred income tax assets and liabilities

The changes of the deferred income tax assets and liabilities were as follows:

2022

	<u>Balance, Beginning of Year</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Balance, End of Year</u>
<u>Deferred income tax assets</u>				
Defined benefit and pension plans	\$ 25,881	(\$ 10,808)	(\$ 6,550)	\$ 8,523
Inventory valuation losses	442	8,311	-	8,753

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	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of Year
Bad Debt deferral period	\$ 1,791	(\$ 1,791)	\$ -	\$ -
Export income cost adjustment item	144	19,619	-	19,763
Unrealized exchange loss	-	461	-	461
Other	1,715	(1,065)	-	650
	<u>\$ 29,973</u>	<u>\$ 14,727</u>	<u>(\$ 6,550)</u>	<u>\$ 38,150</u>
<u>Deferred income tax</u>				
<u>liabilities</u>				
Land value increment tax	\$ 40,621	\$ -	\$ -	\$ 40,621
Unrealized exchange gain or loss	77	(77)	-	-
Share of profit or loss of subsidiaries accounted for using equity method	3,814	75,943	-	79,757
	<u>\$ 44,512</u>	<u>\$ 75,866</u>	<u>\$ -</u>	<u>\$ 120,378</u>

2021

	Balance, Beginning of Year	Recognized in Profit or loss	Recognized in Other Comprehensive Income	Balance, End of Year
<u>Deferred income tax assets</u>				
Defined benefit and pension plans	\$ 35,772	(\$ 9,478)	(\$ 413)	\$ 25,881
Inventory valuation losses	482	(40)	-	442
Bad debt deferral period	3,723	(1,932)	-	1,791
Export income cost adjustment item	4,848	(4,704)	-	144
Unrealized exchange loss	503	(503)	-	-
Other	1,790	(75)	-	1,715
	<u>\$ 47,118</u>	<u>(\$ 16,732)</u>	<u>(\$ 413)</u>	<u>\$ 29,973</u>
<u>Deferred income tax</u>				
<u>liabilities</u>				
Land value increment tax	\$ 40,621	\$ -	\$ -	\$ 40,621
Unrealized exchange gain or loss	-	77	-	77
Share of profit or loss of subsidiaries accounted for using equity method	25,140	(21,326)	-	3,814
	<u>\$ 65,761</u>	<u>(\$ 21,249)</u>	<u>\$ -</u>	<u>\$ 44,512</u>

(5) Income tax examination

The tax authorities have examined income tax of the Company prior to 2020.

26. Earnings per share

The net income and weighted average number of ordinary shares outstanding used to calculate earnings per share are as below:

	2022	2021
Current year net income	<u>\$ 838,249</u>	<u>\$ 289,883</u>

Number of shares

Unit: Thousand shares

	<u>2022</u>	<u>2021</u>
Calculation of weighted average number of common stock shares	261,059	261,059
The effect of potentially dilutive ordinary shares:		
Employee compensation	<u>1,140</u>	<u>626</u>
The calculation of diluted EPS is based on the weighted average number of ordinary shares	<u>262,199</u>	<u>261,685</u>

When the Company chooses to pay employees in stock or cash, for the purpose of calculating diluted earnings per share, it is assumed that employee compensation will be paid in stock, and the weighted average number of shares outstanding will be included in the calculation of diluted earnings per share when the potential common stock has a dilutive effect. 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.

27. Partial Acquisition or disposal of subsidiary – no influence on control

On September 27, 2021, the Company failed to increase its shareholding in Fortune Electric Australia Pty. Ltd. through cash capital increment in proportion to its shareholding, resulting in a decrease in its shareholding from 100% to 80.18%.

On January 14, 2022, the Company failed to increase its shareholding in Fortune Electric Australia Pty. Ltd. through cash capital increment in proportion to its shareholding, resulting in a decrease in its shareholding from 80.18% to 64.25%.

Since the above transaction did not change the Company's control over Fortune Electric Australia, the Company treated it as equity transaction.

Please refer to Note 29 of the Company's 2021 and 2020 consolidated financial statements for the description of the partial acquisition of Fortune Electric Australia Pty. Ltd.

28. Division by Acquisition

The Company split its electric vehicle charging operation business department to Fortune Electric Australia through division by acquisition, and exchanged for new shares of the Australian Company at NT\$ 61,000 thousand. The Company took June 30, 2021 as the base date for the acquisition. The relevant information is as follows:

	<u>June 30, 2021</u>
Cash and cash equivalents	\$ 10,272
Net accounts receivable	20,706
Inventory	10,335
Advance payments	1,824
Property, plant, equipment	18,756

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	<u>June 30, 2021</u>
Intangible asset	1,780
Prepayment for business facilities	4,110
Right-of-use asset	4,377
Refundable deposit	<u>14</u>
	<u>\$ 72,174</u>
Lease liabilities	\$ 4,383
Accounts payable	1,127
Other payables	2,114
Contract liabilities	3,367
Other current liabilities	<u>183</u>
	<u>\$ 11,174</u>

29. Disposal of subsidiary-loss of control

The board of directors authorized the chairman on July 24, 2020, to sign the contract of selling the share of Fortune Electric (Wuhan) Ltd. and subsidiaries on August 14, 2020. Fortune Electric (Wuhan) Ltd. and subsidiaries operate in sales of transformers, capacitors, power distribution panels and equipment. And the Company lost the control over the subsidiary. Please refer to Note 28 to the consolidated financial statements of 2022 for the explanation of disposal of Fortune Electric (Wuhan) Ltd. and subsidiaries.

30. Asset risk management

The formulation of the Company's capital structure management strategy is based on the industry scale of the Company's business, the future growth and development prospects of the industry, to determine the Company's appropriate market share, and accordingly plan the required production capacity, plant equipment and corresponding capital expenditures required to achieve this production capacity. Then, based on the characteristics of the industry, the Company measures the required working capital and cash to make an overall plan for the scale of various assets required for the Company's long-term development.

The Company's management periodically examines the capital structure and weights the probable costs and risks associated with different capital structures. In general, the Company adopts a prudent risk management strategy.

31. Financial Instruments

(1) Fair value information: Financial instruments not measured at fair value

There is no significant difference between the book value and fair value of the Company's financial assets and financial liabilities not at fair value as of December 31, 2022 and 2021.

(2) Fair value information: Financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity investment instrument				
- Domestic unlisted (OTC) stocks	\$ <u>-</u>	\$ <u>-</u>	\$ <u>312,386</u>	\$ <u>312,386</u>
<u>Financial liabilities measured at fair value through profit or loss</u>				
Derivative	\$ <u>-</u>	\$ <u>279</u>	\$ <u>-</u>	\$ <u>279</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets measured at fair value through other comprehensive income</u>				
Equity investment instrument				
- Domestic Unlisted (OTC) stocks	\$ <u>-</u>	\$ <u>-</u>	\$ <u>316,033</u>	\$ <u>316,033</u>

There were no transfers between Level 1 and Level 2 fair value measurements in 2022 and 2021.

2. The reconciliation of financial instruments categorized within level 3

2022

Financial assets at fair value through other comprehensive income	<u>Amount</u>
Beginning balance	\$ 316,033
Recognized in other comprehensive income	(<u>3,647</u>)
Ending balance	\$ <u>312,386</u>

2021

Financial assets at fair value through other comprehensive income	<u>Amount</u>
Beginning balance	\$ 44,343
Purchase	291,460
Recognized in other comprehensive income	(<u>19,770</u>)
Ending balance	\$ <u>316,033</u>

(3) Categories of financial instruments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 2,128,542	\$ 2,410,256
Financial assets measured at fair value through other comprehensive income		
Equity investment instrument	312,386	316,033
<u>Financial liabilities</u>		
Financial liabilities measured at fair value through profit or loss	279	-
Amortized cost (Note 2)	4,065,061	4,283,675

Note 1: Including cash, financial assets measured at amortized cost, notes receivable, accounts receivable, accounts receivable - related parties and refundable deposits.

Note 2: Including financial liabilities measured at amortized cost, such as short-term borrowings, notes payable, accounts payable, accounts payable - related parties, other payables, long-term borrowings and guarantee deposits.

(4) Financial risk management objectives

The Company's major financial instruments include cash, equity instrument investment, account receivables, account payable, lease liabilities and borrowings. The Company'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 Company 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.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the Board of Directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risk

The Company is exposed to the financial market risks, primarily changes in foreign currency exchange rates (please refer to the following (1)) and in interest rates (please refer to the following (2)).

There is no change in the Company's exposure to market risks of financial instruments and its management and measurement of such exposure.

(1) Foreign currency risk

The Company manages exchange rate risk by using appropriate hedging tools. The Company 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 it 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.

For the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies and the carrying amounts of derivative instrument with exposure to exchange rate risks at the balance sheet date, please refer to Note 36.

Sensitivity Analysis

The Company is mainly affected by the fluctuation of US dollar exchange rate.

The following table details the sensitivity analysis of the Company when the exchange rate of NT\$1 (functional currency) increases and decreases 1% for each relevant foreign currency. One percent (1%) is the sensitivity ratio used when reporting exchange rate risk to major management within the Company, and also represents the management's evaluation of the reasonable possible range of changes in foreign currency exchange rate. Sensitivity analysis only includes foreign currency circulating outside the Company, and adjusts the year-end translation by a 1% change in exchange rates. The positive value of the following table is the amount that will increase the net profit before tax when the new Taiwan dollar of the Company's net assets position depreciates 1% against the US dollar; when the new Taiwan dollar rises 1% against the US dollar, its impact on the net profit before tax will be negative of the same amount.

	Impact of US dollar	
	2022	2021
Profit or Loss (i)	\$ 6,157	\$ 4,495

- (i) It is mainly derived from the Company's bank deposits, accounts receivable and short-term loans denominated in US dollar, which are still in circulation on the balance sheet date and are not for cash flow hedges.

The management believes that sensitivity analysis cannot represent the inherent risk of exchange rate, because the foreign currency exposure on the balance sheet date cannot reflect the midterm exposure.

(2) Interest rate risk

As individuals in the Company loan at both fixed and floating rates, interest rate risk arises.

The Company's book value of financial assets and financial liabilities subject to interest rate exposure on the balance sheet date is as follows :

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Fair value interest rate		
- Financial assets	\$ 23,575	\$ 22,894
- Financial liabilities	450,655	145,601
Cash flow interest rate risk		
- Financial assets	169,450	12,142
- Financial liabilities	1,821,800	1,518,800

Sensitivity analysis

The following sensitivity analysis is determined by the interest rate risk of non-derivative instruments on the balance sheet date. For floating rate assets and liabilities, the analysis method is to assume that the assets and liabilities that are outstanding at the balance sheet date are all circulating outside at the reporting period. The rate of change used in the internal reporting of interest rates to the executive management is 100 basis points increase or decrease of interest rates, which also represents the management's assessment of the reasonable range of possible changes in interest rates.

If the interest rate increases or decreases by 100 basis points, and all other variables remain unchanged, the Company's net profit before tax for 2022 and 2021 will decrease or increase by \$16,524 thousand and \$15,067 thousand mainly due to the Company's net position of variable interest rate deposits and variable interest rate loans.

(3) Other price risk

The Company has a risk of equity price risk due to equity securities investment. The Company has not actively traded such investments.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk exposure at the balance sheet date.

If the equity price rises or falls by 1%, the other comprehensive income before tax in 2022 and 2021 will increase or decrease by \$3,124 thousand and \$3,160 thousand due to the change in fair value of financial assets measured at fair value through other comprehensive income

2. Credit risk

Credit risk refers to the risk of the Company's financial loss caused by the default of the counterparty. As of the balance sheet date, the Company's maximum credit risk exposure that may cause financial losses due to the failure of the counterparty to perform their obligations and the financial guarantee provided by the Company mainly comes from the book value of financial assets recognized in the parent company only balance sheet.

In order to minimize credit risk, the management of the Company 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 Company 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 Company's management believes that the Company's credit risk has been significantly reduced.

Accounts receivable cover a large number of customers, scattered in different industries and geographical regions. The Company continuously evaluates the customers' financial situation of accounts receivable

In addition, because the counterparty of liquidity capital and derivative financial instruments are financial institutions and companies with good credit rating, the credit risk is limited.

3. Liquidity risk

The Company manages and maintains sufficient cash to support operations and mitigate the impact of cash flow volatility. The management of the Company shall supervise the use of bank lines of credit and ensure the compliance with the terms of the loan agreement.

Bank loans are an important source of liquidity for the Company. As of December 31, 2022 and December 31, 2021, the unused bank loan and bill company financing lines were \$5,795,673 thousand and \$5,666,013 thousand respectively.

(1) Table of liquidity and interest rate risk of non-derivative financial liabilities

The maturity analysis of the remaining contract of non-derivative financial liabilities are prepared according to the undiscounted cash flow (including principal and estimated interest) of financial liabilities according to the date when the Company may be called for repayment immediately. Therefore, the following table is the bank loans that the Company may be called for repayment immediately without considering the probability of the bank immediately enforcing the right. Other non-derivative financial liabilities maturity analysis is prepared according to the agreed repayment dates.

For interest cash flow paid with floating rate, the amount of undiscounted interest is derived from the yield curve on the balance sheet date.

December 31, 2022

	Weighted Average Effective Interest Rate (%)	Payable on demand less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years
<u>Non-derivatives</u>					
<u>financial liabilities</u>					
Non-interest-bearing liabilities		\$ 174,848	\$ 3,292,383	\$ 30,799	\$ 74,138
Lease liabilities		769	1,537	6,673	15,556
Floating rate instrument	1.83	-	-	805,786	560,613
Fix interest rate instrument	0.89	452,067	356,970	99,022	-
		<u>\$ 627,684</u>	<u>\$ 3,650,890</u>	<u>\$ 942,280</u>	<u>\$ 650,307</u>

Further information on the maturity analysis of lease liability is as follows:

	Less than 1 Year	1 – 5 Years	5 – 10 Years	10 – 15 Years
Lease liabilities	<u>\$ 8,979</u>	<u>\$ 15,556</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

	Weighted Average Effective Interest Rate (%)	Payable on demand or less than 1 month	1 – 3 Months	3 Months – 1 Year	1 – 5 Years
<u>Non-derivative financial</u>					
<u>liabilities</u>					
Non-interest-bearing liabilities		\$ 514,878	\$ 1,993,454	\$ 509,871	\$ 46,603
Lease liabilities		433	866	3,639	5,904
Floating rate instrument	1.11	100,093	-	277,000	1,164,870
Fixed interest rate instrument	0.75	2,055	41,150	92,408	-
		<u>\$ 617,459</u>	<u>\$ 2,035,470</u>	<u>\$ 882,918</u>	<u>\$ 1,217,377</u>

Further information on the maturity analysis of lease liability is as follows:

	Less than 1 Year	1 – 5 Years	5 – 10 Years	10 – 15 Years
Lease liabilities	<u>\$ 4,938</u>	<u>\$ 5,904</u>	<u>\$ -</u>	<u>\$ -</u>

The Company's bank loans that may be called for repayment immediately are included in the above maturity analysis table within a period of less than one month. As of December 31, 2022 and 2021, the undiscounted principal balances of these bank loans are \$201,839 thousand and \$102,054 thousand, respectively.

The floating rate instrument amount of the above non-derivative financial liabilities will change due to the difference between the floating rate and the interest rate estimated on the balance sheet date.

- (2) Table of Liquidity and interest rate risk of Derivative financial liabilities
The liquidity analysis of derivative financial instruments, in the case of derivatives with net delivery, is prepared on the basis of undiscounted contractual net cash inflows and outflows.

December 31, 2022

	Payable on demand or less than 1 Month	1 – 3 Months	3 Months – 1 Year	1 – 5 Years
<u>Net settlement</u>				
Forward exchange contracts	\$ -	(\$ 279)	\$ -	\$ -

32. Related Party Transactions

The transactions between the Company and its related parties, other than those disclosed in other notes, are as follows :

- (1) Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Fortune Electric (Wuhan) Ltd.	Subsidiary (Note)
Wuhan Fortune Trade Co., Ltd.	Subsidiary
Fortune Electric Value Co., LTD. (Fortune Electric Value Company)	Subsidiary
Wuhan Fortune Electric Co., Ltd	Subsidiary
Fortune Electric America Inc. (North American Division)	Subsidiary
Fortune Electric Extra High Voltage Co., Ltd. (Fortune Extra High Voltage Company)	Subsidiary
Fortune Electric Australia PTY LTD (Australian Company)	Subsidiary
E-Total Link	Associate
Hua Cheng Investment Co., Ltd. (Hua Cheng Investment Company)	Other related parties

Note : After selling 100% of shares of Fortune Electric (Wuhan) Ltd. on December 31, 2022, it is not a subsidiary any more.

(2) Operating revenue

Item	Related Party Categories/Name	2022	2021
Revenue from sales of goods	Subsidiaries	\$ 92,950	\$ 70,401
	Associates	624	64
		<u>\$ 93,574</u>	<u>\$ 70,465</u>

For other transactions with related parties, the price and payment and collection terms are equivalent to those of non-related parties.

(3) Purchases

Related Party Categories/Name	2022	2021
Subsidiaries		
Fortune Electric Extra High Voltage	\$ 1,067,202	\$ 496,174
Other	35,559	48,916
Associates	<u>2,554</u>	<u>2,565</u>
	<u>\$ 1,105,315</u>	<u>\$ 547,655</u>

The purchase price and payment terms are equivalent to those of non-related parties.

(4) Receivable from related parties (excluding loans to related parties and contract assets)

Items	Related Party Categories/Name	December 31, 2022	December 31, 2021
Receivables	Subsidiaries		
	North America Company	\$ -	\$ 38,317
	Other	85	7,327
		<u>\$ 85</u>	<u>\$ 45,644</u>
Other receivables (Classified under other current assets)	Subsidiaries	<u>\$ 265</u>	<u>\$ 1,237</u>

The outstanding receivables from related parties are not guaranteed, and no allowance for losses is provided for account receivables from related parties in 2022 and 2021.

(5) Payable to related parties (Excluding loans from related parties)

Item	Related Party Categories/Name	December 31, 2022	December 31, 2021
Payable to related parties	Subsidiaries		
	North America Company	\$ 1,143	\$ 2,772
	Fortune Electric Value	3,459	20,991
	Fortune Electric Extra High Voltage	225,332	141,720
	Other	2,142	1,590
	Associates	-	86
		<u>\$ 232,076</u>	<u>\$ 167,159</u>

The balance of outstanding accounts payable to related parties did not provide guarantees.

(6) Prepayment

<u>Related Party Categories/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
Fortune Electric Extra		
High Voltage	\$351,933	\$ 60,656
Other	11,640	1,135
	<u>\$363,573</u>	<u>\$ 61,791</u>

(7) Lease Agreement

Acquisition of Right-of-use asset

<u>Related Party Categories/Name</u>	<u>2022</u>	<u>2021</u>
Other related parties	<u>\$ 504</u>	<u>\$ -</u>

	<u>Related Party Categories/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lease liabilities - Current	Other related parties	<u>\$ 168</u>	<u>\$ 170</u>
Lease liabilities –non-current	Other related parties	<u>\$ 170</u>	<u>\$ -</u>

<u>Related Party Categories/Name</u>	<u>2022</u>	<u>2021</u>
<u>Financial costs</u>		
Other associates	<u>\$ 5</u>	<u>\$ 1</u>

Cost of goods sold –

<u>Manufacturing expense</u>		
Other related parties	<u>\$ 21</u>	<u>\$ 34</u>

Operating cost

Other related parties	<u>\$ 147</u>	<u>\$ 134</u>
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(8) Lease agreement

Operating lease rentals

The Company operating leases the right to use the office to other related parties, Hua Cheng Investment Co., Ltd. and its subsidiary Fortune Energy CO., LTD, and the lease terms for both contracts are for one year. The Company operating leases the right to use the office to the subsidiary, Fortune Energy CO., LTD., and the lease term is for 3 years.

The total rental payments to be collected in the future are summarized as follows :

<u>Related Party Categories/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries	\$ 138	\$ 24
Associates	57	-
	<u>\$ 195</u>	<u>\$ 24</u>

The lease income is summarized as follows:

<u>Related Party Categories/Name</u>	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 114	\$ 95
Other associates	<u>57</u>	<u>57</u>
	<u>\$ 171</u>	<u>\$ 152</u>

(9) Endorsement and guarantees for others

On the following balance sheet dates, the amount of endorsements and guarantees provided by the Company to related parties and endorsements and guarantees and line of credit signed with the banks approved by the board of directors are as follows:

<u>Related Party Categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
Fortune Electric (Wuhan)	\$ -	\$ 188,224
Fortune Electric Extra		
High Voltage	1,450,000	1,100,000
Hsin He Energy Co., Ltd.	<u>252,750</u>	<u>-</u>
	<u>\$ 1,702,750</u>	<u>\$ 1,288,224</u>

(10) Other related party transaction

	<u>Manufacturing Expense</u>	
<u>Related Party Categories/Name</u>	<u>2022</u>	<u>2021</u>
Subsidiaries		
Fortune Electric Extra		
High Voltage	<u>\$ 4,500</u>	<u>\$ -</u>

	<u>Operating Expense</u>	
<u>Related Party Categories/Name</u>	<u>2022</u>	<u>2021</u>
Subsidiaries		
North American Company	\$ 49,173	\$ 50,057
Fortune Electric (Wuhan)	<u>19</u>	<u>244</u>
	<u>\$ 49,192</u>	<u>\$ 50,301</u>

(11) Compensation of key management personnel

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 83,360	\$ 61,021
Post-employment benefits	<u>2,167</u>	<u>2,131</u>
	<u>\$ 85,527</u>	<u>\$ 63,152</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

33. Pledged asset

The following assets of bid bond, performance bond and long-term and short-term loans are provided for sales as collateral

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Refundable deposits (Current portion is included in other current assets)	\$ 34,302	\$ 22,469
Pledge of certificate of deposit (Financial assets at amortized cost)	23,574	22,894
Property, plant and equipment, net	<u>955,034</u>	<u>953,795</u>
	<u>\$ 1,012,910</u>	<u>\$ 999,158</u>

34. Significant Contingent liabilities and Unrecognized Commitments

Significant contingent liabilities and unrecognized commitments of the Company as of the end of balance sheet date were as follows:

- (1) As of December 31, 2022, the balance of unused L/C amount total US\$8,008 thousand, ¥9,325 thousand, € 660 thousand, KRL,766 thousand and CHF240 thousand.
- (2) As of December 31, 2022, a total of \$2,014,238 thousand of financing bills has been issued as guarantees for bank financing, endorsement and sales fulfillment.
- (3) The Company signed a technical cooperation agreement with Meidensha Corporation, with 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. However, prior written consent from Meidensha is required before the Company can sell its technically codeveloped products internationally. For product technical cooperation with Meidensha, the Company paid ¥2,000 thousand as well as 3% of the net sales of the products codeveloped. The remuneration paid were \$647 thousand and \$1,553thousand for the years ended December 31, 2022 and 2021, respectively, included in operating expenses.
- (4) 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, 2022 and 2021 was \$11,899 thousand and \$12,227 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 subsequent events

The Company has implemented the capital reduction of Power Energy International Ltd., refunded the payment of shares of US\$3,700 thousand, and remitted back profits of US\$6,060 thousand, based on the board of directors' resolution on January 16, 2023. The relevant registration and remittance procedures have been completed.

36. Significant exchange rate information of foreign currency financial assets and liabilities

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows :

December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 27,116	30.71 (USD: NT dollar)	<u>\$ 832,721</u>
<u>Non-Monetary items</u>			
Investments accounted for using equity method			
USD	14,536	30.71 (USD: NT dollar)	<u>\$ 471,434</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	\$ 7,068	30.71 (USD: NT dollar)	<u>\$ 217,061</u>

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	\$ 22,370	27.68 (USD: NT dollar)	<u>\$ 619,022</u>
<u>Non-Monetary items</u>			
Investments accounted for using equity method			
USD	3,469	27.68 (USD: NT dollar)	<u>\$ 96,023</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	6,123	27.68 (USD: NT dollar)	<u>\$ 169,485</u>

Significant exchange gains and losses (realized and unrealized) were as follows:

Functional currency	2022		2021	
	Translation from the functional currency to the presentation currency	Net exchange gains and losses	Translation from the functional currency to the presentation currency	Net exchange gains and losses
NT Dollar	1(NT Dollar : NT Dollar)	<u>\$ 49,263</u>	1(NT Dollar : NT Dollar)	<u>\$ 9,336</u>

37. Additional disclosures

(1) Information on significant transactions and (2) Information on investees:

1. Lending funds to others. (None)
2. Providing endorsements or guarantees for others. (See Table 1 attached)
3. Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture) (See table 2 attached).
4. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
5. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
6. Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (See Table 3 attached)
8. Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (See Table 4 attached)
9. Trading in derivative instruments. (Note 7)
10. Information on investee companies. (Note 5)

(2) Information on investments in the mainland Area :

1. The name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss for the period and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland Area. (See Table 6 attached)
2. Any of the following significant transactions with investee companies in the mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses : (See Tables 1,5 and 6 attached and Note 32)
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

- (3) The amount of property transactions and the amount of the resultant gains or losses.
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- (3) Information on major shareholders: the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the issuer's equity. (See Table 7 attached)

Fortune Electric Co., Ltd.
Providing endorsements or guarantees for others
For the year ended December 31, 2022

Table 1

Unit: Amount in Thousands of New Taiwan Dollars
Unless Specified Otherwise

No.	Endorsement/Guarantee Provider	Guaranteed Party		Limits on Endorsement/Guarantee Amount Provided to Each Guaranteed Party (Note 1)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	Fortune Electric Co., Ltd.	Fortune Electric (Wuhan) Ltd.	Sub-Subsidiary	\$ 2,071,851	\$ 219,062 (6,800 thousand USD)	\$ -	\$ -	\$ -	-	\$ 2,486,221	Y	N	Y	Note 3
0	Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage	Subsidiary	2,071,851	1,450,000	1,450,000	765,401	-	35.09%	2,486,221	Y	N	N	
0	Fortune Electric Co., Ltd.	Hsin He Energy Co., Ltd.	Joint venture	2,071,851	252,750	252,750	252,750	-	6.12%	2,486,221	N	N	N	

Note 1 : The amount of endorsement or guarantee for a single enterprise shall not exceed 50% of the Company's net worth, i.e., \$4,143,701×50% = \$2,071,851.

Note 2 : The total amount of endorsements or guarantees shall not exceed 60% of the Company's net worth, i.e., \$4,143,701×60% = \$2,486,221.

Note 3 : The Company has completed the transaction of selling 100% of the shares of Fortune Electric (Wuhan) Ltd. in December, 2022.

Fortune Electric Co., Ltd.
Marketable Securities Held
For the year ended December 31, 2022

Table 2

Unit: Amount in Thousands of New Taiwan Dollars
Unless Specified Otherwise

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	End of Year				Note
				Shares/Units (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
Fortune Electric Co., Ltd.	<u>Stock</u> Raynergy Tek Incorporation	-	Financial assets at fair value through other comprehensive income	3,031	\$ 27,061	8.05%	\$ 27,061	
	ProMOS Technologies Inc.	-	Financial assets at fair value through other comprehensive income	26	-	0.06%	-	
	Hsin He Energy Co., Ltd.	-	Financial assets at fair value through other comprehensive income	25,275	255,604	15.00%	255,604	
	E-Formular Technologies. Inc	-	Financial assets at fair value through other comprehensive income	1,200	12,540	5.52%	12,2540	
	Synergy Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,471	17,181	14.71%	17,181	

Note : Information on investment in subsidiaries and associates, please refer to Table 5 and Table 6.

Fortune Electric Co., Ltd.
Purchase or sales of goods from or to related parties reaching NT\$100 million or more than 20 percent of paid-in capital or more
2022

Table 3
Unit: Amount in Thousands of New Taiwan Dollars
Unless Specified Otherwise

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Balance	% to Total	
Fortune Electric Co., Ltd.	Fortune Electric Extra High Voltage Co., Ltd.	Subsidiary	Purchases	\$ 1,067,202	19.31%	90 Days	-	-	(\$ 225,332)	(10.33%)	
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric America Inc.	Subsidiary	Sales	(285,210)	(3.68%)	90 Days	-	-	204,405	47.56%	

Fortune Electric Co., Ltd.
Receivables from related parties reaching NT\$100 million or more than 20% of the paid-in capital
For the year ended December 31, 2022

Table 4

Unit: Amount in Thousands of New Taiwan Dollars
Unless Specified Otherwise

Company with Accounts Receivables	Name of Counterparty	Relationship	Receivable from Related Parties Balance of Payment (Note 1)	Turnover Rate	Overdue amounts due from related parties		Accounts Overdue from Related Parties Accounts Received after overdue	Allowance for Loss
					Amount	Disposal		
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric Co., Ltd.	Parent-subsidiary	\$ 225,332	5.81	\$ -		\$ 225,332	\$ -
Fortune Electric Extra High Voltage Co., Ltd.	Fortune Electric America Inc.	Sister companies	204,405	2.13	-		-	-

Note 1: Please enter the accounts receivable from related parties, notes and bills, and other receivables...etc. separately.

Note 2: Paid-in capital means the paid-in capital of the parent company. If the issuer's stock has no par value or the par value per share is not NT\$10, the transaction amount of 20% of the paid-in capital is determined based on 10% of the equity vested in the owners of the parent company on the balance sheet.

Fortune Electric Co., Ltd.
Names, Locations, and related Information of Investees...related information
January 1 to December 31, 2022

Table 5

Unit: Amount in Thousands of New Taiwan Dollars
Unless Specified Otherwise

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
				December 31, 2022	December 31, 2021	Number of Shares	Percentage of Ownership (%)	Carrying Value			
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	Importing and Trade business, investment holding, agent business	\$ 154,848	\$ 140,475	3,800 thousand shares	100.00	\$ 446,419	\$ 375,810	\$ 375,810	Subsidiary
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Agent business	2,949	2,949	1 thousand shares	100.00	25,015	3,548	3,548	Subsidiary
	Fortune Electric Extra High Voltage Co., Ltd.	No. 500, Nanheng 1st Rd., Wuqi Dist., Taichung City	Transformers manufacturing, machining and trading	564,800	564,800	80,000 thousand shares	100.00	704,377	217,011	217,011	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	1,385	1,385	100 shares	25.00	2,405	2,992	748	Associate
	Fortune Energy Co., Ltd.	No. 368, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City	Transformers, capacitors, power distribution equipment manufacturing	1,000	1,000	100 thousand shares	100.00	747	(57)	(57)	Subsidiary
	Fortune Electric Australia Pty Ltd.	Level 7, 60 York. Street, Sydney NSW 2000, Australia	Trade business	10,173	10,173	500 thousand shares	100.00	10,969	(394)	(394)	Subsidiary
	Fortune Electric Value Co., LTD.	14F, No. 191, Fuxing N. Rd., Da'an Dist., Taipei City	Electric vehicle charging and operation services, design and establishment of charging stations, R&D of equipment, systems and technologies, and sales.	182,000	182,000	18,200 thousand shares	64.25	218,530	(45,321)	(29,377)	Subsidiary
Power Energy International Ltd.	Fortune Electric (Wuhan) Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Production and sale of transformer tank, machining, mechanical and electrical products, metal surface corrosion treatment	-	US\$ 6,500 thousand	-	-	-	(US\$2,429 thousand)	(US\$2,429 thousand)	Sub-subsubsidiary (Note 2)
	Wuhan Fortune Electric Co., Ltd	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Import and export business of various commodities and technologies	US\$ 1,000 thousand	US\$ 500 thousand	-	100.00	US\$ 1,315 thousand	US\$320 thousand	US\$320 thousand	Sub-subsubsidiary
Fortune Electric (Wuhan) Ltd.	Wuhan Fortune Trade Co., Ltd.	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Trade business	-	CNY500 thousand	-	-	-	CNY 149 thousand	CNY 149 thousand	Sub sub-subsubsidiary (Note 3)

Note 1: It is calculated on the basis of the financial statements of the invested company that have not been reviewed by accountants during the same period and the shareholding ratio of the Company.

Note 2: The Company has completed the transaction of selling the shares of Fortune Electric (Wuhan) Ltd. in December, 2022.

Note 3: Wuhan Fortune Trade Co., Ltd. has completed cancellation of registration on August 11, 2022.

Note 4: Fortune Electric Extra High Voltage Co., Ltd. has implemented capital reduction of \$612,000 thousand to write off deficit by board of directors' resolution on May 25, 2022, and the change of registration has been approved by Department of Commerce, MOEA.

Note 5: Power Energy International Ltd. has implemented capital reduction of US\$3,700 thousand, and refunded the payment of shares by board of directors' resolution on January 16, 2023. The share capital after the capital reduction is US\$100 thousand.

Fortune Electric Co., Ltd.
Information on investments in the Mainland Area
January 1 to December 31, 2022

Table 6

Unit: Amount in Thousands of New Taiwan Dollars
Unless Specified Otherwise

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 3)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (Note 3)	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflows	Inflows							
Fortune Electric (Wuhan) Ltd. (Note 4)	Transformer, capacitor, distribution board and distribution equipment manufacturing industry.	\$ 199,615 (US\$6,500 thousand)	Reinvestment in mainland companies through reinvestment in existing companies in the third area	\$ 184,260 (US\$6,000 thousand)	\$ -	\$ -	\$ 184,260 (US\$6,000 thousand)	(\$ 71,505) (US\$ 2,429 thousand)	-	(\$ 71,505) (US\$ 2,429 thousand)	\$ -	\$ -	
Wuhan Fortune Electric Co., Ltd.	Import and export business of various commodities and technologies.	30,710 (US\$ 1,000 thousand)	Reinvestment in mainland companies through reinvestment in existing companies in the third area	15,355 (US\$ 500 thousand)	15,355 (US\$500 thousand)	-	30,710 (US\$ 1,000 thousand)	9,505 (US\$320 thousand)	100.00%	9,6505 (US\$320 thousand)	40,384 (US\$ 1,315 thousand)	-	

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Investment Limit for Mainland Area as Regulated by MOEAIC
\$214,970 (US\$ 7,000 thousand)	\$214,970 (US\$ 7,000 thousand)	\$ 2,479,312

Note 1: It is calculated on the basis of the financial statements audited by a CPA in the same period.

Note 2: Except that the profit and loss of the invested company in the current year and the investment profit and loss recognized in the current year are calculated at the average exchange rate from January 1 to December 31, 2021, the rest are calculated at the spot exchange rate at the end of December, 2021.

Note 3: The difference between the accumulated investment amount of US \$6,000 thousand remitted from Taiwan and the paid in capital amount of US \$6500 thousand of Fortune Electric (Wuhan) Ltd. is US \$500 thousand, which is directly invested by the Company's 100% owned subsidiary Power Energy International Ltd.

Note 4: The Company has completed the transaction of selling 100% of the shares of Fortune Electric (Wuhan) Ltd. in December, 2022.

Fortune Electric Co., Ltd.
Information on major shareholders
December 31, 2022

Table 7

Major Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Hua Cheng Investment Co., Ltd.	24,080,936	9.22%
Hsu, Shou-Hsiung	22,603,419	8.65%
Hsu, Bang-Fu	18,088,322	6.92%

Note 1: The information of major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of the current quarter. The shareholders hold more than 5% of the Company's common shares and preferred shares (including treasury shares) that have been completed registration of dematerialized. The share capital recorded in the consolidated financial statements of the Company and the number of shares actually registration of dematerialized may be different due to different calculation basis.

Note 2: The above information shall be disclosed by the trustee's opening of a trust account with individual subaccounts of the principal if the shareholder has delivered the shares to the trust. As for the shareholder's shareholding of more than 10% of insider shares reported under the Securities and Exchange Act, the shareholding includes his own shares plus shares delivered to the trust with the right to decide the use of the trust property, please refer to the Market Observation Post System for information on insider shareholding reporting.

6.6 Any Financial Difficulties the Company and Its Affiliates encountered : **None**

VII. Review and Analysis of Financial Status and Business Results and Risk Issues

7.1 Financial Status

Unit: NT\$ Thousands

Item \ Year	December 31 st , 2022	December 31 st , 2021	Difference	
			Amount	%
Current Assets	9,117,725	7,343,070	1,774,655	24.17
Property, Plant and Equipment	1,976,677	1,993,355	(16,678)	(0.84)
Equity Method investment	2,405	2,002	403	20.13
Intangible Assets	56,528	41,266	15,262	36.98
Other Assets	547,103	542,697	4,406	0.81
Total Assets	11,700,438	9,922,390	1,778,048	17.92
Current Liabilities	6,410,571	4,896,632	1,513,939	30.92
Long-term Liabilities	1,024,594	1,506,021	(481,427)	(31.97)
Total Liabilities	7,435,165	6,402,653	1,032,512	16.13
Equity Attributable to Shareholders of the Parent	4,143,701	3,479,015	664,686	19.11
Capital Stock	2,610,585	2,610,585	0	0.00
Capital Surplus	86,685	3,484	83,201	2,388.09
Retained Earnings	1,505,914	902,524	603,390	66.86
Other Equity	(59,483)	(37,578)	(21,905)	(58.29)
Non-controlling Equity	121,572	40,722	80,850	198.54
Total Equity	4,265,273	3,519,737	745,536	21.18

Explanation: (variance over 20%)

1. The current assets increasing is primarily attributed by cash, inventory, and advance payments growth.
2. Increase used equity method investment to recognition of investment profit of E-Total Link.
3. Intangible Assets increased mainly due to procurement of software equipment
4. Current Liabilities increased mainly due to long term loan due within one year transfer as current liability and contract liability increase.
5. Long-term liabilities reduce mainly because long term loan due within one year transfer as current liability and the net defined benefit liability
6. Increase in Capital surplus mainly due to recognition of subsidiary shareholding and face value difference
7. Retained Earnings rise is a result of current year profit increase.
8. Other equity was decreased mainly due to exchange differences on translation of foreign financial statements
9. Non-controlling Equity was increased due Fortune Electric Value Co., Ltd. conducted cash capital increase and introduced strategic investors

7.2 Analysis of Financial Performance

(1) Business Results Comparative Analysis

Unit: NT\$ Thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Gross Sales	7,750,727	9,020,094	(1,269,367)	(14.07)
Cost of Sales	6,163,119	7,613,188	(1,450,069)	(19.05)
Gross Profit	1,587,608	1,406,906	180,702	12.84
Operating Expenses	1,158,381	1,014,940	143,441	14.13
Operating net profit	429,227	391,966	37,261	9.51
Non-operating Income and Gains	520,553	(26,053)	546,606	2,098.05
Income Before Tax	949,780	365,913	583,867	159.56
Income Tax Expense	127,476	78,395	49,081	62.61
Net income of continuing business units	822,304	287,518	534,786	186.00
Other comprehensive income, net of tax	4,295	(20,578)	24,873	120.87
Total comprehensive income	826,599	266,940	559,659	209.66

Explanation:

1. Current year revenue was decrease mainly due to reduction in private project compared to the same period.
2. Operating expense was increased YoY, mainly due to higher bonus payout driven by good profitability in current year and export expense increase.
3. Profits recognition of equity sale of subsidiaries and foreign exchange gains led to non-operating gains increased
4. Other comprehensive income increase mainly due to remeasurements of defined benefit plans increase

(2) Expected sales volume, and its ground and possible impact to the Company in financial business and countermeasures:

Domestic Sales:

Under the influence of economic growth, climate changing and industry development promotion, the need for electricity will increase year by year. According to the plan from 2018 to 2025 by Bureau of Energy, Ministry of Economic Affairs, the target for reserve capacity rate for power generation will be 10.0% in 2018 to be raised to 17.1% in 2025. Demands for renewable power generator modules would be increased over the years to reduce air pollution, as well as big bulk gas-lit modules to be installed. For construction business field, we continued to dig further into renewable energy construction, such as: Green Energy, Wind power, Solar photovoltaic, outlying islands' power generation, electricity transmission energy storing system, distributed energy storage system.

In respect to electric vehicle charging field, besides autonomous self-developing capability and the ability to sell product and its turnkey project as well as providing car dealer in electric vehicle charging software and hardware equipment; we also assist car dealer in setting up charging system integration with SMART solution, software services, self-charging stations location checking, navigation, APP activation, and integrate and design for electric vehicle charging station basic infrastructure network to provide service to all electric vehicle owners.

Export Sales:

By fragmented market, servicing existing customer and providing overall pre-sales and after-sales service. We take orders by overseas customers' needs and requests and continue to expand cooperation relationship with direct and indirect customer. We also actively look for Electricity company and international turnkey engineering company to fight for export sales, with transformers and solar modules. We integrated all units' resources and with FE Heavy-duty 500kV production capability, to satisfy customers' needs for different service, quality, pricing, and delivery and also fight for China, EPC and South Eastern Asia market orders.

Countermeasures:

In the development of Green Energy, we continue to promote product and operation innovation, aiming to become leading enterprise of Green Energy field, including: developing several energy saving transmission and distribution equipment, developing renewable energy, built several MW level solar power plants, MW level energy saving installation (completed Hsin Chu Bio-Technology building distributed power system integration; it is considered at that time the largest project, 741kW/2964kWH, in Taiwan), SMART electricity transmission installation, undertaking offshore terrestrial electrical engineering construction, and open up electric vehicles power charging field. By way of the pre-sales and after sales services, and IT technology application to carry out "Servitization of Manufacturing and Technologization of Service" in customer service to bring customers' needs closer and enhance interaction with the customers, and further to uplift re-purchase rate.

7.3 Analysis of Cash Flow

1. Analysis of Change in Cash Flow for the Current Year

Unit: NT\$ Thousands

Item \ Year	2022
Cash flow - Operating activities	837,816
Cash flow - Investing activities	(401,294)
Cash flow - Financing activities	28,237
Effect of exchange rate to cash and cash equivalents	(38,110)
Net increase in cash	426,649
Increase/decrease explanation:	
(1) Net cash flow used in operating mainly resulted from good current year profit, Accounts receivable and contract liability increased	
(2) Net cash flow used in investing activities was mainly for procuring manufacturing related equipment and amortized cost of a financial asset increase.	
(3) Net cash flow in of financing was due to increase in long-term loans and Non-controlling Equity	

2. . Analysis of Cash Flow in the Next Year

Unit: NT\$ Thousands

Cash, Beginning of Year Balance①	From operating activities Net Cash Flow②	Annual Cash used ③	Residual Cash ① + ② - ③	Insufficient cash and countermeasures	
				Investment plan	Financing plan
\$595,630	\$390,095	\$ 390,225	\$ 595,500	-	-
Analysis of change of Cash flow in the Next Year					
(1) Operating activities: mainly resulted from profitability and contract asset in 2023					
(2) Investing activities: mainly procurement of manufacturing related equipment					
(3) Financing activities: mainly due to distribution of cash dividend					
Insufficient cash and its remedial measures and liquidity analysis: Not Applicable					

7.4 Impact of Major Capital Expenditure in the Past Year on the Financial Status

1. Major Capital Expenditure Items and Source of Capital

Unit: NT\$ Thousands

Planned item	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure				
				2021	2022	2023	2024	2025
Fixed Assets and Software equipment	Operating capital / loans	2023	\$643,523	\$174,773	\$468,750	-	-	-

2. Expected Benefits:

In response to government Green Energy Policy, the Company reinvested in Renewable Energy Power company to make financial investment as well as securer factory planting equipment and construction orders. Procured software equipment and machinery equipment to eliminate old machinery and replace with new one, and further to expand capacity of former so that competitiveness is enhanced and could meet future sales orders to increase Operating Revenue

7.5 Effects in reinvestment policy and its main reason for profit or loss, improvement plan and investment plan in the next Year:

Former Hitachi Fortune Electric Transformer Co., Ltd. (renamed as Fortune Electric Extra High Voltage Co., Ltd.). Effective March 29th, 2019, termination of joint venture agreement has been signed and the Company now owns 100% of its shareholding. We rely on the Company's long-term edges in expanding U.S. transformer market and geographical convenience of Fortune Electric Extra High Voltage Co., Ltd.. In addition to dedicating in expanding global export sales of large size transformer market, we are also striving for projects of transformer inside the offshore wind tower mill, electrical engineering modules and wind machinery assembly. A Capital reduction to offset the loses and improve the financial structure was completed in June 2022. Recently, Fortune Electric Extra High Voltage Co., Ltd have made profit and already on the rising trend.

The Company has been deeply involved in the electric vehicle (EV) industry for years and optimistic about the growth trend of electric vehicle and split up charging operation business from Fortune Electric to set up Fortune Electric Value Co., Ltd. in 2021 and brought in strategic investors to provide completely charging operation service with best quality. Fortune Electric Value Co., Ltd. is currently only one-stop charging service provider in the country. This company not yet receive the profit due to electric vehicles widespread adoption is still under way, however the brand EVALUE already appear every corner of Taiwan. Guiding by the brand spirit of delivering electrical energy and connecting the world that have introduced various new products and innovative services which including electronic cars and motorcycles charging piles and stations installation, high-efficiency charging equipment, smart cloud charging management system, home charging piles on-site surveys and installation services and so on. Continually expand electronic cars and motorcycles charging stations cross Taiwan with compatibility to various EV models and provide the most comprehensive charging network environment with independent developed cloud management system and mobile APP. In hope to construct a complete and user-friendly charging network, stride toward the future of low-carbon together with the public and greet to the new era of electric vehicles

7.6 Risk Matters and evaluation in the Recent Year up to the Publication Date of Annual Report

1. Impact and future countermeasures of interest rates, foreign currency rates of exchanges and inflation to the Company:

For consolidated financial risk information including market risk, credit risk and liquidity risk and their impact to P&L of the company, please refer to Pages 134~138 for detailed description.

2. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

Merge companies but there is no transaction regarding high-risk, high-leveraged investment. Guarantee was provided only for subsidiary whereas derivative transaction is mainly for forward foreign currency transaction, aiming to avoid risk by fluctuated rate of exchanges and were not for the purpose of dealing. All transactions have been under risk control and were carried in discretion.

1. Future Research & Development Projects and Corresponding Budget including

progress, additional R&D cost, estimated production date and key factors affecting success of R&D in the future

Unit: in NT\$1,000

R&D Item	Progress	Additional R&D cost	Estimated production date	Key factors affecting success of R&D in the future
New Type low voltage Modularized AMI Electric Meter same as Smart Meter	98%	1,500	December 2023	Online Communication is key issue
TTU Transformer surveillance	92%	3,700	December 2023	Data transmission stability is key issue
TTU adjoining LTE communication Modules DNP3.0 63-5	99%	4,000	December 2023	Data transmission stability is key issue

4. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: NONE ◦

5. Change of technology (including Information and Communication Security Risk) & Industry change and its impact and countermeasures to the Company's financial business:

Technology is changing by the second, energy transformation and at the same time, government's actively promoting for SMART electricity transmission network, amongst them: wind power energy generation, solar energy generation as well as Green Energy. In view of the fact that people's awareness of environmental protection are heightened, the Company rides on the trend and work towards SMART electricity transmission network and Green Energy and further involve in National Resources planning actively. Develop offshore wind power key component research and development, further created Transformer Terminal Unit (TTU), and install electric vehicle charging pole, actively fight for energy saving installation and SMART electricity meter projects as well as developing Energy Management System (EMS). The Company step into energy service from electrical engineering manufacturing business and broaden business opportunities in different fields.

6. Impact and Countermeasures of Corporate Risk Management resulting from Corporate Identity change in the Most Recent Year: NONE

7. Possible benefits and potential risks resulting from M&A: NONE

8. Possible benefits and potential risks resulting from plant expansion: NONE

9. Pro Forma centralized purchase or sales risk: NONE

In the Recent Years, Tai Power weighting has remained under 33%, while export sales and private sector sales are 30% and around 37%, respectively. No risk of centralized sales.

10. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: NONE ◦

11. Change of ownership affecting the Company and its impact, risk and countermeasure: Not Applicable

12. Major ongoing lawsuits, non-lawsuits or administrative lawsuit, caused by directors, supervisors or shareholders with over 10% shareholdings, if the verdict is final or under consideration, which may have material impact to shareholder's interest or price of the stock, its matter, amount, lawsuit commencement date and major client should be disclosed: NONE ◦

13. Other important risks and corresponding countermeasures:

Key indicators of this industry are "Factory Productivity" and "Market Share" and

relevant figures please refer to page 59 and 68 for details. In addition, “Quality Yield”, as stipulated in 6σ, individual quality goals have been set up for Chung Li Plant, Kuan Yin II Plant and Kuan Yin III plants at 4.56σ, 4.15σ, and 5.32σ, respectively. These quality goals have been incorporated in relevant department KPI as performance appraisal item and we may prevent potential risk being occurred.

7.7 Other Important Matters

1. Profit and loss evaluation provisioning criteria and basis:

(1) Allowance loss for accounts receivable

Impairment loss of accounts receivable should be evaluated according to individual evaluation, aging analysis, historical experience, and customer’s financial status to provide for uncollectable amount.

The Company adopted IFRS 9, a simplified practice to recognize credit loss as allowance loss for accounts receivable. In the duration period, provision matrix was used, in consideration of customer’s violation of contract and real-time financial status, as well as economic trend of industry. As indicated by credit loss historical experienced, loss style of different segments of customers was not with obvious difference. Therefore, as indicated by the Company’s history in credit loss, we did not use provision matrix to classify customer groups and only used Number of days overdue of accounts receivable.

(2) Allowance for loss of inventory depreciation inventories

Allowance for loss of inventory depreciation inventories shall be accounted for in accordance with IAS 2. Inventories shall be measured at the lower of cost and net realizable value. If the cost of inventories is higher than net realizable value, inventories shall be written down below cost to net realizable value, and the amount of the write-down shall be recognized as cost of sales in the period the write-down occurs.

2. Associated personnel for financial data transparency whose licensing and qualification status:

The Company’s audit manager acquired “Internal Auditor” license, legal manager passed Civil Service Senior Examination, and accounting manager, qualified with relevant regulations by authority bureau, continues further studies with declaration, in accordance with “Accounting Manager Further Study Guidelines”.

3. Material Information Handling Procedure:

To set up healthy internal material information handling and disclosure mechanism, and avoid in appropriate information disclosure, in addition to implementing “Spokesperson system”, the Company has established “Procedures for Handling Material Inside Information” and “Management Procedures for Preventing Insider Trading.” This has been placed in the corporate website for the Directors, Managerial Officers, and all employees to comply.

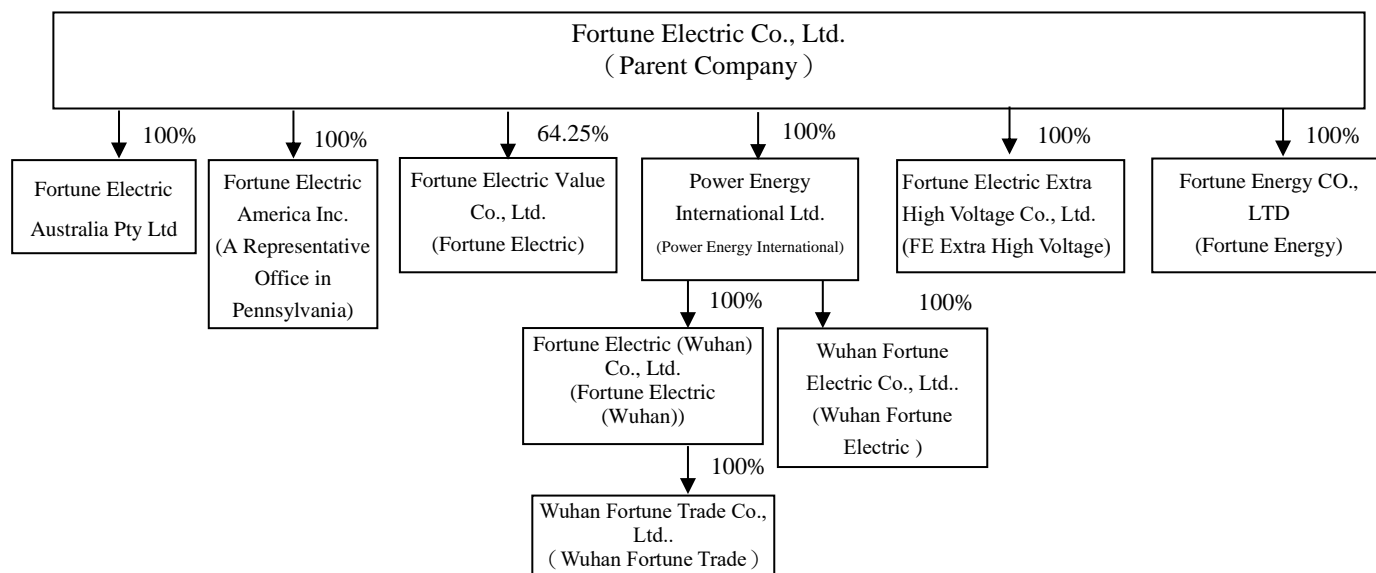
VIII. Special Disclosure

8.1 Information about the Affiliated Companies

Consolidated Business Report

Fortune Electric Co., Ltd and Affiliated Companies 2022 Consolidated Business Report

1. Affiliated Organization Chart



2. Consolidated summary of Affiliated Companies

History of all Affiliated companies and relationship with the Parent Company:

Company Name(s)	Date of Incorporation	Holding (affiliated) company	Relationship	Area of business
Fortune Electric Co., Ltd.	1969	Holding company of combat, Fortune Electric (Wuhan) and Fortune Electric	-	Manufacturing of transformers, distribution boards , high/low
Power Energy International Ltd.	2002	Fortune Electric's Affiliated Company	Shareholding	Import/export trading business; real estate buy & sell as holding
Fortune Electric (Wuhan) Co., Ltd. (Note)	2002	Affiliated company of Fortune Electric & Fortune Electric (Wuhan), Fortune Electric	Shareholding	Manufacturing transformer, capacitor, distribution board,
Fortune Electric America Inc.	2013	Fortune Electric's Affiliated Company	Shareholding	Distributor
Fortune Electric Extra High Voltage Co., Ltd. (Note)	2013	Fortune Electric's Affiliated Company	Shareholding	Manufacturing and sales of transformers
Wuhan Fortune Trade Co., Ltd.. (Note)	2014	Fortune Electric's Affiliated Company	Shareholding	Import/export business of all types of product and technique
Fortune Energy CO., LTD	2020	Fortune Electric's Affiliated Company	Shareholding	Manufacturing of power generation, transmission, and
Fortune Electric Australia Pty Ltd	2020	Fortune Electric's Affiliated Company	Shareholding	Sales of transformer
Fortune Electric Value Co., Ltd (Note).	2021	Fortune Electric's Affiliated Company	Shareholding	Manufacturing of electric vehicle charging operation service,
Wuhan Fortune Electric Co., Ltd..	2021	Fortune Electric's Affiliated Company	Shareholding	Import and export business of various goods and techniques

Note: 1. The Company acquired 100% shareholding of former Hitachi Fortune Electric Transformer Co., Ltd. On March 31st, 2019, and was renamed as Fortune Electric Extra High Voltage Co.,

2. 100% equity disposal of Fortune Electric (Wuhan) Co., Ltd. was completed on December 31st, 2022

3. Wuhan Fortune Trade Co., Ltd has completed deregistration on August, 2022

4. In September 2021 and January 2022, Fortune Electric Value Co., Ltd. conducted cash capital increase and introduced strategic investors which result a decrease in the ratio of shareholding of the Company to 64.25

Appendix I

Fortune Electric Co., Ltd and Affiliated Companies Basic Information of all Affiliates December 31st, 2022

Unit: NT\$ unless otherwise specified

Name of Company	Date of Incorporation	Address	Paid-in Capital	Major business and products
Fortune Electric Co., Ltd.	August 26 th , 1969	No. 10, Jili Rd., Zhongli Dist., Taoyuan City	NT\$2,610,585,000	Manufacturing of transformers, distribution boards, high/low pressure switches; construction project
Power Energy International Ltd.	June 13 th , 2002	2 nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	US\$3,800,000	Import/export trading business; real estate buy & sell as holding company; distributor
Fortune Electric (Wuhan) Co., Ltd. (Note)	June 26 th , 2002	NO. 2832 Dong Si Who Avenue, Wuhan, China	US\$6,500,000	Manufacturing transformer, capacitor, distribution board, devices for power distribution
Fortune Electric America Inc.	January 2 nd , 2013	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	US\$100,000	Distributor
Fortune Electric Extra High Voltage Co., Ltd. (Note)	December 17 th , 2013	No. 500, Nanheng 1st Rd., Wuqi Dist., Taichung City	NT\$800,000,000	Transformer manufacturing and sales
Wuhan Fortune Trade Co., Ltd. (Note)	October 20 th , 2014	NO. 2832 Dong Si Who Avenue, Wuhan, China	RMB 500,000	Import/export business of all types of products, and technique
Fortune Energy CO., LTD	February 11 th , 2020	10F., No. 368, Sec. 1, Fuxing S. Rd., Ta-An Dist., Taipei City	NT\$1,000,000	Manufacturing of power generation, transmission, and distribution machineries
Fortune Electric Australia Pty Ltd.	November 10 th , 2020	L7 60-62 YORK ST SYDNEY NSW 2000	AUD500,000	Export trading business
Fortune Electric Value Co., Ltd (Note).	May 6 th , 2021	10F., No. 368, Sec. 1, Fuxing S. Rd., Ta-An Dist., Taipei City	NT\$283,250,000	Manufacturing of electric vehicle charging operation service, various charging station planning and constructing, R&D and sales of electric vehicle charging related equipment, system, and technique
Wuhan Fortune Electric Ltd	June 15 th , 2021	No. 2832, Xihu Avenue, Dongxihu District, Wuhan, Hubei, China 430023	USD1,000,000	Import and export business of various goods and techniques

- Note: 1. The Company acquired 100% shareholding of former Hitachi Fortune Electric Transformer Co., Ltd. On March 31st, 2019. And was renamed as Fortune Electric Extra High Voltage Co., Ltd. The Capital is 800,000 thousand NT dollars after complete the capital reduction to offset the loss of 612,000 thousand NT dollars on June 2022.
2. Fortune Electric Value Co., Ltd. conducted cash capital increase and introduced strategic investors In September 2021 and January 2022
3. Wuhan Fortune Trade Co., Ltd has completed deregistration on August, 2022
4. 100% equity disposal of Fortune Electric (Wuhan) Co., Ltd. was completed on December 31st, 2022

Appendix II

Fortune Electric Co., Ltd and Affiliated Companies Directors and General Manager Information December 31st, 2022

Name of Company	Title	Name or Representative	Shareholding	
			Shares	Ratio (%)
Power Energy International Ltd.	Director	Fortune Electric Co., Ltd. Representative: Hsu, Bang-Fu	3,800,000	100.00
Fortune Electric America Inc.	Chairman	Fortune Electric Co., Ltd. Representative: Hsu, I-Ming	1,000	100.00
Fortune Electric Australia Pty. Ltd.	Public Officer	Mr ELSON POW	500,000	100.00
Fortune Electric Extra High Voltage Co., Ltd. (note)	Chairman	Fortune Electric Co., Ltd. Representative: Hsu, Bang-Fu	80,000,000	100.00
Fortune Energy CO., LTD	Chairman	Fortune Electric Co., Ltd. Representative: Hsu, Bang-Fu	100,000	100.00
Fortune Electric (Wuhan) Co., Ltd. (note)	Chairman	Power Energy International Ltd. Representative: Sun, Shih-Ming	-	100.00
Wuhan Fortune Trade Co., Ltd. (note)	Chairman	Fortune Electric (Wuhan) Co., Ltd. Representative: Sun, Shih-Ming	-	100.00
Fortune Electric Value Co., Ltd. (note)	Chairman	Fortune Electric Co., Ltd. Representative: Hsu, I-Sheng	18,200,000	64.25
Wuhan Fortune Electric Ltd.	Chairman	Power Energy International Ltd. Representative: Sun, Shih-Ming	-	100.00

Note: 1. 100% equity disposal of Fortune Electric (Wuhan) Co., Ltd. was completed on December 31st, 2022

1. Wuhan Fortune Trade Co., Ltd has complete deregistration on August 11, 2022
2. The Capital is 800,000 thousand NT dollars after complete the capital reduction to offset the loss of 612,000 thousand NT dollars on June 2022.
3. In September 2021 and January 2022, Fortune Electric Value Co., Ltd. conducted cash capital increase and introduced strategic investors which result a decrease in the ratio of shareholding of the Company to 64.25

Appendix III

Fortune Electric Co., Ltd. And Affiliated Company 2022 Affiliated Company Operation Overview

Unit: NT\$ Thousands

Name of Company	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Income	Net Profit	Earnings per Share (NT\$)
Fortune Electric Co., Ltd.	2,610,585	10,824,15	6,680,453	4,143,701	7,257,637	349,087	838,249	3.21
Power Energy International Ltd.	USD 3,800 thousand	446,488	69	446,419	-	(30,227)	375,810	98.90
Fortune Electric America Inc.	USD 100 thousand	233,311	208,296	25,015	348,927	4,123	4,124	4,124
Fortune Electric Extra High Voltage Co., Ltd.	800,000	1,962,493	1,258,116	704,377	1,374,859	203,399	217,011	1.54
Fortune Energy CO., LTD	1,000	747	-	747	-	(58)	(57)	(0.57)
Fortune Electric Australia Pty Ltd.	AUD 500 thousand	10,969	-	10,969	29,585	(394)	(394)	(0.78)
Fortune Electric Value Co., Ltd.	283,250	428,928	88,828	340,100	105,873	(45,058)	(45,321)	(1.60)
Wuhan Fortune Electric Ltd.	USD 1,000 thousand	58,644	18,231	40,413	87,256	8,980	9,860	-

Appendix IV

Statement of Consolidated Financial Statements of the Affiliates

We hereby declare that:

From January 1st to December 31st, 2022, the Company has included the entities in preparing the consolidated financial statements covering affiliated enterprises, in according with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are entirely the same as those that IFRS 10 requires to be included in preparing the consolidated financial report comprising the parent and its subsidiaries. Therefore, the consolidated financial statements covering affiliated enterprises would not be prepared separately.

Company Name: Fortune Electric Co., Ltd.

Representative: Hsu, Bang-Fu

8.2 Private Securities in the Most Recent Year and up to the publication date of the Annual Report, Shareholders' Meeting and or Board Meeting's approval dates, amount, pricing basis and justification, choice of selected parties and the necessity for private placement, and capital utilization plan after proceeds have been received and private securities' utilization and plan execution status: NONE

8.3 Holding or Disposal of the Company's Shares by Affiliates: NONE .

8.4 Other Necessary Supplementary Notes:

In accordance with the materiality principle, establish the relevant risk management policy or strategy of environmental, social and corporate governance issues pertaining to company operations:

Materiality	Item of risk assessments	Description
Environmental	Environmental impact and management	1. The Company has introduced ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management Systems to incorporate environment and safety concerns into production process, and help to improve management and production technology for a better and safer working environment for all employees, reduce environmental and occupational safety risk, improve productivity, conform to green product, reduce waste production, increase resource recycling, reduce pollutant emission and waste of resources, develop towards green design, make efforts in environmental protection, and reach the corporate's goal of sustainable development.
		2. Certified by ISO 14001 Environmental Management System in 2017 (Revised 2015 version), the Company also obtained certification of ISO 45001, the new international standard in replacement of OHSAS 18001 Occupational Health and Safety Management Systems in all three plants in 2019, in response to the latest trend and continue in effective improvement with the spirit of system management.
		3. Energy saving and carbon reducing activities have been promoting since 2009 to make efforts for a green earth. It established a supplier counseling system for energy saving and carbon reducing and implemented various improvements. The Company was recognized as "Excellent Vendor" in energy saving and carbon reducing by the Industrial Bureau, as well as the first company that passed the product carbon footprint verification in the heavy electrical industry in 2012. It established the energy management system in 2013, and passed the ISO 50001 certification of energy management system in the heavy electrical industry in January 2014.
		4. The Company conducts greenhouse gas inventory, water usage, and total weight of waste inventory and discloses on the company website. It also establishes energy management system that is certified by the 3 rd party. Through the management setting plan in the system, the company promotes 1% energy saving. In 2022, Chung Li plant had reached 9.50% in energy saving, while having 9.52% in Guan Yin 2 nd plant and 1.56% in Guan Yin 3 rd plant, which was great.
Social	Occupational safety	1. The Company implements environment measurement and equipment maintenance in accordance with plan, and has established EHS Occupational safety and health platform website to promote three management systems of ISO45001, ISO-14001, and ISO-50001 as the goal of safe and healthy environment. 2. In the Regulations for Procurement, subcontractors should comply and implement the regulations of ISO and RoHS on ban and limitation of six major hazardous substances. In accordance with the regulations in IP2036 subcontractor safety and health management, the subcontractors shall reduce the chance of accident with excellent occupational safety and health measures by managing work permit, conducting safety and health training, coordinating meetings and safety patrol.
	Product safety	1. Products are designed in accordance with the countries' regulations and received certification before sales. 2. The Company's products are not equipment and product under control of ROHS, but only a few repair parts of the equipment are under restrictions of ROHS limitations. Therefore, it has minor impact on the Company's finance and sales.
Corporate Governance	Social economy and regulation compliance	1. Implement internal control to ensure all personnel and operation of the Company are in compliance with relevant regulations. 2. The Company has established "Regulations on Fortune 's Trademark Management" to secure the brand value in the global market and self-demanding on using the registered trademark correctly and continuously.
	Strengthen the powers of the directors	1. For planning of the directors' continuous study. 2. For Directors' Liability Insurance to protect them from litigation and compensation.
	Stakeholder communication	1. In order to understand the issues that concern the stakeholders and check the level and scope of impact, the Company has sent out "questionnaire on issues that concern the stakeholders" and "questionnaire on level of impact on ESG from the concerned issues" to the stakeholders. After collecting the questionnaire result, the Sustainability Development Committee will determine the level of impact from the concerned issues by verifying internal consideration, industrial status, industrial chain practice, and external consultant advice, and disclose the result that identifying material topics in this report for stakeholders' evaluation and decision. 2. Stakeholder section is set up on the official website for stakeholder communication and message board from the visitors.

IX. Matters to Be disclosed, as Stipulated in Item 2, Paragraph 3 of Article 36 of the Securities Exchange Act: NONE.

Fortune Electric Co., Ltd.

Chairman : Hsu, Bang-Fu