

Stock Code : 1519

Fortune Electric Co., Ltd.

2023 Annual Report

Printed on May 10, 2024

Taiwan Stock Exchange Market Observation Post System : <http://mops.twse.com.tw>
<http://www.fortune.com.tw>

1. Spokesperson and Deputy Spokesperson:

Item	Spokesperson	Deputy Spokesperson
Name:	Hsu, I-Te	Chiu, Hsu-Lan
Title	General Manager	Accounting Manager
Tel:	(02)2704-7001	(02)2704-7001
Email:	ted@fortune.com.tw	fion@fortune.com.tw

2. The contact information of Headquarters and Plant:

Name	Address	Tel.
Headquarters	No. 10, Jilin Rd., Zhongli Dist., Taoyuan City, Taiwan (R.O.C.)	(03)452-6111
Chung Li Plant	No. 10, Jilin Rd., Zhongli Dist., Taoyuan City, Taiwan (R.O.C.)	(03)452-6111
Guan Yin Plant II	No. 33, Jingjian 2nd Rd., Guanyin Dist., Taoyuan City, Taiwan (R.O.C.)	(03)483-6155
Guan Yin Plant III	No. 55, Zhongzheng Rd., Guanyin Dist., Taoyuan City, Taiwan (R.O.C.)	(03)473-6957
Taipei Office	10F., No. 370, Sec. 1, Fuxing S. Rd., Da' an Dist., Taipei City, Taiwan (R.O.C.)	(02)2704-7001
Kaohsiung Business Station	No. 8, Jiaoren Rd., Sanmin Dist., Kaohsiung City, Taiwan (R.O.C.)	(07)384-7001

3. Stock Transfer Agent:

Name : Stock Agency Department, Taishin Securities Co., Limited

Address : B1, No. 96, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.)

Tel. : (02)2504-8125

Website : <https://www.tssco.com.tw/stocktransfer>

4. Contact Information of the CPA for the Latest Financial Report

Name : Lee, Suei-Chin and Chou, Shih-Chieh CPA

Firm name : Deloitte & Touche

Address : 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City, Taiwan (R.O.C.)

Tel. : (02)2725-9988

Website : <http://www.deloitte.com.tw>

5. Overseas trade places for listed negotiable securities: None.**6. Company website:**

Website : <http://www.fortune.com.tw>

Table of Contents

I. Letter to Shareholders	1
II. Company Profile	
2.1 Date of Incorporation	4
2.2 Company History	4
III. Corporate Governance Report	
3.1 Organization	11
3.2 Information on the company's directors, supervisors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units	13
3.3 Remuneration paid during the most recent fiscal year to directors, supervisors, the general manager, and assistant general managers	20
3.4 The state of the company's implementation of corporate governance	22
3.5 Information on Certified Public Accountant professional fees	45
3.6 Information on replacement of Certified Public Accountant	45
3.7 Where the company's chairperson, general manager, 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	46
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	47
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	48
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	48
IV. Capital Overview & Financing Plans and Implementation	
4.1 Capital and Shares, Corporate Bonds, Preferred Shares, Overseas Depository Receipts, Restricted Employee Shares New Issuance, Mergers & Acquisition	49
4.2 Financing Plans and Implementation	53
V. Operational Highlights	
5.1 Business Activities	54
5.2 Market and Sales Overview	60
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	70
5.4 Environmental Expenditure Information	71
5.5 Labor Relations	71

5.6 Information and Communication Security Management	73
5.7 Important Contracts	74

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	76
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	79
6.3 Audit Committee's Report of the Latest Financial Report	82
6.4 Latest Financial Report	83
6.5 Latest Financial Report of the Parent Company Audited and Certified by CPAs ..	155
6.6 Any Financial Difficulties the Company and Its Affiliates encountered	219

VII. Review and Analysis of Financial Status and Business Results and Risk

Issues

7.1 Financial Status	220
7.2 Financial Performance	220
7.3 Cash Flow Analysis	222
7.4 Impact of Major Capital Expenditure in the Past Year on the Financial Status	222
7.5 Effects in reinvestment policy and its main reason for profit or loss, improvement plan and investment plan in the Next Year	223
7.6 Risk Management Analysis in the past year and up to the publication date of Annual Report	223
7.7 Other important matters	225

VIII. Special Disclosure

8.1 Information about the Affiliated Companies.	226
8.2 Private Securities in the Past Year and up to the publication date of the Annual Report	230
8.3 Holding or Disposal of the Company's Shares by Affiliates	230
8.4 Other Necessary Supplementary Notes	230

IX. Matters to Be disclosed, as Stipulated in Item 2, Paragraph 3 of Article 36 of the Securities Exchange Act

	230
--	-----

I. Letter to Shareholders

1. 2023 Business Report

1. Business Results and Budget Implementation

Consolidated operating Revenue of the year 2023 was NT\$ 13,899,740 thousand, among the products, transformers were NT\$ 9,463,665 thousand, accounting for 68.09%, distribution switchboards were NT\$ 1,532,978 thousand, accounting for 11.03%, and electrical distribution equipment were NT\$ 380,864 thousand, accounting for 2.74%, contracting revenue was NT\$ 1,264,474 thousand, accounting for 9.10%, electricity sales revenue was NT\$ 21,507 thousand, accounting for 0.15%, and others were NT\$ 1,236,252 thousand, accounting for 8.89%, net income was NT\$ 2,561,785 thousand. Both revenue and profit exceeded expectations mainly due to the impact of three major growth momentums, including green energy, Taipower's power grid resilience project, and foreign power infrastructure construction.

2. Financial revenue and expenditure and profitability analysis

Unit: NT\$ Thousands

ITEM		2023	2022	Increase (decrease) ratio (%)
Financial Revenue and Expenditure	Profit from operations	2,853,582	429,227	564.82
	Non-operating income and expenses	218,498	520,553	(58.03)
	Profit before income tax	3,072,080	949,780	223.45
	Net Profit	2,561,785	822,304	211.54
Profitability Analysis	Return on assets (%)	19.31	7.95	142.89
	Return on equity (%)	49.28	21.13	133.22
	Pre-tax net profit to paid-in capital ratio (%)	117.68	36.38	223.47
	Net profit ratio (%)	18.43	10.61	73.70
	Earnings per share (NT\$) (Note 1)	9.87	3.21	207.48

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

3. Research & Development status

For year 2023, the Company invested NT\$214,461 thousand, accounting for 1.54% 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 2023, please refer to page 57 of this Annual Report.

2. 2024 Business Plan Summary

1. Operating policy

- (1) To continue to enhance the competitiveness of our core business, expand production capacity to satisfy niche markets, ensure quality and work safety, and increase profitability for steady growth to become a world-renowned electric machinery company.
- (2) To deepen our professional strength in electric machinery and green energy, integrate the Group's resources to diversify into new products/new markets/new businesses/new business models, to expand the deployment and development of the energy industry.
- (3) To optimize our management structure to build a high-performance team, implement ESG-friendly workplace, create a happy enterprise to enhance our image,

and share the glory of sustainable development.

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

Main product / estimated quantity	2024		
	Domestic sales	Export sales	Total
Transformer (unit)	9,100	10,600	19,700
Distribution Board (pcs)	3,000	50	3,050

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 to expand our partnerships with direct and indirect customers to ensure stable quality and production capacity for sustainable growth.

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

In the overall economy, with the end of the coronavirus (COVID-19) pandemic, interest rate hikes, and the end of inflation, the global economy is still subject to the unpredictable risks of international geopolitics. Major local and foreign forecasting organizations are all holding a neutral to optimistic view of the global outlook for 2024. The International Monetary Fund (IMF)'s latest forecast of global economic growth is 3.1%, the World Bank forecasts 2.4%, and the Organization for Economic Co-operation and Development (OECD) forecasts an annual growth rate of 2.9%. Taiwan's economic growth forecasts by major domestic organizations are as follows: The Directorate General of Budget, Accounting and Statistics (DGBAS) forecasts 3.35%; Academia Sinica forecasts 3.02%; Taiwan Institute of Economic Research forecasts 3.15%; and Chung-Hua Institution for Economic Research forecasts 3.03%, etc., all indicating that the economic growth forecasts are higher than 2023.

In the individual economy: the power industry is facing fermentation of the 2050 net-zero emissions issue and the burst of new technologies such as AI, green power construction, power construction and power quality improvement and other circular demand, green energy, Taipower's power grid resilience and foreign power infrastructure export market has become the company's current and future three major growth momentum. With the lifting of the pandemic, the lack of labor and materials, and global trends such as net-zero carbon emissions, energy transformation, and grid resilience and the push of policies, leading to a supply-demand imbalance in power equipment and longer lead times, the transformer market started to grow rapidly since 2022. The U.S. Department of Energy forecasts that under the impetus of the "Inflation Reduction Act" and other acts, the U.S. will need to add 64% of regional transmission lines and 114% of inter-regional transmission capacity by 2035, which will result in a CAGR of 7-8% in transformer demand.

The power equipment industry requires capital-intensive, technology-intensive and long-term performance and certificate to gain customers' trust and adoption, so it is not easy for competitors to enter the market or increase competition in the short term. For nearly 30 years, we have been deeply engaged in the North American market. In order to win customers' recognition, we strategically send our 11, 22, 66, 230, and 500kV transformers to KEMA, a world renowned certification organization, and have completed the most stringent short-circuit test for transformers with an average pass rate of less than 50%, and we have also been evaluated by customers visiting our factory for many times in North American market, meanwhile, with our quality pre-sale and after-sale services, design and parts and accessories, to maximize the standardization of our products and to expand our capacity to meet the needs of customers. At the same time, we also maximize the standardization of accessories, design and spare parts, and expand production capacity to provide reasonable prices and lead times to customers, gradually giving customers more confidence in purchasing higher voltage levels and larger capacity transformers, thereby widening the gap with competitors and increasing our market share.

From the above overall domestic and foreign and individual economic aspects of the industry, the Company is expected to continue to grow in the next 5 to 8 years, and will continue to expand its output capacity to meet the market demand.

Fortune Electric is the leading company in the domestic heavy electric industry, accumulating more than 50 years of professional customized key technologies, firmly rooted in the traditional electric field, the Group has a number of modern factories, the most complete product line, the largest capacity of transformer products, the highest voltage, the most Taipower certification, the most scale of professional heavy electric factories, and also the No. 1 winner of the International Trade Awards, with the largest amount of exported transmission and distribution equipment in Taiwan.

We have upgraded our business from providing traditional power equipment to providing integrated power system services, and continuously adjust the business strategy in response to market changes:

- Integrate the Group's internal resources, cultivate major customers, expand niche markets, innovate professional services;
- Continuously utilize Industry 4.0 smart manufacturing upgrades, standardization of design, optimization of manufacturing processes, intellectualization of procurement tactics, optimization of quality, streamlining and digitization of management, and optimization of assets to enhance product quality and efficiency, refine and optimize the competitiveness of our core products/businesses, and to satisfy and even exceed customer needs and satisfaction;
- Refine the business management of important domestic and foreign suppliers, increase reliance on loyalty to obtain priority cooperation, create a win-win situation, demonstrate the Group's differentiated competitive advantages, and steadily expand domestic and foreign markets;
- Accelerate cultivating professional talents in the field of renewable energy, establish a system integration team to enhance green energy technology capability;
- Steadily evaluate the most optimum business approach to participate in energy or industry-related diversified investments, make good use of financial resources to enhance financial leverage, establish and deploy diversified revenues, and adjust the company's structure in order to grasp the post-pandemic recovery opportunities;
- Market management strategy, continue to provide professional and premium pre-sales, after-sales services, and including the maintenance of non-company equipment, in order to deeply cultivate the existing and develop potential markets and customers, and to grasp the needs of power grid resilience equipment replacement of Taipower, the U.S., and other domestic and foreign countries. In addition to emphasizing on operating interests, we uphold the mission of "Safeguarding Employees", "Safeguarding Customers", "Safeguarding Shareholders", and "Safeguarding Society". With compliance with laws and regulations and corporate governance as our primary core values, we continue to invest in employee care and a friendly workplace, create a happy workplace environment to enhance our employer brand, implement diversity in our board of directors, and protect shareholders' rights and interests, so as to ensure sustainability and steady growth. The Company is concerned about human rights, environmental protection, safety and health, and community involvement, and commits itself to ethical management, expansion of the green energy business, fulfillment of corporate social responsibility, and environmentally sustainable coexistence. Last but not least, the Company will continue to build up its core strength, develop smart manufacturing, grasp the domestic and international market opportunities, continue to invest in ESG, and implement corporate sustainability to meet the expectations from all sectors on us.

We look forward to all your continued support and encouragement.

Best regards,

Wish everyone good health and good fortunes!

Chairman Hsu, Bang-Fu

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

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\$16,775,000 ● 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 ● Licensed with ENCO, Austria to produce Cast Resin Transformers
1992	<ul style="list-style-type: none"> ● 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 2004Taiwan 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 6 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

<u>Time</u>	<u>Milestone</u>
	<p>500kV super high-voltage transformer, and marched into international market together</p> <ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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	<ul style="list-style-type: none"> ● 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 General Manager 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

TimeMilestone

- | | |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 General Manager 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

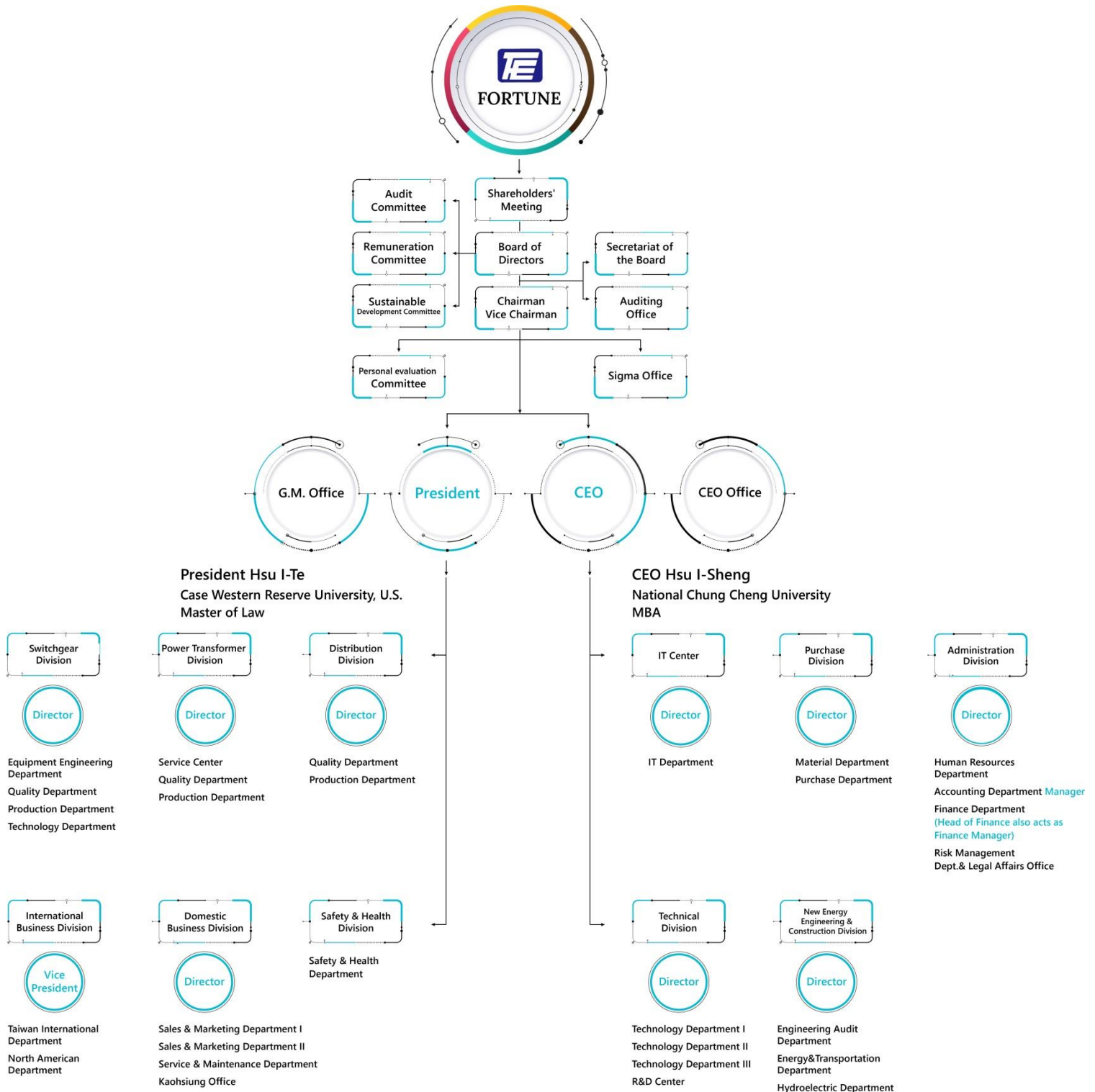
TimeMilestone

- 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, General Manager 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 General Manager 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
- 2023
- The Company won the HR Asia's "2023 Best Companies to Work for in Asia". This honor demonstrates our continuous efforts and achievements in the areas of HR Management, Employee Caring and ESG.
 - The Company's "Invention Patent-I805471-Integrated Substation" won the Bronze Medal Award in the Invention Competition of the Taiwan Innotech Expo 2023.
 - The Company participated in GE Gas Power 2023 Asia Pacific Partners Conference hosted by GE in Malaysia in July and was once again honored with the GE Supplier Award for outstanding contribution and strategic partnership, and continues to be an important power equipment partner of GE in Asia.
 - The Company was again honored with the 2023 Taoyuan City Green Procurement Excellence Awards in December, a recognition of our dedication to green consumption, environmental education, and environmental sustainability.

III. Corporate Governance Report

3.1 Organization

(1) Organization Chart



(2) Major Corporate Functions

General Manager's Office / CEO Office:

General Manager Office: The New Business and Market Planning Department is under the General Manager Office to assisted General Manager / 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)

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, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units

(1) Directors of the Board

April 15th, 2024

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	2023.6.15	3Y	1979.7.27	18,088,322	6.93	16,910,749	6.48	11,391,188	4.36	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 General Manager	Hsu, Shou-Hsiung Hsu, I-Te	Brothers Father & Son	Operational consideration
Vice Chairman	ROC	Hsu, Shou-Hsiung	M 81-90	2023.6.15	3Y	1969.8.26	22,603,419	8.66	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	2023.6.15	3Y	2017.6.14	1,057,892	0.41	1,057,892	0.41	0	0	0	0.00	University of Southern California MBA	Formosa Oilseed Processing Co., Ltd. corporate representative Chairman Central Union Oil Corp. corporate representative Director Lucky Eggs Co., Ltd. & Chung Hsiang International Co., Ltd. corporate representative Chairman Top Food Industry Cooperation Chairman	NONE	NONE	NONE	-
Director	ROC	Hsu, I-Te	M 51-60	2023.6.15	3Y	2017.6.14	3,948,577	1.51	3,948,577	1.51	531,420	0.20	0	0.00	Case Western Reserve University, U.S. Master of Law	Fortune Electric Co., Ltd. General Manager Hsin He Energy Co., Ltd. Director Fortune Electric Australia Pty Ltd Director	Chairman	Hsu, Bang-Fu	Father & Son	Operational consideration
Director	ROC	Hsu, I-Sheng	M 41-50	2023.6.15	3Y	2011.6.10	3,248,470	1.24	3,248,470	1.24	10,000	0	0	0.00	National Chung Cheng University 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	Weng, Jen-Pei	M 81-90	2023.6.15	3Y	2017.6.14	751,468	0.29	751,468	0.29	120,307	0.05	0	0.00	Sanno University, Japan Department of Sales	NONE	NONE	NONE	NONE	-
Independent Director	ROC	Hu, Len-Kuo	M 71-80	2023.6.15	3Y	2017.6.14	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 Honorary Chairman International Trade Department, National Chengchi University Adjunct Professor	NONE	NONE	NONE	-
Independent Director	ROC	Lei, Whey-Min	M 81-90	2023.6.15	3Y	2017.6.14	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	2023.6.15	3Y	2017.6.14	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	-
Independent Director	ROC	Yeh, Yun-Ching	F 51-60	2023.6.15	3Y	2023.6.15	0	0.00	0	0.00	0	0.00	0	0.00	Golden Gate University Ph.D. of Law School (USA)	Shih Hsin University Full-time Professor CHO Pharma Director (representative of Academia Sinica)	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 General Manager or equivalent position are relative within first degree of relationship, in order to compliant with Securities and Exchange Act, four Independent Directors have been elected for the current term.

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	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, General Manager 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, General Manager 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 & General Manager of Formosa Oilseed Processing Co., corporate 	<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 	0

	<p>representative and director of Ltd., of Central Union Oil Corp.; corporate representative Chairman of Lucky Eggs Co., Ltd. and Chung Hsiang International Co., Ltd.</p> <p>(3) Served as a Project Manager of Bank SinoPac and Vice President of Far East National Bank</p> <p>(4) Master of Business Administration in University of Southern California</p>	<p>total number of issued shares of the company or ranking in the top 10 in holdings.</p> <p>(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.</p> <p>(4) 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>(5) Not the Chairman, General Manager 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-Te	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Currently serves as General Manager 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, General Manager 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>(4) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship,</p>	0

		<p>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>	
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, General Manager 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
Weng, Jen-Pei	<p>(1) Had over five years of working experience necessary for the company business operation.</p> <p>(2) Served as an 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) Served as an 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</p>	0

Lei, Whey-Min	<ul style="list-style-type: none"> (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) Served as a 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) Bachelor of International Business in National Chengchi University 	<p>employee of that other company.</p> <ul style="list-style-type: none"> (7) Not the Chairman, General Manager 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 (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. (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 	0
Liao, Chih-Hsiang	<ul style="list-style-type: none"> (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; was Assistant Manager of Audit Department of Deloitte Taiwan and Assistant Manager of Overseas Investment Department of KGI Securities. (5) Master of Accounting in National Chengchi University 	<ul style="list-style-type: none"> (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company. (11) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act. 	0
Yeh, Yun-Ching	<ul style="list-style-type: none"> (1) Had over five years of working experience necessary for the company business operation. (2) Currently serves as a full-time Professor at Shih Hsin University; Director of CHO Pharma (representative of Academia Sinica). (3) Served as Director of the Academia Sinica, Department of Intellectual Property and Technology Transfer (4) Passed the Bar Exam and certified as a patent attorney. Ph.D. from Golden Gate University School of Law. 		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 shall 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 take diversity into consideration, and formulate a policy on diversity based on the company's business operations, operating dynamics, and development needs, including basic requirements and values (gender, age, nationality, and culture), and professional knowledge and skills (e.g., law, finance, marketing, technology).

Specific management goals and achievements of the Company's diversity policy are as follows:

Management Goal	Achievement
The composition of the Board of Directors shall be diversified, and shall have leadership, judgment in operation, business management, crisis management, knowledge of the industry, and international market perspective.	Achieved
Over one-third of the total number of independent directors with expertise in law, international trade, business operation and finance and accounting.	Achieved
The number of directors concurrently acting as managers of the Company shall not exceed one-third of the number of directors.	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	Employee Identity	Age Group					CPA / Lawyer	Industry	Finance	Instructor in	Operation	Accounting and	Management	Crisis	Industry expertise	International	Leadership	Decision Making	
					41 -50	51 -60	61 -70	71 -80	81 -90													
Director	Hsu, Bang-Fu	R O C	M						V		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-Te		M	V		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	
	Weng, Jen-Pei		M						V		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	V
	Lei, Whey-Min		M						V		V	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
	Yeh, Yun-Ching		F				V				V	V		V	V	V		V	V	V	V	V

(2) Independence of the Board of Directors:

There are 10 members in the Company's Board of Directors, including 4 Independent Directors and 2 Directors that are also employees (40% and 20% of all members of the Board, respectively). Independent directors account for two-fifths of the Board's seats. As of December 31st, 2023, 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, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units.

April 15th, 2024

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	
General Manager	ROC	Hsu, I-Te	M	106.06.23	3,948,577	1.51	531,420	0.20	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 General Manager	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 General Manager	ROC/US/Canada	Hsu, I-Ming	M	106.11.06	2,650,094	1.02	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	General Manager	Hsu, I-Te	Brothers	-
Procurement Division Division Head	ROC	Sun, Shih-Ming	M	107.04.01	88,500	0.03	5,674	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	19,964	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	0.00	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	36,020	0.01	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 General Manager 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.

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

		Demuneration

--	--

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 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 what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): NONE

Journal of Management Education 36(8) 907-924

[illegible]

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

1. Remuneration of General Manager 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			
General Manager	Hsu, I-Te	7,386	7,936	-	-	8,892	8,892	3,392	-	3,392	-	19,670 0.76%	20,220 0.78%	None
CEO	Hsu, I-Sheng													

Range of Remuneration	Names of General Manager and CEO	
	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	-	-
NT\$1,000,000 (incl.) ~ NT\$2,000,000 (excl.)	-	-
NT\$2,000,000 (incl.) ~ NT\$3,500,000 (excl.)	-	-
NT\$3,500,000 (incl.) ~ NT\$5,000,000 (excl.)	-	-
NT\$5,000,000 (incl.) ~ NT\$10,000,000 (excl.)	Hsu, I-Sheng	Hsu, I-Sheng
NT\$10,000,000 (incl.) ~ NT\$15,000,000 (excl.)	Hsu, I-Te	Hsu, I-Te
NT\$15,000,000 (incl.) ~ NT\$30,000,000 (excl.)	-	-
NT\$30,000,000 (incl.) ~ NT\$50,000,000 (excl.)	-	-
NT\$50,000,000 (incl.) ~ NT\$100,000,000 (excl.)	-	-
NT\$100,000,000 or above	-	-
Total	Hsu, I-Te; Hsu, I-Sheng	Hsu, I-Te; Hsu, I-Sheng

2. Remuneration of Managerial Officers in detail

December 31st 2023

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Amount to Net Income (%)
Managerial Officers	General Manager	Hsu, I-Te	-	NT\$11,718 thousand	NT\$11,718 thousand	0.45 %
	CEO	Hsu, I-Sheng				
	International Division Vice General Manager	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, General Manager, CEO 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, General Manager, CEO and Vice Presidents were NT\$91,011 thousand and NT\$46,115 thousand and ratios of remuneration paid to the abovementioned Managerial Officers to net income were 3.53% and 5.50% in 2023 and 2022, 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 General Manager and CEO were stipulated in the "Remuneration Policy and Performance Evaluation 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 2023. 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	4	0	80%	
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	4	0	80%	
Independent Director	Liao, Chih-Hsiang	5	0	100%	
Independent Director	Yeh, Yun-Ching	3	0	100%	Newly appointed on June 15, 2023

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 8 th , 2023	Hsu, I-Te Hsu, I-Sheng	Lifting of non-compete restriction on directors	Proposal was approved upon consent by all seven directors present, with avoidance of interested party Directors Hsu, I-Te and Hsu, I-Sheng, and was submitted to the shareholders' meeting for their approval.
May 10 th , 2023	Hsu, I-Te Hsu, I-Sheng	Compensation statistics for 2022 for employees serving as managers of the Company.	Proposal was approved upon consent by all seven directors present, with avoidance of interested party Directors Hsu, I-Te and Hsu, I-Sheng, and was submitted to the shareholders' meeting for their approval.
June 15 th , 2023	Hu, Len-Kuo Liao, Chih-Hsiang Yeh, Yun-Ching	Proposed appointment of four members of the 5 th Remuneration Committee of the Company.	Proposal was approved upon consent by all directors' present, with avoidance of interested party Directors Hu, Len-Kuo Liao, Chih-Hsiang Yeh, Yun-Ching

(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 2023	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 evaluation of the Board of Directors" in 2020. The 2023 Directors' self-evaluation was presented to the Board of Directors on March 8, 2024 and the results were as follows:

Evaluation Item	Evaluation Description	Result
Self-evaluation by the Board	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-evaluation 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
Self-evaluation by Audit Committee members	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
Self-evaluation by Remuneration Committee members	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

3. To strengthen the functionality of Corporate Governance, the Company has elected 4 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 comprises 4 independent directors. 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 Article 8 in “Audit Committee Charter.”

In 2023, 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 “Operational Procedures for loaning Funds to others”, 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 4 Audit Committee meetings were held in 2023. 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	4	0	100%	
Independent Director	Lei, Whey-Min	4	0	100%	
Independent Director	Liao, Chih-Hsiang	4	0	100%	
Independent Director	Yeh, Yun-Ching	2	0	100%	Newly appointed on June 15, 2023

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.

Audit Committee Dates	Sequence No.	Content	Resolution
March 8 th , 2023	1 st	<p>Discussion:</p> <ol style="list-style-type: none"> 2022 Consolidated Financial Statements, Individual Financial Statements, and Business report Status of buying / selling of Forward Foreign Exchange Proposal for Earnings Distribution of 2022. Amendment of “Operational Procedures for loaning Funds to others” Drafted and prepared 2022 Internal Control System Statement 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 The equity interest of the subsidiary, Fortune Electric (Wuhan) Ltd. has been transferred to Wuhan Zhongjia Hetai Real Estate Co., Ltd. the Company proposes to release the endorsement and guarantee obligation of Fortune Electric (Wuhan) Ltd. As of December 31, 2022, the Company's credit facilities that were over three months past their normal maturity and over NT\$20 million had not been collected and were not loans of a capital nature Evaluation of the change of CPAs and their independence and suitability statements. Amendment to the Company's rules for handling internal control systems. 	<p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p>
May 10 th , 2023	2 nd	<p>Discussion:</p> <ol style="list-style-type: none"> Q1 2023 Consolidated Financial Statements Status of buying / selling of Forward Foreign Exchange As of March 31, 2023, the Company's credit facilities that were over three months past their normal maturity and over NT\$20 million had not been collected and were not loans of a capital nature Amendment of “Operational Procedures for loaning Funds to others” Fortune Electric Extra High Voltage Co., Ltd., subsidiary of the Company, proposed to apply bank financing with Mega Bank and four other financial institutions to accommodate business operational needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee Proposal of establishing and holding a solar power plant by the Company. 	<p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p>
August 9 th , 2023	3 rd	<p>Discussion:</p> <ol style="list-style-type: none"> Q2 2023 Consolidated Financial Statements Status of buying / selling of Forward Foreign 	<p>Proposal was approved upon consent of all members present and submitted to the Board</p>

Audit Committee Dates	Sequence No.	Content	Resolution
		<p>Exchange</p> <p>3. As of June 30, 2023, the Company's credit facilities that were over three months past their normal maturity and over NT\$20 million had not been collected and were not in the nature of a capital loan.</p> <p>4. Proposed to establish the Company's general principles for pre-approved non-assurance service policy.</p> <p>5. Fortune Electric Extra High Voltage Co., Ltd., subsidiary of the Company, proposed to apply bank financing with Hua Nan Commercial Bank, Ltd. to accommodate business operational needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee.</p>	<p>for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>All members present consensus to amend the description to "(c) Pre-approved non-assurance services for one year from the date of this approval", and item 4. All other allowable non-assurance services (Appendix V) shall be notified in writing of their independence, amount, and reason, etc., and shall be approved individually with the consent of the committee members, and the rest shall be approved as presented.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p>
November 8 th , 2023	4 th	<p>Discussion:</p> <p>1. Q3 2023 Consolidated Financial Statements</p> <p>2. Pre-approve the implementation of the non-assurance service item of the Sustainability Advisory Service by the Deloitte & Touche.</p> <p>3. Status of buying / selling of Forward Foreign Exchange</p> <p>4. As of September 30, 2023, the Company's credit facilities that were over three months past their normal maturity and over NT\$20 million had not been collected and were not in the nature of a capital loan.</p> <p>5. Fortune Electric Extra High Voltage Co., Ltd., subsidiary of the Company, proposed to apply bank financing with Cathay United Bank and three other financial institutions to accommodate business operational needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee.</p> <p>6. Wuhan Fortune Electric Ltd., sub-subsidiary of the Company, proposed to apply for a short-term financing line of US\$1,000,000 from the Shanghai Commercial & Savings Bank to accommodate business operational needs. Requested the Company to provide endorsement by company guarantee for bank financing guarantee.</p>	<p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p> <p>Proposal was approved upon consent of all members present and submitted to the Board for further discussion.</p>

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 8 th , 2023 (Board Meeting)	October 2022 - January 2023 Internal Audit execution status report	Agreed for future reference
May 10 th , 2023 (Board Meeting)	February 2023 - March 2023 Internal Audit execution status report	Agreed for future reference
August 9 th , 2023 (Board Meeting)	April 2023 - June 2023 Internal Audit execution status report	Agreed for future reference
November 8 th , 2023 (Board Meeting)	July 2023 - September 2023 Internal Audit execution status report	Agreed for future reference
March 8 th , 2024 (Board Meeting)	October 2023- January 2024 Internal Audit execution status report	Agreed for future reference

Communication between Independent Directors and CPA:

Dates	Key Points	Results
November 8 th , 2023 (Audit Committee)	CPAs gave out explanation regarding the IFRS Sustainability Disclosure Standard, governance unit responsibilities, introduced the firm's SQM, and communicated with the Company on key audit matters for the 2023 financial statements as well as other communication matters.	No Comments
March 8 th , 2024 (Audit Committee)	CPA gave out explanation regarding 2023 financial and profit/loss position, key audit conclusion report, IFRS Sustainability Disclosure Standard, IESBA Compliance, etc.	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	Abstract	
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	No deviation
(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. Four Independent Directors, Lei, Whey-Min, Hu, Len-Kuo, Liao, Chih-Hsiang, and Yeh, Yun-Ching, among them, Lei, Whey-Min and Hu, Len-Kuo were both lecturers at International Trade Department, National Cheng-Chi University, and were all familiar with global trading business and enterprise operation....etc.; 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. Yeh, Yun-Ching is a PhD from the Law School and is currently a full-time University Professor, and is able to supervise the Company to minimize the legal risks associated with the Company. Although Board Members of the Company have fulfilled the requested diversification, and are expected to oversee and guide the Company more effectively in response to the trend of international development. Please refer to page18 for diversification implementation status.	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		2023 performance evaluation results submitted to the Board of Directors on March 8 th of 2024. The Board of the Company reviewed independence and competency of its certifying CPAs at least once a year and in addition to requesting the CPAs to provide “Declaration of Independence and Detachment” and “Audit Quality Indicators Report”, they are also evaluated according to the Independence Evaluation Criteria and the 13 AQI Indicators, 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 2024, 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	Independence evaluation items

Evaluation Item	Result	Independence
Whether the CPAs have a direct or significant indirect financial interest relationship with the Company?	No	Yes
Whether the CPAs have any financing or guarantee with the Company or the director of the Company?	No	Yes
Whether the CPAs have close business relationship and potential close and continuous relationship with the Company?	No	Yes
Whether the CPAs and their immediate relatives have served as directors, managers or positions that have significant influence on audit work in the Company or parent or in the last two years?	No	Yes
Whether the CPAs have provided any non-audit service items that may directly affect the audit result to the Company?	No	Yes
Whether the CPAs have been involved in similar or other business issued by the Company?	No	Yes
Whether the CPAs have acted in the details of the Company or in accordance with third parties on behalf of the Company?	No	Yes
Whether the CPAs may interfere with the Company's directors, managers, or persons who have a significant influence on the audit work?	No	Yes

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 18 Hours of training in 2023 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? (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)? (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 V V		Please go to "Investor Service" on the Company's website. 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. The Company has reported annual financial statements within 75 days 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.	No deviation No deviation Will implement according to regulations accordingly
<p>8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)? Implemented in accordance with the regulation and no deviation.</p> <p>1. The Company has established "Corporate Governance Management Guidelines", "Corporate Ethical Management" and "Ethical Management Procedure and Behavior Guidelines." to be strictly in compliance with laws and regulations. To strengthen management system, employee service codes and associated procedures are summarized as below:</p> <ul style="list-style-type: none"> i. Employee should be diligent, loyal, in compliance with the Company's management guidelines and adhere to the reasonable instructions made by supervisors and manages; managers of all levels should guide subordinates in a friendly way. ii. Company-wide, public properties should be handled with care to reduce loss or damage. Externally, business secrets as well as job confidentiality should strictly be abided by. iii. No taking advantage of position power and authority for your own or other people's personal benefits. iv. No taking bribes, gifts, kickbacks, or any unlawful gains. v. Be compliant with Labor Safety and Health Codes, maintain safety in worksites, and health and comfort of the environment. vi. If there's no written consent from the Company, employee shall not operate for himself/herself or a third party for business similar or same with the Company; nor shall employee be, shareholder with infinite responsibility, executive business shareholder, Director, Manager, or the corporation's named or secret partner, for same type of business as that of the Company. vii. No spreading of inappropriate speeches or pictures to result in affecting fulfilling labor contracts which led to tangible or intangible losses to the Company. viii. No fabricating, lying about attendance record nor reimburse or claim the expenses falsely. ix. No prejudices, namely, races, class of rank, language, thoughts, religion, political parties, origination, gender, marriage, appearance, facial features, disabilities, nor previous union membership will be cast upon when hiring employees/ x. No hiring of child labor under 15 years old; following government policy and to continue to recruit retired people, middle-aged people, people with disabilities and indigenous residents. xi. Implement "Gender Equality in Employment Act" and "Sexual Harassment Prevention Act" preventive measures. xii. Abide by "Work Rules" and committed in enterprise ethics and professional ethics establishment to maintain good labor relations xiii. Act in accordance with the 6th Article in New Act of "Occupational Safety and Health Act," that professional health management service system be promoted to enhance employee management and ensure friendly work environment and warrant a safe working environment and hygiene. 					

2. Established association and organize strategic alliance of Satellite Plant system to ensure material quality and delivery.
3. 2023 Directors and Managerial Officers' training records:

Name & Title	Sponsoring Organization	Course Names and Hours	Course attended	Total Hours
Hsu, Bang-Fu Chairman	Republic of China Securities and Futures Institute (SFI)	1. Supply Chain Security Risk Hunting-Taiwan's New Opportunity (3H) 2. How Directors Supervise Companies in Corporate Risk Management and Crisis Management (3H) 3. Global Trends and Business Opportunities of Low Carbon Economy and Low Carbon Innovation in 2023 (3H)	1, 3	6H
Hsu, Shou-Hsiung Vice Chairman			1, 3	6H
Hsu, I-Te Director & General Manager			1, 3	6H
Hsu, I-Sheng Director & CEO			1, 3	6H
Shu, Yi-Cheun Director			1, 3	6H
Weng, Jen-Pei Director			1, 3	6H
Lei, Whey-Min Independent Director			1, 3	6H
Hu, Len-Kuo Independent Director			1, 3	6H
Liao, Chih-Hsiang Independent Director			1, 3	6H
Yeh, Yun-Ching Independent Director			1, 3	6H

4. Risk management's organization framework, policy, and risk measurement standard implementation status:

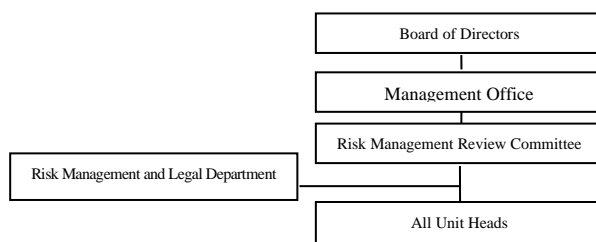
The Company established risk management organization and system based its mission statements: "Comfort Employees", "Comfort Customers", "Comfort Shareholders", and "Comfort Society." By way of integrating all potential risk in business management, finance and hazards to operation and profitability, through cost-effective methods, sufficient risk management would be provided to the Company's interested parties, shareholders, and other relevant groups.

■ Risk Management Mission:

Construct and implement effective risk management mechanism and continue to improve to create top-quality substance for enterprise and reach operational goals.

■ Risk Management Organization:

Based on risk management framework, adopted from ISO31000, the Company utilizes PDCA management cycle to set up risk management system. Authorized by the Board of Directors, Head of Management Division will be the chairperson of risk management, who oversees management organization operation and programs promoting. Please refer to the organization chart as below:



● Description of the organization:

(1) Management Division

Highest authority of the Company's risk management, with a clear picture of the risk (including legal risk) that the Company' is facing, that ensures effectiveness of risk management, to fulfill legal compliance, promoting and implementing overall risk management mechanism and takes up ultimate responsibility of risk management.

(2) Risk Management and Legal Department

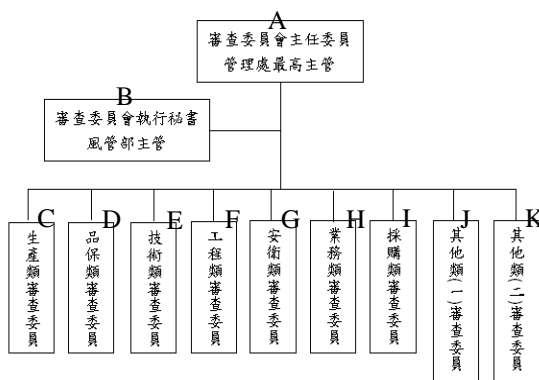
Risk management policy was made by Management division for Risk Management and Legal Department (RML Dep.) to execute and further assist all departments to set up risk management goals as well as enhancing control over risk management activities, while urging all to reduce legal risk exposures. After periodic supervision all departments' risk exposures, Risk & Legal Management Department will submit evaluation report to all Heads of Divisions and Risk Management Review committee.

(3) Risk Management Review Committee

Risk Management Review Committee was composed by all departments' experts (please find below chart for details.) Risk Review meeting will be held regularly, to implement full involvement of risk management policy and to broaden benefits of risk management system as well as minimize risk of information asymmetry. Risk information and intelligence collecting system has also been set up for the Company to keep abreast of internal and external relevant risk information to benefit from risk prevention.

(4) All Unit Heads

All Unit Heads hold responsible for 1st line of risk management defense, and will identify, analyze, evaluate, assess, handle and supervise concerned unit's internal risk, to ensure risk management mechanism and procedure were effectively implemented.



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 / General Manager 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, General Manager Office, Domestic Business Division, International Business Department, New Energy Engineering Business Division, Management Division	All Division Heads, CEO Office、General Manager 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, General Manager 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, General Manager 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, General Manager 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 risk awareness. 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 223 to page 225 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 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 2022, for newcomer training and Risk recognition and control training, there were 109 people being trained with accumulated training hours of 189 hrs.
- 2022 risk management results: completed 154 risk handling strategies and after assessment, 89% of risk matters could be reduced with effective controls.

■ On March 8th of 2024, 2023 risk management implementation progress was reported to the Board of Directors:

- Risk management task were conducted on schedule: identified 129 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 2023, for newcomer training and Risk recognition and control training, there were 182 people being trained with accumulated training hours of 302 hrs.
- 2023 risk management results: completed 84 risk handling strategies and after assessment, 88% 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 in the range of 21%-35% for both the 4th and 5th sessions and in the range of 36%-50% for the 6th through 10th sessions.

(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)

Members of Remuneration Committee (the Company has yet to establish Remuneration 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
Independent Director	Yeh, Yun-Ching		1. Had over five years of working experience necessary for the company business operation. 2. Currently serves as a full-time Professor at Shih Hsin University; Director of CHO Pharma (representative of Academia Sinica).	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	0

		3. Passed the Bar Exam and certified as a patent attorney. Served as Director of the Academia Sinica, Department of Intellectual Property and Technology Transfer 4. Not having any matters as defined in Article 30 of the Company Act.	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	
--	--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

2. Operating information and state of Remuneration Committee

(1) There are 4 members in the Remuneration Committee, composed of by all the Independent Directors.

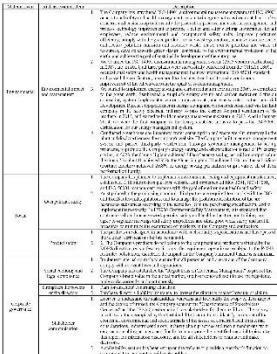
(2) Current term of the members: June 15th, 2023 ~ June 14th 2026. Two Remuneration Committee meetings were held in the Most Recent Year. 2023 attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Hu, Len-Kuo	2	0	100%	Roles & Responsibility were established in accordance with what was stipulated in "The Independent Director's Roles and Responsibility".
Committee Member	Lei, Whey-Min	2	0	100%	
Committee Member	Liao, Chih-Hsiang	2	0	100%	
Committee Member	Yeh, Yun-Ching	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 7 th time of the 4 th Term March 8 th , 2023	2022 distribution of directors' remuneration and employees' compensation, as well as the amount and distribution method for employees serving as directors and managers.	Motion was approved upon consent of all members present	To be implemented in accordance with Remuneration Committee's opinion
The 1 st time of the 5 th Term August 9 th , 2023	Proposed to implement the Employee Stock Ownership Trust and the Manager's Participation in the Employee Stock Ownership Trust.	Motion was approved upon consent of all members present for managers to participate in the Employee Stock Ownership Trust system, subject to further discussion at the Remuneration Committee if significant changes are made prior to the implementation of the system in the future.	To be implemented in accordance with Remuneration Committee's opinion
The 2 nd time of the 5 th Term November 8 th , 2023	As of October of 2023, 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		<p>Sustainable Development Committee, a functional committee, was approved by the Board of Directors on March 2022. The Chairman and Vice Chairman serve as chief committee members, the GM and CEO serve as deputy chief committee members, the Executive Secretary served by the Chief Corporate Governance Officer, and the members are served by the assigned internal managers of the Company. In accordance with Article 27 of the Company's Corporate Governance Best Practice Principles, we have established a Sustainability Committee Charter, covering the duties and responsibilities of the committee members, etc., to be complied with.</p> <p>And authorized the Sustainability Committee to serve as a platform of vertical integrated and horizontal cross-departmental communication to identify sustainability issues related to the Company's operations and stakeholders' concerns, to formulate strategies and work objectives, to plan and execute annual projects, and to track the effectiveness to ensure the sustainability strategy is fully implemented in the Company's daily operations. The Sustainability Committee prepared a report on ESG short-, medium- and long-term goals setting to the Board of Directors on March 8, 2024.</p> <p>The Board shall evaluate the probability of the success of the goals setting and shall urge the management team to make adjustments when necessary.</p>	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		<p>The Company's risk assessment boundary is based on the Company, including the Chung-Li Plant I, the Guan-Yin Plant II, and the Guan-Yin Plant III.</p> <p>The Sustainability Committee analyzes the materiality principle of the sustainability report, communicates with internal and external stakeholders, and integrates the assessment information from each department to assess the materiality of ESG issues, and formulates a risk management policy that effectively identifies, measures, evaluates, supervises, and controls the risks, as well as adopts a specific action plan to minimize the impacts of the related risks.</p> <p>Based on the assessed risks, formulate relevant risk management policies or strategies:</p> 	No deviation
(3) Environmental issues				
1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		<p>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.</p>	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		<p>Through the Energy Management System, the Company endeavors to enhance energy efficiency and improve facility energy consumption. On March 24th, 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 12th 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</p>	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>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?</p> <p>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?</p>	V		<p>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.</p> <p>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. The Sustainability Report referred to the Recommendations on Task Force on Climate-related Financial Disclosures (TCFD) framework, and disclosed the 11 recommended disclosures under the 4 recommended disclosures of governance, strategy, risk management, indicators and targets for climate-related risks and opportunities of the business.</p> <p>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%.</p> <p>In 2023, Chung Li Plant has achieved 34% energy saving per million of output value, Guan Yin Plant II has achieved 35%, uan Yin Plant III has achieved 7%, and the subsidiary (Fortune Electric Extra High Voltage) has achieved 20.8% energy saving per million of output value, all with impressive performances.</p>	<p>Implemented in accordance with the regulation and no deviation.</p> <p>Implemented in accordance with the regulation and no deviation.</p>
<p>(4) Social issues</p> <p>1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>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?</p> <p>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?</p>	V		<p>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.</p> <p>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.</p> <p>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, ISO14001and ISO50001. We hold regular monthly workplace safety meetings and reports, and each unit makes its own safety proposals to form a safety culture. We also have established a safety and health performance review to reward and demand both, enabling each unit to proactively establish occupational safety and protection, reduce occupational disaster risks, and ensure the employees' operational safety. 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.</p> <p>All our plants have obtained ISO45001 certification, and we continue to conduct internal audits and external tracking every year to maintain the validity of our certificates.</p> <p>In 2023, there were 7 occupational accidents and 7 people suffered minor injuries, accounting for 0.77% of the total number of employees. For the prevention of accidents at work, in addition</p>	<p>Implemented in accordance with the regulation and no deviation.</p> <p>https://www.fortune.com.tw/tw/Investor_human_right.html</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>

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>to actively providing personal protective equipment such as safety vests and face masks, and regularly holding promotion and education training activities, in accordance with the company's procedures for handling public injuries and rewards and punishments, to investigate and analyze the causes of accidents and review them, and to take effective precautionary measures to prevent similar accidents from recurring. We arranged for a 4-hour emergency response exercise in each of the first and second halves of the year, in order to ensure our employees, receive appropriate training, including the actual operation of fire-fighting facilities, evacuation and muster drills, and training of emergency first-aid CPR+AED use, which significantly improves their autonomy in preventing and rescuing from disasters. There were zero fire incidents in 2023.</p> <p>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 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.</p> <p>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.</p> <p>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 has 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. 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 been 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 contract may be terminated or cancelled immediately.</p> <p>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>	Implemented in accordance with the regulation and no deviation.
(5) Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose sustainable development report and non-financial information of	V		<p>The Company has prepared the 2022 ESG Sustainability Report in accordance with the GRI Universal Standards 2021, and 2022 ESG Sustainability Report has obtained a third-party assurance</p>	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	
the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third-party verification unit			from a third-party assurance organization, AFNOR Asia Ltd., a member of AFNOR Group, to verify the third-party's assurance. Please refer to the Company website https://www.fortune.com.tw/tw/sustainable_journal.html	
<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> <p>The Company adopted the following measures to fulfill social responsibility as well as be neighborly and care for the society:</p> <ol style="list-style-type: none"> 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. 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 Donation to Tunghai Rotary Club and Yoneyama Rotary Club for social charity relief. Participated in Kuan 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, preventing domestic violence, eliminating sexual abuse, after-school tutoring for underprivileged children, adoption, community blood-donation, school food bank donations, beach & mountain cleaning, street cleaning and drainage dredging project. Purchased environmentally friendly fruits and vegetables for nursery school children, assisted in food sharing cafeteria to take care of disadvantaged elders, donated equipment for school ball teams to give children support and encouragement in sports, and sponsored annual food to send warmth and care to disabled elders. Responded to the government's community development by planting trees to sequester carbon and combat warming, utilize used clothing recycling programs to achieve environmental protection and reuse of resources. Cooperated with Taoyuan City government and executed O3 improvement plan, demonstrating real action to preserve earth. 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. 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. Collaborating between industry and academia and all sorts of cooperation project, to provide students with on-the-job training, part-time job and internship. Fulfill corporate responsibility and recruited R&D Substitute Services, to incubate R&D technology talents with special skillsets. Participated in government's career promotion fair and reward program, to provide more job opportunities and lower unemployment rate. 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. 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. The Company was awarded the 18th place in the 2015 of Commonwealth Magazine CSR Corporate Citizen Award. The Company was awarded "10th Service Quality Excellence Award" by Taoyuan City. 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. Awarded "2018 Innotech Expo" Platinum Medal and Silver Medal. Awarded "Taiwan Excellence Awards" in 2018 and 2019. 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. Won Gold Medal in the 2021 Taiwan Innotech Expo. Hsu I-Te, General Manager of the Company, was awarded with honor as "Taiwan MVP Managers" The Company was honored with the "Smart Manufacturing Transformation Award" of 2022 2nd "Digital Transformation Ding Ge Award, organized by Harvard Business Review. The Company was honored the award of "Outstanding Unit in Green Procurement for private Enterprises and Group". The Company won the 2023 HR ASIA AWARD Asia's HR Asia--Best Companies to Work for in Asia. The Company's internal publication paper uses FSC-certified materials to ensure the printing materials do not come from over-exploitation forests, in an effort to be environmentally friendly and reduce carbon emissions. The Company participated in 0403 Hualien Earthquake Fundraising Program in 2024, presenting our corporate citizenship image and fulfilling corporate social responsibility. 				

(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		<p>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.</p>	Implemented in accordance with the regulation and no deviation.
	V		<p>The Company has established “Ethical Management Operation Procedures and Conduct Guide.”. in accordance with 2nd item of 7th 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.</p>	Implemented in accordance with the regulation and no deviation.
	V		<p>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.</p>	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		<p>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.</p>	Implemented in accordance with the regulation and no deviation.
	V		<p>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.</p> <p>https://www.fortune.com.tw/tw/Investor_integrity.html</p>	Will implement in accordance with regulations.
	V		<p>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.</p>	Implemented in accordance with the regulation and no deviation.
	V		<p>Internal Audit plans has scheduled compliance practices, based on the Company’s “Ethical Management Operation Procedures and Conduct Guide.”</p>	Implemented in accordance with the regulation and no deviation.
	V		<p>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.</p>	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, for ease of whistleblowing? Does the Company appoint designated person appropriately to follow up with the person in question?</p>	V		<p>The Company set up “Personnel Assessment Committee” and designated an executive secretary to be contact window for all matters regarding report, investigation, punitive actions, complaint matters as well as rewards and disciplinary system.</p>	Implemented in accordance with the regulation and no deviation.

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract	
(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		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 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% in the 4 th and 5 th sessions, and 36%-50% in the 6 th to 10 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, 2024

Based on the self-assessment of Company's internal control system for year 2023, 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, 2023, 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, 2024. Among all attending 10 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
General Manager: 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, 2023, implementation status and summary:

1. Proposal

The Company's 2022 Consolidated Financial Statements, Individual Financial Statements and Business report are hereby submitted for ratification

Explanation:

- (1) The Company's 2022 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 8th, 2023; 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 192,416,050 votes, 95.31% of voting rights and hereby the motion carried as it was.

2. Proposal:

The Company's Profit Distribution for 2022 is hereby submitted for ratification

Explanation:

- (1) The Company's 2022 net profit after-tax was NT\$838,248,823, please refer to 2022 profit distribution table (omitted) for details.
- (2) For your ratification.

Resolution:

Ratification votes: 192,404,150 votes, 95.30% of voting rights and hereby the motion carried as it was.

Execution status:

Proposed to set August 4th, 2023 as cash dividend Ex-Dividend Date and would start to pay out from August 24th, 2023. (Cash dividend per share would be NT\$2.5)

3. Proposal:

Amendment of "Operation Procedures for Loans of Funds to Others" to submit for referendum.

Explanation:

- (1) Cooperated with law and regulation to amend the "Operation Procedures for Loans of Funds to Others"
- (2) The Amendment comparison Table (omitted)

Resolution: Ratification votes: 191,180,858 votes, 94.70% 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.

4. Proposal:

Amendment of "Procedures for Election of Directors" to submit for referendum.

Explanation:

(1) In accordance with the TSE Announcement No. 1090009468, dated June 3, 2020 and its practical operation, proposed to amend the relevant articles of the "Procedures for Election of Directors".

(2) The Amendment comparison Table (Omitted)

Resolution: Ratification votes: 191,188,041 votes, 94.70% of voting rights and hereby the motion carried as it was.

Execution Status: In accordance with the amended procedures after approved by the shareholders' meeting.

5. Proposal:

Overall re-election of directors.

Explanation: Omitted

Election results:

Name	Number of votes	Note
Hsu, Bang-Fu	196,388,165	
Hsu, Shou-Hsiung	195,659,362	
Shu, Yi-Cheun	192,832,211	
Hsu, I-Te	191,327,302	
Hsu, I-Sheng	190,717,058	
Weng, Jen-Pei	178,036,876	
Hu, Len-Kuo	177,683,092	Independent Director
Lei, Whey-Min	176,961,280	Independent Director
Liao, Chih-Hsiang	176,155,832	Independent Director
Yeh, Yun-Ching	175,485,093	Independent Director

Execution Status: Approved by the Ministry of Economic Affairs on July 24, 2023 to register and complete the filing.

Major Resolutions of the Board Meeting on May 10th, 2023

1. Proposal: Amendment of “Operation Procedures for Loans of Funds to Others” to submit for referendum.

Explanation: Omitted

Resolution: (1) Proposal has been approved by the Audit Committee members present unanimously on May 10, 2023.

(2) Proposal has been approved by all members present at the Board meeting with onward submission to the 2024 Shareholders’ meeting for ratification.

Major Resolutions of the Board Meeting on March 8th and April 23rd, 2024

1. Proposal: The Company’s 2023 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 5% and 1.50% of the 2023 cumulative net profit, which will be NT\$165,073,000 and NT\$49,522,000, respectively.
Resolution: (1) Remuneration for the Directors have been approved by all members of the Remuneration Committee on March 8 th , 2024. (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 2023 Consolidated Financial Statements, Individual Financial Statements and Business report are hereby submitted for review and approval.
Explanation: (Omitted)
Resolution: (1) The Company’s 2023 Consolidated Financial Statements and Individual Financial Statements have been prepared and approved by all members present at the Audit Committee on March 8 th , 2024. (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 2023 Business report is hereby submitted for review and approval.
Explanation: (Omitted)
Resolution: (1) The Company’s 2023 Consolidated Financial Statements and Individual Financial Statements have been prepared and approved by all members present at the Audit Committee

on March 8 th , 2024.
(2) The abovementioned statements have been approved 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 2023 is hereby submitted for review and approval
Explanation: The Company's 2023 net profit after-tax was NT\$2,577,259,769, please refer to 2023 profit distribution table (omitted) for details.
Resolution: (1) Proposal has been approved by all members present at the Audit Committee on March 8 th , 2024 unanimously.
(2) Proposal was approved by all members present at the Board meeting to amend Explanation 2 to (omitted). with onward submission to the Shareholders' meeting for ratification regarding profit distribution and cash dividend distribution.
5. Proposal: Amendment of "Articles of incorporation" is hereby submitted for review and approval
Explanation: 1. To meet the operational needs and to enrich the company's operating capital and practical operation, to amend the Company's Articles of Incorporation. 2. The Amendment comparison Table (omitted)
Resolution: Proposal was approved by all members present at the Board meeting with onward submission to the Shareholders' meeting for ratification.
6. Proposal: Proposed to issue new common shares from earnings and hereby for your review and approval.
Explanation: 1. To meet the operational needs and to replenish the Company's working capital, the Company proposed to appropriate NT\$261,058,550 from the 2023 distributable earnings to issue 26,105,855 new shares, with a par value of NT\$10 per share, all as common stock. 2. Stock dividends to shareholders are based on the proportion of shares held by shareholders listed in the shareholders' register on the base date of the capital increase and distribution, with approximately 100 shares for every 1,000 shares held. For fractional shares that are less than one share, shareholders may, within five days from the book closure date, apply to the stock agent to consolidate a whole share. Any fractional shares that are insufficient to be consolidated or not consolidated will be distributed in cash at par value up to the nearest dollar in accordance with Article 240 of the Company Act (to offset the transfer agency fees or the non-physical registration fees) and to authorize the chairman to negotiate with a specific person to purchase the shares at par value. 3. Omitted. 4. Omitted 5. Omitted
Resolution: Proposal was approved by all members present at the Board meeting with onward submission to the Shareholders' meeting for ratification.
7. Proposal: Proposed to convene 2024 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&D, 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	Suei Chin Lee Shih Chieh Chou	Year 2023	4,020	911	4,931	Non-audit fee, mainly are business tax deduction audit fees, transfer pricing, and whistleblower center services fees..., 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:

1. Information regarding the former CPAs

Date of replacement	From the first quarter of 2023		
Reason for replacement and explanation	Internal work adjustment and arrangement of Deloitte & Touche		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Parties	CPAs	The Company
	Circumstances		
	Terminated the engagement	Not applicable	Not applicable
No longer accepted (discontinued) the engagement		Not applicable	Not applicable
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	Not applicable		
Disagreement with the Company?	Yes		Accounting principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Other
	No	V	
	Specify details		
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	None		

2. Information Regarding the Successor CPAs

Name of accounting firm	Deloitte & Touche
Names of CPAs	Principal CPA: Suei Chin Lee Associate CPA: Shih Chieh Chou
Date of engagement	Principal CPA: From the first quarter of 2023 Associate CPA: From the first quarter of 2023
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	Not applicable
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	Not applicable

3. The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations: Not applicable

3.7 Where the company's chairperson, general manager, 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, General manager, CEO, 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	2023		As of April 15 th , 2024	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Hsu, Bang-Fu	(1,177,573)	-	-	-
Vice Chairman	Hsu, Shou-Hsiung	-	-	-	-
Director	Shu, Yi-Cheun	-	-	-	-
Director & Managerial officer	Hsu, I-Sheng	-	-	-	-
Director & Managerial officer	Hsu, I-Te	-	-	-	-
Director	Weng, Jen-Pei	-	-	-	-
Independent Director	Hu, Len-Kuo	-	-	-	-
Independent Director	Lei, Whey-Min	-	-	-	-
Independent Director	Liao, Chih-Hsiang	-	-	-	-
Independent Director	Yeh, Yun-Ching	-	-	-	-
Managerial Officer	Hsu, I-Ming	837,920	-	-	500,000
Managerial Officer	Hsu, I-Yang	-	-	-	-
Managerial Officer	Sun, Shih-Ming	(41,000)	-	(14,000)	-
Managerial Officer	Chu, Huei-Long	-	-	-	-
Managerial Officer	Ku, Fu-Chen	-	-	(8,000)	-
Managerial Officer	Lee, Hsiao-Li	1,000	-	(1,000)	-
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, Bang-Fu	Gift	September 15, 2023	Lai, Sze-Ting	Father-in-law & Daughter-in-law	88,570	92.30
Hsu, I-Ming	Gift (Assign)	September 15, 2023	Chen Yan-Fen	Mother & Son	418,960	92.30
Hsu, Bang-Fu	Gift	September 15, 2023	Hsu Yi-Ting	Father & Daughter	492,903	92.29
Hsu, Bang-Fu	Gift	September 15, 2023	Hsu Yu-Huan	Granddaughter	88,570	92.30
Hsu, Bang-Fu	Gift	September 15, 2023	Hsu Yu-Xiang	Grandson	88,570	92.30
Hsu, Bang-Fu	Gift	September 15, 2023	Hsu, I-Ming	Father & Son	418,960	92.30
Hsu, I-Ming	Gift (Assign)	September 15, 2023	Hsu, Bang-Fu	Father & Son	418,960	92.30

(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 15th 2024 / 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	16,910,749	6.48%	11,391,188	4.36%	0	0.00%	Chen, Yen-Fang Hsu, Chung-Ming, Hsu, Shou-Hsiung Hsu, Mei-Fang	Spouse Brothers Brother & Sister	
Chun Sheng Fa Corp.	11,502,000	4.41%	0	0.00%	0	0.00%	Hsu, Chung-Ming	Chairman of this corp. is son of Hsu, Chung-Ming	
Chen, Yen-Fang	11,391,188	4.36%	16,910,749	6.48%	0	0.00%	Hsu, Bang-Fu	Spouse	
Hsu, Mei-Fang	10,058,074	3.85%	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	
HSBC Bank (Taiwan) Ltd. custody of the investment account of Morgan Stanley & Co. International Plc.	8,497,002	3.25%	0	0.00%	0	0.00%	—	—	
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	

Note: In accordance with the “Regulations Governing the Preparation of Financial Reports,” all of the top 10 shareholders should be listed, and the names of corporate/juristic person shareholders and their representatives should be listed separately.

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.	100,000	100.00	0	0.00	100,000	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: (1) The Company adopted equity method for investment.

(2) Power Energy International Co., Ltd. was approved for capital reduction and return of US\$3,700 thousand to shareholders by the board of directors on January 16, 2023, with capital stock amounting to US\$100 thousand after reduction; 100% reinvested Wuhan Fortune Electric Co., Ltd.

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 15th, 2024

Quantity \ Structure	Government Agency	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of shareholders	5	118	59	17,318	301	17,801
Shares	9,394,217	17,319,597	36,541,972	143,543,325	54,259,437	261,058,548
Shareholding ratio	3.60%	6.63%	14.00%	54.99%	20.78%	100.00%

(3) Shareholding distribution

Par Value: NT\$10

April 15th, 2024

Class of Shareholding	Number of Shareholders	Shareholding (shares)	Percentage
1 ~ 999	11,058	1,184,859	0.45
1,000 ~ 5,000	5,724	9,338,182	3.58
5,001 ~ 10,000	407	3,093,817	1.19
10,001 ~ 15,000	130	1,648,186	0.63
15,001 ~ 20,000	81	1,449,219	0.56
20,001 ~ 30,000	82	2,054,858	0.79
30,001 ~ 40,000	50	1,826,696	0.70
40,001 ~ 50,000	40	1,835,747	0.70
50,001 ~ 100,000	74	5,396,046	2.07
100,001 ~ 200,000	67	9,612,909	3.68
200,001 ~ 400,000	25	7,547,033	2.89
400,001 ~ 600,000	15	7,409,800	2.84
600,001 ~ 800,000	5	3,840,614	1.47
800,001 ~ 1,000,000	3	2,602,000	1.00
1,000,001 or over	40	202,218,582	77.46
Total	17,801	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 15th, 2024/ 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	16,910,749	6.48
Chun Sheng Fa Corp.	11,502,000	4.41
Chen, Yen-Fang	11,391,188	4.36
Hsu, Mei-Fang	10,058,074	3.85
Huang, Hsiou-Chin	9,017,034	3.45
HSBC Bank (Taiwan) Ltd. custody of the investment account of Morgan Stanley & Co. International Plc.	8,497,002	3.25
Hsu, Chung-Ming	8,474,677	3.25
Kuan, Eiao-Chan	8,195,887	3.14

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

Unit: NT\$

Year		2023	2022	As of March 31 st , 2024
Items				
Market Price per Share (Note 1)	Highest	376.00	50.90	827.00
	Lowest	47.15	32.55	322.00
	Average	169.65	42.80	446.36
Net Worth per Share (Note 2)	Before Distribution	23.08	15.87	-
	After Distribution	17.08	13.37	19.44
Earnings per Share (Note 3)	Weighted Average Shares		261,058,548	261,058,548
	Earnings per Share	Before adjustment	9.87	3.21
		After adjustment	9.87	3.21
Dividends per Share (Note 4)	Cash Dividends		6.00	2.50
	Stock Dividends	-	1.00	-
		-	-	-
	Accumulated Undistributed Dividends		-	-
Return on Investment Analysis	Price / Earnings Ratio (Note 5)		18.32	12.26
	Price / Dividend Ratio (Note 6)		30.13	15.74
	Cash Dividend Yield Rate (Note 7)		3.32	6.35

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, 2024)

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 2023 profits was passed at the Board Meeting on March 8th, 2024, with NT\$6.00 in cash and NT\$1.00 in stock dividends per share to be proposed to the shareholders meeting for discussion.

(7) Impact of proposed distribution of bonus shares on the Company's Operating Performance and Earnings per Share:

In accordance with the "Regulations Governing the Publication of Financial Forecasts of Public Companies" and the "Standards for Determining Whether a TWSE Listed Company Shall Publish Complete Financial Forecasts", the Company has not yet disclosed its complete financial forecasts for 2024, therefore, disclosure of the impact of the forecasted financial information is not applicable.

(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, 2024, the Board of Directors approved the resolution in regard to the 2023 Employee Remuneration at Cash NT\$165,073,000 and Director's compensation at NT\$49,522,000.

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

2023 actual pay out to Employee of Cash at NT\$50,152,000 and the Directors' compensation at NT\$15,045,000, 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, port pier electrical engineering reconstructions. 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/energy storing 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	2023
Transformer	68.09%
Distribution Board	11.03%
Contract construction	9.10%
Devices for power distribution	2.74%
Electricity sales	0.15%
Other	8.89%
Total	100.00%

3. New product planning

Exported three-phase pad-mounted transformers, expandable mobile energy integration systems for home use, ultra-large capacity TR two-tube maintenance-free respirators, and air-sealed switches using eco-friendly gases 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. Along with the end of the coronavirus pandemic (COVID-19), inflation and interest rate hikes have come to an end, while the global economy is still subject to unpredictable risks from international geopolitics. Domestic and international major forecast organizations are neutral but optimistic about the global outlook for 2024.

- (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, Geothermal power generation target to reach 31,000,000-Kilowatt by 2030, offshore wind power target 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, along with the lifting of the pandemic and the effect of destocking, resulting in supply-demand imbalance of power equipment, the transformer market grew rapidly since 2022. The U.S. Department of Energy forecasts that under the impetus of the "Inflation Reduction Act" and other acts, the U.S. will require 64% of new regional transmission lines and 114% of new cross-regional transmission capacity in 2035, pushing the demand for transformers even stronger. 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 swing; still, as the risk is high, we still have to handle it with caution.
- (6) In recent years, under the trend of technology development and energy transition, traditional carriers have been gradually moving towards electrification. According to Bloomberg New Energy Finance, global demand for lithium-ion batteries will continue to grow, exceeding 2,300 GWh by 2031, with about 88% of the demand coming from electric vehicles, and DIGITIMES Research also forecasts that global electric vehicle sales will reach 28.5 million units in 2025, with a penetration rate of over 30%. And the CAGR of EV market from 2020 to 2025 will reach 55.4%, significantly higher than the 4.7% performance of the overall automotive market. As for the domestic market, according to the statistics of Highway Bureau, MOTC, the number of licensed vehicles in Taiwan in 2023 was 476,987, and the number of licensed EVs was 14,601, accounting for 5.16% of the total number of licensed vehicles, and the growth rate of EVs was 54% compared with 2022.

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. Furthermore, we will continue to develop and optimize our home charging equipment and system platform.

(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
2023	214,461	1.54
Q1 2024	69,890	2.30

Product Specification successfully developed	Results
Exported Single phase pad mounted transformer	Successfully passed the DOE (U.S. Department of Energy) and the IEEE C57.12 pad mounted standard requirements.
Exported Single-Phase Pavilion-Mounted Transformers (50kVA、75kVA and 100kVA) -IEEE Type II	Successfully passed the DOE (U.S. Department of Energy) high-efficiency energy-saving, and the IEEE C57.12 pavilion-mounted standard Type II requirements.
Y451(112-02) Low Voltage Street Light Switch (Electromagnetic contact)	All test items have been completed and are expected to be submitted to Taipower to obtain the contracting qualification after obtaining the witness testing report from the third-party witness unit.

- (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. Thanks to the introduction of electric vehicles by major car manufacturers and the increase in models, the domestic electric vehicle market continues to grow, and cooperation with car manufacturers in the home charging piles and community projects for the household market is booming, the company provides households with on-site field surveys, regional planning, research and development of self-produced charging equipment, construction, installation and testing, energy management systems, after-sales maintenance and warranty, and with various levels of construction licenses of the contractors. Our comprehensive customer service solutions have been adopted by many car manufacturers and famous contractors, and we also provide overall planning and construction in new projects or communities.

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. Continuous grow our business with stable quality and production capacity. 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 the transformer industry is not only capital and technology-intensive, it is also not easy to gain customers' trust and adoption, and competitors are not easy to enter the market or increase competition in the short term. In terms of the number of domestic counterparts, the 69 kV or higher transformer manufacturers have zero growth in the past 40 years. For nearly 30 years, we have been deeply engaged in the North American market. In order to win customers' recognition, we strategically send our 11, 22, 66, 230, and 500kV transformers to KEMA, an world renowned certification organization, and have completed the most stringent short-circuit test for transformers with an average pass rate of less than 50%, and we have also been evaluated by customers visiting our factory for many times in North American market, meanwhile, with our quality pre-sale and after-sale services, design and parts and accessories, to maximize the standardization of our products and to expand our capacity to meet the needs of customers. At the same time, we also maximize the standardization of accessories, design and spare parts, and expand production capacity to provide reasonable prices and lead times to customers, gradually giving customers more confidence in purchasing higher voltage levels and larger capacity transformers, thereby widening the gap with competitors and increasing our market share.

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. Also, we continue to expand our charging stations at potential charging locations for car owners throughout Taiwan.

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 succeeded 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: 45% of domestic sales volume and over 90% of export sales volume.
 Distributed transformer: 22% of domestic sales volume and over 70% 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 electrical 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:

- 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
- Zhang Fong, West Island, Chung Nan offshore wind power/generator assembly
- Ørsted Phase II offshore wind power terrestrial main and secondary transformer
- Hai Long 2 and Hai Long 3 offshore wind power terrestrial main transformers
- 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 Chungli and Kuan 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
- Kuo Ruei Car Kuan Yin plant 2.5MW solar power equipment
- Kuo Ruei Car Chungli 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
- Kuo Ruei Car Chungli plant 4.8MW solar power system project
- Bao Lu Construction-New rooftop solar power four system projects
- Shinren Energy 120MW solar power 120MVA main transformer
- Xueshen energy Tainan Syuejia District 17MW solar power electrical equipment
- 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 199 EVALUE brand public power charging stations, including 152 DC fast charging equipment and 479 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)
- Netcore Network Communication CORP. Chang hua 4.9MW energy storage project electrical equipment
- Changhua Mingxing 4.9MW energy storage project electrical equipment
- Yaojie Tongluo 2.5M energy storage project electrical equipment
- JILAN ENERGY Miaoli Toufen 94.9MW energy storage project main transformer
- Wansheng 50MW-Hualien Minxin Wansheng 50MW energy storage equipment construction project, Zhaosheng 4MW-Hualien Meilun 4MW energy storage equipment construction project
- OKGO 4.9MW-Changbin 4.9MW dReg regulating reserve installation project

- (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, mould0cast 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 230kV 240MVA large capacity transformer short-circuit testing certification, and our 100% owned 500kV transformer plant has the only 500kV transformer short-circuit testing certification in Taiwan and with export sales in this product, helped us to expand power transformer business development domestically and internationally.
- (14) 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:

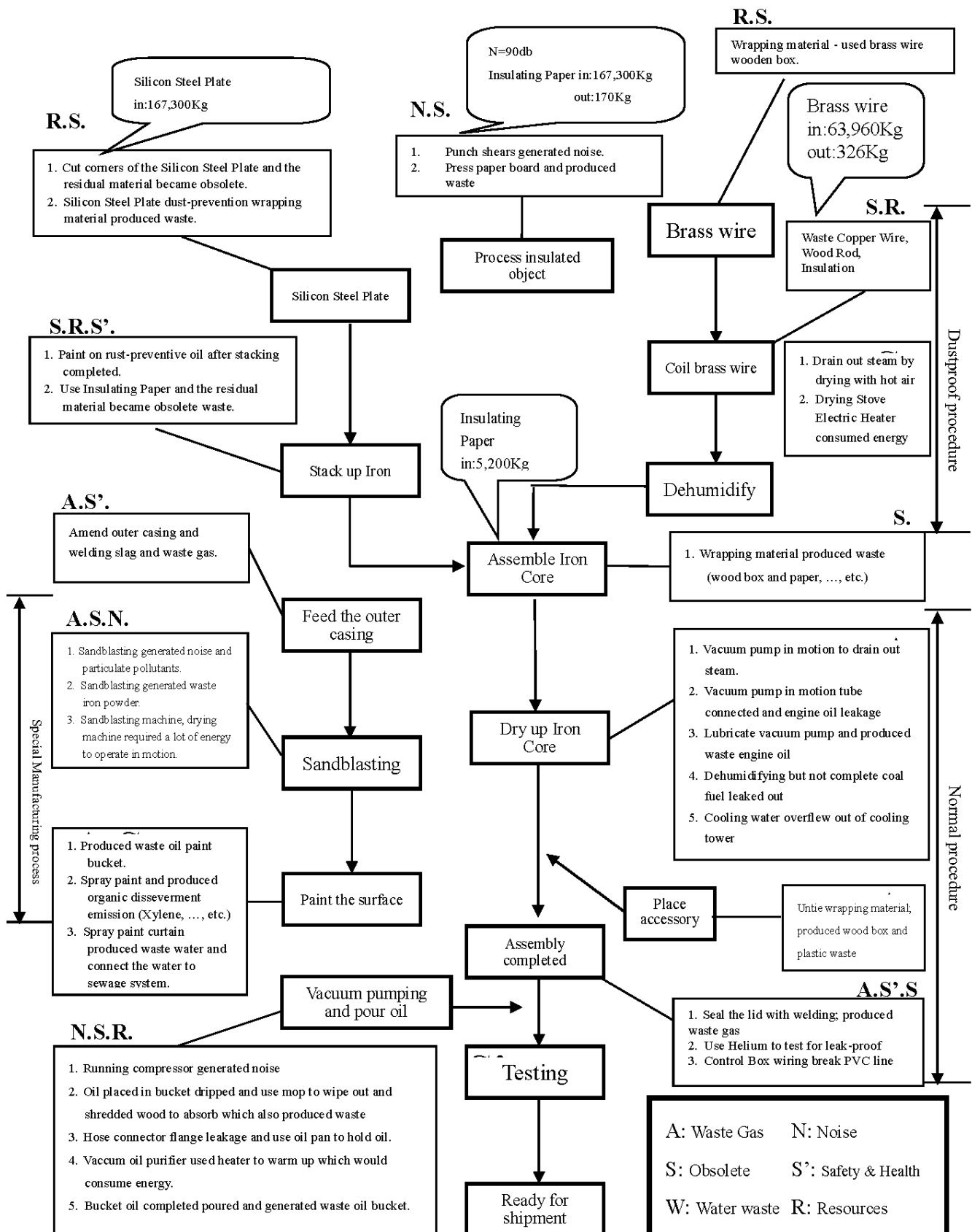
Switch box, electricity board, control board, and power distribution box, with system protection and coordination functions namely, activating, and deactivating devices, surveillance and safety detachment, in power plant, transmission and distribution system’s substation, factory, public facilities, 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

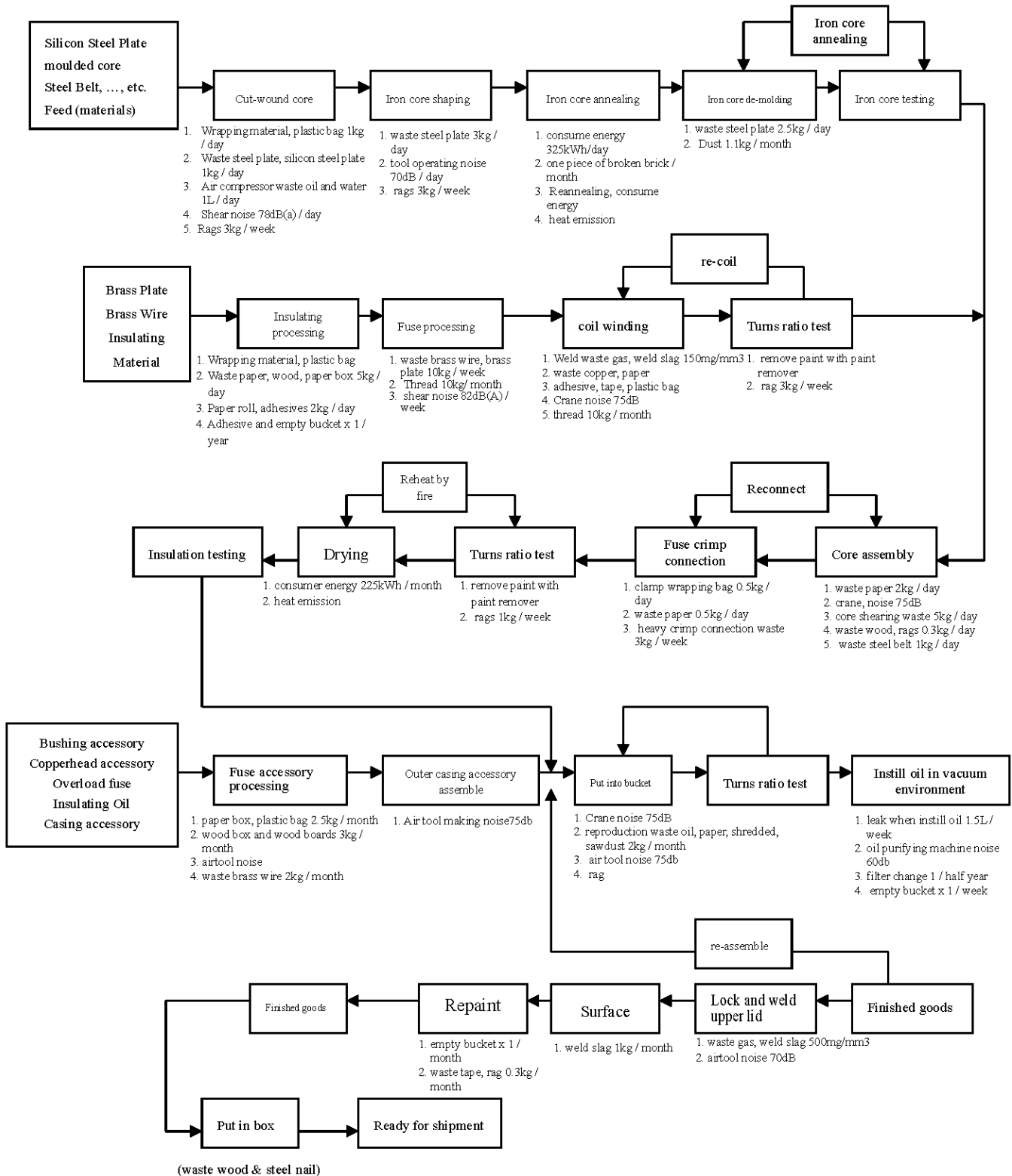
(1) Power Transformer production Diagram:

Power Transformer Production Diagram

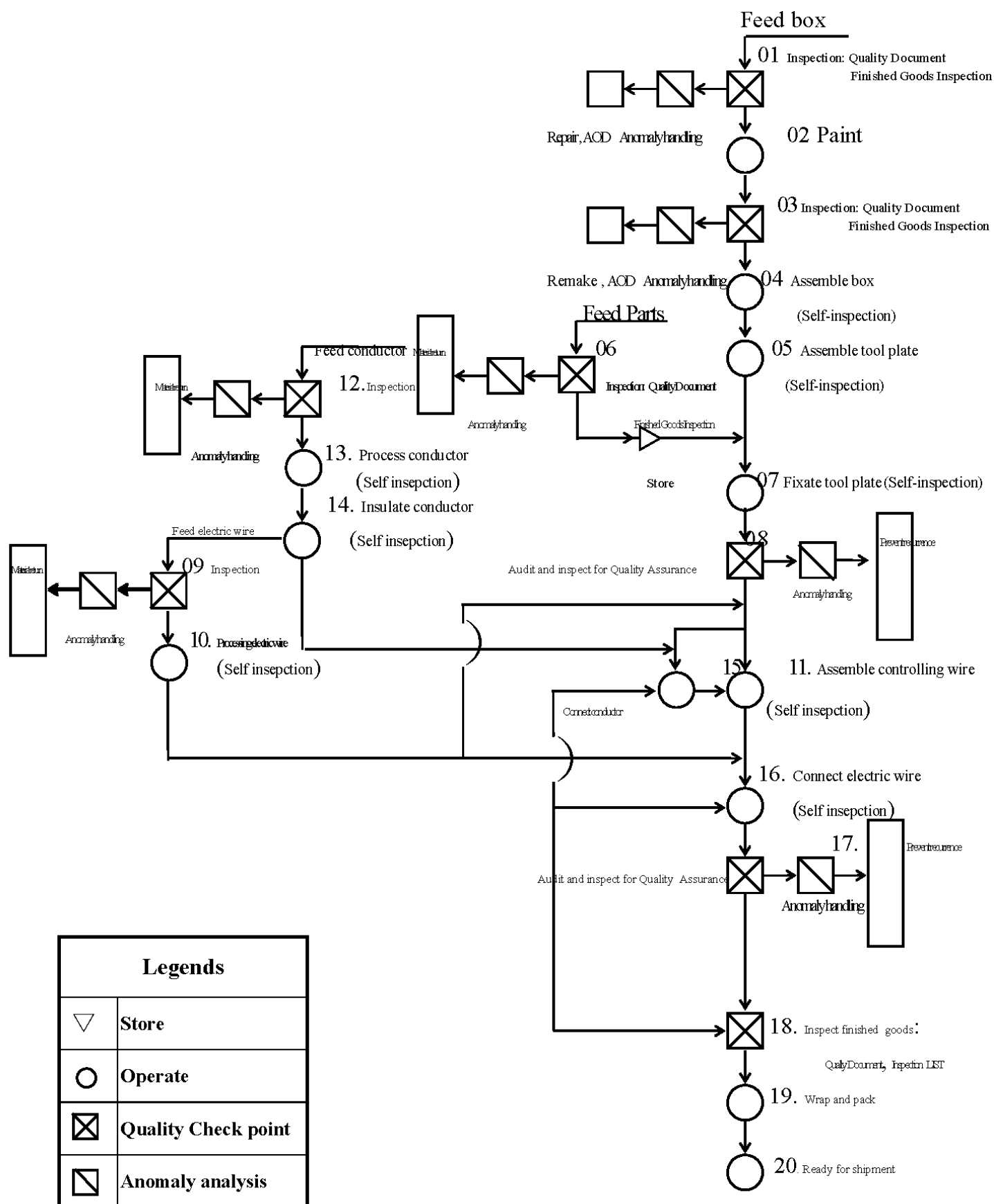


(2) Distributed transformer manufacturing diagram:

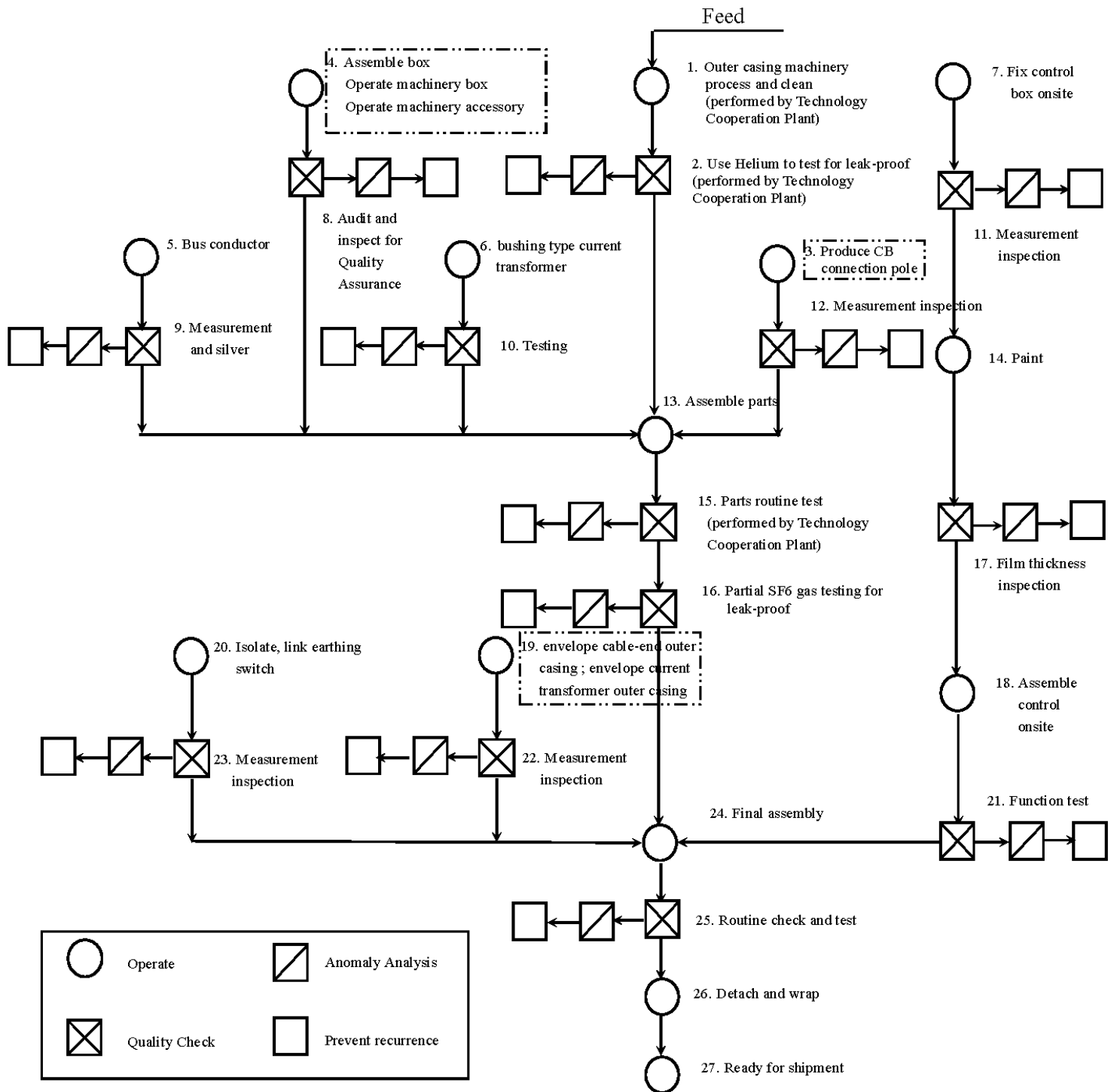
Distributed Transformer Manufacturing Diagram



(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, Americas, and Middle East
Brass wire	To manufacture core of transformer	ROC, Asia
Insulating Oil	Insulate transformer	ROC, U.S., Asia, 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

NO	2023				2022				Up to Previous Quarter in 2024			
	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 previous quarter (%)	Relationship with issuer
1	Fortune Electric Extra	1,350,304	18	Related party	Fortune Electric	1,067,202	18	Related party	Fortune Electric Extra	327,673	14	Related party
	Other	6,204,094	82		Other	4,954,172	82		Other	2,006,431	86	
	Net of sales	7,554,398	100		Net of sales	6,021,374	100		Consolidated Net of Sales	2,334,104	100	

In the current year, revenue increased thanks to the growth momentum of Taipower's power grid resilience project and overseas power infrastructure projects. 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

NO	2023				2022				Up to Previous Quarter in 2024			
	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	A	3,438,044	26	Non-Related party	A	2,355,491	32	Non-Related party	A	639,300	21	Non-Related party
2	B	2,229,667	17	Non-Related party	B	710,605	10	Non-Related party	B	486,943	16	Non-Related party
	Other	7,750,501	57		Other	4,191,541	58		Other	1,911,258	63	
	Net of sales	13,418,212	100		Net of sales	7,257,637	100		Consolidated Net of Sales	3,037,501	100	

1. Compared to 2022, current year sales to Company A increased 45.96%, mainly benefited from the demand impact of Taipower's power grid resilience

- project.
2. Compared to 2022, current year sales to Company B increased by 213.77%, mainly due to the increase in demand for green energy and overseas power infrastructure.

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

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

Major Products	2023			2022		
	Productivity	Volume	Value	Productivity	Volume	Value
Transformer (kVA)	23,600,000	12,446,762	6,498,084	23,500,000	10,200,978	4,244,808
Distribution Board (set)	200	116	1,300,473	200	75	689,656
Devices for distribution (set)	53,000	762	421,209	53,000	8,024	212,358
Other	-	-	926,396	-	-	534,266
Total	23,600,000 kVA 200 set 53,000 Tool	12,446,762 kVA 116 set 762 Tool	9,146,162	23,500,000 kVA 200 set 53,000 Tool	10,200,978 kVA 75 set 8,024 Tool	5,681,088

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

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

Major Product	2023				2022			
	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)	7,782,620	4,631,282	5,009,726	4,600,364	6,380,481	3,193,438	4,360,573	2,016,792
Distribution Board (Set)	110	1,517,783	2	15,196	66	643,056	3	38,232
Devices for distribution (Set)	536	380,864	-	-	11,893	207,168	2	7,677
Other	-	1,032,480	-	87,162	-	562,577	-	67,797
Construction	-	1,131,575	-	-	-	509,002	-	-
Electricity sales	3,072,266	21,506	-	-	1,699,747	11,898	-	-
合計	7,782,620 kVA 110 set 536 Tool 3,072,266 Spend	8,715,490	5,009,726 kVA 2 set Tool -	4,702,722	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

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		2023	2022	Up to Publication date of the Annual Report
No. of Staff	Business Management	246	221	263
	Indirect manufacturer	263	233	284
	Direct Manufacturer	424	294	457
	Total	933	748	1,004
Average Age		39.35	41.39	39.09
Average Seniority		9.89	11.84	9.34
Education Distribution	P.H.D.	0.21	0.13	0.20
	Master Degree	12.11	13.64	11.85
	College	54.14	58.96	54.68
	Senior High School	25.83	19.92	25.20
	Under Senior High School	7.61	7.35	8.07

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, incentives for employees serving 5 and 15 years, employee stock ownership trusts, and more.
 - (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, 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, there were 1,262 people (times) in 2023 and total training hours were circa 6,541 hours and total training expenses were NT\$4,905,000

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 in Employment 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:

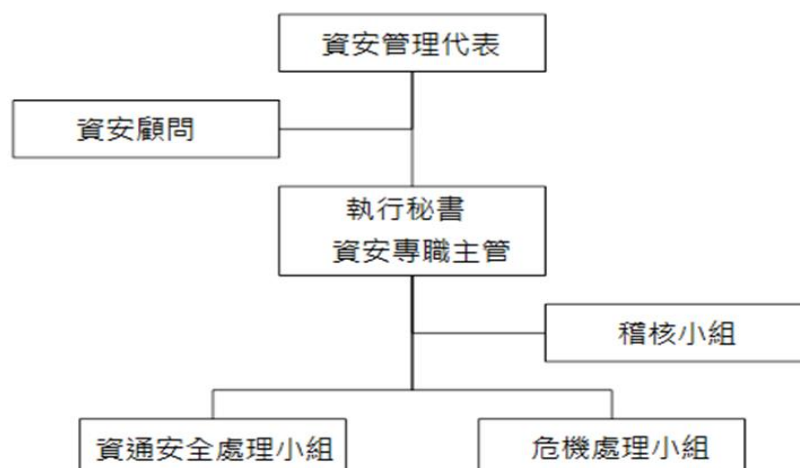
1. Labor dispute status: NONE
2. Incurred loss amount: NONE
3. Possible loss amount in the future: NONE
4. Countermeasures:

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, comprising 4 members responsible to plan and execute all information security operation

Crisis Handling Team:

Crisis Handling Team comprises of 9 members, 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 has introduced the 27001 Information Security Management System in 2014, and has obtained the certification periodically, the current validity period of the certificate is from April 19, 2023 to August 31, 2025. In accordance with the steps of ISO27001 Information Security Management System, to implement the information security management system. 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.

- (4) The Information Security Management Committee holds a meeting at least once a year to review the current information security management system of the Company. To ensure the suitability, appropriateness and effectiveness of the relevant procedures meet the needs of the Company. It will also evaluate the timing for improvement of the relevant policies and objectives, or any other change needs. The review results shall be documented and recorded. Any significant changes to this policy shall be reviewed immediately to ensure its appropriateness and effectiveness. Notify relevant units and partners when necessary, in order to comply with the policy.

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 September 30 th , 2024	Power Transformer: 1. Sulfur hexafluoride gas-insulated : 12~69kV and 3~30MVA 2. Sulfur hexafluoride gas-insulated :12~161kV, 31~100MVA 3. Oil-immersed: 346~400kV and 32~300MVA 4. Oil-immersed: 161kV and 651~750MVA 5. Oil-immersed: 345kV and 651~1000MVA 6. Oil-immersed:	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

Type of Contract	Party	Contract Period	Major Content	Restrictive Terms and Conditions
			345kV 1001~1300 MVA 7. Oil-immersed: 346~400kV and 301~400MVA	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 80MVar 2. 161kV and 40MVar 3. 3.33kV and 40MVar 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 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.
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 Item		Consolidated Financial Summary for The Last Five Years (Notes 1 & 2)					Financial Data of Current Year up to March 31st (Notes 2&3)
		2023	2022	2021	2020	2019	
Current Assets		12,566,778	9,117,725	7,343,070	6,453,655	6,236,861	14,386,231
Property, Plant and Equipment		2,080,565	1,976,677	1,993,355	1,982,681	2,049,431	2,080,852
Intangible assets		66,429	56,528	41,266	31,214	28,528	64,455
Other assets		532,996	549,508	544,690	224,802	271,811	625,945
Total assets		15,246,768	11,700,438	9,922,390	8,692,352	8,586,631	17,157,483
Current Liabilities	Before distribution	8,777,431	6,410,571	4,896,632	3,934,794	4,069,636	-
	After distribution	10,343,782	7,063,217	5,157,691	4,274,170	4,330,695	11,030,882
Non-current Liabilities		336,744	1,024,594	1,506,021	1,210,542	1,138,090	948,976
Total liabilities	Before distribution	9,114,175	7,435,165	6,402,653	5,145,336	5,207,726	-
	After distribution	10,680,526	8,087,811	6,663,712	5,484,712	5,468,785	11,979,858
Equity attributable to owners of the Company		6,026,496	4,143,701	3,479,015	3,547,016	3,378,905	5,075,491
Share capital		2,610,585	2,610,585	2,610,585	2,610,585	2,610,585	2,610,585
Capital surplus		86,956	86,685	3,484	1,414	1,251	86,955
Retained earnings	Before distribution	3,417,580	1,505,914	902,524	950,364	776,044	-
	After distribution	1,590,170	853,268	641,465	610,988	514,985	2,449,127
Other equity		(88,625)	(59,483)	(37,578)	(15,347)	(8,975)	(71,176)
Treasury Stock		-	-	-	-	-	-
Non-controlling interest		106,097	121,572	40,722	-	-	102,134
Total equity	Before distribution	6,132,593	4,265,273	3,519,737	3,547,016	3,378,905	-
	After distribution	4,566,242	3,612,627	3,258,678	3,207,640	3,117,846	5,177,625

Unit: NT\$ Thousands

Year Item		Individual Financial Summary for The Last Five Years (Notes 1&2)					Financial Data of Current Year up to March 31st
		2023	2022	2021	2020	2019	
Current Assets		10,666,903	7,688,034	6,104,555	5,647,095	5,841,270	Not Applicable
Property, Plant and Equipment		1,320,976	1,232,669	1,219,122	1,238,263	1,233,572	
Intangible Assets		55,981	54,123	39,313	31,181	28,493	
Other Assets		2,070,696	1,849,328	1,159,035	831,295	725,972	
Total assets		14,114,556	10,824,154	8,522,025	7,747,834	7,829,307	
Current Liabilities	Before distribution	7,964,607	5,943,361	3,704,248	3,191,311	3,414,083	
	After distribution	9,530,958	6,596,007	3,965,307	3,530,687	3,675,142	
Non-current Liabilities		123,453	737,092	1,338,762	1,009,507	1,036,319	
Total liabilities	Before distribution	8,088,060	6,680,453	5,043,010	4,200,818	4,450,402	
	After distribution	9,654,411	7,333,099	5,304,069	4,540,194	4,711,461	
Equity attributable to owners of the Company		6,026,496	4,143,701	3,479,015	3,547,016	3,378,905	
Share capital		2,610,585	2,610,585	2,610,585	2,610,585	2,610,585	
Capital surplus		86,956	86,685	3,484	1,414	1,251	
Retained earnings	Before distribution	3,417,580	1,505,914	902,524	950,364	776,044	
	After distribution	1,590,170	853,268	641,465	610,988	514,985	
Other equity		(88,625)	(59,483)	(37,578)	(15,347)	(8,975)	
Treasury Stock		-	-	-	-	-	
Non-controlling interest		-	-	-	-	-	
Total Equity	Before distribution	6,026,496	4,143,701	3,479,015	3,547,016	3,378,905	
	After distribution	4,460,145	3,491,055	3,217,956	3,207,640	3,117,846	

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

Note 2: Parent company 2023 distribution of cash dividend has been approved by the Board of Directors on March 8th, 2024. Distribution of NT\$6 in cash dividend and NT\$1 in stock dividend per share, after approval at the shareholders' meeting, to be reported to the competent authorities for approval in accordance with the law.

Note 3: Financial data Up to March 31st, 2024 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)
	2023	2022	2021	2020	2019	
Operating Revenue	13,899,740	7,750,727	9,020,094	8,471,592	7,176,598	3,037,501
Gross profit	4,334,019	1,587,608	1,406,906	1,354,050	1,126,700	1,041,852
Profit from Operations	2,853,582	429,227	391,966	474,093	331,055	621,058
Non-operating income and expenses	218,498	520,553	(26,053)	74,527	170,385	128,149
Profit before income tax	3,072,080	949,780	365,913	548,620	501,440	749,207
Net profit of continuing business units	2,561,785	822,304	287,518	457,514	415,149	593,935
Loss of suspended business unit	-	-	-	-	-	-
Net Profit for The Year	2,561,785	822,304	287,518	457,514	415,149	593,935
Total other comprehensive Income	(42,090)	4,295	(20,578)	(28,508)	(21,122)	17,449
Total comprehensive income	2,519,695	826,599	266,940	429,006	394,027	611,384
Net profit attributable to owners of the Company	2,577,260	838,249	289,883	457,514	410,652	597,898
Net profit attributable to non-controlling interests	(15,475)	(15,945)	(2,365)	-	4,497	(3,963)
Total comprehensive income attributable to owners of the Company	2,535,170	842,544	269,305	429,006	389,641	615,347
Total comprehensive income attributable to non-controlling interests	(15,475)	(15,945)	(2,365)	-	4,386	(3,963)
Earnings per share (Note 2)	9.87	3.21	1.11	1.75	1.57	2.29

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
	2023	2022	2021	2020	2019	
Operating Revenue	13,418,212	7,257,637	8,625,381	7,996,479	6,869,985	Not Applicable
Gross Profit	3,745,166	1,212,036	1,257,053	1,188,917	1,049,571	
Profit from Operations	2,426,192	349,087	429,497	414,928	336,830	
Non-operating income and expenses	660,670	616,179	(61,800)	133,276	159,963	
Profit before Income Tax	3,086,862	965,266	367,697	548,204	496,793	
Net profit of continuing business units	2,577,260	838,249	289,883	457,514	410,652	
Loss of suspended business unit	-	-	-	-	-	
Net profit for The Year	2,577,260	838,249	289,883	457,514	410,652	
Total Other Comprehensive Income	(42,090)	4,295	(20,578)	(28,508)	(21,011)	
Total comprehensive income	2,535,170	842,544	269,305	429,006	389,641	
Net income attributable to owners of the Company	2,577,260	838,249	289,883	457,514	410,652	
Net income attributable to non-controlling interests	-	-	-	-	-	
Total comprehensive income attributable to owners of the Company	2,535,170	842,544	269,305	429,006	389,641	
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	
Earnings per share (Note 2)	9.87	3.21	1.11	1.75	1.57	

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, 2024 have been audited by CPAs

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

Year	Accounting Firm	CPA	Audit comments
2023	Deloitte & Touche	CPA Suei-Chin Lee CPA Shih-Chieh Chou	No unqualified opinions
2022	Deloitte & Touche	CPA Tza-Li Gung CPA Suei-Chin Lee	No unqualified opinions
2021	Deloitte & Touche	CPA Tza-Li Gung CPA Suei-Chin Lee	No unqualified opinions
2020	Deloitte & Touche	CPA Tun-Fang Lee CPA Tza-Li Gung	No unqualified opinions nor other matter paragraph
2019	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

Items for Analysis \ Year		Consolidated Financial Analysis for The Last Five Years					Current Year up to March 31st (Note)
		2023	2022	2021	2020	2019	
Financial Structure %	Debt to asset ratio	59.78	63.55	64.53	59.19	60.65	69.82
	Long term capital to property, plant, and equipment ratio	299.56	252.20	236.86	221.36	201.07	281.98
Solvency %	Current ratio	143.17	142.23	149.96	164.02	153.25	130.42
	Quick ratio	71.29	68.90	78.37	95.29	77.36	64.79
	Times Interest earned	63.33	21.25	12.96	21.34	16.17	143.27
Operating capacity	Accounts receivable turnover (times)	6.00	3.18	3.35	3.08	2.88	5.65
	Average collection period	61	115	109	119	127	65
	Inventory turnover (times)	1.74	1.61	2.51	2.54	2.24	1.25
	Accounts payable turnover (times)	2.74	2.46	2.18	2.38	2.48	2.78
	Average days in sales	210	227	146	144	163	292
	Property, plant and equipment turnover (times)	6.68	3.92	4.53	4.27	3.50	5.84
	Total assets turnover (times)	0.91	0.66	0.91	0.97	0.84	0.71
Profitability	Return on total assets (%)	19.31	7.95	3.35	5.55	5.73	14.77
	Return on stockholders' equity (%)	49.28	21.13	8.14	13.21	12.89	42.01
	Pre-tax income to paid-in capital (%)	117.68	36.38	14.02	21.02	19.21	114.80
	Profit ratio (%)	18.43	10.61	3.19	5.40	5.78	19.55
	Earnings per share (NT\$)	9.87	3.21	1.11	1.75	1.57	2.29
Cash Flow	Cash flow ratio (%)	48.78	13.07	(8.94)	5.49	17.10	10.66
	Cash flow adequacy ratio (%)	95.51	46.48	29.60	97.82	41.94	95.67
	Cash reinvestment ratio (%)	41.22	7.66	(10.54)	(0.65)	9.21	13.85
Leverage	Operating leverage	1.27	2.97	3.61	2.79	3.48	1.45
	Financial leverage	1.02	1.12	1.08	1.06	1.11	1.01

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

1. The revenue and profit of current year has been good. Consolidated revenue and net income increased by 79.33% and 211.54% respectively compared to the same period of last year, resulting in a change of more than 20% in the interest earned, accounts receivable turnover, property, plant and equipment turnover, total asset turnover, profitability index, cash flow index and operating leverage.
2. In Q1 2024, in order to meet the demand for purchased materials and shipments in second half of the year, it caused over 20% changes in inventory turnover, total assets turnover, cash flow ratio and cash to reinvestment ratio, and due to good revenues and profits, it caused over 20% changes in times interest earned and return on total assets.

Note: Financial data Up to March 31st, 2024 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	
		2023	2022	2021	2020	2019		
Financial Structure %	Debt to asset ratio	57.30	61.72	59.18	54.22	56.84	Not Applicable	
	Long term capital to property, plant, and equipment ratio	456.22	380.78	379.03	346.36	334.05		
Solvency %	Current ratio	133.93	129.35	164.80	176.95	171.09		
	Quick ratio	69.59	57.76	88.60	98.54	83.00		
	Times Interest earned	88.05	28.96	20.03	33.72	25.44		
Operating capacity	Accounts receivable	6.45	3.34	3.40	3.02	3.00		
	Average collection period	57	109	107	121	122		
	Inventory turnover (times)	2.27	1.98	2.96	2.79	2.45		
	Accounts payable turnover	2.96	2.94	2.58	2.44	2.54		
	Average days in sales	161	185	123	131	149		
	Property, plant and equipment turnover (times)	10.16	5.89	7.08	6.46	5.57		
	Total assets turnover (times)	0.95	0.67	1.01	1.03	0.88		
Profitability	Return on total assets (%)	20.90	8.95	3.75	6.05	5.94		
	Return on stockholders'	50.68	21.99	8.25	13.21	12.74		
	Pre-tax income to paid-in capital (%)	118.24	36.98	14.08	21.00	19.03		
	Profit ratio (%)	19.21	11.55	3.36	5.72	5.98		
	Earnings per share (NT\$)	9.87	3.21	1.11	1.75	1.57		
Cash Flow	Cash flow ratio (%)	52.40	(0.11)	(1.59)	9.48	10.75		
	Cash flow adequacy ratio (%)	98.94	34.11	38.53	92.97	24.88		
	Cash reinvestment ratio (%)	45.77	(4.20)	(6.32)	0.69	4.97		
Leverage	Operating leverage	1.45	3.42	3.15	3.01	3.28		
	Financial leverage	1.01	1.11	1.05	1.04	1.06		
Analysis of financial ratio differences for the last two years:								
1. The quick ratio was 20.48% compared to the same period. This is primarily due to profit increase and repayment of loans.								
2. The revenue and profit of current year has been good. Consolidated revenue and net income increased by 84.88% and 207.46% respectively compared to the same period of last year, resulting in a change of more than 20% in the interest earned, accounts receivable turnover, property, plant and equipment turnover, total asset turnover, profitability index, cash flow index and operating leverage.								

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 2023 Financial Statements, Business Report and Distribution of Profit. 2023 Financial Statements have been audited by D&T accounting firm CPA Suei-Chin Lee and CPA Shih-Chieh Chou, 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 Act.

For your review and approval.

Sincerely,

The Company's 2024 Shareholders' Meeting

Fortune Electric Co., Ltd.

Convener of Audit Committee: Hu, Len-Kuo

March 8th, 2024

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

Very truly yours,

FORTUNE ELECTRIC CO., LTD.

By

March 8, 2024

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Occurrence of Revenue Recognition from New Customers among Top Ten Customers

The Group's operating revenues include the sales of transformers, distribution panels and other related products and the revenues are mainly from several major customers. The Group's revenue from new customers among the top ten customers accounted for the 15% of the revenue in the year 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, 2023 and 2022, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

 SHIH CHIEH CHOU

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2024

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, 2023 AND 2022 (In Thousands of NT\$ and US\$)

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

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

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

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

	Equity Attributable to Owners of the Company											
	Share Capital (Notes 4 and 24)	Capital Surplus (Note 23)	Retained Earnings (Note 23)				Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity (Notes 4, 8 and 23)		Controlling Interests	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Total		Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Total			
BALANCE AT JANUARY 1, 2022	\$ 2,610,585	\$ 3,484	\$ 444,315	\$ 15,347	\$ 442,862	\$ 902,524	\$ (26,619)	\$ (10,959)	\$ (37,578)	\$ 3,479,015	\$ 40,722	\$ 3,519,737
Appropriation of 2021 earnings												
Legal reserve	-	-	29,154	-	(29,154)	-	-	-	-	-	-	-
Special reserve	-	-	-	22,231	(22,231)	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$1 per share	-	-	-	-	(261,059)	(261,059)	-	-	-	(261,059)	-	(261,059)
	-	-	29,154	22,231	(312,444)	(261,059)	-	-	-	(261,059)	-	(261,059)
Unclaimed cash dividends from shareholders	-	(6)	-	-	-	-	-	-	-	(6)	-	(6)
Changes in percentage of ownership interests in subsidiaries	-	83,207	-	-	-	-	-	-	-	83,207	96,795	180,002
Net profit for the year ended December 31, 2022	-	-	-	-	838,249	838,249	-	-	-	838,249	(15,945)	822,304
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	26,200	26,200	(18,258)	(3,647)	(21,905)	4,295	-	4,295
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	864,449	864,449	(18,258)	(3,647)	(21,905)	842,544	(15,945)	826,599
BALANCE AT DECEMBER 31, 2022	2,610,585	86,685	473,469	37,578	994,867	1,505,914	(44,877)	(14,606)	(59,483)	4,143,701	121,572	4,265,273
Appropriation of 2022 earnings												
Legal reserve	-	-	86,445	-	(86,445)	-	-	-	-	-	-	-
Special reserve	-	-	-	21,905	(21,905)	-	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$2.50 per share	-	-	-	-	(652,646)	(652,646)	-	-	-	(652,646)	-	(652,646)
	-	-	86,445	21,905	(760,996)	(652,646)	-	-	-	(652,646)	-	(652,646)
Unclaimed cash dividends from shareholders	-	271	-	-	-	-	-	-	-	271	-	271
Net profit for the year ended December 31, 2023	-	-	-	-	2,577,260	2,577,260	-	-	-	2,577,260	(15,475)	2,561,785
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(12,948)	(12,948)	(5,508)	(23,634)	(29,142)	(42,090)	-	(42,090)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	2,564,312	2,564,312	(5,508)	(23,634)	(29,142)	2,535,170	(15,475)	2,519,695
BALANCE AT DECEMBER 31, 2023	\$ 2,610,585	\$ 86,956	\$ 559,914	\$ 59,483	\$ 2,798,183	\$ 3,417,580	\$ (50,385)	\$ (38,240)	\$ (88,625)	\$ 6,026,496	\$ 106,097	\$ 6,132,593
BALANCE AT DECEMBER 31, 2022 (IN U.S. DOLLARS)	\$ 85,008	\$ 2,832	\$ 18,232	\$ 1,937	\$ 91,116	\$ 111,285	\$ (1,641)	\$ (1,245)	\$ (2,886)	\$ 196,239	\$ 3,455	\$ 199,694

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

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

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

1. GENERAL INFORMATION

Fortune Electric Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) in August 1969. The Company mainly manufactures, processes and trades transformers, distribution panels, low voltage switches and substation equipment.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since April 1997.

For greater comparability and consistency of financial reporting, the Chinese edition of the consolidated financial statements are presented in the New Taiwan dollars since the Company’s shares are listed on the TWSE.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

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

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

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

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries, including structured entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Investments in associates

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

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

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

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

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

h. Property, plant and equipment

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity

instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

l. Provisions

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

1) Onerous contracts

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

2) Warranties

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

m. Revenue recognition

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

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

1) Revenue from the sale of goods

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

2) Construction contract revenue

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

n. Leases

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

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

o. Government grants

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

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

q. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to

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

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

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

3) Current and deferred tax

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

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

r. U.S. dollar amounts (unaudited)

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

6. CASH

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

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

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<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

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

9. FINANCIAL ASSETS AT AMORTIZED COST

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

- The ranges of interest rates for time deposits were approximately 1.150%-1.565% and 0.990%-1.440% per annum as of December 31, 2023 and 2022, respectively.
- The rates of pledged deposits ranged from 0.575%-1.585% and 0.375%-1.465% per annum as of December 31, 2023 and 2022, respectively.
- Refer to Note 33 for information relating to investments in financial assets at amortized cost pledged as security.

10. TRADE RECEIVABLES

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

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

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>

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

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

11. INVENTORIES

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

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

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

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Entities covered by the consolidated financial statements are as follows:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2023	2022	
Fortune Electric Co., Ltd.	Power Energy International Ltd.	Trade business, Investment Holding, Agents business	100.00	100.00	
	Fortune Electric America Inc.	Agents business	100.00	100.00	
	Fortune Electric Extra High Voltage Co., Ltd.	Transformers manufacturing, machining and trading	100.00	100.00	
	Fortune Energy Co., Ltd.	Manufacture of power generation, transmission and distribution machinery	100.00	100.00	
	Fortune Electric Australia Pty Ltd.	Trade business	100.00	100.00	
	Fortune Electric Value Company Limited	Electric vehicle charging operation services, planning and construction of various charging stations, research and development and sales of electric vehicle charging related equipment/systems/technology	64.25	64.25	*
Power Energy International Ltd.	Wuhan Fortune Electric Co., Ltd	Import and export business of various commodities and technologies	100.00	100.00	

Remarks:

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

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

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

Aggregate Information of Associates That Are Not Individually Material

	For the Year Ended December 31	
	2023	2022
The Group's share of:		
Net income (loss) for the year	\$ (25)	\$ 24
Other comprehensive income (loss)	<u>(10)</u>	<u>(11)</u>
Total comprehensive income (loss) for the year	<u>\$ (35)</u>	<u>\$ 13</u>

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2023	2022
Assets used by the Group	\$ 67,746	\$ 64,363
Assets leased under operating leases	<u>3</u>	<u>3</u>
	<u>\$ 67,749</u>	<u>\$ 64,366</u>

a. Assets used by the Group

	Freehold Land	Buildings	Equipment	Photovoltaic Solar Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 20,704	\$ 51,640	\$ 51,226	\$ 4,784	\$ 8,820	\$ 137,174
Additions	-	1195	1,956	71	625	3,847
Disposals	-	(18)	(795)	-	(27)	(840)
Transfer (Note 1)	-	-	591	-	1,429	2,020
Transfer (Note 2)	-	169	261	-	1,116	1,546
Effects of foreign currency exchange differences	-	-	-	-	-	-
Balance at December 31, 2023	<u>\$ 20,704</u>	<u>\$ 52,986</u>	<u>\$ 53,239</u>	<u>\$ 4,855</u>	<u>\$ 11,963</u>	<u>\$ 143,747</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	\$ 21,092	\$ 44,642	\$ 2,521	\$ 4,556	\$ 72,811
Depreciation expense	-	1,057	1,594	229	1,136	4,016
Disposals	-	(7)	(796)	-	(23)	(826)
Effects of foreign currency exchange differences	-	-	-	-	-	-
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 22,142</u>	<u>\$ 45,440</u>	<u>\$ 2,750</u>	<u>\$ 5,669</u>	<u>\$ 76,001</u>
Carrying amount at December 31, 2023	<u>\$ 20,704</u>	<u>\$ 30,844</u>	<u>\$ 7,799</u>	<u>\$ 2,105</u>	<u>\$ 6,294</u>	<u>\$ 67,746</u>
<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	-	26	65	-	8	99
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>
<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>

Note 1: Transferred from inventories to equipment.

Note 2: Transferred from prepayments for equipment to equipment.

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

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

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

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

b. Assets leased under operating leases

	Buildings
<u>Cost</u>	
Balance at January 1, 2023	\$ 13
Balance at December 31, 2023	<u>\$ 13</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2023	<u>\$ 10</u>
Balance at December 31, 2023	<u>\$ 10</u>
Balance at January 1, 2023	<u>\$ 3</u>
Carrying amount at December 31, 2023	<u>\$ 3</u>
<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>

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

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

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

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amount</u>		
Land	\$ 3,045	\$ 3,206
Buildings	1,302	718
Transportation equipment	<u>305</u>	<u>277</u>
	<u>\$ 4,652</u>	<u>\$ 4,201</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 1,257</u>	<u>\$ 644</u>
Depreciation charge for right-of-use assets		
Land	\$ 113	\$ 149
Buildings	431	213
Transportation equipment	<u>156</u>	<u>132</u>
	<u>\$ 700</u>	<u>\$ 494</u>

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

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 639</u>	<u>\$ 506</u>
Non-current	<u>\$ 4,023</u>	<u>\$ 3,773</u>

Range of discount rates for lease liabilities was as follows:

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

c. Material lease-in activities and terms

The Group leases land and buildings for the use of plants, offices and charging station for the use of operating with lease terms of 1 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Sublease

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

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

e. Other lease information

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

16. INTANGIBLE ASSETS

	Computer Software
<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>

(Continued)

**Computer
Software**

Accumulated depreciation

Balance at January 1, 2022	\$ 2,382
Amortization expense	739
Disposals	(1,700)
Net exchange differences	<u>-</u>

Balance at December 31, 2022 \$ 1,421

Carrying amount at December 31, 2022 \$ 1,841

Cost

Balance at January 1, 2023	\$ 3,262
Acquired separately	1,211
Reclassifications	9
Disposals	<u>(668)</u>

Balance at December 31, 2023 \$ 3,814

Accumulated depreciation

Balance at January 1, 2023	\$ 1,421
Amortization expense	898
Disposals	<u>(668)</u>

Balance at December 31, 2023 \$ 1,651

Carrying amount at December 31, 2023 \$ 2,163
(Concluded)

17. BORROWINGS

a. Short-term borrowings

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

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

b. Short-term bills payable

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

Outstanding short-term bills payable were as follows:

December 31, 2023

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

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><u>\$ 11,397</u></u>	<u><u>\$ 14</u></u>	<u><u>\$ 11,383</u></u>		

c. Long-term borrowings

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

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

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

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

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

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

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

18. TRADE PAYABLES

	December 31	
	2023	2022
Operating	<u>\$ 108,836</u>	<u>\$ 70,001</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	
	2023	2022
Accrued payroll	\$ 17,891	\$ 7,397
Export payable	3,739	1,620
Payable for compensation of employees and remuneration of directors	6,988	2,123
Design fees payable	1,600	1,124
Commission payable	1,152	354
Others	<u>6,424</u>	<u>4,702</u>
	<u>\$ 37,794</u>	<u>\$ 17,320</u>

20. PROVISIONS

	December 31	
	2023	2022
Warranties	\$ 603	\$ 374
Onerous contracts	<u>-</u>	<u>-</u>
	<u>\$ 603</u>	<u>\$ 374</u>

- a. Warranty liability is the best estimate on the present value of future economic benefit outflows provided by the Company's management in accordance with the product sales agreements. This estimate is based on historical warranty experience.
- b. The provision for onerous contracts represents the present value of the future payments that the Group was presently obligated to make under non-cancellable onerous operating contracts less revenue expected to be earned on the contracts.

21. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

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

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

- b. Defined benefit plans

The defined benefit plans adopted by the Group in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before

the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Group has no right to influence the investment policy and strategy.

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

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

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

	For the Year Ended December 31	
	2023	2022
Operating costs	\$ 71	\$ 103
Selling and marketing expenses	14	21
General and administrative expenses	10	14
Research and development expenses	<u>6</u>	<u>8</u>
	<u>\$ 101</u>	<u>\$ 146</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	
	2023	2022
Discount rate	1.20%	1.20%
Expected return rate of plan assets	1.20%	1.20%
Expected rate of salary increase	1.50%	1.50%

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

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

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

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

22. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	December 31, 2023		
	Within 1 Year	More Than 1 Year	Total
<u>Assets</u>			
Refundable deposits (included in other current assets)	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 4</u>
Contract assets	<u>\$ 13,498</u>	<u>\$ -</u>	<u>\$ 13,498</u>
<u>Liabilities</u>			
Contract liabilities	<u>\$ 3,761</u>	<u>\$ 1,847</u>	<u>\$ 5,608</u>
	December 31, 2022		
	Within 1 Year	More Than 1 Year	Total
<u>Assets</u>			
Refundable deposits (included in other current assets)	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 7</u>
Contract assets	<u>\$ 6,260</u>	<u>\$ -</u>	<u>\$ 6,260</u>
<u>Liabilities</u>			
Contract liabilities	<u>\$ 405</u>	<u>\$ 127</u>	<u>\$ 532</u>

23. EQUITY

a. Share capital - ordinary shares

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

b. Capital surplus

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

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

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

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

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

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

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

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

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

d. Other equity items

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

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

2) Unrealized valuation gain on financial assets at FVTOCI

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

e. Noncontrolling interests

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

24. REVENUE

	For the Year Ended December 31	
	2023	2022
Revenue from contracts with customers		
Revenue from sale of goods		
Transformers	\$ 308,162	\$ 176,659
Distribution panels and equipment	62,320	35,471
Sale of power	701	387
Others	40,256	23,293
Construction contracts	<u>41,175</u>	<u>16,574</u>
	<u>\$ 452,614</u>	<u>\$ 252,384</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, 2023	December 31, 2022	January 1, 2022
Notes receivable	<u>\$ 3,125</u>	<u>\$ 3,114</u>	<u>\$ 2,522</u>
Trade receivables (Note 10)			
Sale of goods	<u>\$ 77,306</u>	<u>\$ 67,230</u>	<u>\$ 85,811</u>
Contract assets			
Engineering construction	\$ 13,498	\$ 6,260	\$ 19,428
Sale of goods	<u>52,842</u>	<u>41,209</u>	<u>26,751</u>
	<u>\$ 66,340</u>	<u>\$ 47,469</u>	<u>\$ 46,179</u>
Contract liabilities			
Engineering construction	\$ 5,608	\$ 532	\$ 554
Sale of goods	<u>87,376</u>	<u>50,660</u>	<u>15,579</u>
	<u>\$ 92,984</u>	<u>\$ 51,192</u>	<u>\$ 16,133</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 37 for information about the disaggregation of revenue.

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

25. NET PROFIT

a. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits	\$ 871	\$ 259
Others	<u>3</u>	<u>9</u>
	<u>\$ 874</u>	<u>\$ 268</u>

b. Other income

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

c. Other gains and losses

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

d. Finance costs

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

e. Depreciation, amortization and employee benefits expense

	2023			2022		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit expenses						
Salary	\$ 28,149	\$ 22,174	\$ 50,323	\$ 18,011	\$ 13,033	\$ 31,044
Labor insurance	1,815	941	2,756	1,506	775	2,281
Retirement expenses						
Defined contribution plans	684	408	1,092	695	364	1,059
Defined benefit plans	71	31	102	103	44	147
Remuneration of directors	-	2,034	2,034	-	446	446
Others	<u>1,164</u>	<u>439</u>	<u>1,603</u>	<u>860</u>	<u>267</u>	<u>1,127</u>
	<u>\$ 31,883</u>	<u>\$ 26,027</u>	<u>\$ 57,910</u>	<u>\$ 21,175</u>	<u>\$ 14,929</u>	<u>\$ 36,104</u>
Depreciation expense	<u>\$ 3,942</u>	<u>\$ 775</u>	<u>\$ 4,717</u>	<u>\$ 3,404</u>	<u>\$ 741</u>	<u>\$ 4,145</u>
Amortization expense	<u>\$ 313</u>	<u>\$ 585</u>	<u>\$ 898</u>	<u>\$ 261</u>	<u>\$ 478</u>	<u>\$ 739</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, 2023 and 2022 which have been approved by the Company's board of directors on March 8, 2023 and March 8, 2022, respectively, were as follows:

Accrual rate

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

Amount

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

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

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

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

g. Gain or loss on foreign currency exchange

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

26. INCOME TAXES

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

Components of tax expense Income tax were as follows:

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

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

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

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

b. Income tax recognized in other comprehensive income

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

c. Current tax assets and liabilities

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

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

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>

e. Income tax assessments

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

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

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

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

27. EARNINGS PER SHARE

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2023	2022
Profit for the period attributable to owners of the Company	\$ <u>83,923</u>	\$ <u>27,296</u>

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

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

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

Consideration Received

	Wuhan Fortune Co., Ltd.
Cash	\$ 13,455
Receivable disposal investment	<u>4,459</u>
Total consideration	<u>\$ 17,914</u>

Analysis of Assets and Liabilities out of Control

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

Benefit of Disposal of Subsidiaries

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

31. FINANCIAL INSTRUMENTS

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

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

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

Fair value hierarchy

December 31, 2023

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

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>

Financial liabilities at FVTPL

Derivatives	\$ <u>-</u>	\$ <u>9</u>	\$ <u>-</u>	\$ <u>9</u>
-------------	-------------	-------------	-------------	-------------

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

Reconciliation of Level 3 fair value measurements of financial instruments

December 31, 2023

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

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>

c. Categories of financial instruments

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

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables, and trade and other payables. The balances include the asset balance of the disposal group held for sales.
- 2) The balances include short-term and long-term loans, short-term bills payable, trade payables to related parties, trade and other payables, and guarantee deposits received. The balance include the liabilities balance of the disposal group held for sales.

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

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

Sensitivity analysis

The Group was mainly exposed to the USD.

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

	USD Impact	
	For the Year Ended December 31	
	2023	2022
Profit or loss (Note)	\$ <u>320</u>	\$ <u>257</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	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 1,692	\$ 867
Financial liabilities	11,817	22,802
Cash flow interest rate risk		
Financial assets	39,235	24,981
Financial liabilities	8,792	71,289

Sensitivity analysis

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

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

c) Other price risk

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

Sensitivity analysis

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

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

2) Credit risk

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

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

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

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

3) Liquidity risk

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

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

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

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

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

December 31, 2023

	Weighted Average Effective Interest Rate (%)	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Over 5 Years
<u>Non-derivative financial liabilities</u>						
Non-interest bearing liabilities		\$ 21,471	\$ 98,622	\$ 2,013	\$ -	\$ -
Lease liabilities		71	142	576	1,274	3,506
Variable interest rate liabilities	1.82	5,540	-	-	3,323	-
Fixed interest rate liabilities	1.80	7,164	-	-	-	-
		<u>\$ 34,246</u>	<u>\$ 98,764</u>	<u>\$ 2,589</u>	<u>\$ 4,597</u>	<u>\$ 3,506</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>\$ 789</u>	<u>\$ 1,274</u>	<u>\$ 479</u>	<u>\$ 479</u>	<u>\$ 479</u>	<u>\$ 2,069</u>

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	1.72	-	-	26,238	23,959	-
Fixed interest rate liabilities	1.19	23,770	13,641	3,654	-	-
		<u>\$ 36,002</u>	<u>\$ 123,602</u>	<u>\$ 32,092</u>	<u>\$ 27,424</u>	<u>\$ 3,602</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>

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

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

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

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

December 31, 2022

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

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
SQTek Co., Ltd.	Associates
Hsin He Energy Co., Ltd.	Others
Hua Cheng Investment Co., Ltd.	Others

b. Sale of goods

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

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

c. Purchase of goods

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Associates	\$ <u>42</u>	\$ <u>83</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	
		2023	2022
Accounts payable	Associates	\$ <u>20</u>	\$ <u>2</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	
	2023	2022
Acquisition of right-to-use assets		
Other related party	\$ <u>-</u>	\$ <u>16</u>

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

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

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

f. Lease arrangements - Group is lessor

Lease arrangements - Group is lessor under operating leases

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

g. Purchase of other assets

Line Item	Related Party Category/Name	December 31	
		2023	2022
Software equipment	Associates	\$ <u>12</u>	\$ <u>-</u>

h. Provision of endorsements and guarantees to others

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

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

i. Other transactions with related parties

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
Associates	\$ <u>5</u>	\$ <u>-</u>

j. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 5,078	\$ 3,118
Termination benefits	<u>80</u>	<u>71</u>
	\$ <u>5,158</u>	\$ <u>3,189</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	
	2023	2022
Refundable deposits (current portion is included in other current assets)	\$ 1,684	\$ 1,274
Pledged deposits (classified as financial assets at amortized cost)	1,161	868
Deposits and retention money (classified as financial assets at amortized cost)	30	-
Property, plant and equipment	<u>31,844</u>	<u>31,098</u>
	<u>\$ 34,719</u>	<u>\$ 33,240</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- a. As of December 31, 2023, unused letters of credit for purchases of raw materials and machinery and equipment amounted to US\$3,083 thousand, ¥164,830 thousand, €1,087 thousand and Kr55 thousand and Fr299 thousand.
- b. As of December 31, 2023, promissory note of \$73,360 thousand was made for bank financing, endorsements and the investee company's sales performance guarantee.
- c. The Company signed a technical cooperation agreement with Meidensha, a Japanese firm, effective term from July 2017 to July 2022. According to the contract, the Company will design, produce and sell goods in the Republic of China. The Company cannot export the products covered by the technical cooperation agreement without prior written consent from Meidensha. The Company had paid ¥2,000 thousand for the cooperation, and agreed to pay 3% of net sales as technical remuneration on the Company's production and marketing fee was \$0 thousand and \$21 thousand for the year ended December 31, 2023 and 2022, which was included in operating expenses.
- d. The Ministry of Economic Affairs offered government grant for establishing solar power system at the land subsidence in Pingtung County and Morakot disaster area. Regarding the solar energy project, Taiwan Power Company has signed a purchase and sale of electricity contract with the Company. The contract stated that Taiwan Power Company will purchase electricity from the Company for 20 years based on the ground-based solar power purchase rates announced by the Ministry of Economic Affairs. The power selling revenue for the years ended December 31, 2023 and 2022 was \$370 thousand and \$387 thousand, respectively. The rent of the land used for solar power plant is based on 9.7%, 11.5%, 12.3% of the sales of electricity for the first to tenth years, eleventh to fifteenth years, and sixteenth to twentieth years, respectively.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023

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

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>

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

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

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (Table 1)
- 3) Marketable securities held at the end of the year (excluding investment in subsidiaries, associates and joint ventures). (Table 2)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 9) Trading in derivative instruments. (Note 7)
- 10) Intercompany relationships and significant intercompany transactions. (Table 7)
- 11) Information on investees. (Table 5)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1, 5-7)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.

- e) The highest balance, the end of year balance, the interest rate range, and total current year interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

37. SEGMENT INFORMATION

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

a. Segment revenues and results

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

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

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

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

b. Segment total assets and liabilities

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

c. Other segment information

	Depreciation and Amortization	
	2023	2022
Electrical department	\$ <u>5,615</u>	\$ <u>4,884</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 \$452,613 thousand and \$252,384 thousand in 2023 and 2022, respectively.

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

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

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

TABLE 1

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

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

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

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

TABLE 2

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2023**

(In Thousands of U.S. Dollars, Unless Stated Otherwise)

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

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

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, 2023
(In Thousands of U.S., Unless Stated Otherwise)**

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

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

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, 2023
(In Thousands of U.S., Unless Stated Otherwise)**

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

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

TABLE 5

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

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

TABLE 6

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

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

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

Note 1: The financial statements have been audited.

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

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

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

.

TABLE 7

FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

TABLE 8**FORTUNE ELECTRIC CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2023**

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

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

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual 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, 2023 and 2022, 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, 2023 and 2022, 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 entrusted by the Company 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 2023. 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 parent company only financial statements of Fortune Electric Co., Ltd. for the year of 2023 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, 2023, the sales revenue from new customers among top ten customers accounted for 15% 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' 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 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
CPA Lee, Suei-Chin

CPA Chou, Shih-Chieh

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

Reference number of the FSC approval letter,
No. Financial-Supervisory-
Securities-Auditing-1110348898

March 8, 2024

(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, 2023 and 2022

Unit: In Thousands of New Taiwan Dollar

Code	Assets	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
1100	Current assets (Note 4)				
	Cash and cash equivalents (Notes 6 and 4)	\$ 1,576,646	11	\$ 170,131	2
1136	Current financial assets at amortized cost (Notes 4, 9 and 32)	17,235	-	18,507	-
1140	Contract assets (Notes 4, 21 and 23)	2,058,180	15	1,457,760	13
1150	Notes receivables (Notes 4 and 23)	95,615	1	94,654	1
1170	Accounts receivables, net (Notes 4, 10 and 23)	2,102,646	15	1,823,043	17
1180	Account receivables - related parties, net (Notes 4 and 31)	24,749	-	85	-
1220	Current tax assets (Notes 4 and 25)	22,081	-	21,513	-
130X	Inventories, net (Notes 4 and 11)	4,132,081	29	3,462,210	32
1410	Prepayments (Note 31)	577,838	4	600,948	6
1470	Other current assets (Notes 21, 31, 32)	59,832	1	39,183	-
11XX	Total current assets	10,666,903	76	7,688,034	71
	Non-current assets				
1517	Non-current financial assets at fair value through other comprehensive income (Note 4 and 8)	288,752	2	312,386	3
1535	Non-current financial assets at amortized cost (Notes 4, 9 and 32)	15,179	-	5,067	-
1550	Investments accounted for using equity method (Notes 4 and 12)	1,652,584	12	1,408,462	13
1600	Property, plant and equipment (Notes 4, 13 and 32)	1,320,976	9	1,232,669	11
1755	Right-of-use assets (Notes 4, 14 and 31)	40,101	-	24,029	-
1780	Intangible assets (Notes 4 and 15)	55,981	1	54,123	1
1840	Deferred tax assets (Notes 4 and 25)	30,498	-	38,150	-
1915	Prepayments for equipment	21,787	-	44,179	1
1920	Guaranteed deposits paid (Note 32)	21,795	-	17,055	-
15XX	Total non-current assets	3,447,653	24	3,136,120	29
1XXX	Total assets	\$ 14,114,556	100	\$ 10,824,154	100
Code	Liabilities and equity	December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
	Current Liabilities				
2100	Short-term borrowings (Notes 4, 16 and 33)	\$ -	-	\$ 656,641	6
2110	Short-term notes payables (Notes 4 and 16)	-	-	249,891	2
2120	Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	-	-	279	-
2130	Contract liabilities (Notes 4, 21 and 23)	2,781,687	20	1,501,117	14
2170	Accounts payables (Notes 4 and 17)	2,993,294	21	1,944,831	18
2180	Account payables - related parties (Notes 4 and 31)	566,866	4	232,076	2
2200	Other payables (Note 18)	1,013,344	7	422,885	4
2230	Current tax liabilities (Notes 4 and 25)	515,664	4	-	-
2250	Provisions (Notes 4 and 19)	18,522	-	11,496	-
2280	Current lease liabilities (Notes 4, 14, 30, and 31)	13,042	-	8,760	-
2399	Other current liabilities	62,188	-	123,585	1
2320	Long-term borrowings due within one year or one operating cycle (Notes 4, 16 and 32)	-	-	791,800	8
21XX	Total current liabilities	7,964,607	56	5,943,361	55
	Non-current liabilities				
2540	Long-term borrowings (Notes 4, 16 and 32)	-	-	550,000	5
2570	Deferred tax liabilities (Note 25)	84,734	1	120,378	1
2580	Non-current lease liabilities (Notes 4, 14, 30, and 31)	27,243	-	15,365	-
2640	Net defined benefit liabilities, non-current (Notes 4 and 20)	5,105	-	42,612	1
2645	Guaranteed deposits received	6,371	-	8,737	-
25XX	Total non-current liabilities	123,453	1	737,092	7
2XXX	Total liabilities	8,088,060	57	6,680,453	62
	Equity				
3110	Share capital	2,610,585	19	2,610,585	24
3200	Capital surplus	86,956	1	86,685	1
	Retained earnings				
3310	Legal reserve	559,914	4	473,469	5
3320	Special reserve	59,483	-	37,578	-
3350	Unappropriated retained earnings	2,798,183	20	994,867	9
3300	Total retained earnings	3,417,580	24	1,505,914	14
	Other equity				
3410	Exchange difference on translation of foreign financial statements	(50,385)	(1)	(44,877)	(1)
3420	Unrealized gains or losses on valuation of financial assets at fair value through other comprehensive income	(38,240)	-	(14,606)	-
3400	Other equity interest	(88,625)	(1)	(59,483)	(1)
3XXX	Total equity	6,026,496	43	4,143,701	38
	Total liabilities and equity	\$ 14,114,556	100	\$ 10,824,154	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, 2023 and 2022

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

Code		2023		2022	
		Amount	%	Amount	%
	Operating revenue (Notes 4, 23, and 31)				
4100	Sales revenue	\$ 12,286,637	92	\$ 6,748,635	93
4520	Construction revenue	<u>1,131,575</u>	<u>8</u>	<u>509,002</u>	<u>7</u>
4000	Total operating revenue	<u>13,418,212</u>	<u>100</u>	<u>7,257,637</u>	<u>100</u>
	Operating costs (Notes 4, 11, 20, 24, and 31)				
5110	Costs of goods sold	8,610,721	64	5,463,315	75
5520	Construction cost	<u>1,062,325</u>	<u>8</u>	<u>582,286</u>	<u>8</u>
5000	Total operating costs	<u>9,673,046</u>	<u>72</u>	<u>6,045,601</u>	<u>83</u>
5900	Gross profit from operations	<u>3,745,166</u>	<u>28</u>	<u>1,212,036</u>	<u>17</u>
	Operating expenses (Notes 4, 20, 24, and 31)				
6100	Selling expenses	726,645	6	541,003	7
6200	Administrative expenses	434,406	3	216,903	3
6300	Research and development expense	173,128	1	125,666	2
6450	Expected credit impairment reversal gain	(<u>15,205</u>)	-	(<u>20,623</u>)	-
6000	Total operating expenses	<u>1,318,974</u>	<u>10</u>	<u>862,949</u>	<u>12</u>
6900	Net operating income	<u>2,426,192</u>	<u>18</u>	<u>349,087</u>	<u>5</u>
	Non-operating income and expenses (Note 4)				
7100	Interest revenue (Note 24)	20,443	-	2,883	-
7190	Other income (Notes 24, and 31)	108,282	1	32,438	-
7020	Other gains and losses (Note 24)	23,814	-	48,088	1
7050	Financial Cost (Notes 24 and 31)	(35,461)	-	(34,519)	-
7070	Share of profit or loss of subsidiaries and associates accounted for using equity method (Notes 4 and 12)	<u>543,592</u>	<u>4</u>	<u>567,289</u>	<u>8</u>
7000	Total non-operating income and expenses	<u>660,670</u>	<u>5</u>	<u>616,179</u>	<u>9</u>

(continued on next page)

(continued)

Code		2023		2022	
		Amount	%	Amount	%
7900	Profit before tax	\$ 3,086,862	23	\$ 965,266	14
7950	Tax expense (Notes 4 and 25)	<u>509,602</u>	<u>4</u>	<u>127,017</u>	<u>2</u>
8200	Profit	<u>2,577,260</u>	<u>19</u>	<u>838,249</u>	<u>12</u>
	Other comprehensive income				
8310	Components that will not be reclassified to profit or loss:				
8311	Remeasurements of defined benefit plans (Notes 4 and 20)	(16,185)	-	32,750	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Notes 4 and 22)	(23,634)	-	(3,647)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 25)	<u>3,237</u>	<u>-</u>	<u>(6,550)</u>	<u>-</u>
		<u>(36,582)</u>	<u>-</u>	<u>22,553</u>	<u>-</u>
8360	Components that may be reclassified subsequently to profit or loss:				
8370	Share of other comprehensive income of subsidiaries and associates accounted for using equity	(5,508)	-	(18,258)	-
8300	Total other comprehensive income	<u>(42,090)</u>	<u>-</u>	<u>4,295</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 2,535,170</u>	<u>19</u>	<u>\$ 842,544</u>	<u>12</u>
	Earnings per share (Note 26)				
9710	Basic	<u>\$ 9.87</u>		<u>\$ 3.21</u>	
9810	Diluted	<u>\$ 9.85</u>		<u>\$ 3.20</u>	

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, 2023 and 2022

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

							Other equity interest (Note 4, 8 and 22)				
		Share capital	Capital surplus	Retained earnings (Note 22)			Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total	Total Equity	
Code		(Note 22)	(Note 22 and 27)	Legal reserve	Special reserve	Unappropriated Retained Earnings	Total				
A1	Balance, January 1, 2022	\$2,610,585	\$ 3,484	\$ 444,315	\$ 15,347	\$ 442,862	\$ 902,524	(\$ 26,619)	(\$ 10,959)	(\$ 37,578)	\$3,479,015
	Appropriations 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 for 2022 after tax	-	-	-	-	26,200	26,200	(18,258)	(3,647)	(21,905)	4,295
D5	Total comprehensive income 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
	Appropriation of 2022 earnings										
B1	Legal reserve appropriated	-	-	86,445	-	(86,445)	-	-	-	-	-
B3	Special reserve appropriated	-	-	-	21,905	(21,905)	-	-	-	-	-
B5	Cash dividends – NT\$2.50 per share	-	-	-	-	(652,646)	(652,646)	-	-	-	(652,646)
		-	-	86,445	21,905	(760,996)	(652,646)	-	-	-	(652,646)
C17	Unclaimed cash dividends	-	271	-	-	-	-	-	-	-	271
D1	Net profit for 2023	-	-	-	-	2,577,260	2,577,260	-	-	-	2,577,260
D3	Other comprehensive income for 2023 after tax	-	-	-	-	(12,948)	(12,948)	(5,508)	(23,634)	(29,142)	(42,090)
D5	Total comprehensive income for 2023	-	-	-	-	2,564,312	2,564,312	(5,508)	(23,634)	(29,142)	2,535,170
Z1	Balance, December 31, 2023	\$2,610,585	\$ 86,956	\$ 559,914	\$ 59,483	\$2,798,183	\$3,417,580	(\$ 50,385)	(\$ 38,240)	(\$ 88,625)	\$6,026,496

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, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

Code		2023	2022
	Cash flows from operating activities		
A00010	Profit before tax	\$3,086,862	\$ 965,266
A20010	Adjustments to reconcile profit (loss):		
A20100	Depreciation expense	89,582	75,260
A20200	Amortization expense	25,084	21,240
A20300	Expected credit impairment reversal gain	(15,205)	(20,623)
A20900	Financial cost	35,461	34,519
A21200	Interest income	(20,443)	(2,883)
A22400	Share of profit or loss of subsidiaries and associates accounted for using equity method	(543,592)	(567,289)
A22500	Loss (gain) on disposal	359	139
A23700	Provisions for liability	7,026	276
A23800	(Gain)Loss on inventory valuation	(30,108)	41,558
A29900	Gain on lease modifications	(36)	-
A30000	Changes in operating assets and liabilities, net		
A31110	Financial instruments at fair value through profit or loss	(279)	279
A31125	Contract asset	(600,420)	(39,618)
A31130	Note receivable	(961)	(21,690)
A31150	Account receivable	(264,398)	444,672
A31160	Receivable from related parties	(24,664)	45,559
A31200	Inventories	(678,422)	(1,438,442)
A31230	Accounts payable	23,110	(440,238)
A31240	Other current assets	(20,497)	18,197
A32125	Contract liability	1,280,570	1,027,565
A32130	Notes payable	-	(1)
A32150	Accounts payable	1,048,463	(212,883)
A32160	Payable to related parties	334,790	64,917
A32180	Other payable	592,717	134,187
A32230	Other current liabilities	(61,397)	73,252
A32240	Net defined benefit liability	(53,692)	(54,039)
A33000	Cash generated from operations	4,209,910	149,180
A33100	Interest received	20,291	2,859

(Continued on next page)

(Continued)

Code		2023	2022
A33300	Interest paid	(\$ 37,719)	(\$ 33,448)
A33500	Income tax paid	(19,261)	(125,084)
AAAA	Net cash flows generated from (used in) operating activities	<u>4,173,221</u>	(6,493)
Cash flows from investing activities			
B00040	Acquisition of financial assets at amortized cost	(8,840)	(680)
B02200	Investments accounted for using equity method	-	(14,373)
B02400	Refund of paid-up capital from investees accounted for using equity method	111,296	-
B02700	Acquisition of property, plant and equipment	(78,897)	(71,235)
B02800	Proceeds from disposal of property, plant and equipment	-	80
B03800	Increase in refundable deposits	(4,740)	(11,510)
B04500	Acquisition of intangible assets	(26,646)	(33,862)
B07100	Increase in prepayments for business facilities	(25,413)	(25,996)
B07600	Dividends received	<u>182,666</u>	-
BBBB	Net cash flows generated from (used in) investing activities	<u>149,426</u>	(157,576)
Cash flows from financing activities			
C00100	Increase in short-term loans	-	144,594
C00200	Decrease in short-term loans	(656,641)	-
C00500	Increase in short-term notes payables	-	249,891
C00500	Decrease in short-term notes payables	(249,881)	-
C01600	Payments of finance lease liabilities	-	200,000
C01700	Repayment of long-term loans	(1,341,800)	-
C04000	Refund of guaranteed deposits received	(2,366)	(8,590)
C04500	Cash dividends paid	(652,646)	(261,059)
C04020	Payments of lease liabilities	(13,059)	(6,747)
C09900	Unclaimed cash dividends	<u>271</u>	(6)
CCCC	Net cash flows generated from (used in) financing activities	(<u>2,916,132</u>)	<u>318,083</u>
EEEE	Net increase in cash and cash equivalents	1,406,515	154,014
E00100	Cash and cash equivalents at beginning of the year	<u>170,131</u>	<u>16,117</u>
E00200	Cash and cash equivalents at end of period	<u>\$1,576,646</u>	<u>\$ 170,131</u>

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, 2023 and 2022
(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, 2024.

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 accounting standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

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

(2) The IFRS accounting standards endorsed by the FSC for application starting from 2024

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 16 “Lease Liability in Sale and Leaseback”	January 1, 2024(Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024(Note 3)

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

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

Note 3: Part of the disclosure regulations is exempt at first-time adoption of the modification.

As of the date the parent company statements are approved for issue, the Company assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

- (3) New IFRS accounting standards 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
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 21 “Lack of Exchangeability”	January 1, 2025(Note 2)

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

Note 2: The amendments apply to annual reporting periods beginning on or after 1 January 2025. The Company shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings. When the consolidated company uses a presentation currency other than its functional currency, the Company shall recognize any effect of initially applying the amendments as an adjustment to the exchange differences in the conversion of the financial statements of foreign operations under equity at the first-adoption date.

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 (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, cash-generating unit, or contract cost is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (minus amortization or depreciation) 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 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 and cash equivalents, 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.

Cash equivalents include highly liquid short-term time deposits and investments that are readily convertible to known amounts of cash and with maturity dates within three months that do not present significant risks of changes in value. The Company holds them for the purpose of short-term cash commitment.

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 30.

(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 customer 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 remeasurement) 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. Remeasurement (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 remeasurement 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.

When the Company develops significant accounting estimates, market fluctuations of energy and foreign exchange are taken into considerations of significant accounting estimates, and forecast to cash flows, growth rate, discount rate, and profitability, etc., are also taken into consideration of significant accounting estimates. The management will continuously review estimates and basic assumptions.

6. Cash

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash on hand and working capital	\$ 680	\$ 680
Bank notes and demand deposits	1,453,146	68,108
Cash equivalents (investments due within 3 months)		
Time deposits	<u>122,820</u>	<u>101,343</u>
	<u>\$1,576,646</u>	<u>\$ 170,131</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank deposits	0.001%~5.65%	0.001%~4.55%

7. Financial instruments at Fair Value Through Profit or Loss

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets - Current</u>		
Derivative instruments (non-designated hedge)		
Forward Exchange Contracts	<u>\$ -</u>	<u>\$ 279</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:

	<u>Currency</u>	<u>Maturity Date</u>	<u>Contract Amount (In Thousands)</u>
<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, 2023</u>	<u>December 31, 2022</u>
<u>Non-current</u>		
Domestic investment		
Unlisted (OTC) common stock		
Raynergy Tek Inc.	\$ 26,768	\$ 27,061
Hsin He Energy Co., Ltd.	227,264	255,604
E-Formular Technologies, Inc	17,436	12,540
Synergy Co., Ltd.	<u>17,284</u>	<u>17,181</u>
	<u>\$ 288,752</u>	<u>\$ 312,386</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.

9. Financial assets measured at amortised cost

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Pledged CD</u>		
Current	\$ 17,235	\$ 18,507
Non-current	<u>15,179</u>	<u>5,067</u>
	<u>\$ 32,414</u>	<u>\$ 23,574</u>

As of December 31, 2023 and 2022, the annual interest rate intervals of pledged CD are 0.575%~1.585%, and 0.375%~1.465%, respectively.

For information on pledged financial assets measured at amortized cost, please refer to Note 32

10. Account Receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Account Receivable</u>		
at amortized cost		
Total Carrying Amount	\$ 2,103,522	\$ 1,839,124
Less: Loss Allowance	(<u>876</u>)	(<u>16,081</u>)
	<u>\$ 2,102,646</u>	<u>\$ 1,823,043</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, 2023

	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%	2.09%	0.52%	
Total carrying amount	\$ 1,711,876	\$ 102,399	\$ 139,559	\$ 108,016	\$ 41,580	\$ 92	\$ 2,103,522
Loss allowance (Lifetime expected credit losses)	-	-	-	-	(870)	(6)	(876)
At amortized cost	<u>\$ 1,711,876</u>	<u>\$ 102,399</u>	<u>\$ 139,559</u>	<u>\$ 108,016</u>	<u>\$ 40,710</u>	<u>\$ 86</u>	<u>\$ 2,102,646</u>

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)	(3,511)	(991)	(11)	(440)	(1,277)	(9,851)	(16,081)
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>

Movements of the loss allowance for accounts receivable:

	2023	2022
Balance, beginning of the year	\$ 16,081	\$ 40,491
Add: reversal of expected credit loss	(15,205)	(20,623)
Less: Write-offs for the year	-	(3,787)
Balance, end of the year	<u>\$ 876</u>	<u>\$ 16,081</u>

11. Net balance of inventories

	December 31, 2023	December 31, 2022
Finished goods	\$ 984,748	\$ 508,321
Work in process	2,682,558	2,330,901
Raw materials	464,775	622,988
	<u>\$ 4,132,081</u>	<u>\$ 3,462,210</u>

In 2023 and 2022, the cost of goods sold related to inventory was NT\$8,610,721 thousand and NT\$5,463,315 thousand respectively. The cost of goods sold in 2023 and 2022 includes the inventory valuation losses (gain from price recovery of inventory) of NT\$(30,108) thousand and \$41,558 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, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	\$1,650,455	\$1,406,057
Associates	<u>2,129</u>	<u>2,405</u>
	<u>\$1,652,584</u>	<u>\$1,408,462</u>

(1) Investments in subsidiaries

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Power Energy International Ltd. (Power Energy Company)	\$ 156,961	\$ 446,419
Fortune Electric America Inc. (North American Division)	66,990	25,015
Fortune Electric Extra High Voltage Co., LTD. (Fortune Extra High Voltage Company)	1,223,203	704,377
Fortune Energy CO., LTD. (Fortune Energy Company)	694	747
Fortune Electric Australia Pty Ltd (Australian Company)	11,929	10,969
Fortune Electric Value Co., LTD. (Fortune Electric Value Company)	<u>190,678</u>	<u>218,530</u>
	<u>\$1,650,455</u>	<u>\$1,406,057</u>

% of Ownership and Voting Rights Held by the
Company

<u>Subsidiaries</u>	<u>December 31, 2023</u>	<u>December 31, 2022</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	64.25%	64.25%

For the years of 2023 and 2022, 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 the sub-subsidiary, Fortune Electric Company, and the subsidiary, Fortune Extra High Voltage Company. Please refer to Note 31 for the balance as of December 31, 2023 and 2022.

(2) Investments in associates

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Individual insignificant associates</u>		
E-Total Link	<u>\$ 2,129</u>	<u>\$ 2,405</u>

Summary Information of Individual insignificant associates

In 2017, the Company established 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:

	2023	2022
Share of profit of the Company		
Net Profit	\$ 43	\$ 748
Other comprehensive income	(319)	(345)
Total comprehensive income	(\$ 276)	\$ 403

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

	December 31, 2023	December 31, 2022
Assets used by the Company	\$ 1,320,763	\$ 1,232,432
Assets subject to operating leases	213	237
	<u>\$ 1,320,976</u>	<u>\$ 1,232,669</u>

(1) Assets used by the Company

	Land	Buildings	Machinery Equipment	Solar Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 635,827	\$ 699,081	\$1,058,512	\$ 146,921	\$ 182,641	\$2,722,982
Additions	-	34,865	27,953	2,171	13,908	78,897
Disposals	-	(556)	(24,357)	-	(698)	(25,611)
Transfer (Note 1)	-	-	18,134	-	20,525	38,659
Transfer (Note 2)	-	5,194	8,015	-	34,300	47,509
Balance at January 1, 2023	<u>\$ 635,827</u>	<u>\$ 738,584</u>	<u>\$1,088,257</u>	<u>\$ 149,092</u>	<u>\$ 250,676</u>	<u>\$2,862,436</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	\$ 407,845	\$ 897,823	\$ 77,435	\$ 107,447	\$1,490,550
Depreciation expenses	-	16,957	34,870	7,023	17,525	76,375
Disposals	-	(202)	(24,354)	-	(696)	(25,252)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 424,600</u>	<u>\$ 908,339</u>	<u>\$ 84,458</u>	<u>\$ 124,276</u>	<u>\$1,541,673</u>
Net balance at January 1, 2023	<u>\$ 635,827</u>	<u>\$ 313,984</u>	<u>\$ 179,918</u>	<u>\$ 64,634</u>	<u>\$ 126,400</u>	<u>\$1,320,763</u>
<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 expenses	-	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>

Note 1: Transfer from inventory to machinery equipment and other equipment.

Note 2: Transfer from prepayments for equipment to buildings, machinery equipment, and other equipment.

There was no sign of impairment in 2023 and 2022, 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 32.

(2) Operating leases

	<u>Buildings</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 1,191
Balance at December 31, 2023	<u>\$ 1,191</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2023	\$ 954
Depreciation expenses	<u>24</u>
Balance at December 31, 2023	<u>\$ 978</u>
Net Balance at January 1, 2023	<u>\$ 237</u>
Net Balance at December 31, 2023	<u>\$ 213</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
Depreciation expenses	<u>24</u>
Balance at December 31, 2022	<u>\$ 954</u>
Net amount at December 31, 2021	<u>\$ 237</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 32.

14. Lease agreements

(1) Right-of-use assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount		
Buildings	\$ 30,820	\$ 15,610
Transportation equipment	<u>9,281</u>	<u>8,419</u>
	<u>\$ 40,101</u>	<u>\$ 24,029</u>
	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	<u>\$ 32,508</u>	<u>\$ 20,317</u>
Depreciation of right-of use assets		
Buildings	\$ 9,035	\$ 3,297
Transportation equipment	<u>4,148</u>	<u>3,479</u>
	<u>\$ 13,183</u>	<u>\$ 6,776</u>

(2) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Carrying amount		
Current	<u>\$ 13,042</u>	<u>\$ 8,760</u>
Non-current	<u>\$ 27,243</u>	<u>\$ 15,365</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	1.26%	1.26%
Transportation equipment	1.26%~2.00%	1.26%~2.00%

(3) Other lease information

	<u>2023</u>	<u>2022</u>
Expenses relating to short-term leases	<u>\$ 20,610</u>	<u>\$ 18,219</u>
Expenses relating to low-value asset leases	<u>\$ 1,179</u>	<u>\$ 823</u>
Total cash (outflow) for leases	<u>(\$ 35,311)</u>	<u>(\$ 25,966)</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, 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>
<u>Cost</u>	
Balance at January 1, 2023	\$ 95,896
Acquired separately	26,646
Reclassified	296
Disposal	(20,506)
Balance at December 31, 2023	<u>\$ 102,332</u>
<u>Accumulated amortization</u>	
Balance January 1, 2023	\$ 41,773
Amortized expense	25,084
Disposal	(20,506)
Balance at December 31, 2023	<u>\$ 46,351</u>
Net amount at December 31, 2023	<u>\$ 55,981</u>

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

16. Loans

As of December 31, 2023, the Company has no loans.

(1) Short-term borrowings

	<u>December 31, 2022</u>
<u>Secured loan</u> (Note 32)	
Usance Letter of Credit	\$ 70,437
<u>Unsecured loans</u>	480,000
Line of Credit	<u>106,204</u>
Forward letter of credit	<u>\$ 656,641</u>

The interest rates of bank loans were 0.84567% ~ 5.9291% as of December 31, 2022.

(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

Guarantee institution	Par value	Discount	Carrying amount	Interest rate interval	Collateral
<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>Secured loans (Note 32)</u>	
Bank of Taiwan	\$ 500,000
Mega Bank	<u>241,800</u>
Subtotal	<u>741,800</u>
<u>Unsecured loans</u>	
Yuanta Bank	\$ 300,000
Bank SinoPac	100,000
E.SUN Bank	<u>200,000</u>
Subtotal	<u>600,000</u>
	1,341,800
Less : the portion recognized in long-term borrowings due within one year	(791,800)
	\$ 550,000

It is agreed that the loan of Bank of Taiwan can be circulated during the credit period. The loan period is from May 25, 2022 to May 25, 2024, and the Company has repaid the loan in advance on October 31, 2023. The annual interest rate was 1.875~2.00% as of December 31, 2022.

It is agreed that the loan of Mega Bank can be circulated during the credit period. The loan period is from October 23, 2022 to October 23, 2023. The annual interest rate was 1.975% as of December 31, 2022.

It is agreed that the loan of Yuanta Bank can be circulated during the credit period. The loan period is from May 20, 2021 to May 20, 2023. The annual interest rate was 1.60% as of December 31, 2022.

It is agreed that the loan of Bank SinoPac can be circulated during the credit period. The loan period is from December 28, 2021 to October 31, 2024, and the Company has repaid the loan in advance on September 28, 2023. The annual interest rate was 1.90% as of December 31, 2022.

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 1.95% as of December 31, 2022.

17. Accounts Payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Arising from operations	<u>\$ 2,993,294</u>	<u>\$ 1,944,831</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, 2023</u>	<u>December 31, 2022</u>
Salary payables	\$ 473,273	\$ 180,197
Export expense payables	114,833	49,737
Remuneration to employees and directors	214,595	65,197
Design expense payables	49,140	34,508
Commission payables	35,372	10,873
Labor and health insurance payables	11,192	9,361
Others	<u>114,939</u>	<u>73,012</u>
	<u>\$1,013,344</u>	<u>\$ 422,885</u>

19. Provisions

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Warranty	\$ 18,522	\$ 11,492
Onerous contract	<u>-</u>	<u>4</u>
	<u>\$ 18,522</u>	<u>\$ 11,496</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, 2023</u>	<u>December 31, 2022</u>
Present Value of a Defined Benefit		
Obligation	\$ 448,785	\$ 429,686
Fair value of plan assets	(<u>443,680</u>)	(<u>387,074</u>)
Net defined benefit liability	<u>\$ 5,105</u>	<u>\$ 42,612</u>

Movements of the net defined benefit liability are as follows:

	Present Value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance, January 1, 2022	<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>
Remeasurement			
Return on plan assets	\$ -	(\$ 24,906)	(\$ 24,906)
Actuarial loss (gain) arising from changes in financial assumptions	(<u>21,510</u>)	-	(<u>21,510</u>)
Actuarial loss (gain) arising from experience adjustments	<u>13,666</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>58,532</u>)	(<u>58,532</u>)
Benefits paid	(<u>27,870</u>)	<u>27,870</u>	-
Balance, December 31, 2022	<u>\$ 429,686</u>	(<u>\$ 387,074</u>)	<u>\$ 42,612</u>
Current service cost	2,755	-	2,755
Interest expense(income)	<u>5,030</u>	(<u>4,655</u>)	<u>375</u>
Recognized in profit or loss	<u>7,785</u>	(<u>4,655</u>)	<u>3,130</u>

(Continued on next Page)

(Continued)

	Present value of a defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Remeasurement			
Return on plan assets	-	(3,911)	(3,911)
Actuarial loss (gain) arising from experience adjustments	20,096	-	20,096
Recognized in other comprehensive income	20,096	(3,911)	16,185
Contributed by the Company	-	(56,822)	(56,822)
Benefits paid	(8,782)	8,782	-
Balance, December 31, 2023	<u>\$ 448,785</u>	<u>(\$ 443,680)</u>	<u>\$ 5,105</u>

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

	2023	2022
Operating cost	\$ 2,187	\$ 3,157
Selling expenses	439	648
Administrative expenses	317	429
Research and Development Expenses	187	259
	<u>\$ 3,130</u>	<u>\$ 4,493</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:

	December 31, 2023	December 31, 2022
Discounted rate	1.20%	1.20%
Expected return rate on plan assets	1.20%	1.20%
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, 2023</u>	<u>December 31, 2022</u>
Discount Rate		
Increase 0.25%	(\$ 8,189)	(\$ 8,501)
Decrease 0.25%	<u>\$ 8,434</u>	<u>\$ 8,767</u>
Future salary increase rate		
Increase 0.25%	<u>\$ 8,150</u>	<u>\$ 8,496</u>
Decrease 0.25%	(<u>\$ 7,957</u>)	(<u>\$ 8,283</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, 2023</u>	<u>December 31, 2022</u>
Forecast amount within one year	<u>\$ 41,106</u>	<u>\$ 22,712</u>
Average maturity period of defined benefit obligations	7.45 years	8.08 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, 2023</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>\$ 131</u>	<u>\$ -</u>	<u>\$ 131</u>
Contract assets	<u>\$ 414,531</u>	<u>\$ -</u>	<u>\$ 414,531</u>
<u>Liabilities</u>			
Contract liabilities	<u>\$ 115,491</u>	<u>\$ 56,734</u>	<u>\$ 172,225</u>
	<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>

22. Equity

(1) Capital - common stock

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Authorized shares (in thousands)	<u>275,000</u>	<u>275,000</u>
Authorized capitals	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>
Issued and paid shares (in thousands)	<u>261,059</u>	<u>261,059</u>
Issued capital	<u>\$ 2,610,585</u>	<u>\$ 2,610,585</u>

(2) Capital surplus

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<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	803	532
<u>Can be used to offset a deficit (2)</u>		
Recognition of changes in ownership interests in subsidiaries	<u>85,120</u>	<u>85,120</u>
	<u>\$ 86,956</u>	<u>\$ 86,685</u>

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.

The Company provides the special reserve for the net debit element of other equity accumulated in prior periods, for the portion of the unappropriated earnings of the prior period.

The appropriations of 2022 and 2021 earnings proposed by the Company's Board of Directors meeting held on June 15, 2023, and June 15, 2022 are as follows:

	2022	2021
Legal reserve	<u>\$ 86,445</u>	<u>\$ 29,154</u>
Special reserve	<u>\$ 21,905</u>	<u>\$ 22,231</u>
Cash dividends	<u>\$ 652,646</u>	<u>\$ 261,059</u>
Cash dividends per share (NT\$)	<u>\$ 2.50</u>	<u>\$ 1.00</u>

The appropriations of earnings for 2023 proposed by the Company's Board of Directors on March 8, 2024 are as follows:

	2023
Legal reserve	<u>\$256,431</u>
Special reserve	<u>\$29,142</u>
Cash dividends	<u>\$1,566,351</u>
Stock dividends	<u>\$261,059</u>
Cash dividends per share (NT\$)	<u>\$6.00</u>
Stock dividends per share (NT\$)	<u>\$1.00</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 13, 2024.

(4) Other equity items

1. Exchange differences arising on translation of the financial statements of foreign operations

	2023	2022
Balance, beginning of year	(\$ 44,877)	(\$ 26,619)
Occurred in the current year		
Exchange differences arising on translation of foreign operations	(5,508)	(12,655)
Reclassification		
Disposal of foreign operations	-	(5,603)
Other comprehensive income of the year	(5,508)	(18,258)
Balance, end of year	<u>(\$ 50,385)</u>	<u>(\$ 44,877)</u>

2. Unrealized gain (loss) on financial assets at FVTOCI

	2023	2022
Balance, beginning of year	(\$ 14,606)	(\$ 10,959)
Unrealized gain or losses		
Equity instruments		
Equity instrument	(23,634)	(3,647)
Balance, end of year	(\$ 38,240)	(\$ 14,606)

23. Revenue

	2023	2022
Revenue from contract with customers		
Sales revenue		
Power transformer	\$ 9,231,648	\$ 5,210,230
Distribution	1,532,977	681,288
Transformer	380,864	214,845
Electricity	21,507	11,898
Other	1,119,641	630,374
Construction revenue	1,131,575	509,002
	<u>\$ 13,418,212</u>	<u>\$ 7,257,637</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, 2023	December 31, 2022	January 1, 2022
Notes receivable	<u>\$ 95,615</u>	<u>\$ 94,654</u>	<u>\$ 72,964</u>
Accounts receivable (Note 10)			
Sale of goods	<u>\$ 2,103,522</u>	<u>\$ 1,839,124</u>	<u>\$ 2,287,583</u>
Contract asset			
Construction	\$ 414,531	\$ 192,230	\$ 596,634
Sale of goods	<u>1,643,649</u>	<u>1,265,530</u>	<u>821,508</u>
	<u>\$ 2,058,180</u>	<u>\$ 1,457,760</u>	<u>\$ 1,418,142</u>
Contract liabilities			
Construction	\$ 172,225	\$ 16,353	\$ 17,028
Sale of goods	<u>2,609,462</u>	<u>1,484,764</u>	<u>456,524</u>
	<u>\$ 2,781,687</u>	<u>\$ 1,501,117</u>	<u>\$ 473,552</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.

(3) Revenue from Contracts with Customers

2023

	Electrical & Mechanical Department	Turnkey Department	Total
Sales revenue	\$12,286,637	\$ -	\$12,286,637
Construction revenue	-	1,131,575	1,131,575
	<u>\$12,286,637</u>	<u>\$ 1,131,575</u>	<u>\$13,418,212</u>

2022

	Electrical & Mechanical Department	Turnkey Department	Total
Sales revenue	\$ 6,748,635	\$ -	\$ 6,748,635
Construction revenue	-	509,002	509,002
	<u>\$ 6,748,635</u>	<u>\$ 509,002</u>	<u>\$ 7,257,637</u>

24. Net Income

(1) Interest income

	<u>2023</u>	<u>2022</u>
Bank deposits	\$ 20,340	\$ 2,605
Other	103	278
	<u>\$ 20,443</u>	<u>\$ 2,883</u>

(2) Other income

	<u>2023</u>	<u>2022</u>
Export tax rebate	\$ 41,305	\$ 25,862
Government grant revenue	12,513	1,121
Commission revenue	4,860	-
Compensation and indemnity income	47,267	718
Others	2,337	4,737
	<u>\$ 108,282</u>	<u>\$ 32,438</u>

(3) Other gains and losses

	<u>2023</u>	<u>2022</u>
Financial assets and liabilities interest (loss)		
Financial assets (mandatorily) measured at fair value through profit or loss	\$ 1,047	\$ 56
Loss on disposal of property, plant and equipment	(359)	(139)
Net gain and loss on foreign currency exchange	22,364	49,263
Others	762	(1,092)
	<u>\$ 23,814</u>	<u>\$ 48,088</u>

(4) Financial cost

	2023	2022
Bank loan interest	\$ 34,665	\$ 34,151
Interest of lease liabilities	463	177
Other financial cost	333	191
	<u>\$ 35,461</u>	<u>\$ 34,519</u>

(5) Depreciation, Amortization, and Employee benefits expenses

	2023			2022		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Employee benefits expenses						
Salary	\$ 732,413	\$ 535,584	\$1,267,997	\$ 475,253	\$ 311,780	\$ 787,033
Labor and Health Insurance	47,739	21,771	69,510	40,014	18,588	58,602
Pension						
Defined contribution plan	17,544	9,317	26,861	18,626	8,281	26,907
Defined benefit plan	2,187	943	3,130	3,157	1,336	4,493
Compensation to directors	-	62,462	62,462	-	13,712	13,712
Other employee benefits	28,908	10,524	39,432	21,052	7,708	28,760
	<u>\$ 828,791</u>	<u>\$ 640,601</u>	<u>\$1,469,392</u>	<u>\$ 558,102</u>	<u>\$ 361,405</u>	<u>\$ 919,507</u>
Depreciation	<u>\$ 74,665</u>	<u>\$ 14,917</u>	<u>\$ 89,582</u>	<u>\$ 63,817</u>	<u>\$ 11,443</u>	<u>\$ 75,260</u>
Amortization	<u>\$ 9,530</u>	<u>\$ 15,554</u>	<u>\$ 25,084</u>	<u>\$ 7,952</u>	<u>\$ 13,288</u>	<u>\$ 21,240</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 2023 and 2022 by the Board of Directors on March 8, 2024 and March 8, 2023 respectively as follows:

Estimated percentage

	2023	2022
Employee compensation	5.00%	4.87%
Directors' remuneration	1.50%	1.46%

Amount

	2023	2022
	Cash	Cash
Employee compensation	\$ 165,073	\$ 50,152
Directors' remuneration	49,522	15,045

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 2022, 2021 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)

	2023	2022
Gain on foreign exchange	\$ 88,919	\$ 75,656
Loss on foreign exchange	(66,555)	(26,393)
Net gain and loss	<u>\$ 22,364</u>	<u>\$ 49,263</u>

25. Income tax

(1) Key items of income tax expense recognized in profit or loss

	2023	2022
Current income tax expense		
Recognized in the current year	\$ 525,982	\$ 21,112
Tax on undistributed earnings	5,173	-
Adjustments on prior years	<u>3,202</u>	<u>44,766</u>
	<u>534,357</u>	<u>65,878</u>
Deferred income tax benefit		
Recognized in the current year	(15,110)	70,862
Adjustment on prior years	<u>(9,645)</u>	<u>(9,723)</u>
	<u>(24,755)</u>	<u>61,139</u>
Income tax expense recognized in profit or loss	<u>\$ 509,602</u>	<u>\$ 127,017</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	2023	2022
Income before tax	<u>\$ 3,086,862</u>	<u>\$ 965,266</u>
Income tax expense at the statutory rate	\$ 617,372	\$ 193,053
Tax-exempt income	(98,184)	(37,514)
Additional income tax on unappropriated earnings	5,173	-
Investment Tax Credit	-	(4,715)
Unrecognized deductible temporary difference	(17,961)	(68,573)
Income tax adjustments on prior years adjustments on current year	<u>3,202</u>	<u>44,766</u>
Income tax expense recognized in profit or loss	<u>\$ 509,602</u>	<u>\$ 127,017</u>

(2) Income tax expense recognized in other comprehensive income

	<u>2023</u>	<u>2022</u>
<u>Deferred income tax</u>		
Recognized in the current year		
- Remeasurement of defined benefit obligation	\$ <u>3,237</u>	(\$ <u>6,550</u>)
Income tax expense recognized in other comprehensive income	\$ <u>3,237</u>	(\$ <u>6,550</u>)

(3) Income tax assets and liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Income tax assets</u>		
Income tax refund receivable	\$ <u>22,081</u>	\$ <u>21,513</u>
<u>Income tax liabilities</u>		
Income tax payable	\$ <u>515,664</u>	\$ <u>-</u>

(4) Deferred income tax assets and liabilities

The changes of the deferred income tax assets and liabilities were as follows:

2023

	<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	\$ 8,523	(\$ 10,738)	\$ 3,237	\$ 1,022
Inventory valuation losses	8,753	(6,022)	-	2,731
Export income cost adjustment item	19,763	-	-	19,763
Unrealized exchange loss	461	4,484	-	4,945
Others	<u>650</u>	<u>1,387</u>	<u>-</u>	<u>2,037</u>
	\$ <u>38,150</u>	(\$ <u>10,889</u>)	\$ <u>3,237</u>	\$ <u>30,498</u>
<u>Deferred income tax liabilities</u>				
Land value increment tax	\$ 40,621	\$ -	\$ -	\$ 40,621
Share of profit or loss of subsidiaries accounted for using equity method	<u>79,757</u>	(<u>35,644</u>)	<u>-</u>	<u>44,113</u>
	\$ <u>120,378</u>	(\$ <u>35,644</u>)	\$ <u>-</u>	\$ <u>84,734</u>

2022

	Balance, Beginning of Year	Recognized in Profit or loss	Recognized in Other Comprehensiv e Income	Balance, End of Year
<u>Deferred income tax</u>				
<u>assets</u>				
Defined benefit and pension plans	\$ 25,881	(\$ 10,808)	(\$ 6,550)	\$ 8,523
Inventory valuation losses	442	8,311	-	8,753
Bad Debt deferral period	\$ 1,791	(\$ 1,791)	\$ -	\$ -
Export income cost adjustment item	144	19,619	-	19,763
Unrealized exchange loss	-	461	-	461
Others	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>

(5) Income tax examination

The tax authorities have examined income tax of the Company prior to 2021.

26. Earnings per share

The net income and weighted average number of ordinary shares outstanding used to calculate earnings per share are as below:

	2023	2022
Current year net income	<u>\$2,577,260</u>	<u>\$ 838,249</u>

Number of shares

Unit: Thousand shares

	2023	2022
Calculation of weighted average number of common stock shares	261,059	261,059
The effect of potentially dilutive ordinary shares:		
Employee compensation	<u>636</u>	<u>1,140</u>
The calculation of diluted EPS is based on the weighted average number of ordinary shares	<u>261,695</u>	<u>262,199</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 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 2023 and 2022 consolidated financial statements for the description of the partial acquisition of Fortune Electric Australia Pty. Ltd.

28. 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. The disposal was completed on December 31, 2022, and the Company lost control over the subsidiary. Fortune Electric (Wuhan) Ltd. and subsidiaries operate in sales of transformers, capacitors, power distribution panels and equipment. Please refer to Note 28 to the consolidated financial statements of 2023 for the explanation of disposal of Fortune Electric (Wuhan) Ltd. and subsidiaries.

29. 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.

30. 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, 2023 and 2022.

(2) Fair value information: Financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2023

	<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	\$ -	\$ -	\$ 288,752	\$ 288,752

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	\$ -	\$ -	\$ 312,386	\$ 312,386
<u>Financial liabilities measured at fair value through profit or loss</u>				
Derivative	\$ -	\$ 279	\$ -	\$ 279

There were no transfers between Level 1 and Level 2 fair value measurements in 2023 and 2022.

2. The reconciliation of financial instruments categorized within level 3

2023

Financial assets at fair value through other comprehensive income	<u>Amount</u>
Beginning balance	\$ 312,386
Recognized in other comprehensive income	(23,634)
Ending balance	<u>\$ 288,752</u>

2022

Financial assets at fair value through other comprehensive income	<u>Amount</u>
Beginning balance	\$ 316,033
Recognized in other comprehensive income	(3,647)
Ending balance	<u>\$ 312,386</u>

(3) Categories of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 3,891,358	\$ 2,128,542
Financial assets measured at fair value through other comprehensive income		
Equity investment instrument	288,752	312,386
<u>Financial liabilities</u>		
Measured at fair value through profit or loss		
Held for trading	-	279
Amortized cost (Note 2)	4,579,875	4,065,061

Note 1: Including cash, financial assets measured at amortized cost, notes receivable, accounts receivable, accounts receivable - related parties, other receivables, and refundable deposits.

Note 2: Including financial liabilities measured at amortized cost, such as short-term borrowings, accounts payable, accounts payable - related parties, other payables, current portion of long-term borrowings, long-term borrowings and guarantee deposits received.

(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 34.

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	
	2023	2022
Profit or Loss (i)	<u>\$ 10,079</u>	<u>\$ 6,157</u>

- (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, 2023</u>	<u>December 31, 2022</u>
Fair value interest rate		
- Financial assets	\$ 32,414	\$ 23,575
- Financial liabilities	40,285	450,655
Cash flow interest rate risk		
- Financial assets	858,731	169,450
- Financial liabilities	-	1,821,800

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 2023 and 2022 will decrease or increase by \$8,587 thousand and \$16,524 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 2023 and 2022 will increase or decrease by \$2,888 thousand and \$3,124 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, 2023 and 2022, the unused bank loan and bill company financing lines were \$9,748,795 thousand and \$5,795,673 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, 2023

	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</u>					
<u>liabilities</u>					
Non-interest- bearing			\$		
liabilities		\$448,285	2,867,925	\$ 427	\$ -
Lease liabilities		<u>1,443</u>	<u>2,886</u>	<u>12,040</u>	<u>24,846</u>
			\$		
		<u>\$449,728</u>	<u>2,870,811</u>	<u>\$ 12,467</u>	<u>\$ 24,846</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>\$ 16,369</u>	<u>\$ 24,846</u>	<u>\$ -</u>	<u>\$ -</u>

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</u>					
<u>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	<u>452,067</u>	<u>356,970</u>	<u>99,022</u>	<u>-</u>
		<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>

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, 2023 and 2022, the undiscounted principal balances of these bank loans are \$0 thousand and \$201,839 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	<u>\$ -</u>	<u>(\$ 279)</u>	<u>\$ -</u>	<u>\$ -</u>

31. 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 Value Co., LTD. (Fortune Electric Value Company)	Subsidiary
Wuhan Fortune Electric Co., Ltd (Fortune Electric Company)	Subsidiary
Fortune Electric America Inc. (USA Fortune Company)	Subsidiary
Fortune Electric Extra High Voltage Co., Ltd. (Fortune Extra High Voltage Company)	Subsidiary
Fortune Electric Australia PTY LTD (Australian Fortune Company)	Subsidiary
Fortune Electric (Wuhan) Ltd. (Wuhan Fortune Company)	Subsidiary (Note)
E-Total Link	Associate
Hsin He Energy Co., Ltd. (Hsin He Energy Company)	Other related party
Hua Cheng Investment Co., Ltd. (Hua Cheng Investment Company)	Other related party

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

<u>Item</u>	<u>Related Party Categories/Name</u>	<u>2023</u>	<u>2022</u>
Revenue from sales of goods	Subsidiaries	\$ 338,358	\$ 92,950
	Associates	58	624
		<u>\$ 338,416</u>	<u>\$ 93,574</u>

For other transactions with related parties, the price and payment and collection terms are equivalent to those of non-related parties.

(3) Purchases

<u>Related Party Categories/Name</u>	<u>2023</u>	<u>2022</u>
Subsidiaries		
Fortune Electric Extra High Voltage Company	\$ 1,350,304	\$ 1,067,202
Other	99,039	35,559
Associates	1,278	2,554
	<u>\$ 1,450,621</u>	<u>\$ 1,105,315</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, 2023	December 31, 2022
Receivables	Subsidiaries		
	USA Fortune	\$ 24,277	\$ -
	Company		
	Other	<u>472</u>	<u>85</u>
		<u>\$ 24,749</u>	<u>\$ 85</u>
Other receivables (Classified under other current assets)	Subsidiaries	<u>\$ 18</u>	<u>\$ 265</u>

The outstanding receivables from related parties are not guaranteed, and no allowance for losses is provided for account receivables from related parties in 2023 and 2022.

(5) Payable to related parties (Excluding loans from related parties)

Item	Related Party Categories/Name	December 31, 2023	December 31, 2022
Payable to related parties	Subsidiaries		
	Fortune Extra High	\$ 531,861	\$ 225,332
	Voltage Company		
	USA Fortune	29,888	1,143
	Company		
	Fortune Electric	312	3,459
	Value Company		
	Other	4,737	2,142
	Associates	<u>68</u>	<u>-</u>
		<u>\$ 566,866</u>	<u>\$ 232,076</u>

The balance of outstanding accounts payable to related parties did not provide guarantees.

(6) Prepayment

Related Party Categories/Name	December 31, 2023	December 31, 2022
Subsidiaries		
Fortune Electric Extra		
High Voltage Company	\$280,952	\$351,933
Other	<u>713</u>	<u>11,640</u>
	<u>\$281,665</u>	<u>\$363,573</u>

(7) Lease Agreement

Acquisition of Right-of-use asset

Related Party Categories/Name	2023	2022
Other related parties	<u>\$ -</u>	<u>\$ 504</u>

	Related Party Categories/Name	December 31, 2023	December 31, 2022
Lease liabilities -	Other related parties	<u>\$ 170</u>	<u>\$ 168</u>
Current			
Lease liabilities –non-	Other related parties	<u>\$ -</u>	<u>\$ 170</u>
current			

<u>Related Party Categories/Name</u>	<u>2023</u>	<u>2022</u>
<u>Financial costs</u>		
Other associates	\$ <u>3</u>	\$ <u>5</u>
<u>Cost of goods sold –</u>		
<u>Manufacturing expense</u>		
Other related parties	\$ <u>-</u>	\$ <u>21</u>
<u>Operating cost</u>		
Other related parties	\$ <u>168</u>	\$ <u>147</u>

Lease prices and payment terms are the same as those with non-related parties.

(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. Lease prices and payment terms are the same as those with non-related parties.

The total rental payments to be collected in the future are summarized as follows :

<u>Related Party Categories/Name</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries	\$ 133	\$ 138
Associates	<u>5</u>	<u>57</u>
	\$ <u>138</u>	\$ <u>195</u>

The lease income is summarized as follows:

<u>Related Party Categories/Name</u>	<u>2023</u>	<u>2022</u>
Subsidiaries	\$ 114	\$ 114
Other associates	<u>57</u>	<u>57</u>
	\$ <u>171</u>	\$ <u>171</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, 2023</u>	<u>December 31, 2022</u>
Subsidiaries		
Fortune Electric Extra		
High Voltage Company	\$ 1,874,000	\$ 1,450,000
Fortune Electric Company	<u>30,705</u>	<u>-</u>
	\$ <u>1,904,705</u>	\$ <u>1,450,705</u>
Other related parties		
Hsin He Energy Company	\$ <u>252,750</u>	\$ <u>252,750</u>

(10) Other related party transaction

<u>Related Party Categories/Name</u>	<u>Manufacturing Expense</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries		
Fortune Electric Extra High Voltage	\$ <u>-</u>	\$ <u>4,500</u>

<u>Related Party Categories/Name</u>	<u>Operating Expense</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries		
USA Fortune Company	\$ 78,304	\$ 49,173
Fortune Electric Value Company	208	-
Wuhan Fortune Company	<u>-</u>	<u>19</u>
	\$ <u>78,512</u>	\$ <u>49,192</u>

<u>Related Party Categories/Name</u>	<u>Other Revenue</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries		
Fortune Electric Value Company	\$ <u>61</u>	\$ <u>-</u>

(11) Compensation of key management personnel

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 155,301	\$ 83,360
Post-employment benefits	<u>2,429</u>	<u>2,167</u>
	\$ <u>157,730</u>	\$ <u>85,527</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.

32. 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, 2023</u>	<u>December 31, 2022</u>
Refundable deposits (Current portion is included in other current assets)	\$ 44,122	\$ 34,302
Pledge of certificate of deposit (Financial assets at amortized cost)	32,414	23,574
Property, plant and equipment, net	<u>977,911</u>	<u>955,034</u>
	\$ <u>1,054,447</u>	\$ <u>1,012,910</u>

33. 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, 2023, the balance of unused L/C amount total US\$3,083 thousand, ¥164,830 thousand, € 1,087 thousand, KRL55 thousand and CHF299 thousand.
- (2) As of December 31, 2023, a total of \$2,252,888 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 \$0 thousand and \$647 thousand for the years ended December 31, 2023 and 2022, 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, 2023 and 2022 was \$11,375 thousand and \$11,898 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.

34.

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, 2023

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
USD	\$ 42,637	30.71 (USD: NT dollar)	<u>\$ 1,309,174</u>
<u>Non-Monetary items</u>			
Investments accounted for using equity method			
USD	7,294	30.71 (USD: NT dollar)	<u>\$ 223,951</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	9,811	30.71 (USD: NT dollar)	<u>\$ 301,260</u>

December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Foreign currency assets			
<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>

Significant exchange gains and losses (realized and unrealized) were as follows:

	2023	2022
Functional currency	Translation from the functional currency to the presentation currency	Translation from the functional currency to the presentation currency
	Net exchange gains and losses	Net exchange gains and losses
NTD	(NTD : NTD) <u>\$ 22,364</u>	1 (NTD : NTD) <u>\$ 49,263</u>

35. 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 Mainland China :

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 Mainland China. (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 31)
 - (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, 2023

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 Extra High Voltage Company	Subsidiary	\$ 3,013,248	\$ 1,874,000	\$ 1,874,000	\$ 599,448	\$ -	31.10	\$ 3,615,897	Y	N	N	
0	Fortune Electric Co., Ltd.	Wuhan Fortune Electric Co., Ltd	Sub-subsidiary	3,013,248	31,255	30,705	-	-	0.51	3,615,897	Y	N	Y	
1	Fortune Electric Co., Ltd..	Hsin He Energy Company	Joint venture	3,013,248	252,750	252,750	252,750	-	4.19	3,615,897	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., \$6,026,496×50% = \$3,013,248.

Note 2 : The total amount of endorsements or guarantees shall not exceed 60% of the Company’s net worth, i.e., \$6,026,496×60% = \$3,615,897.

Fortune Electric Co., Ltd.
Marketable Securities Held
For the year ended December 31, 2023

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	\$ 26,768	6.59	\$ 26,768	
	ProMOS Technologies Inc.	-	Financial assets at fair value through other comprehensive income	26	-	0.06	-	
	Hsin He Energy Co., Ltd.	Other related party	Financial assets at fair value through other comprehensive income	25,275	227,264	15.00	227,264	
	E-Formular Technologies. Inc	Other related party	Financial assets at fair value through other comprehensive income	1,200	17,436	5.52	17,436	
	Synergy Co., Ltd.	Other related party	Financial assets at fair value through other comprehensive income	1,471	17,284	14.71	17,284	

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
2023

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	\$ 1,350,304	18.33%	90 Days	-	-	(\$ 531,861)	(14.94%)	
Fortune Electric Co., Ltd.	USA Fortune Company	Subsidiary	Sales	(336,028)	(2.42%)	90 Days			24,277	1.09%	
Fortune Electric Extra High Voltage Co., Ltd.	USA Fortune Company	Fellow subsidiary	Sales	(148,696)	(1.07%)	90 Days	-	-	7,363	1.32%	

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, 2023

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-subsiidiary	\$ 531,861	3.57	\$ -	-	\$ 522,958	\$ -

Note 1: Please enter the accounts receivable from related parties, notes and bills, and other receivables...etc. separately.

Fortune Electric Co., Ltd.
Names, Locations, and related Information of Investees...related information
January 1 to December 31, 2023

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, 2023			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee (Note 1)	Note
				December 31, 2023	December 31, 2022	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	\$ 43,552	\$ 154,848	100 thousand	100.00	\$ 156,961	\$ 11,185	\$ 11,185	Subsidiary (Note 2)
	Fortune Electric America Inc.	23133 Hawthorne Blvd. Suite 200 Torrance, CA 90505	Agent business	2,949	2,949	1 thousand	100.00	66,990	40,573	40,573	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	100.00	1,223,203	518,826	518,826	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	25.00	2,129	172	43	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	100.00	694	(53)	(53)	Subsidiary
	Fortune Electric Australia Pty Ltd.	Level 7, 60 York. Street, Sydney NSW 2000, Australia	Trade business	10,173	10,173	500 thousand	100.00	11,929	869	869	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	64.25	190,678	(43,224)	(27,851)	Subsidiary
Power Energy International Ltd.	Wuhan Fortune Electric Co., Ltd	NO. 2832 Dong Si Who Avenue, Wuhan, Hubei Province, China	Import and export business of various commodities and technologies	USD1,000 thousand	USD500 thousand	-	100.00	USD1,590 thousand	USD298 thousand	USD298 thousand	Sub-subsidiary
Fortune Electric Value Co., LTD.	SQTek Co., Ltd.	2F., No. 423-5, Zhengguang Rd., Taoyuan Dist., Taoyuan City	Information software service	1,000	-	100 thousand	20.00	199	(4,005)	(801)	Associate (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: Power Energy International Ltd. has implemented capital reduction of US\$3,700 thousand, converting to NTD111,296 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.

Note 3: Fortune Electric Value Co., LTD. acquired 20% of shares of SQTek Co., Ltd. (100 thousand of shares) in January 2023 by \$1,000 thousand.

Fortune Electric Co., Ltd.
Information on investments in Mainland China
January 1 to December 31, 2023

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, 2023(Note 3)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2023(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, 2023	Note
					Outflows	Inflows							
Fortune Electric (Wuhan) Ltd. (Note 4)	Transformer, capacitor, distribution board and distribution equipment manufacturing industry.	\$ -	Reinvestment in mainland companies through reinvestment in existing companies in the third area	\$ 199,615 USD 6,000 thousand	\$ -	\$ 199,615 USD 6,000 thousand	\$ -	\$ -	-	\$ -	\$ -	\$ -	Note 3
Wuhan Fortune Electric Co., Ltd	Import and export business of various commodities and technologies.	30,705 (USD1,000 thousand)	Reinvestment in mainland companies through reinvestment in existing companies in the third area	30,705 (USD1,000 thousand)	-	-	30,705 (USD1,000 thousand)	9,313 (USD298 thousand)	100%	9,313 (USD298 thousand)	48,821 (USD1,590 thousand)	-	

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Investment Limit for Mainland Area as Regulated by MOEAIC
\$ 28,863(USD940 thousand)	\$ 30,705 (USD1,000 thousand)	\$ 3,615,897

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, 2023, the rest are calculated at the spot exchange rate at the end of December, 2023.

Note 3: The Company has completed the transaction of selling 100% of the shares of Fortune Electric (Wuhan) Ltd. on December 31, 2022, and Power Energy International Ltd. has remitted back USD6,060 thousand in January 2023 to deduct the amount invested in Mainland China approved by Investment Commission, MOEA, and cancel the amount invested in Mainland China by USD6,000 thousand.

Fortune Electric Co., Ltd.
Information on major shareholders
December 31, 2023

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	16,910,749	6.47%

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 Analysis of Financial Status

Unit: NT\$ Thousands

Item	Year	December 31 st , 2023	December 31 st , 2022	Difference	
				Amount	%
Current Assets		12,566,778	9,117,725	3,449,053	37.83
Property, Plant and Equipment		2,080,565	1,976,677	103,888	5.26
Investment accounted for using the equity method		2,328	2,405	(77)	(3.20)
Intangible Assets		66,429	56,528	9,901	17.52
Other Assets		530,668	547,103	(16,435)	(3.00)
Total Assets		15,246,768	11,700,438	3,546,330	30.31
Current Liabilities		8,777,431	6,410,571	2,366,860	36.92
Non-current liabilities		336,744	1,024,594	(687,850)	(67.13)
Total Liabilities		9,114,175	7,435,165	1,679,010	22.58
Equity Attributable to Owners of the Company		6,026,496	4,143,701	1,882,795	45.44
Share Capital		2,610,585	2,610,585	0	0.00
Capital Surplus		86,956	86,685	271	0.31
Retained Earnings		3,417,580	1,505,914	1,911,666	126.94
Other Equity		(88,625)	(59,483)	(29,142)	(48.99)
Non-controlling interests		106,097	121,572	(15,475)	(12.73)
Total Equity		6,132,593	4,265,273	1,867,320	43.78

Explanation: (variance over 20%)

1. The current assets and total assets increasing is primarily attributed by cash, contract assets and inventory growth.
2. Current liabilities and total liabilities increased mainly due to accounts payable and contract liabilities increase.
3. Non-current liabilities reduce mainly due to long-term loan decrease.
4. Retained earnings and total equity rise is a result of current year profit increase.
5. Other equity was decreased mainly due to exchange differences on translation of foreign operations.

7.2 Analysis of Financial Performance

(1) Business Results Comparative Analysis

Unit: NT\$ Thousands

Item	Year	2023	2022	Difference	
				Amount	%
Operating Revenues		13,899,740	7,750,727	6,149,013	79.33
Operating Costs		9,565,721	6,163,119	3,402,602	55.21
Gross Profit		4,334,019	1,587,608	2,746,411	172.99
Operating Expenses		1,480,437	1,158,381	322,056	27.80
Profit from Operations		2,853,582	429,227	2,424,355	564.82
Non-operating Income and Expenses		218,498	520,553	(302,055)	(58.03)
Profit before Income Tax		3,072,080	949,780	2,122,300	223.45
Income Tax Expense		510,295	127,476	382,819	300.31
Net Profit for The Year		2,561,785	822,304	1,739,481	211.54
Total other comprehensive income		(42,090)	4,295	(46,385)	(1,079.98)
Total comprehensive income		2,519,695	826,599	1,693,096	204.83

Explanation:

1. Current year's operating revenue growth was mainly due to private projects and export sales increased compared to the same period, gross profit increased, please refer to the detailed change analysis, good profitability resulted in an increase of more than 20% in profit from operations and profit before income tax.
2. Operating expenses 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 in the same period last year led to the decrease in non-operating net income.
4. Other comprehensive income decreased, mainly due to the effect of decreases in "Remeasurement of defined benefit plans and unrealized gain on investments in equity instruments at fair value through other comprehensive income".

(2) Analysis of changes in gross profit:

	Increase (decrease) between periods ① – ② + ③ + ④	Reasons for variance			
		sales price variance①	cost price variance② (negative is favorable)	sales mix variance ③	volume variance④
Gross profit	2,746,411	4,463,244	2,026,269	8,247	301,189
Explanation	1.Favorable sales price variance was mainly due to the increase in private projects and export sales as compared to the same period, and favorable lead time. 2. Unfavorable cost price variance was mainly due to the increase in raw material and labor costs during the period. 3. Favorable sales mix variance was mainly due to the increase in the number of distribution boards sold as compared to the same period. 4. Favorable volume variance was mainly due to the increase in sales volume of transformers during the period.				

(3) 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. Furthermore, we will continue to develop and optimize our home charging equipment and system platform.

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	2023
Cash flow - Operating activities	4,281,300
Cash flow - Investing activities	(184,358)
Cash flow - Financing activities	(2,945,526)
Effect of exchange rate to cash and cash equivalents	(9,560)
Net increase in cash	1,141,856
Increase/decrease explanation:	
(1) Net cash flow generated from operating mainly resulted from good current year profit, accounts payable, contract liabilities and other payables, etc. increased.	
(2) Net cash flow in investing activities was mainly for procuring manufacturing related equipment.	
(3) Net cash used in financing activities for the year were mainly repayments of short-term and long-term loans and distribution of cash dividends.	

2. Analysis of Cash Flow in the Next Year

Unit: NT\$ Thousands

Cash, Beginning of Year	From operating activities	Annual Cash used	Residual Cash	Insufficient cash and countermeasures	
Balance①	Net Cash Flow②	③	① + ② - ③	Investment plan	Financing plan
\$1,576,646	\$553,370	\$ 530,016	\$ 1,600,000	-	-
Analysis of change of Cash flow in the Next Year					
(1) Operating activities: mainly due to the increase in profit and accounts payables in 2023.					
(2) Investing activities: mainly for the acquisition of property, plant and equipment.					
(3) Financing activities: mainly due to borrowing from banks and 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				
				2023	2024	2025	2026	2027
Fixed Assets and Software equipment etc.	Operating capital / loans	2024	\$1,313,774	\$184,538	\$1,129,236	-	-	-

2. Expected Benefits:

In response to the growth momentum of green energy, Taipower's power grid resilience project, and overseas power infrastructure construction, it is necessary to refurbish plants and purchase production and software equipment to optimize the production line, in order to expand the production capacity of the existing transformers, increase productivity, fulfill the growth in 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 losses and improve the financial structure was completed in June 2022. In 2023, operating revenue has reached NT\$1.561 billion, profit has reached over NT\$500 million, and retained earnings have turned positive. In 2024, revenue and profit are expected to grow optimistically, and the future outlook is favorable due to issues such as Taipower's power grid resilience project and the expanding demand for transformers in the United States.

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 133~138 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 (NT\$3,000 thousand or more)

Unit: NT\$ Thousands

R&D Item	Progress	Additional R&D cost	Estimated production date	Key factors affecting success of R&D in the future
Smart regulator & AMI communication integration application	69%	28,084	December 2024	Passed field tests and related third-party tests
Reconfigurable Array of Inexpensive Batteries Architecture (RAIBA)	65%	12,000	December 2025	1. Reduce the overall cost in use 2. Realize the secondary use of EV battery module 3. Higher system safety and reliability
Latching relay without controller box	80%	8,000	December 2024	Requires compliance with the TPC specification amendments
Intelligent Micro Energy Cabinet System	60%	5,000	December 2024	In response to fire and safety needs, rolling adjustments will be made in line with regulations to ensure the safe use of electricity and smooth operation of all equipment.
Single-phase pad-mounted transformer for U.S. IEEE Std Contacts	50%	5,000	July 2024	Complies with IEEE electrical strength, DOE efficiency loss requirements and passes transformer short circuit test.
Regional EMS - Charging pile management system technology development	86%	3,000	December 2024	There are still many brands in this industry that utilize private communication protocols, and if closed systems gradually increase in the market, it will be considered a major impact factor for this product.

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:

As the trend of advancement in technology and energy transition, as well as the government's active promotion of the development of smart grid and green energy, including wind power and solar energy and other related fields, the public's awareness of environmental protection has further strengthened this trend. Therefore, the Company should actively follow the trend and invest in the smart grid and green energy industry, and proactively participate in the national energy-based plans to start R&D and construct key components for offshore wind power generation, distribution transformer management system (TTU), distribution transformer intelligent control system (TSU), hybrid regulator transformer, EV charging piles, energy management system (EMS)etc. ...and other projects and programs. Among them, the hybrid regulator transformer is mainly based on distribution monitoring and diagnostics and active voltage compensation. The intelligent regulator transformer solves the voltage quality problem of high percentage of feeder voltage surge/decrease, and combines with the distribution AMI communication system to transmit status and data back in real time, which helps to improve power reliability and resilience. In addition, we are also actively pursuing energy storage projects, crossing over from the electric engineering manufacturing industry into the energy service industry to expand cross-domain business opportunities.

Since the network environment is full of unknown threat behaviors and the technology is constantly evolving, hackers can even use original programs in the operating system to carry out their malicious acts. Therefore, the Company introduced and launched the EDR system (Endpoint Detection and Response) and the MDR service (Managed Detection and Response) in September 2023 to detect and prevent intrusions at the early stage, to ensure normal operation of the Company.

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: To continuously

- provide a stable supply of goods to maintain orders from important customers, the Kuan Yin III will build a new plant to increase production capacity and simultaneously revitalize the land of the Kuan Yin III plant to enhance the Company's overall efficiency.
9. Pro Forma centralized purchase or sales risk: NONE.
In the Recent Years, Taipower and the public sector have maintained a 30% share, while export sales and private sector sales are 35% and around 35%, 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 60 and 70 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 plant at 4.60σ, 4.45σ, and 4.864σ, 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 inappropriate 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.

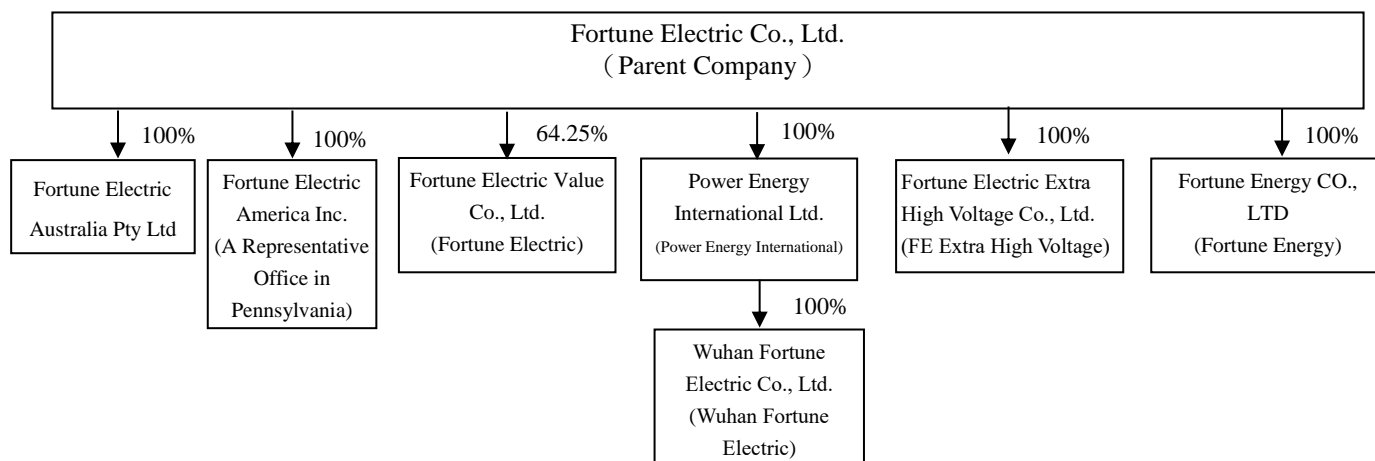
VIII. Special Disclosure

8.1 Information about the Affiliated Companies

Consolidated Business Report

Fortune Electric Co., Ltd and Affiliated Companies 2023 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 Power Energy, Wuhan Fortune Electric and Fortune Electric	-	manufactures, processes and trades transformers, distribution
Power Energy International Ltd.	2002	Fortune Electric's Affiliated Company	Shareholding	Trading, investment holding, agents business
Fortune Electric America Inc.	2013	Fortune Electric's Affiliated Company	Shareholding	Agents business
Fortune Electric Extra High Voltage Co., Ltd. (Note)	2013	Fortune Electric's Affiliated Company	Shareholding	Transformers manufacturing, machining and trading
Fortune Energy CO., LTD	2020	Fortune Electric's Affiliated Company	Shareholding	Manufacture of power generation transmission and distribution machinery
Fortune Electric Australia Pty Ltd	2020	Fortune Electric's Affiliated Company	Shareholding	Trade business
Fortune Electric Value Co., Ltd.	2021	Fortune Electric's Affiliated Company	Shareholding	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
Wuhan Fortune Electric Co., Ltd..	2021	Fortune Electric's Affiliated Company	Shareholding	Import and export business of various commodities and technologies

Note: 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.,

Appendix I

Fortune Electric Co., Ltd and Affiliated Companies Basic Information of all Affiliates December 31st, 2023

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. (Note 1)	June 13 th , 2002	2 nd Floor, Building B, SNPF Plaza, Savalalo, Apia, Samoa	US\$100,000	Import/export trading business; real estate buy & sell as holding company; distributor
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 2)	December 17 th , 2013	No. 500, Nanheng 1st Rd., Wuqi Dist., Taichung City	NT\$800,000,000	Transformer manufacturing and sales
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.	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. Power Energy International Ltd. was approved by the board of directors on January 16, 2023 for capital decrease to return US\$3,700 thousand to shareholders, and the share capital was US\$100 thousand after capital decrease.

2. 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 NT\$800,000 thousand after complete the capital reduction to offset the loss of NT\$612,000 thousand on June 2022.

Appendix II

Fortune Electric Co., Ltd and Affiliated Companies Directors and General Manager Information December 31st, 2023

Name of Company	Title	Name or Representative	Shareholding	
			Shares	Ratio (%)
Power Energy International Ltd. (Note)	Director	Fortune Electric Co., Ltd. Representative: Hsu, Bang-Fu	100,000	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.	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 Value Co., Ltd.	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: Power Energy International Ltd. was approved by the board of directors on January 16, 2023 for capital decrease to return US\$3,700 thousand to shareholders, and the share capital was US\$100 thousand after capital decrease.

Appendix III

Fortune Electric Co., Ltd. And Affiliated Company 2023 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	14,114,55	8,088,060	6,026,496	13,418,212	2,426,192	2,577,260	9.87
Power Energy International Ltd.	US\$100,000	156,961	-	156,961	-	(274)	11,185	111.85
Fortune Electric America Inc.	US\$100,000	465,841	398,851	66,990	633,958	40,572	40,573	40,573
Fortune Electric Extra High Voltage Co., Ltd.	800,000	2,710,499	1,487,296	1,223,203	1,561,315	421,709	518,826	6.49
Fortune Energy CO., LTD	1,000	694	-	694	-	(57)	(53)	(0.53)
Fortune Electric Australia Pty Ltd.	AUD 500,000	12,255	326	11,929	5,566	1,073	869	1.74
Fortune Electric Value Co., Ltd.	283,250	510,518	213,743	296,775	210,195	(47,140)	(43,224)	(1.53)
Wuhan Fortune Electric Ltd.	US\$1,000,000	89,229	40,423	48,806	140,054	11,435	9,313	-

Appendix IV

Statement of Consolidated Financial Statements of the Affiliates

We hereby declare that:

From January 1st to December 31st, 2023, 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: NONE.

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