

**FORWARD ELECTRONICS CO., LTD. AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2023 and 2022**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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## Independent Auditors' Review Report

To the Board of Directors of  
Forward Electronics Co., Ltd.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of Forward Electronics Co., Ltd. and its subsidiaries as of June 30, 2023 and 2022, and the consolidated statements of comprehensive income for the three months and six months ended June 30, 2023 and 2022, as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Forward Electronics Co., Ltd. and its subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022, as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



The engagement partners on the reviews resulting in this independent auditors' review report are Yuan-Sheng Yin and Yung-Sheng Wang.

KPMG

Taipei, Taiwan (Republic of China)

August 3, 2023

**Notes to Readers**

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

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES****Consolidated Balance Sheets****June 30, 2023, December 31, 2022, and June 30, 2022****(Expressed in Thousands of New Taiwan Dollars)**

| Assets                 |   | June 30, 2023       |            | December 31, 2022 |            | June 30, 2022    |            | Liabilities and Equity      |  | June 30, 2023       |            | December 31, 2022 |            | June 30, 2022    |            |
|------------------------|---|---------------------|------------|-------------------|------------|------------------|------------|-----------------------------|--|---------------------|------------|-------------------|------------|------------------|------------|
|                        |   | Amount              | %          | Amount            | %          | Amount           | %          |                             |  | Amount              | %          | Amount            | %          | Amount           | %          |
| <b>Current assets:</b> |   |                     |            |                   |            |                  |            | <b>Current liabilities:</b> |  |                     |            |                   |            |                  |            |
| 1100                   | Cash and cash equivalents (Note 6(a))   | \$ 491,530          | 15         | 461,594           | 16         | 855,844          | 30         | 2130                        | Current contract liabilities (Notes 6(s) and 7)          | \$ 9,701            | -          | 9,621             | -          | 6,655            | -          |
| 1110                   | Current financial assets at fair value through profit or loss (Note 6(b))                 | 10,725              | -          | 7,746             | -          | 168,841          | 6          | 2170                        | Accounts payable   | 105,587             | 3          | 107,505           | 4          | 145,189          | 5          |
| 1136                   | Current financial assets at amortized cost (Notes 6(d) and 8)                             | 220,435             | 7          | 403,380           | 14         | 216,817          | 8          | 2180                        | Accounts payable—related parties (Note 7)                | 3                   | -          | 314               | -          | 821              | -          |
| 1150                   | Notes receivable, net (Note 6(e))   | 2,634               | -          | 9,770             | -          | 21,322           | -          | 2200                        | Other payables   | 57,270              | 2          | 110,834           | 4          | 86,983           | 3          |
| 1170                   | Accounts receivable, net (Note 6(e))  | 281,508             | 9          | 272,876           | 10         | 270,665          | 10         | 2220                        | Other payables—related parties (Note 7)                  | 690                 | -          | 338               | -          | 392              | -          |
| 1180                   | Accounts receivable—related parties, net (Notes 6(e) and 7)                               | 205                 | -          | 1,355             | -          | 17               | -          | 2230                        | Current tax liabilities                                  | 1,909               | -          | 5,099             | -          | 3,736            | -          |
| 1200                   | Other receivables (Notes 6(f) and 7)  | 11,749              | -          | 5,679             | -          | 7,277            | -          | 2250                        | Current provisions                                       | 1,644               | -          | 3,351             | -          | 1,693            | -          |
| 1220                   | Current tax assets  | 639                 | -          | -                 | -          | 6,108            | -          | 2280                        | Current lease liabilities (Note 6(m))                    | 29,106              | 1          | 28,347            | 1          | 28,109           | 1          |
| 130X                   | Inventories (Note 6(g))   | 103,014             | 3          | 147,141           | 5          | 166,207          | 6          | 2322                        | Long-term borrowings, current portion (Notes 6(l) and 8) | 12,000              | 1          | 12,000            | 1          | 12,000           | -          |
| 1410                   | Prepayments   | 3,299               | 1          | 11,743            | -          | 3,501            | -          | 2399                        | Other current liabilities                                | 2,848               | -          | 2,954             | -          | 3,573            | -          |
| 1470                   | Other current assets  | 1,461               | -          | 1,497             | -          | 1,529            | -          |                             | <b>Total current liabilities</b>                         | <u>220,758</u>      | <u>7</u>   | <u>280,363</u>    | <u>10</u>  | <u>289,151</u>   | <u>9</u>   |
|                        | <b>Total current assets</b>   | <u>1,127,199</u>    | <u>35</u>  | <u>1,322,781</u>  | <u>45</u>  | <u>1,718,128</u> | <u>60</u>  |                             | <b>Non-Current liabilities:</b>                          |                     |            |                   |            |                  |            |
|                        | <b>Non-current assets:</b>  |                     |            |                   |            |                  |            | 2540                        | Long-term borrowings (Notes 6(l) and 8)                  | 713,000             | 22         | 719,000           | 24         | 725,000          | 26         |
| 1510                   | Non-current financial assets at fair value through profit or loss (Note 6(b))             | 215,500             | 7          | 220,450           | 7          | 221,950          | 8          | 2570                        | Deferred tax liabilities                                 | 233,042             | 7          | 233,042           | 8          | 252,580          | 9          |
| 1517                   | Non-current financial assets at fair value through other comprehensive income (Note 6(c)) | 1,067,864           | 34         | 583,913           | 21         | 151,702          | 5          | 2580                        | Non-current lease liabilities (Note 6(m))                | 1,966               | 1          | 14,686            | 1          | 29,134           | 1          |
| 1600                   | Property, plant and equipment (Notes 6(h) and 8)  | 588,034             | 18         | 600,629           | 20         | 613,653          | 22         | 2645                        | Guarantee deposits received                              | 7,058               | -          | 7,094             | -          | 8,160            | -          |
| 1755                   | Right-of-use assets (Note 6(i))   | 24,209              | 1          | 32,823            | 1          | 43,948           | 2          | 2670                        | Other non-current liabilities                            | 1,479               | -          | 1,479             | -          | 1,479            | -          |
| 1760                   | Investment property, net (Note 6(j))  | 9,125               | -          | 16,873            | 1          | 20,240           | 1          |                             | <b>Total non-current liabilities</b>                     | <u>956,545</u>      | <u>30</u>  | <u>975,301</u>    | <u>33</u>  | <u>1,016,353</u> | <u>36</u>  |
| 1780                   | Intangible assets   | 242                 | -          | 405               | -          | 439              | -          |                             | <b>Total liabilities</b>                                 | <u>1,177,303</u>    | <u>37</u>  | <u>1,255,664</u>  | <u>43</u>  | <u>1,305,504</u> | <u>45</u>  |
| 1840                   | Deferred tax assets   | 86,239              | 3          | 86,394            | 3          | 7,688            | -          |                             | <b>Equity (Note 6(q)):</b>                               |                     |            |                   |            |                  |            |
| 1930                   | Long-term receivables (Notes 6(e) and (k))  | 37,370              | 1          | 43,833            | 1          | 32,139           | 1          | 3100                        | Share capital  | 1,399,830           | 44         | 1,399,830         | 48         | 1,399,830        | 49         |
| 1975                   | Non-current net defined benefit assets  | 31,931              | 1          | 30,996            | 1          | 25,171           | 1          | 3200                        | Capital surplus  | 48,716              | 1          | 48,716            | 1          | 48,716           | 2          |
| 1995                   | Other non-current assets, others (Note 8)   | 16,069              | -          | 5,986             | -          | 6,015            | -          | 3300                        | Retained earnings  | 156,405             | 5          | 189,998           | 6          | 52,304           | 2          |
|                        | <b>Total non-current assets</b>   | <u>2,076,583</u>    | <u>65</u>  | <u>1,622,302</u>  | <u>55</u>  | <u>1,122,945</u> | <u>40</u>  | 3400                        | Other equity   | 421,528             | 13         | 50,875            | 2          | 34,719           | 2          |
|                        | <b>Total assets</b>   | <u>\$ 3,203,782</u> | <u>100</u> | <u>2,945,083</u>  | <u>100</u> | <u>2,841,073</u> | <u>100</u> |                             | <b>Total equity</b>                                      | <u>2,026,479</u>    | <u>63</u>  | <u>1,689,419</u>  | <u>57</u>  | <u>1,535,569</u> | <u>55</u>  |
|                        |   |                     |            |                   |            |                  |            |                             | <b>Total liabilities and equity</b>                      | <u>\$ 3,203,782</u> | <u>100</u> | <u>2,945,083</u>  | <u>100</u> | <u>2,841,073</u> | <u>100</u> |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income****For the three months and six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

|      | For the three months ended June 30   |                   |             |                 | For the six months ended June 30 |                 |             |                 |            |
|------|--|-------------------|-------------|-----------------|----------------------------------|-----------------|-------------|-----------------|------------|
|      | 2023   |                   | 2022        |                 | 2023                             |                 | 2022        |                 |            |
|      | Amount   | %                 | Amount      | %               | Amount                           | %               | Amount      | %               |            |
| 4000 | <b>Operating revenue (Notes 6(s) and 7)</b>  |                   |             |                 |                                  |                 |             |                 |            |
|      | \$   | 193,699           | 100         | 198,564         | 100                              | 403,488         | 100         | 414,081         | 100        |
| 5000 | <b>Operating costs (Notes 6(g), (h), (j), (o), (t) and 7)</b>  |                   |             |                 |                                  |                 |             |                 |            |
|      |  | 193,111           | 100         | 183,604         | 92                               | 405,087         | 100         | 380,718         | 92         |
|      | <b>Gross profit (loss) from operations</b>   |                   |             |                 |                                  |                 |             |                 |            |
|      |  | 588               | -           | 14,960          | 8                                | (1,599)         | -           | 33,363          | 8          |
|      | <b>Operating expenses (Notes 6(e), (h), (i), (j), (o), (t) and 7):</b>   |                   |             |                 |                                  |                 |             |                 |            |
| 6100 | Selling expenses   | 9,104             | 5           | 8,767           | 4                                | 15,731          | 4           | 17,968          | 3          |
| 6200 | Administrative expenses  | 11,687            | 6           | 12,363          | 6                                | 23,103          | 6           | 25,704          | 6          |
| 6300 | Research and development expenses  | 3,908             | 2           | 4,506           | 2                                | 8,388           | 2           | 9,138           | 2          |
| 6450 | Expected credit impairment gain  | (951)             | (1)         | (1,781)         | (1)                              | (883)           | -           | (1,900)         | -          |
|      | <b>Total operating expenses</b>  | <u>23,748</u>     | <u>12</u>   | <u>23,855</u>   | <u>11</u>                        | <u>46,339</u>   | <u>12</u>   | <u>50,910</u>   | <u>11</u>  |
|      | <b>Net operating loss</b>  | <u>(23,160)</u>   | <u>(12)</u> | <u>(8,895)</u>  | <u>(3)</u>                       | <u>(47,938)</u> | <u>(12)</u> | <u>(17,547)</u> | <u>(3)</u> |
|      | <b>Non-operating income and expenses (Notes (f), (h), (j), (m), (u) and 7):</b>  |                   |             |                 |                                  |                 |             |                 |            |
| 7100 | Interest income  | 6,956             | 4           | 7,564           | 4                                | 13,450          | 3           | 16,107          | 4          |
| 7010 | Other income   | 9,114             | 5           | 9,596           | 5                                | 20,226          | 5           | 18,938          | 5          |
| 7020 | Other gains and losses   | 7,785             | 4           | 10,509          | 5                                | 3,054           | 1           | 20,002          | 5          |
| 7050 | Finance costs  | (3,902)           | (2)         | (3,174)         | (2)                              | (7,633)         | (2)         | (6,063)         | (1)        |
| 7055 | Expected credit impairment losses  | (15)              | -           | -               | -                                | (15)            | -           | -               | -          |
|      | <b>Total non-operating income and expenses</b>   | <u>19,938</u>     | <u>11</u>   | <u>24,495</u>   | <u>12</u>                        | <u>29,082</u>   | <u>7</u>    | <u>48,984</u>   | <u>13</u>  |
|      | <b>Profit (loss) before tax</b>  | <u>(3,222)</u>    | <u>(1)</u>  | <u>15,600</u>   | <u>9</u>                         | <u>(18,856)</u> | <u>(5)</u>  | <u>31,437</u>   | <u>10</u>  |
| 7950 | <b>Income tax expenses (benefit) (Note 6(p))</b>   | <u>777</u>        | <u>-</u>    | <u>(4,599)</u>  | <u>(2)</u>                       | <u>1,937</u>    | <u>-</u>    | <u>(7,835)</u>  | <u>(2)</u> |
|      | <b>Net income (loss)</b>   | <u>(3,999)</u>    | <u>(1)</u>  | <u>20,199</u>   | <u>11</u>                        | <u>(20,793)</u> | <u>(5)</u>  | <u>39,272</u>   | <u>12</u>  |
| 8300 | <b>Other comprehensive income (loss):</b>  |                   |             |                 |                                  |                 |             |                 |            |
| 8310 | <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>                     |                   |             |                 |                                  |                 |             |                 |            |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 418,886           | 216         | (8,279)         | (4)                              | 391,236         | 97          | 5,817           | -          |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss             | -                 | -           | -               | -                                | -               | -           | -               | -          |
|      | <b>Total components of other comprehensive (loss) income that will not be reclassified to profit or loss</b>               | <u>418,886</u>    | <u>216</u>  | <u>(8,279)</u>  | <u>(4)</u>                       | <u>391,236</u>  | <u>97</u>   | <u>5,817</u>    | <u>-</u>   |
| 8360 | <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>                         |                   |             |                 |                                  |                 |             |                 |            |
| 8361 | Exchange differences on translation of foreign financial statements  | (23,714)          | (12)        | (19,545)        | (10)                             | (19,385)        | (5)         | 27,802          | 7          |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss                 | -                 | -           | -               | -                                | -               | -           | -               | -          |
|      | <b>Total components of other comprehensive income that will be reclassified to profit or loss</b>                          | <u>(23,714)</u>   | <u>(12)</u> | <u>(19,545)</u> | <u>(10)</u>                      | <u>(19,385)</u> | <u>(5)</u>  | <u>27,802</u>   | <u>7</u>   |
| 8300 | <b>Other comprehensive income (loss) (after tax)</b>   | <u>395,172</u>    | <u>204</u>  | <u>(27,824)</u> | <u>(14)</u>                      | <u>371,851</u>  | <u>92</u>   | <u>33,619</u>   | <u>7</u>   |
|      | <b>Total comprehensive income (loss)</b>   | <u>\$ 391,173</u> | <u>203</u>  | <u>(7,625)</u>  | <u>(3)</u>                       | <u>351,058</u>  | <u>87</u>   | <u>72,891</u>   | <u>19</u>  |
|      | <b>Earnings (losses) per share (NT dollars) (Note 6(r))</b>  |                   |             |                 |                                  |                 |             |                 |            |
| 9750 | Basic earnings (losses) per share  | <u>\$ (0.03)</u>  |             | <u>0.14</u>     |                                  | <u>(0.15)</u>   |             | <u>0.28</u>     |            |
| 9850 | Diluted earnings (losses) per share  | <u>\$ (0.03)</u>  |             | <u>0.14</u>     |                                  | <u>(0.15)</u>   |             | <u>0.28</u>     |            |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Changes in Equity****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

|   | <u>Share capital</u>   |                        | <u>Retained earnings</u> |   |                | <u>Exchange differences on translation of foreign financial statements</u> | <u>Other equity</u>  |                | <u>Total equity</u> |
|---|------------------------|------------------------|--------------------------|---|----------------|--|--|----------------|---------------------|
|   | <u>Ordinary shares</u> | <u>Capital surplus</u> | <u>Legal reserve</u>     | <u>Unappropriated retained earnings</u> | <u>Total</u>   |  | <u>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</u> | <u>Total</u>   |                     |
| <b>Balance at January 1, 2022</b>   | \$ 1,399,830           | 48,716                 | -                        | 41,029                                  | 41,029         | (113,941)  | 115,041  | 1,100          | 1,490,675           |
| Net income  | -                      | -                      | -                        | 39,272                                  | 39,272         | -  | -  | -              | 39,272              |
| Other comprehensive income  | -                      | -                      | -                        | -                                       | -              | 27,802   | 5,817  | 33,619         | 33,619              |
| Total comprehensive income  | -                      | -                      | -                        | 39,272                                  | 39,272         | 27,802   | 5,817  | 33,619         | 72,891              |
| Appropriation and distribution of retained earnings:  |                        |                        |                          |   |                |  |  |                |                     |
| Legal reserve appropriated  | -                      | -                      | 4,103                    | (4,103)                                 | -              | -  | -  | -              | -                   |
| Cash dividends of ordinary share  | -                      | -                      | -                        | (27,997)                                | (27,997)       | -  | -  | -              | (27,997)            |
| <b>Balance at June 30, 2022</b>   | <b>\$ 1,399,830</b>    | <b>48,716</b>          | <b>4,103</b>             | <b>48,201</b>                           | <b>52,304</b>  | <b>(86,139)</b>  | <b>120,858</b>   | <b>34,719</b>  | <b>1,535,569</b>    |
| <b>Balance at January 1, 2023</b>   | \$ 1,399,830           | 48,716                 | 4,103                    | 185,895                                 | 189,998        | (95,020)   | 145,895  | 50,875         | 1,689,419           |
| Net loss  | -                      | -                      | -                        | (20,793)                                | (20,793)       | -  | -  | -              | (20,793)            |
| Other comprehensive income (loss)   | -                      | -                      | -                        | -                                       | -              | (19,385)   | 391,236  | 371,851        | 371,851             |
| Total comprehensive income (loss)   | -                      | -                      | -                        | (20,793)                                | (20,793)       | (19,385)   | 391,236  | 371,851        | 351,058             |
| Appropriation and distribution of retained earnings:  |                        |                        |                          |   |                |  |  |                |                     |
| Legal reserve appropriated  | -                      | -                      | 17,697                   | (17,697)                                | -              | -  | -  | -              | -                   |
| Cash dividends on ordinary share  | -                      | -                      | -                        | (13,998)                                | (13,998)       | -  | -  | -              | (13,998)            |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                      | -                      | -                        | 1,198                                   | 1,198          | -  | (1,198)  | (1,198)        | -                   |
| <b>Balance at June 30, 2023</b>   | <b>\$ 1,399,830</b>    | <b>48,716</b>          | <b>21,800</b>            | <b>134,605</b>                          | <b>156,405</b> | <b>(114,405)</b>   | <b>535,933</b>   | <b>421,528</b> | <b>2,026,479</b>    |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

|   | <b>For the six months ended June 30</b> |                 |
|---|---|-----------------|
|   | <b>2023</b>                             | <b>2022</b>     |
| <b>Cash flows from (used in) operating activities:</b>                                      |   |                 |
| <b>(Loss) profit before tax</b>   | \$ (18,856)                             | 31,437          |
| <b>Adjustments:</b>   |   |                 |
| <b>Adjustments to reconcile (loss) profit</b>   |   |                 |
| Depreciation expense  | 27,424                                  | 28,975          |
| Amortization expense  | 159                                     | 161             |
| Expected credit impairment gain   | (868)                                   | (1,900)         |
| Net (gains) losses on financial assets or liabilities at fair value through profit or loss  | (2,979)                                 | 3,032           |
| Interest expense  | 7,633                                   | 6,063           |
| Interest income   | (13,450)                                | (16,107)        |
| Dividend income   | (200)                                   | -               |
| Loss (gain) on disposal of property, plant and equipment                                    | 77                                      | (2)             |
| Impairment loss on non-financial assets   | 5,224                                   | -               |
| <b>Total adjustments to reconcile (loss) profit</b>   | <u>23,020</u>                           | <u>20,222</u>   |
| <b>Changes in operating assets and liabilities:</b>   |   |                 |
| Notes receivable  | 7,151                                   | (2,598)         |
| Accounts receivable   | 1,990                                   | (35,081)        |
| Accounts receivable—related parties   | 1,150                                   | 938             |
| Other receivables   | (5,083)                                 | 6,615           |
| Inventories   | 42,235                                  | 16,234          |
| Prepayments   | 8,444                                   | 5,752           |
| Other current assets  | 36                                      | (1,529)         |
| Long-term receivables   | (3,825)                                 | (20,751)        |
| Net defined benefit assets  | (935)                                   | (924)           |
| Contract liabilities  | 121                                     | 466             |
| Accounts payable  | (1,918)                                 | (21,653)        |
| Accounts payable—related parties  | (311)                                   | 105             |
| Other payables  | (67,163)                                | 3,005           |
| Other payables—related parties  | 352                                     | 332             |
| Provisions  | -                                       | 37              |
| Other current liabilities   | (106)                                   | 829             |
| <b>Total adjustments</b>  | <u>5,158</u>                            | <u>(28,001)</u> |
| Cash (outflow) inflow generated from operations   | (13,698)                                | 3,436           |
| Interest received   | 12,114                                  | 13,571          |
| Dividends received  | 200                                     | -               |
| Interest paid   | (7,518)                                 | (5,072)         |
| Income taxes paid   | (5,611)                                 | (12,407)        |
| <b>Net cash flows used in operating activities</b>  | <u>(14,513)</u>                         | <u>(472)</u>    |
| <b>Cash flows from (used in) investing activities:</b>                                      |   |                 |
| Acquisition of financial assets at fair value through other comprehensive income            | (98,241)                                | -               |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 5,526                                   | -               |
| Acquisition of financial assets measured at amortized cost                                  | (211,921)                               | (107,084)       |
| Proceeds from disposal of financial assets measured at amortized cost                       | 44,782                                  | -               |
| Proceeds from maturity of financial assets measured at amortized cost                       | 347,342                                 | -               |
| Acquisition of financial assets measured at fair value through profit or loss               | -                                       | (432,996)       |
| Proceeds from disposal of financial assets measured at fair value through profit or loss    | -                                       | 1,141,998       |
| Increase in prepayments for investments   | (10,000)                                | -               |
| Acquisition of property, plant and equipment  | (2,105)                                 | (10,227)        |
| Proceeds from disposal of property, plant and equipment                                     | 50                                      | 33              |
| Increase in refundable deposits   | (175)                                   | (91)            |
| <b>Net cash flows from investing activities</b>   | <u>75,258</u>                           | <u>591,633</u>  |
| <b>Cash flows from (used in) financing activities:</b>                                      |   |                 |
| Repayments of long-term borrowings  | (6,000)                                 | (6,000)         |
| Increase in guarantee deposits received   | 46                                      | 1,150           |
| Payment of lease liabilities  | (14,816)                                | (14,622)        |
| <b>Net cash flows used in financing activities</b>  | <u>(20,770)</u>                         | <u>(19,472)</u> |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                         | (10,039)                                | (4,911)         |
| <b>Net increase in cash and cash equivalents</b>  | 29,936                                  | 566,778         |
| <b>Cash and cash equivalents at beginning of period</b>                                     | 461,594                                 | 289,066         |
| <b>Cash and cash equivalents at end of period</b>   | <u>\$ 491,530</u>                       | <u>855,844</u>  |

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**June 30, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Forward Electronics Co., Ltd. (the “Company”) was incorporated on August 31, 1970, under the approval of Ministry of Economic Affairs, Republic of China (“R.O.C”). The main business is the development, manufacture and sales of backlight modules and materials, liquid crystal display modules, switches, variable resistors, sensors and bit generators, as well as the sale of peripheral products for information appliances and lighting products. The Company’s shares have been listed and traded on the Taipei Exchange (TPEX) since March 1, 2004. The Company’s registered office and the main operating location is at No. 22, Sec. 3, Zhongshan North Road, Taipei City.

**(2) Approval date and procedures of the consolidated financial statements**

The consolidated financial statements were authorized for issuance by the Board of Directors on August 3, 2023.

**(3) New standards, amendments and interpretations adopted**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(4) Summary of material accounting policies**

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the “Regulation”) and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2022.

**(b) Basis of consolidation**

**(i) List of subsidiaries in the consolidated financial statements**

The subsidiaries included in the consolidated financial statements were as follows:

| Name of investor              | Name of subsidiary                                 | Principal activity  | Shareholding (%) |                   |               |
|-------------------------------|--|---|------------------|-------------------|---------------|
|                               |  |   | June 30, 2023    | December 31, 2022 | June 30, 2022 |
| The Company                   | Forward Development Co., Ltd.                      | Investment in production business, etc.   | 100.00 %         | 100.00 %          | 100.00 %      |
| Forward Development Co., Ltd. | Forward Electronics Equipment (Dong Guan) Co., Ltd | Factory leasing business  | 100.00 %         | 100.00 %          | 100.00 %      |
| Forward Development Co., Ltd. | Suzhou Forward Electronics Technology Co., Ltd.    | Manufacture and sale of TFT LCD backlight modules, switches and electronic labels, etc. | 100.00 %         | 100.00 %          | 100.00 %      |

**(c) Employee benefits**

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

**(d) Income taxes**

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are measured by multiplying together the pre-tax income for the interim reporting period and the management’s best estimate of effective annual tax rate. This should be recognized fully as tax expense for the current period and allocated to current and deferred taxes based on its proportionate size.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2022.

**(6) Explanation of significant accounts**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to Note 6 to the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

|                                       | <u>June 30, 2023</u> | <u>December 31,<br/>2022</u> | <u>June 30, 2022</u> |
|---------------------------------------|----------------------|------------------------------|----------------------|
| Cash on hand                          | \$ 321               | 352                          | 373                  |
| Demand deposits and checking deposits | 294,123              | 342,199                      | 349,425              |
| Call deposits                         | 137,920              | 119,043                      | 506,046              |
| Time deposits                         | 59,166               | -                            | -                    |
| Total                                 | <u>\$ 491,530</u>    | <u>461,594</u>               | <u>855,844</u>       |

Please refer to Note 6(v) for the disclosure of interest rate risk and sensitivity analysis of the Group’s financial assets and liabilities.

(b) Financial assets measured at fair value through profit or loss

|  | <u>June 30, 2023</u> | <u>December 31,<br/>2022</u> | <u>June 30, 2022</u> |
|--|----------------------|------------------------------|----------------------|
| Mandatorily measured at fair value through profit or loss: |                      |                              |                      |
| Stocks listed on domestic markets                          | \$ 10,725            | 7,746                        | 13,476               |
| Financial products   | 215,500              | 220,450                      | 377,315              |
| Total  | <u>\$ 226,225</u>    | <u>228,196</u>               | <u>390,791</u>       |
| Current  | \$ 10,725            | 7,746                        | 168,841              |
| Non-current  | 215,500              | 220,450                      | 221,950              |
| Total  | <u>\$ 226,225</u>    | <u>228,196</u>               | <u>390,791</u>       |

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) The Group's financial assets measured at fair value through profit or loss have not been pledged as collateral.
- (ii) For market risk and fair value information, please refer to Note 6(v).
- (c) Financial assets measured at fair value through other comprehensive income

|  | <u>June 30, 2023</u> | <u>December 31,<br/>2022</u> | <u>June 30, 2022</u> |
|--|----------------------|------------------------------|----------------------|
| Equity instruments measured at fair value through other comprehensive income—non-current |                      |                              |                      |
| Stock of domestic listed companies   | \$ <u>1,067,864</u>  | <u>583,913</u>               | <u>151,702</u>       |

- (i) The Group has designated these investments in equity instruments as measured at fair value through other comprehensive income, because these investments are held as long-term strategic investments and are not held for trading purposes.
- (ii) For the purpose of the asset activation, the Group disposed of Tatung Corporation, which was designated to be measured at fair value through other comprehensive income, for the six months ended June 30, 2023. The fair value of Tatung Corporation at the time of disposal was \$5,526 thousand and the cumulative gain on disposal was \$1,198 thousand, therefore, the aforementioned cumulative gain on disposal was transferred from other equity to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the six months ended June 30, 2022.
- (iii) The Group's financial assets measured at fair value through other comprehensive income have not been pledged as collateral.
- (iv) For market risk and fair value information, please refer to Note 6(v).
- (d) Financial assets measured at amortized cost

|                                  | <u>June 30, 2023</u> | <u>December 31,<br/>2022</u> | <u>June 30, 2022</u> |
|----------------------------------|----------------------|------------------------------|----------------------|
| Time deposit (including pledged) | \$ <u>220,435</u>    | <u>403,380</u>               | <u>216,817</u>       |

- (i) For the above-mentioned pledge of financial assets measured at amortized cost, please refer to Note 8.
- (ii) For information on credit risk, please refer to Note 6(v).

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (e) Notes and accounts receivable

|   | <u>June 30, 2023</u> | <u>December 31,<br/>2022</u> | <u>June 30, 2022</u> |
|---|----------------------|------------------------------|----------------------|
| Notes receivable from operating activities                            | \$ 2,647             | 9,798                        | 21,331               |
| Less: Loss allowance  | (13)                 | (28)                         | (9)                  |
| Subtotal  | <u>2,634</u>         | <u>9,770</u>                 | <u>21,322</u>        |
| Accounts receivable   | 291,512              | 284,471                      | 283,708              |
| Installment accounts receivable                                       | 20,254               | 20,825                       | 12,017               |
| Less: Unrealized interest revenue,<br>installment accounts receivable | (2,037)              | (2,737)                      | (1,871)              |
| Subtotal  | 309,729              | 302,559                      | 293,854              |
| Less: Loss allowance  | (28,221)             | (29,683)                     | (23,189)             |
| Subtotal  | <u>281,508</u>       | <u>272,876</u>               | <u>270,665</u>       |
| Accounts receivable – related parties                                 | 205                  | 1,355                        | 306                  |
| Less: Loss allowance  | -                    | -                            | (289)                |
| Subtotal  | <u>205</u>           | <u>1,355</u>                 | <u>17</u>            |
| Total   | <u>\$ 284,347</u>    | <u>284,001</u>               | <u>292,004</u>       |

## (i) Credit loss

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all notes and accounts receivable. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance were determined as follows:

June 30, 2023

## Notes receivable

|                             | <u>Gross carrying<br/>amount</u> | <u>Weighted-<br/>average loss<br/>rate</u> | <u>Loss allowance</u> |
|-----------------------------|----------------------------------|--|-----------------------|
| Current                     | \$ 2,647                         | 0.49%                                      | 13                    |
| Less than 120 days past due | -                                | -%   | -                     |
| 121~180 days past due       | -                                | -%   | -                     |
| 181~270 days past due       | -                                | -%   | -                     |
| More than 271 days past due | -                                | -%   | -                     |
| Total                       | <u>\$ 2,647</u>                  |  | <u>13</u>             |

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Accounts receivable (including long-term installment receivable)— assessed in group

|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average loss<br/>rate</b> | <b>Loss allowance</b> |
|-----------------------------|----------------------------------|--|-----------------------|
| Current                     | \$ 230,459                       | 0.01%                                      | 26                    |
| Less than 120 days past due | 70,048                           | 0.08%                                      | 58                    |
| 121~180 days past due       | -                                | -%   | -                     |
| 181~270 days past due       | -                                | -%   | -                     |
| More than 271 days past due | -                                | -%   | -                     |
| <b>Total</b>                | <b>\$ 300,507</b>                |  | <b>84</b>             |

Accounts receivable (including long-term installment receivable)— assessed in individual

|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average loss<br/>rate</b> | <b>Loss allowance</b> |
|-----------------------------|----------------------------------|--|-----------------------|
| Less than 120 days past due | \$ -                             | -%   | -                     |
| 121~180 days past due       | -                                | -%   | -                     |
| 181~270 days past due       | 1,153                            | 100%                                       | 1,153                 |
| More than 271 days past due | 26,984                           | 100%                                       | 26,984                |
| <b>Total</b>                | <b>\$ 28,137</b>                 |  | <b>28,137</b>         |

December 31, 2022

Notes receivable

|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average loss<br/>rate</b> | <b>Loss allowance</b> |
|-----------------------------|----------------------------------|--|-----------------------|
| Current                     | \$ 9,798                         | 0.29%                                      | 28                    |
| Less than 120 days past due | -                                | -%   | -                     |
| 121~180 days past due       | -                                | -%   | -                     |
| 181~270 days past due       | -                                | -%   | -                     |
| More than 271 days past due | -                                | -%   | -                     |
| <b>Total</b>                | <b>\$ 9,798</b>                  |  | <b>28</b>             |

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Accounts receivable (including long-term installment receivable)— assessed in group

|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average loss<br/>rate</b> | <b>Loss allowance</b> |
|-----------------------------|----------------------------------|--|-----------------------|
| Current                     | \$ 290,154                       | -%   | -                     |
| Less than 120 days past due | 12,649                           | 0.01%                                      | 1                     |
| 121~180 days past due       | -                                | -%   | -                     |
| 181~270 days past due       | -                                | -%   | -                     |
| More than 271 days past due | -                                | -%   | -                     |
| Total                       | <u>\$ 302,803</u>                |  | <u>1</u>              |

Accounts receivable (including long-term installment receivable)— assessed in individual

|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average loss<br/>rate</b> | <b>Loss allowance</b> |
|-----------------------------|----------------------------------|--|-----------------------|
| Less than 120 days past due | \$ -                             | -%   | -                     |
| 121~180 days past due       | 1,180                            | 100%                                       | 1,180                 |
| 181~270 days past due       | 5,513                            | 100%                                       | 5,513                 |
| More than 271 days past due | 22,989                           | 100%                                       | 22,989                |
| Total                       | <u>\$ 29,682</u>                 |  | <u>29,682</u>         |

June 30, 2022

Notes receivable

|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average loss<br/>rate</b> | <b>Loss allowance</b> |
|-----------------------------|----------------------------------|--|-----------------------|
| Current                     | \$ 19,439                        | -%   | -                     |
| Less than 120 days past due | 1,892                            | 0.5%                                       | 9                     |
| 121~180 days past due       | -                                | -%   | -                     |
| 181~270 days past due       | -                                | -%   | -                     |
| More than 271 days past due | -                                | -%   | -                     |
| Total                       | <u>\$ 21,331</u>                 |  | <u>9</u>              |

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Accounts receivable — assessed in group

|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average loss<br/>rate</b> | <b>Loss allowance</b> |
|-----------------------------|----------------------------------|--|-----------------------|
| Current                     | \$ 266,348                       | 0.16%                                      | 437                   |
| Less than 120 days past due | 25,730                           | 1.05%                                      | 270                   |
| 121~180 days past due       | -                                | %  | -                     |
| 181~270 days past due       | -                                | -%   | -                     |
| More than 271 days past due | -                                | -%   | -                     |
| <b>Total</b>                | <b>\$ 292,078</b>                |  | <b>707</b>            |

Accounts receivable — assessed in individual

|                             | <b>Gross carrying<br/>amount</b> | <b>Weighted-<br/>average loss<br/>rate</b> | <b>Loss allowance</b> |
|-----------------------------|----------------------------------|--|-----------------------|
| Less than 120 days past due | \$ -                             | -%   | -                     |
| 121~180 days past due       | -                                | -%   | -                     |
| 181~270 days past due       | -                                | -%   | -                     |
| More than 271 days past due | 22,833                           | 100%                                       | 22,833                |
| <b>Total</b>                | <b>\$ 22,833</b>                 |  | <b>22,833</b>         |

The movement in the allowance for notes receivable, accounts receivable and long-term installment receivable, were as follows:

|                                 | <b>For the six months ended<br/>June 30,</b> |               |
|---------------------------------|--|---------------|
|                                 | <b>2023</b>                                  | <b>2022</b>   |
| Balance at January 1            | \$ 29,711                                    | 25,445        |
| Impairment losses reversed      | (883)  | (1,900)       |
| Amounts written off             | (441)  | -             |
| Effect of exchange rate changes | (153)  | 4             |
| <b>Balance at June 30</b>       | <b>\$ 28,234</b>                             | <b>23,549</b> |

- (i) The above-mentioned financial assets have not been provided as security.
- (ii) For market risk of the Group's accounts receivable and notes receivable, please refer to Note 6(v).

(Continued)



**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (f) Other receivables

|                                     | <u>June 30, 2023</u> | <u>December 31,<br/>2022</u> | <u>June 30, 2022</u> |
|-------------------------------------|----------------------|------------------------------|----------------------|
| Tax refund receivable               | \$ 273               | 481                          | 500                  |
| Earned revenue receivable           | 3,538                | 2,202                        | 4,060                |
| Other receivables – related parties | 2,140                | 2,810                        | 22,466               |
| Other receivables – other           | <u>25,681</u>        | <u>20,388</u>                | <u>7,060</u>         |
| Subtotal                            | 31,632               | 25,881                       | 34,086               |
| Less: loss allowance                | <u>(19,883)</u>      | <u>(20,202)</u>              | <u>(26,809)</u>      |
| Total                               | <u>\$ 11,749</u>     | <u>5,679</u>                 | <u>7,277</u>         |

For the six months ended June 30, 2023 and 2022, the movement in the allowance for other receivables were as follows:

|                                 | <u>Other<br/>receivables</u> |
|---------------------------------|------------------------------|
| Balance on January 1, 2023      | \$ 20,202                    |
| Impairment losses recognized    | 15                           |
| Effect of exchange rate changes | <u>(334)</u>                 |
| Balance on June 30, 2023        | <u>\$ 19,883</u>             |
| Balance on January 1, 2022      | \$ 26,489                    |
| Effect of exchange rate changes | <u>320</u>                   |
| Balance on June 30, 2022        | <u>\$ 26,809</u>             |

For credit risk information, please refer to Note 6(v).

## (g) Inventories

(i) The details of the Group's inventories are as follows:

|                 | <u>June 30, 2023</u> | <u>December 31,<br/>2022</u> | <u>June 30, 2022</u> |
|-----------------|----------------------|------------------------------|----------------------|
| Raw materials   | \$ 58,212            | 77,887                       | 102,758              |
| Work in process | 24,283               | 26,034                       | 32,282               |
| Finished goods  | 20,236               | 40,832                       | 30,277               |
| Merchandise     | <u>283</u>           | <u>2,388</u>                 | <u>890</u>           |
| Total           | <u>\$ 103,014</u>    | <u>147,141</u>               | <u>166,207</u>       |

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) The details of the Group's operating cost are as follows:

|  | For the three months ended<br>June 30, |                | For the six months ended<br>June 30, |                |
|--|--|----------------|--------------------------------------|----------------|
|  | 2023                                   | 2022           | 2023                                 | 2022           |
| Cost of goods sold   | \$ 193,601                             | 182,736        | 406,895                              | 383,891        |
| Write-down of inventories<br>(Reversal of inventory write-downs) | 2,024                                  | 482            | 1,722                                | (283)          |
| Scrap of inventories   | 163                                    | 1,279          | 1,156                                | 1,749          |
| Revenue from sale of scraps                                      | (2,677)                                | (893)          | (4,686)                              | (4,639)        |
| <b>Total</b>   | <b>\$ 193,111</b>                      | <b>183,604</b> | <b>405,087</b>                       | <b>380,718</b> |

For the six months ended June 30, 2023 and three months ended June 30, 2023 and 2022, the Group recognized a loss on inventory write-downs due to the write-down of inventories to realizable value; which was recognized as cost of goods sold.

For the six months ended June 30, 2022, the Group recognized a gain on reversal of inventory write-downs due to destocking and was recognized as a deduction in cost of goods sold.

(iii) The Group's inventories have not been pledged as collateral as of June 30, 2023, December 31 and June 30, 2022.

(h) Property, plant and equipment

The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

|  | Land and<br>improvements | Buildings<br>and<br>structures | Machinery      | Office<br>equipment | Transportation<br>equipment | Leasehold<br>improvements | Other<br>equipment and<br>construction in<br>progress | Total            |
|--|--------------------------|--------------------------------|----------------|---------------------|-----------------------------|---------------------------|---|------------------|
| Cost:                                    |                          |                                |                |                     |                             |                           |   |                  |
| Balance on January 1, 2023               | \$ 463,378               | 186,569                        | 286,938        | 27,393              | 4,857                       | 43,142                    | 211,297   | 1,223,574        |
| Additions                                | -                        | 285                            | 242            | 429                 | -                           | -                         | 635   | 1,591            |
| Disposal                                 | -                        | -                              | (1,996)        | (125)               | (924)                       | -                         | (347)   | (3,392)          |
| Reclassification                         | -                        | -                              | 73             | -                   | -                           | -                         | 697   | 770              |
| Effect of movements in<br>exchange rates | -                        | -                              | (2,375)        | (131)               | (47)                        | (933)                     | (1,377)   | (4,863)          |
| Balance on June 30, 2023                 | <b>\$ 463,378</b>        | <b>186,854</b>                 | <b>282,882</b> | <b>27,566</b>       | <b>3,886</b>                | <b>42,209</b>             | <b>210,905</b>  | <b>1,217,680</b> |
| Balance on January 1, 2022               | \$ 463,378               | 186,190                        | 275,499        | 27,129              | 4,843                       | 42,529                    | 209,507   | 1,209,075        |
| Additions                                | -                        | 380                            | 3,956          | 61                  | -                           | -                         | 3,912   | 8,309            |
| Disposal                                 | -                        | -                              | (3,674)        | (116)               | (31)                        | -                         | (738)   | (4,559)          |
| Reclassification                         | -                        | -                              | 5,354          | -                   | -                           | -                         | 1,047   | 6,401            |
| Effect of movements in<br>exchange rates | -                        | -                              | 2,549          | 124                 | 65                          | 896                       | 1,327   | 4,961            |
| Balance on June 30, 2022                 | <b>\$ 463,378</b>        | <b>186,570</b>                 | <b>283,684</b> | <b>27,198</b>       | <b>4,877</b>                | <b>43,425</b>             | <b>215,055</b>  | <b>1,224,187</b> |

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                                       | <u>Land and<br/>improvements</u> | <u>Buildings<br/>and<br/>structures</u> | <u>Machinery</u> | <u>Office<br/>equipment</u> | <u>Transportation<br/>equipment</u> | <u>Leasehold<br/>improvements</u> | <u>Other<br/>equipment and<br/>construction in<br/>progress</u> | <u>Total</u>   |
|---------------------------------------|----------------------------------|---|------------------|-----------------------------|-------------------------------------|-----------------------------------|---|----------------|
| Depreciation and impairment losses:   |                                  |   |                  |                             |                                     |                                   |   |                |
| Balance on January 1, 2023            | \$ -                             | 121,256                                 | 234,139          | 25,071                      | 3,850                               | 43,142                            | 195,487   | 622,945        |
| Depreciation                          | -                                | 4,625                                   | 4,052            | 560                         | 295                                 | -                                 | 4,466   | 13,998         |
| Disposal                              | -                                | -                                       | (1,995)          | (112)                       | (831)                               | -                                 | (327)   | (3,265)        |
| Effect of movements in exchange rates | -                                | -                                       | (1,717)          | (121)                       | (36)                                | (933)                             | (1,225)   | (4,032)        |
| Balance on June 30, 2023              | <u>\$ -</u>                      | <u>125,881</u>                          | <u>234,479</u>   | <u>25,398</u>               | <u>3,278</u>                        | <u>42,209</u>                     | <u>198,401</u>  | <u>629,646</u> |
| Balance on January 1, 2022            | \$ -                             | 112,399                                 | 229,274          | 23,206                      | 2,971                               | 42,529                            | 186,288   | 596,667        |
| Depreciation                          | -                                | 4,581                                   | 4,607            | 607                         | 314                                 | -                                 | 4,611   | 14,720         |
| Disposal                              | -                                | -                                       | (3,655)          | (113)                       | (28)                                | -                                 | (732)   | (4,528)        |
| Effect of movement in exchange rates  | -                                | -                                       | 1,674            | 105                         | 44                                  | 896                               | 956   | 3,675          |
| Balance on June 30, 2022              | <u>\$ -</u>                      | <u>116,980</u>                          | <u>231,900</u>   | <u>23,805</u>               | <u>3,301</u>                        | <u>43,425</u>                     | <u>191,123</u>  | <u>610,534</u> |
| Carrying value :                      |                                  |   |                  |                             |                                     |                                   |   |                |
| Balance on January 1, 2023            | <u>\$ 463,378</u>                | <u>65,313</u>                           | <u>52,799</u>    | <u>2,322</u>                | <u>1,007</u>                        | <u>-</u>                          | <u>15,810</u>   | <u>600,629</u> |
| Balance on June 30, 2023              | <u>\$ 463,378</u>                | <u>60,973</u>                           | <u>48,403</u>    | <u>2,168</u>                | <u>608</u>                          | <u>-</u>                          | <u>12,504</u>   | <u>588,034</u> |
| Balance on January 1, 2022            | <u>\$ 463,378</u>                | <u>73,791</u>                           | <u>46,225</u>    | <u>3,923</u>                | <u>1,872</u>                        | <u>-</u>                          | <u>23,219</u>   | <u>612,408</u> |
| Balance on June 30, 2022              | <u>\$ 463,378</u>                | <u>69,590</u>                           | <u>51,784</u>    | <u>3,393</u>                | <u>1,576</u>                        | <u>-</u>                          | <u>23,932</u>   | <u>613,653</u> |

As of June 30, 2023, December 31 and June 30, 2022, the property, plant and equipment of the Group had been pledged as collateral; please refer to Note 8.

(i) Right-of-use assets

|                            | <u>Buildings and<br/>structures</u> | <u>Transportation<br/>equipment</u> | <u>Total</u>  |
|----------------------------|-------------------------------------|-------------------------------------|---------------|
| Carrying value:            |                                     |                                     |               |
| Balance as January 1, 2023 | <u>\$ 32,118</u>                    | <u>705</u>                          | <u>32,823</u> |
| Balance as June 30, 2023   | <u>\$ 23,753</u>                    | <u>456</u>                          | <u>24,209</u> |
| Balance as January 1, 2022 | <u>\$ 52,692</u>                    | <u>1,203</u>                        | <u>53,895</u> |
| Balance as June 30, 2022   | <u>\$ 42,994</u>                    | <u>954</u>                          | <u>43,948</u> |

- (i) There were no significant additions, recognition or reversal of impairment losses for the right-of-use assets recognized in the Group's leased buildings, machinery and transportation equipment for the six months ended June 30, 2023 and 2022. Please refer to Note 6(i) of the consolidated financial statements for the year ended December 31, 2022, for other related information.
- (ii) The Group's right-of-use assets had not been pledged as collateral as of June 30, 2023, December 31 and June 30, 2022.

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(j) Investment property

The movement in the investment property were as follows:

|                                       | <u>Owned property</u> | <u>Right-of-use</u>  |               |
|---------------------------------------|-----------------------|----------------------|---------------|
|                                       | <u>Buildings and</u>  | <u>assets</u>        |               |
|                                       | <u>structures</u>     | <u>Buildings and</u> | <u>Total</u>  |
|                                       | <u>structures</u>     | <u>structures</u>    |               |
| Balance on January 1, 2023            | \$ 64,693             | 29,009               | 93,702        |
| Effect on movements in exchange rates | (1,452)               | (652)                | (2,104)       |
| Balance on June 30, 2023              | <u>\$ 63,241</u>      | <u>28,357</u>        | <u>91,598</u> |
| Balance on January 1, 2022            | \$ 63,740             | 28,581               | 92,321        |
| Effect on movements in exchange rates | 1,394                 | 625                  | 2,019         |
| Balance on June 30, 2022              | <u>\$ 65,134</u>      | <u>29,206</u>        | <u>94,340</u> |
| Accumulated depreciation:             |                       |                      |               |
| Balance on January 1, 2023            | \$ 55,910             | 20,919               | 76,829        |
| Depreciation                          | 661                   | 1,651                | 2,312         |
| Impairment loss                       | -                     | 5,224                | 5,224         |
| Effect on movements in exchange rates | (1,270)               | (622)                | (1,892)       |
| Balance on June 30, 2023              | <u>\$ 55,301</u>      | <u>27,172</u>        | <u>82,473</u> |
| Balance on January 1, 2022            | \$ 53,971             | 15,261               | 69,232        |
| Depreciation                          | 600                   | 2,744                | 3,344         |
| Effect on movements in exchange rates | 1,182                 | 342                  | 1,524         |
| Balance on June 30, 2022              | <u>\$ 55,753</u>      | <u>18,347</u>        | <u>74,100</u> |
| Carrying value:                       |                       |                      |               |
| Balance on January 1, 2023            | <u>8,783</u>          | <u>8,090</u>         | <u>16,873</u> |
| Balance on June 30, 2023              | <u>\$ 7,940</u>       | <u>1,185</u>         | <u>9,125</u>  |
| Balance on January 1, 2022            | <u>\$ 9,769</u>       | <u>13,320</u>        | <u>23,089</u> |
| Balance on June 30, 2022              | <u>\$ 9,381</u>       | <u>10,859</u>        | <u>20,240</u> |

- (i) The fair value of investment property was not significantly different from those disclosed in Note 6(j) of the consolidated financial statements for the year ended December 31, 2022.
- (ii) The Group's investment property had not been pledged as collateral as of June 30, 2023, December 31 and June 30, 2022.
- (iii) For the six months ended June 30, 2023, the Group has assessed that the carrying amount of right-of-use assets of certain investment properties was higher than the recoverable amount, and accordingly, an impairment loss of \$5,224 thousand was recognized.

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (k) Long-term receivables

|                                   | <u>June 30, 2023</u>    | <u>December 31,<br/>2022</u> | <u>June 30, 2022</u> |
|-----------------------------------|-------------------------|------------------------------|----------------------|
| Long-term receivable              | \$ 18,660               | 15,262                       | 11,450               |
| Long-term installment receivable  | 19,454                  | 30,207                       | 22,252               |
| Less: unrealized interest revenue | <u>(744)</u>            | <u>(1,636)</u>               | <u>(1,501)</u>       |
| Subtotal                          | 37,370                  | 43,833                       | 32,201               |
| Less: loss allowance              | <u>-</u>                | <u>-</u>                     | <u>(62)</u>          |
| Total                             | <u><u>\$ 37,370</u></u> | <u><u>43,833</u></u>         | <u><u>32,139</u></u> |

## (l) Long-term borrowings

The details for long-term borrowings for June 30, 2023, December 31 and June 30, 2022, are as follows:

| <u>Creditor</u>                       | <u>June 30,<br/>2023</u> | <u>December<br/>31, 2022</u> | <u>June 30,<br/>2022</u> | <u>Interest<br/>rate(%)</u> | <u>Repayment term and method</u>   |
|---------------------------------------|--------------------------|------------------------------|--------------------------|-----------------------------|--|
| Secured bank loans<br>from Sunny Bank | \$ 725,000               | 731,000                      | 737,000                  | 1.30~2.04                   | From May 6, 2021 to May 6, 2028, each monthly installment is \$1,000 thousand, with the 84th installment of \$667,000 thousand, and interest is charged monthly. |
| Less: current portion                 | <u>(12,000)</u>          | <u>(12,000)</u>              | <u>(12,000)</u>          |                             |  |
| Total                                 | <u><u>\$ 713,000</u></u> | <u><u>719,000</u></u>        | <u><u>725,000</u></u>    |                             |  |
| Unused credit lines                   | <u><u>\$ -</u></u>       | <u><u>-</u></u>              | <u><u>-</u></u>          |                             |  |

The Group sets land, buildings and structures as the first mortgage to secure bank loans, please refer to Note 8 for details.

## (m) Lease liabilities

The carrying amounts of the Group's lease liabilities are as follows:

|             | <u>June 30, 2023</u>    | <u>December 31,<br/>2022</u> | <u>June 30, 2022</u> |
|-------------|-------------------------|------------------------------|----------------------|
| Current     | \$ 29,106               | 28,347                       | 28,109               |
| Non-current | <u>1,966</u>            | <u>14,686</u>                | <u>29,134</u>        |
| Total       | <u><u>\$ 31,072</u></u> | <u><u>43,033</u></u>         | <u><u>57,243</u></u> |

For the maturity analysis, please refer to Note 6(v).

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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The amounts recognized in profit or loss were as follows:

|   | <b>For the three months ended</b> |                | <b>For the six months ended</b> |                |
|---|-----------------------------------|----------------|---------------------------------|----------------|
|   | <b>June 30,</b>                   |                | <b>June 30,</b>                 |                |
|   | <b>2023</b>                       | <b>2022</b>    | <b>2023</b>                     | <b>2022</b>    |
| Interest on lease liabilities               | \$ <u>236</u>                     | <u>428</u>     | <u>513</u>                      | <u>903</u>     |
| Income from sub-leasing right-of-use assets | \$ <u>(313)</u>                   | <u>(1,449)</u> | <u>(1,770)</u>                  | <u>(2,884)</u> |

The amounts recognized in the statement of cash flows were as follows:

|                               | <b>For the six months ended</b> |               |
|-------------------------------|---------------------------------|---------------|
|                               | <b>June 30,</b>                 |               |
|                               | <b>2023</b>                     | <b>2022</b>   |
| Total cash outflow for leases | \$ <u>15,329</u>                | <u>15,525</u> |

(i) The Group as the lessee

The Group leases various properties, including buildings and structures, machinery and transportation equipment. The lease terms range from 2 to 5 years.

For the Group's subleased right-of-use assets under operating leases, please refer to Note 6(n).

Some of the Group's property lease agreements contain extension and termination options. The Group determines the lease term as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably not to exercise option. These options are used to maximize the operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of the lease term.

(n) Operating lease

The Group leases out its investment property and some machinery. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(j) for information on operating leases of investment property.

There were no significant changes in operating lease for the six months ended June 30, 2023 and 2022. Please refer to Note 6(p) of the consolidated financial statements for the year ended December 31, 2022 for other related information.

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(o) Employee benefits

(i) Defined contribution plans

The Group recognized expenses for the defined contribution plans for the three months and for the six months ended June 30, 2023 and 2022 were \$2,743 thousand, \$3,076 thousand, \$5,704 thousand and \$6,036 thousand, respectively.

(ii) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2023 and 2022.

The Group recognized expenses for the defined benefit plans for the three months ended and for the six months ended June 30, 2023 and 2022 were \$64 thousand, \$134 thousand, \$127 thousand and \$268 thousand, respectively.

(p) Income tax

(i) Income tax expense (benefit)

The details for income tax expense (benefit) of the Group are as follows:

|   | <u>For the three months ended June 30,</u> |                | <u>For the six months ended June 30,</u> |                 |
|---|--|----------------|--|-----------------|
|   | <u>2023</u>                                | <u>2022</u>    | <u>2023</u>                              | <u>2022</u>     |
| Current tax expenses  |  |                |  |                 |
| Current period  | \$ 1,006                                   | (1,099)        | 2,166                                    | 12,404          |
| Adjustment for prior periods  | (384)                                      | (1,276)        | (384)                                    | (1,276)         |
|   | <u>622</u>                                 | <u>(2,375)</u> | <u>1,782</u>                             | <u>11,128</u>   |
| Deferred income tax expense (benefit)   |  |                |  |                 |
| Origination and reversal of temporary difference  | 155  | (2,224)        | 155                                      | (20,540)        |
| Deferred income tax relating to the origination and reversal of tax losses and the income tax deduction | -  | -              | -  | 1,577           |
|   | <u>155</u>                                 | <u>(2,224)</u> | <u>155</u>                               | <u>(18,963)</u> |
| Income tax expense (benefit)  | <u>\$ 777</u>                              | <u>(4,599)</u> | <u>1,937</u>                             | <u>(7,835)</u>  |

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Assessment of income tax returns

As of June 30, 2023, the assessment of the Group's income tax returns is as follows:

| <u>Year of Assessment</u> | <u>Company name</u>   |
|---------------------------|---|
| 2021                      | The Company   |
| 2021                      | Subsidiary – Forward Electronics Equipment (Dong Guan) Co., Ltd |
| 2021                      | Subsidiary – Suzhou Forward Electronics Technology Co., Ltd.    |

(iii) Global minimum top-up tax

The Group is closely monitoring developments related to the implementation of the international tax reforms introducing a global minimum top-up tax.

The International Accounting Standards Board issued amendments to IAS 12 that provide a temporary mandatory exception from deferred tax accounting for the top-up tax and require new disclosures in the annual financial statements. However, since none of the jurisdictions in which the Group operates had enacted or substantively enacted the tax legislation related to the top-up tax at the date when the consolidated financial statements for the six months ended June 30, 2023 were authorized for issue, there is no impact on the consolidated financial statements in the said period.

In light of the exception from deferred tax accounting, the Group is focusing its assessment on the potential current tax impacts of the top-up tax. On June 30, 2023, the Group did not have sufficient information to determine the potential quantitative impact.

(q) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the six months ended June 30, 2023 and 2022. For the related information, please refer to Note 6(s) of the consolidated financial statements for the year ended December 31, 2022.

(i) Retained earnings

The Company's Articles of Incorporation stipulate that annual earning shall be appropriated in the following order:

- A) Pay income tax.
- B) Offset deficit.
- C) Appropriate 10% of the remaining amount after deducting item (A) and (B) as legal reserve.
- D) Appropriate or reverse special reserve pursuant to relevant laws or regulations.
- E) After deducting item (A), (B), (C), and (D), the appropriation of the remaining portion, if any, shall be recommended by the Board of Directors and resolved in the shareholders' meeting.

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Earnings distribution

On June 30, 2023 and June 27, 2022, the shareholders' meetings resolved to distribute the earnings for 2022 and 2021. These earnings were appropriated as follows:

|   | 2022                |                  | 2021                |                 |
|---|---------------------|------------------|---------------------|-----------------|
|   | Amount<br>per share | Amount           | Amount per<br>share | Total<br>amount |
| Dividends distributed to<br>ordinary shareholders |                     |                  |                     |                 |
| Cash  | \$ 0.10             | \$ <u>13,998</u> | 0.54                | <u>27,997</u>   |

(ii) Other equity, net of tax

|  | Exchange<br>differences on<br>translation of<br>foreign financial<br>statements | Unrealized gains<br>(losses) from<br>financial assets<br>measured at fair<br>value through<br>other<br>comprehensive<br>income (loss) | Total          |
|--|---|---|----------------|
| Balance at January 1, 2023   | \$ (95,020)   | 145,895   | 50,875         |
| Exchange differences on foreign<br>operations  | (19,385)  | -   | (19,385)       |
| Unrealized gains from financial assets<br>measured at fair value through<br>other comprehensive income             | -   | 391,236   | 391,236        |
| Disposal of investments in equity<br>instruments designated at fair value<br>through other comprehensive<br>income | -   | (1,198)   | (1,198)        |
| Balance on June 30, 2023   | <u>\$ (114,405)</u>   | <u>535,933</u>  | <u>421,528</u> |
| Balance on January 1, 2022   | \$ (113,941)  | 115,041   | 1,100          |
| Exchange differences on foreign<br>operations  | 27,802  | -   | 27,802         |
| Unrealized gains from financial assets<br>measured at fair value through<br>other comprehensive income             | -   | 5,817   | 5,817          |
| Balance on June 30, 2022   | <u>\$ (86,139)</u>  | <u>120,858</u>  | <u>34,719</u>  |

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(r) Earnings per share

The Group's basic earnings per share and diluted earnings per share were calculated as follows:

(i) Basic earnings per share

|  | <u>For the three months ended June 30,</u> |                | <u>For the six months ended June 30,</u> |                |
|--|--|----------------|--|----------------|
|  | <u>2023</u>                                | <u>2022</u>    | <u>2023</u>                              | <u>2022</u>    |
| (Loss) profit attributable to ordinary shareholders of the Company       | \$ <u>(3,999)</u>                          | <u>20,199</u>  | <u>(20,793)</u>                          | <u>39,272</u>  |
| Weighted average number of ordinary shares outstanding (thousand shares) | <u>139,983</u>                             | <u>139,983</u> | <u>139,983</u>                           | <u>139,983</u> |
| Basic earnings per share (NTD)   | \$ <u>(0.03)</u>                           | <u>0.14</u>    | <u>(0.15)</u>                            | <u>0.28</u>    |

(ii) Diluted earnings per share

|  | <u>For the three months ended June 30,</u> |                | <u>For the six months ended June 30,</u> |                |
|--|--|----------------|--|----------------|
|  | <u>2023</u>                                | <u>2022</u>    | <u>2023</u>                              | <u>2022</u>    |
| (Loss) profit attributable to ordinary shareholders of the Company       | \$ <u>(3,999)</u>                          | <u>20,199</u>  | <u>(20,793)</u>                          | <u>39,272</u>  |
| Weighted average number of ordinary shares outstanding (thousand shares) | <u>139,983</u>                             | <u>139,983</u> | <u>139,983</u>                           | <u>139,983</u> |
| Effect of dilutive potential ordinary shares                             |  |                |  |                |
| Employee remuneration in stock   | <u>-</u>                                   | <u>11</u>      | <u>-</u>                                 | <u>94</u>      |
| Weighted average number of ordinary shares outstanding (diluted)         | <u>139,983</u>                             | <u>139,994</u> | <u>139,983</u>                           | <u>140,077</u> |
| Diluted earnings per share (NTD)   | \$ <u>(0.03)</u>                           | <u>0.14</u>    | <u>(0.15)</u>                            | <u>0.28</u>    |

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(s) Revenue from contracts with customers

|                         | For the three months ended<br>June 30, |                | For the six months ended<br>June 30, |                |
|-------------------------|--|----------------|--------------------------------------|----------------|
|                         | 2023                                   | 2022           | 2023                                 | 2022           |
| Sale of goods revenue   | \$ 193,538                             | 196,454        | 400,660                              | 410,810        |
| Other operating revenue | 161                                    | 2,110          | 2,828                                | 3,271          |
| <b>Total</b>            | <b>\$ 193,699</b>                      | <b>198,564</b> | <b>403,488</b>                       | <b>414,081</b> |

Pertinent information on the Group's revenue from contracts with customers for the three months ended and six months ended June 30, 2023 and 2022, was as follows:

(i) Disaggregation of revenue

|                                   | For the three months ended June 30, 2023 |   |                                     |                                    |                |
|-----------------------------------|--|---|-------------------------------------|------------------------------------|----------------|
|                                   | Optoelectronics<br>segment               | Electronics<br>component<br>products<br>segment | Electronics<br>appliance<br>segment | Adjustments<br>and<br>eliminations | Total          |
| Sale of goods                     | \$ 105,440                               | 75,141  | 67,400                              | (54,443)                           | 193,538        |
| Other operating revenue           | -  | 161   | -                                   | -                                  | 161            |
| <b>Total</b>                      | <b>\$ 105,440</b>                        | <b>75,302</b>                                   | <b>67,400</b>                       | <b>(54,443)</b>                    | <b>193,699</b> |
| Timing of revenue<br>recognition: |  |   |                                     |                                    |                |
| At a point in time                | <b>\$ 105,440</b>                        | <b>75,302</b>                                   | <b>67,400</b>                       | <b>(54,443)</b>                    | <b>193,699</b> |
|                                   | For the three months ended June 30, 2022 |   |                                     |                                    |                |
|                                   | Optoelectronics<br>segment               | Electronics<br>component<br>products<br>segment | Electronics<br>appliance<br>segment | Adjustments<br>and<br>eliminations | Total          |
| Sale of goods                     | \$ 77,754                                | 108,073   | 37,407                              | (26,780)                           | 196,454        |
| Other operating revenue           | 1,611                                    | 486   | 13                                  | -                                  | 2,110          |
| <b>Total</b>                      | <b>\$ 79,365</b>                         | <b>108,559</b>                                  | <b>37,420</b>                       | <b>(26,780)</b>                    | <b>198,564</b> |
| Timing of revenue<br>recognition: |  |   |                                     |                                    |                |
| At a point in time                | <b>\$ 79,365</b>                         | <b>108,559</b>                                  | <b>37,420</b>                       | <b>(26,780)</b>                    | <b>198,564</b> |
|                                   | For the six months ended June 30, 2023   |   |                                     |                                    |                |
|                                   | Optoelectronics<br>segment               | Electronics<br>component<br>products<br>segment | Electronics<br>appliance<br>segment | Adjustments<br>and<br>eliminations | Total          |
| Sale of goods revenue             | \$ 234,948                               | 144,162   | 116,679                             | (95,129)                           | 400,660        |
| Other operating revenue           | -  | 2,828   | -                                   | -                                  | 2,828          |
| <b>Total</b>                      | <b>\$ 234,948</b>                        | <b>146,990</b>                                  | <b>116,679</b>                      | <b>(95,129)</b>                    | <b>403,488</b> |
| Timing of revenue<br>recognition: |  |   |                                     |                                    |                |
| At a point in time                | <b>\$ 234,948</b>                        | <b>146,990</b>                                  | <b>116,679</b>                      | <b>(95,129)</b>                    | <b>403,488</b> |

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|                                | For the six months ended June 30, 2022 |   |                                     |                                    | Total          |
|--------------------------------|--|---|-------------------------------------|------------------------------------|----------------|
|                                | Optoelectronics<br>segment             | Electronics<br>component<br>products<br>segment | Electronics<br>appliance<br>segment | Adjustments<br>and<br>eliminations |                |
| Sale of goods revenue          | \$ 173,983                             | 218,789   | 67,513                              | (49,475)                           | 410,810        |
| Other operating revenue        | 1,611                                  | 1,647   | 13                                  | -                                  | 3,271          |
| Total                          | <u>\$ 175,594</u>                      | <u>220,436</u>                                  | <u>67,526</u>                       | <u>(49,475)</u>                    | <u>414,081</u> |
| Timing of revenue recognition: |  |   |                                     |                                    |                |
| At a point in time             | <u>\$ 175,594</u>                      | <u>220,436</u>                                  | <u>67,526</u>                       | <u>(49,475)</u>                    | <u>414,081</u> |

## (ii) Contract balances

## A) Contract liabilities

|                                       | June 30, 2023   | December 31,<br>2022 | June 30, 2022 |
|---------------------------------------|-----------------|----------------------|---------------|
| Contract liabilities – Sales of goods | <u>\$ 9,701</u> | <u>9,621</u>         | <u>6,655</u>  |

Material movements in the balance of the Group's contract liabilities for the six months ended June 30, 2023 and 2022, are detailed as follows:

|  | For the six months ended<br>June 30, |            |
|--|--------------------------------------|------------|
|  | 2023                                 | 2022       |
| Opening balances transferred to income for the current period  | \$ (4,563)                           | (2,609)    |
| Increase in advances received in the period (excluding the amount incurred and transferred to revenue in the period) | 4,684                                | 3,075      |
| Effect of movement in exchange rates   | (41)                                 | 85         |
| Net movement for the period  | <u>\$ 80</u>                         | <u>551</u> |

## (t) Remunerations to employees and directors

According to the Articles of Incorporation, once the Company has annual profit, it should contribute no less than 1% of the profit to its employees and no more than 2% to its directors as remuneration. However, if the Company has accumulated deficit, the profit shall be reserved to offset the deficit. The aforementioned employee remuneration shall be shares or cash, and shall be resolved by a majority vote of a meeting of the Board of Directors attended by two-thirds or more of the directors. Aside from that, such distribution shall be reported to the shareholders' meeting. The relevant information is available on the Market Observation Post System website.

For the three and six months ended June 30, 2023, the Company incurred net loss after tax and thus did not recognized remuneration to employees and directors.

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The remunerations to employees for the three and six months ended June 30, 2022, were amounted to \$32 thousand and \$200 thousand, respectively; and the remunerations to directors were amounted to \$367 thousand and \$401 thousand, respectively. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for the period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employee' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

For the years ended December 31, 2022 and 2021, the remunerations to employees were estimated at \$2,942 thousand and \$3,887 thousand, respectively; and the remunerations to directors were estimated at \$588 thousand \$777 and thousand, respectively. These remunerations were expensed under the salary expense. The remunerations to employees and directors were resolved by the Board of Directors to be distributed in cash on March 8, 2023 and March 7, 2022. There was no difference between the amount recognized and approved by the Board of Directors.

(u) Non-operating income and expenses

(i) Interest income

|   | <b>For the three months ended June 30,</b> |                     | <b>For the six months ended June 30,</b> |                      |
|---|--|---------------------|--|----------------------|
|   | <b>2023</b>                                | <b>2022</b>         | <b>2023</b>                              | <b>2022</b>          |
| Interest income from financial assets measured at fair value through profit or loss | \$ 1,889                                   | 3,035               | 3,825                                    | 9,884                |
| Interest income from financial assets measured at amortized cost                    | 2,962                                      | 765                 | 5,491                                    | 1,315                |
| Others  | 2,105                                      | 3,764               | 4,134                                    | 4,908                |
|   | <b><u>\$ 6,956</u></b>                     | <b><u>7,564</u></b> | <b><u>13,450</u></b>                     | <b><u>16,107</u></b> |

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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## (ii) Other income

|                 | For the three months ended June 30, |              | For the six months ended June 30, |               |
|-----------------|-------------------------------------|--------------|-----------------------------------|---------------|
|                 | 2023                                | 2022         | 2023                              | 2022          |
| Rental income   | \$ 6,813                            | 8,551        | 15,371                            | 16,456        |
| Dividend income | 200                                 | -            | 200                               | -             |
| Other income    | 2,101                               | 1,045        | 4,655                             | 2,482         |
|                 | <u>\$ 9,114</u>                     | <u>9,596</u> | <u>20,226</u>                     | <u>18,938</u> |

## (iii) Other gains and losses

|  | For the three months ended June 30, |               | For the six months ended June 30, |               |
|--|-------------------------------------|---------------|-----------------------------------|---------------|
|  | 2023                                | 2022          | 2023                              | 2022          |
| Net (losses)   | \$ (77)                             | (26)          | (77)                              | 2             |
| gains on disposals of property, plant and equipment                              |                                     |               |                                   |               |
| Foreign exchange gains, net  | 11,554                              | 12,974        | 8,044                             | 23,419        |
| Gains (losses) on financial assets measured at fair value through profit or loss | 2,325                               | (1,650)       | 2,979                             | (3,032)       |
| Impairment loss on investment property   | (5,224)                             | -             | (5,224)                           | -             |
| Compensation losses  | -                                   | -             | (336)                             | -             |
| Others   | (793)                               | (789)         | (2,332)                           | (387)         |
|  | <u>\$ 7,785</u>                     | <u>10,509</u> | <u>3,054</u>                      | <u>20,002</u> |

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## (iv) Finance costs

|   | For the three months ended June 30, |                | For the six months ended June 30, |                |
|---|-------------------------------------|----------------|-----------------------------------|----------------|
|   | 2023                                | 2022           | 2023                              | 2022           |
| Bank borrowings \$                          | (3,660)                             | (2,740)        | (7,104)                           | (5,154)        |
| Interest expense<br>of lease<br>liabilities | (236)                               | (428)          | (513)                             | (903)          |
| Others                                      | (6)                                 | (6)            | (16)                              | (6)            |
|   | <u>\$ (3,902)</u>                   | <u>(3,174)</u> | <u>(7,633)</u>                    | <u>(6,063)</u> |

## (v) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

## 2) Concentration of credit risk

As of June 30, 2023, December 31 and June 30, 2022, the Group assessed the concentrations of credit risk arising from the top two customers, at percentages of 30%、34% and 34%, respectively, of the total accounts receivable.

## 3) Credit risk of receivables and other financial assets measured at amortized cost

For credit risk exposure of notes receivable, accounts receivable and long-term installment receivable, please refer to Note 6(e); and of other and long-term receivables, please refer to Note 6(f) and Note 6(k). Other receivables, long-term receivables (excluding long-term installment receivable), and other financial assets measured at amortized cost are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses.

## (ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

|  | Carrying<br>amount | Contractual<br>cash flow | Within 1<br>year | 2-3 years     | 4-5 years      | Over 5<br>years |
|--|--------------------|--------------------------|------------------|---------------|----------------|-----------------|
| <b>June 30, 2023</b>                         |                    |                          |                  |               |                |                 |
| Non-derivative financial liabilities         |                    |                          |                  |               |                |                 |
| Long-term borrowings                         | \$ 725,000         | 794,809                  | 26,678           | 52,621        | 715,510        | -               |
| Accounts payable (including related parties) | 105,590            | 105,590                  | 105,590          | -             | -              | -               |
| Other payables (including related parties)   | 57,960             | 57,960                   | 57,960           | -             | -              | -               |
| Guarantee deposit received                   | 7,058              | 7,058                    | 7,058            | -             | -              | -               |
| Lease liabilities                            | 31,072             | 31,518                   | 29,524           | 1,994         | -              | -               |
|  | <u>\$ 926,680</u>  | <u>996,935</u>           | <u>226,810</u>   | <u>54,615</u> | <u>715,510</u> | <u>-</u>        |

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|  | <u>Carrying<br/>amount</u> | <u>Contractual<br/>cash flow</u> | <u>Within 1<br/>year</u> | <u>2-3 years</u> | <u>4-5 years</u> | <u>Over 5<br/>years</u> |
|--|----------------------------|----------------------------------|--------------------------|------------------|------------------|-------------------------|
| <b>December 31, 2022</b>                     |                            |                                  |                          |                  |                  |                         |
| Non-derivative financial liabilities         |                            |                                  |                          |                  |                  |                         |
| Long-term borrowings                         | \$ 731,000                 | 798,774                          | 24,986                   | 49,329           | 48,469           | 675,990                 |
| Accounts payable (including related parties) | 107,819                    | 107,819                          | 107,819                  | -                | -                | -                       |
| Other payables (including related parties)   | 111,172                    | 111,172                          | 111,172                  | -                | -                | -                       |
| Guarantee deposit received                   | 7,094                      | 7,094                            | 7,006                    | 88               | -                | -                       |
| Lease liabilities                            | 43,033                     | 43,918                           | 29,144                   | 14,774           | -                | -                       |
|  | <u>\$ 1,000,118</u>        | <u>1,068,777</u>                 | <u>280,127</u>           | <u>64,191</u>    | <u>48,469</u>    | <u>675,990</u>          |
| <b>June 30, 2022</b>                         |                            |                                  |                          |                  |                  |                         |
| Non-derivative financial liabilities         |                            |                                  |                          |                  |                  |                         |
| Long-term borrowings                         | \$ 737,000                 | 799,303                          | 22,973                   | 45,405           | 44,685           | 686,240                 |
| Accounts payable (including related parties) | 146,010                    | 146,010                          | 146,010                  | -                | -                | -                       |
| Other payables (including related parties)   | 87,375                     | 87,375                           | 87,375                   | -                | -                | -                       |
| Guarantee deposit received                   | 8,160                      | 8,160                            | -                        | 8,160            | -                | -                       |
| Lease liabilities                            | 57,243                     | 58,839                           | 29,318                   | 29,521           | -                | -                       |
|  | <u>\$ 1,035,788</u>        | <u>1,099,687</u>                 | <u>285,676</u>           | <u>83,086</u>    | <u>44,685</u>    | <u>686,240</u>          |

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Currency risk

The Group's significant exposure to foreign currency risk was as follows:

|                              | <b>June 30, 2023</b>        |                          |            |
|------------------------------|-----------------------------|--------------------------|------------|
|                              | <u>Foreign<br/>currency</u> | <u>Exchange<br/>rate</u> | <u>TWD</u> |
| <u>Financial assets</u>      |                             |                          |            |
| <u>Monetary items</u>        |                             |                          |            |
| USD                          | \$ 17,340                   | 31.1400                  | 539,968    |
| HKD                          | 2,100                       | 3.9740                   | 8,345      |
| CNY                          | 982                         | 4.3100                   | 4,232      |
| JPY                          | 23,774                      | 0.2150                   | 5,111      |
| <u>Financial liabilities</u> |                             |                          |            |
| <u>Monetary items</u>        |                             |                          |            |
| USD                          | 3,854                       | 31.1400                  | 120,014    |

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|                              |    |        |  | <b>December 31, 2022</b>    |                          |            |
|------------------------------|----|--------|--|-----------------------------|--------------------------|------------|
|                              |    |        |  | <b>Foreign<br/>currency</b> | <b>Exchange<br/>rate</b> | <b>TWD</b> |
| <u>Financial assets</u>      |    |        |  |                             |                          |            |
| <u>Monetary items</u>        |    |        |  |                             |                          |            |
| USD                          | \$ | 18,474 |  | 30.7100                     |                          | 567,337    |
| HKD                          |    | 2,416  |  | 3.9380                      |                          | 9,514      |
| CNY                          |    | 25,614 |  | 4.4090                      |                          | 112,932    |
| JPY                          |    | 20,084 |  | 0.2324                      |                          | 4,668      |
| <u>Financial liabilities</u> |    |        |  |                             |                          |            |
| <u>Monetary items</u>        |    |        |  |                             |                          |            |
| USD                          |    | 3,087  |  | 30.7100                     |                          | 94,802     |
|                              |    |        |  | <b>June 30, 2022</b>        |                          |            |
|                              |    |        |  | <b>Foreign<br/>currency</b> | <b>Exchange<br/>rate</b> | <b>TWD</b> |
| <u>Financial assets</u>      |    |        |  |                             |                          |            |
| <u>Monetary items</u>        |    |        |  |                             |                          |            |
| USD                          | \$ | 14,552 |  | 29.7200                     |                          | 432,485    |
| HKD                          |    | 2,550  |  | 3.7880                      |                          | 9,659      |
| CNY                          |    | 24,863 |  | 4.4390                      |                          | 110,367    |
| JPY                          |    | 20,544 |  | 0.2182                      |                          | 4,483      |
| <u>Financial liabilities</u> |    |        |  |                             |                          |            |
| <u>Monetary items</u>        |    |        |  |                             |                          |            |
| USD                          |    | 2,877  |  | 29.7200                     |                          | 85,504     |

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, financial assets measured at amortized cost and accounts payable that are denominated in foreign currency. As of June 30, 2023 and 2022, a strengthening (weakening) of 1% of the exchange rate of the functional currency of the Group against the main foreign currencies; would have increased (decreased) profit before tax by \$4,376 thousand and \$4,715 thousand for the six months ended June 30, 2023 and 2022, respectively, assuming all other variables held constant. The analysis of the two periods was conducted using the same basis.

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3) Foreign exchange gains or losses on monetary items

Since the Group has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the three months and six months ended June 30, 2023 and 2022, net foreign exchange gains (including realized and unrealized portions) were amounted to \$11,554 thousand, \$12,974 thousand, \$8,044 thousand and \$23,419 thousand, respectively.

4) Interest rate risk

Please refer to the notes on liquidity risk management for interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 10 basis points when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 10 basis points, the Group's net income before tax would have increased / decreased by \$363 thousand and \$369 thousand for the six months ended June 30, 2023 and 2022, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rate.

5) Other market price risk

If the securities price at the reporting date changes (the analysis is performed on the same basis and all other variable factors remaining constant), the effect for the profit and loss is illustrated below:

|   | For the six months ended June 30,           |                   |   |                   |
|---|---|-------------------|---|-------------------|
|   | 2023  |                   | 2022  |                   |
| <b>Prices of securities at the reporting date</b> | <b>Other comprehensive income after tax</b> | <b>Net income</b> | <b>Other comprehensive income after tax</b> | <b>Net income</b> |
| Increase by 1%                                    | \$ <u>10,679</u>                            | <u>107</u>        | <u>1,517</u>                                | <u>135</u>        |
| Decrease by 1%                                    | \$ <u>(10,679)</u>                          | <u>(107)</u>      | <u>(1,517)</u>                              | <u>(135)</u>      |

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
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(iv) Fair value information

1) Types and fair value of financial instruments

Financial assets measured at fair value through profit or loss and at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

|  | June 30, 2023       |                  |         |                |                  |
|--|---------------------|------------------|---------|----------------|------------------|
|  | Amount              | Fair value       |         |                | Total            |
|  |                     | Level 1          | Level 2 | Level 3        |                  |
| Financial assets measured at fair value through profit or loss             |                     |                  |         |                |                  |
| Shares   | \$ 10,725           | 10,725           | -       | -              | 10,725           |
| Financial products   | <u>215,500</u>      | -                | -       | <u>215,500</u> | <u>215,500</u>   |
| Subtotal   | <u>226,225</u>      | <u>10,725</u>    | -       | <u>215,500</u> | <u>226,225</u>   |
| Financial assets measured at fair value through other comprehensive income |                     |                  |         |                |                  |
| Shares   | <u>1,067,864</u>    | <u>1,067,864</u> | -       | -              | <u>1,067,864</u> |
| Financial assets measured at amortized cost                                |                     |                  |         |                |                  |
| Cash and cash equivalents  | 491,530             | -                | -       | -              | -                |
| Financial assets measured at amortized cost                                | 220,435             | -                | -       | -              | -                |
| Notes and accounts receivable (including related parties)                  | 284,347             | -                | -       | -              | -                |
| Other receivables  | 11,476              | -                | -       | -              | -                |
| Refundable deposits  | 6,069               | -                | -       | -              | -                |
| Long-term receivables  | <u>37,370</u>       | -                | -       | -              | -                |
| Subtotal   | <u>1,051,227</u>    | -                | -       | -              | -                |
| Total  | <u>\$ 2,345,316</u> | <u>1,078,589</u> | -       | <u>215,500</u> | <u>1,294,089</u> |
| Financial liabilities measured at amortized cost                           |                     |                  |         |                |                  |
| Long-term borrowings   | \$ 725,000          | -                | -       | -              | -                |
| Accounts payable (including related parties)                               | 105,590             | -                | -       | -              | -                |
| Other payables (including related parties)                                 | 57,960              | -                | -       | -              | -                |
| Guarantee deposits received  | 7,058               | -                | -       | -              | -                |
| Lease liabilities  | <u>31,072</u>       | -                | -       | -              | -                |
| Total  | <u>\$ 926,680</u>   | -                | -       | -              | -                |

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|  | December 31, 2022   |                |         |                |                |
|--|---------------------|----------------|---------|----------------|----------------|
|  | Amount              | Fair value     |         |                | Total          |
|  |                     | Level 1        | Level 2 | Level 3        |                |
| Financial assets measured at fair value through profit or loss             |                     |                |         |                |                |
| Shares   | \$ 7,746            | 7,746          | -       | -              | 7,746          |
| Financial products   | <u>220,450</u>      | -              | -       | <u>220,450</u> | <u>220,450</u> |
| Subtotal   | <u>228,196</u>      | <u>7,746</u>   | -       | <u>220,450</u> | <u>228,196</u> |
| Financial assets measured at fair value through other comprehensive income |                     |                |         |                |                |
| Shares   | <u>583,913</u>      | <u>583,913</u> | -       | -              | <u>583,913</u> |
| Financial assets measured at amortized cost                                |                     |                |         |                |                |
| Cash and cash equivalents  | 461,594             | -              | -       | -              | -              |
| Financial assets measured at amortized cost                                | 403,380             | -              | -       | -              | -              |
| Notes and accounts receivable (including related parties)                  | 284,001             | -              | -       | -              | -              |
| Other receivables  | 5,198               | -              | -       | -              | -              |
| Refundable deposits  | 5,986               | -              | -       | -              | -              |
| Long-term receivables  | <u>43,833</u>       | -              | -       | -              | -              |
| Subtotal   | <u>1,203,992</u>    | -              | -       | -              | -              |
| Total  | <u>\$ 2,016,101</u> | <u>591,659</u> | -       | <u>220,450</u> | <u>812,109</u> |
| Financial liabilities measured at amortized cost                           |                     |                |         |                |                |
| Long-term borrowings   | \$ 731,000          | -              | -       | -              | -              |
| Accounts payable (including related parties)                               | 107,819             | -              | -       | -              | -              |
| Other payables (including related parties)                                 | 111,172             | -              | -       | -              | -              |
| Guarantee deposits received  | 7,094               | -              | -       | -              | -              |
| Lease liabilities  | <u>43,033</u>       | -              | -       | -              | -              |
| Total  | <u>\$ 1,000,118</u> | -              | -       | -              | -              |

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | <b>June 30, 2022</b> |                   |                |                |                |
|--|----------------------|-------------------|----------------|----------------|----------------|
|  | <b>Amount</b>        | <b>Fair value</b> |                |                | <b>Total</b>   |
|  |                      | <b>Level 1</b>    | <b>Level 2</b> | <b>Level 3</b> |                |
| Financial assets measured at fair value through profit or loss             |                      |                   |                |                |                |
| Shares   | \$ 13,476            | 13,476            | -              | -              | 13,476         |
| Financial products   | <u>377,315</u>       | -                 | -              | <u>377,315</u> | <u>377,315</u> |
| Subtotal   | <u>390,791</u>       | <u>13,476</u>     | <u>-</u>       | <u>377,315</u> | <u>390,791</u> |
| Financial assets measured at fair value through other comprehensive income |                      |                   |                |                |                |
| Shares   | <u>151,702</u>       | <u>151,702</u>    | <u>-</u>       | <u>-</u>       | <u>151,702</u> |
| Financial assets measured at amortized cost                                |                      |                   |                |                |                |
| Cash and cash equivalents  | 855,844              | -                 | -              | -              | -              |
| Financial assets measured at amortized cost                                | 216,817              | -                 | -              | -              | -              |
| Notes and accounts receivable (including related parties)                  | 292,004              | -                 | -              | -              | -              |
| Other receivables  | 6,777                | -                 | -              | -              | -              |
| Refundable deposits  | 6,015                | -                 | -              | -              | -              |
| Long-term receivable   | <u>32,139</u>        | <u>-</u>          | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| Subtotal   | <u>1,409,596</u>     | <u>-</u>          | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| Total  | <u>\$ 1,952,089</u>  | <u>165,178</u>    | <u>-</u>       | <u>377,315</u> | <u>542,493</u> |
| Financial liabilities measured at amortized cost                           |                      |                   |                |                |                |
| Long-term borrowings   | \$ 737,000           | -                 | -              | -              | -              |
| Accounts payable (including related parties)                               | 146,010              | -                 | -              | -              | -              |
| Other payables including related parties)                                  | 87,375               | -                 | -              | -              | -              |
| Guarantee deposits received  | 8,160                | -                 | -              | -              | -              |
| Lease liabilities  | <u>57,243</u>        | <u>-</u>          | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| Total  | <u>\$ 1,035,788</u>  | <u>-</u>          | <u>-</u>       | <u>-</u>       | <u>-</u>       |

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 2) Valuation techniques for financial instruments measured at fair value – Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm-length basis. Whether transactions are taking place ‘regularly’ is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date.

- 3) Transfers between Level 1 and Level 2

No transfers have occurred between the fair value levels in the hierarchy for the six months ended June 30, 2023 and 2022.

- 4) Reconciliation of Level 3 fair values

|   | <b>Fair value<br/>through profit<br/>or loss</b> |
|---|--|
|   | <b>Financial<br/>products</b>                    |
| <b>Opening balance, January 1, 2023</b> | \$ 220,450                                       |
| Effect of movements in exchange rates   | (4,950)  |
| <b>Ending balance June 30, 2023</b>     | <b>\$ 215,500</b>                                |
| <b>Opening balance January 1, 2022</b>  | \$ 1,068,624                                     |
| Purchased                               | 429,356  |
| Disposed                                | (1,141,998)                                      |
| Effect of movements in exchange rates   | 21,333   |
| <b>Ending balance June 30, 2022</b>     | <b>\$ 377,315</b>                                |

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value include “financial assets measured at fair value through profit or loss – financial products” .

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The financial products of the Group that use Level 3 inputs have multiple significant unobservable inputs. The significant unobservable inputs of the financial products are independent, therefore, there is no correlation between them.

Quantified information of significant unobservable inputs was as follows:

| <u>Item</u>   | <u>Valuation technique</u>                   | <u>Significant unobservable inputs</u> | <u>Interrelationship between significant unobservable inputs and fair value measurement</u> |
|---|--|--|---|
| Financial assets measured at fair value through profit or loss—financial products | Discounted cash flow method /Market approach | Pricing of financial products          | None  |

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The management of the Group is responsible for the fair value verification. With principal-guaranteed financial products contracts, the evaluation results would be closer to the market, confirming that the source of the information is independent, reliable, consistent with other resources, and represents an executable price. Changes in the value of assets and liabilities must be re-measured or re-evaluated in accordance with the accounting policies of the Group and are analyzed on each reporting date to ensure that the evaluation results are reasonable.

- (w) Financial risk management

There were no significant changes in the Group’s financial risk capital management objectives and policies as disclosed in Note 6(y) of the consolidated financial statements for the year ended December 31, 2022.

- (x) Capital management

The primary purpose of the Group’s management is to ensure the Group can maintain a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders’ equity value. The Group manages and adjusts its capital structure in accordance with changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment, return capital or issue new shares.

- (y) Investing and financing activities not affecting current cash flows

For the six months ended June 30, 2023, the right-of-use assets that the group acquired by leasing were \$2,916. For the six months ended June 30, 2022, the Group did not occur non-cash investing activities.

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Reconciliation of liabilities arising from non-cash financing activities for the six months ended June 30, 2023 and 2022, was as follows:

|   | <u>2023.1.1</u>  | <u>Cash flows</u> | <u>Non-cash<br/>changes<br/>Other</u> | <u>2023.6.30</u> |
|---|------------------|-------------------|---------------------------------------|------------------|
| Lease liabilities                           | \$ 43,033        | (14,816)          | 2,855                                 | 31,072           |
| Guarantee deposits received                 | 7,094            | 46                | (82)                                  | 7,058            |
| Total liabilities from financing activities | <u>\$ 50,127</u> | <u>(14,770)</u>   | <u>2,773</u>                          | <u>38,130</u>    |
|   |                  |                   | <u>Non-cash<br/>changes<br/>Other</u> |                  |
|   | <u>2022.1.1</u>  | <u>Cash flows</u> | <u>2022.6.30</u>                      |                  |
| Lease liabilities                           | \$ 69,662        | (14,622)          | 2,203                                 | 57,243           |
| Guarantee deposits received                 | 6,900            | 1,150             | 110                                   | 8,160            |
| Total liabilities from financing activities | <u>\$ 76,562</u> | <u>(13,472)</u>   | <u>2,313</u>                          | <u>65,403</u>    |

**(7) Related-party transactions**

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

| <u>Name of related party</u>                                  | <u>Relationship with the Group</u> |
|---|------------------------------------|
| Tatung Corporation  | The parent company                 |
| Chunghwa Picture Tubes, Ltd. (NOTE)                           | Other related party                |
| Tatung System Technologies Inc.                               | Other related party                |
| Tatung Consumer Products (Taiwan) Co., Ltd.                   | Other related party                |
| Tatung Co. of Japan, Inc.                                     | Other related party                |
| The Joint Welfare Committee of Tatung                         | Other related party                |
| Elitegroup Computer System Co., Ltd.                          | Other related party                |
| Chyun Huei Business Technology Inc.                           | Other related party                |
| Employee Welfare Committee of Forward Electronics Corporation | Other related party                |

Note: On August 29, 2022, the Taiwan Taoyuan District Court declared Chunghwa Picture Tubes Co., Ltd. bankrupt in accordance with the first paragraph of Article 65 of the Bankruptcy Law. On September 28, 2022, the Department of Commerce of the Ministry of Economic Affairs also approved the bankruptcy registration of Chunghwa Picture Tubes Co., Ltd. according to Jing Shou Shang Zi No. 11101187410. Therefore, the parent company of the Group assessed that it lost control of Chunghwa Picture Tubes Co., Ltd. on September 30, 2022, and Chunghwa Picture Tubes Co., Ltd. is therefore no longer a related party of the Group.

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Significant transactions with related parties

(i) Sales

|   | For the three months ended |           | For the six months ended |            |
|---|----------------------------|-----------|--------------------------|------------|
|   | June 30,                   |           | June 30,                 |            |
|   | 2023                       | 2022      | 2023                     | 2022       |
| The parent company                          | \$ -                       | 16        | 1                        | 415        |
| Other related parties                       |                            |           |                          |            |
| Tatung Consumer Products (Taiwan) Co., Ltd. | 193                        | -         | 1,891                    | -          |
|   | <u>\$ 193</u>              | <u>16</u> | <u>1,892</u>             | <u>415</u> |

There were no material differences between the selling prices for related parties and arm's length customers. Payment terms for sales to related parties and arm's length customers are juxtaposed as follows:

|          | For the six months ended June 30,                               |                              |   |                              |
|----------|---|------------------------------|---|------------------------------|
|          | 2023  |                              | 2022  |                              |
|          | Related party   | Arm's length customer        | Related party   | Arm's length customer        |
| Foreign  | O/A 30-150 days   | O/A 60-150 days or Sight L/C | O/A 30-150 days   | O/A 60-150 days or Sight L/C |
| Domestic | Cash collection at period closing date or TT or O/A 30-150 days | O/A 30-120 days              | Cash collection at period closing date or TT or O/A 30-150 days | O/A 30-120 days              |

(ii) Purchases

|                           | For the three months ended |      | For the six months ended |       |
|---------------------------|----------------------------|------|--------------------------|-------|
|                           | June 30,                   |      | June 30,                 |       |
|                           | 2023                       | 2022 | 2023                     | 2022  |
| Other related parties     |                            |      |                          |       |
| Tatung Co. of Japan, Inc. | \$ -                       | -    | 9                        | 1,039 |

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

There were no material differences between the prices for purchases from related parties and arm's length suppliers. Payment terms for purchases from related parties and arm's length suppliers were as follows:

| <b>Location</b> | <b>For the six months ended June 30,</b>              |   |  |   |
|-----------------|---|---|--|---|
|                 | <b>2023</b>   |   | <b>2022</b>  |   |
|                 | <b>Related party</b>                                  | <b>Arm's length suppliers</b>                 | <b>Related party</b>                                 | <b>Arm's length suppliers</b>                 |
| Foreign         | T/T 30-150 days or<br>DA 120 days after<br>acceptance | T/T 30-150 days or<br>L/C after<br>acceptance | T/T 30-150days or<br>DA 120 days after<br>acceptance | T/T 30-150 days or<br>L/C after<br>acceptance |
| Domestic        | 30-120 days after<br>acceptance                       | 30-120 days after<br>acceptance               | 30~120 days after<br>acceptance                      | 30-120 days after<br>acceptance               |

(iii) Receivables from related parties

| <b>Account</b>                           | <b>Relationship</b>                                      | <b>June 30, 2023</b> | <b>December 31,<br/>2022</b> | <b>June 30, 2022</b> |
|--|--|----------------------|------------------------------|----------------------|
| Accounts receivables—<br>related parties | The parent company                                       | \$ -                 | -                            | 306                  |
|  | Other related parties                                    |                      |                              |                      |
|  | Tatung Tatung<br>Consumer Products<br>(Taiwan) Co., Ltd. | 205                  | 1,355                        | -                    |
| "  | Subtotal   | 205                  | 1,355                        | 306                  |
|  | Less: Loss allowance                                     | -                    | -                            | (289)                |
|  | Total  | <b>\$ 205</b>        | <b>1,355</b>                 | <b>17</b>            |
| Other receivables—<br>related parties    | The parent company                                       | \$ 2,140             | 2,810                        | 2,163                |
|  | Other related parties                                    |                      |                              |                      |
|  | Chunghwa Picture<br>Tubes, Ltd.                          | -                    | -                            | 20,303               |
| "  | Subtotal   | 2,140                | 2,810                        | 22,466               |
|  | Less: Loss allowance                                     | -                    | -                            | (20,303)             |
|  | Total  | <b>\$ 2,140</b>      | <b>2,810</b>                 | <b>2,163</b>         |

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (iv) Payables to related parties

| <u>Account</u>                     | <u>Relationship</u>   | <u>June 30, 2023</u> | <u>December 31,<br/>2022</u> | <u>June 30, 2022</u> |
|------------------------------------|---|----------------------|------------------------------|----------------------|
| Accounts payable – related parties | Other related parties   |                      |                              |                      |
|                                    | Tatung Co. of Japan, Inc.                                     | \$ -                 | -                            | 815                  |
|                                    | Tatung System Technologies Inc.                               | -                    | 285                          | -                    |
|                                    | Tatung Consumer Products (Taiwan) Co., Ltd.                   | <u>3</u>             | <u>29</u>                    | <u>6</u>             |
|                                    | Total   | <u>\$ 3</u>          | <u>314</u>                   | <u>821</u>           |
| Other payables – related parties   | The parent company  | \$ 3                 | 293                          | 264                  |
|                                    | " Other related parties                                       |                      |                              |                      |
|                                    | Employee Welfare Committee of Forward Electronics Corporation | 525                  | 16                           | 81                   |
|                                    | Chyun Huei Business Technology Inc.                           | 16                   | 13                           | 13                   |
|                                    | The Joint Welfare Committee of Tatung                         | <u>146</u>           | <u>16</u>                    | <u>34</u>            |
|                                    | Total   | <u>\$ 690</u>        | <u>338</u>                   | <u>392</u>           |

## (v) Contract liabilities – current

|                              | <u>June 30, 2022</u> |
|------------------------------|----------------------|
| Other related parties        |                      |
| Chunghwa Picture Tubes, Ltd. | <u>\$ 1,506</u>      |

## (vi) Rental income

|                    | <u>For the three months ended</u> |                 | <u>For the six months ended</u> |                 |
|--------------------|-----------------------------------|-----------------|---------------------------------|-----------------|
|                    | <u>June 30,</u>                   | <u>June 30,</u> | <u>June 30,</u>                 | <u>June 30,</u> |
|                    | <u>2023</u>                       | <u>2022</u>     | <u>2023</u>                     | <u>2022</u>     |
| The parent company | <u>\$ 1,419</u>                   | <u>1,419</u>    | <u>2,839</u>                    | <u>2,839</u>    |

The aforementioned lease is subject to the current market prices with monthly collection.

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Key management personnel compensation

|                              | For the three months ended<br>June 30, |              | For the six months ended<br>June 30, |              |
|------------------------------|--|--------------|--------------------------------------|--------------|
|                              | 2023                                   | 2022         | 2023                                 | 2022         |
| Short-term employee benefits | \$ 1,935                               | 1,715        | 4,218                                | 3,337        |
| Post-employment benefits     | 50                                     | 70           | 122                                  | 139          |
|                              | <u>\$ 1,985</u>                        | <u>1,785</u> | <u>4,340</u>                         | <u>3,476</u> |

**(8) Assets pledged as security**

The carrying amounts of pledged assets were as follows:

| Pledged assets                               | Object                      | June 30, 2023     | December 31,<br>2022 | June 30, 2022  |
|--|-----------------------------|-------------------|----------------------|----------------|
| Land   | Bank borrowings guarantee   | \$ 463,378        | 463,378              | 463,378        |
| Buildings and structures                     | Bank borrowings guarantee   | 60,973            | 65,313               | 69,590         |
| Financial assets at amortized cost—current   | Customs guarantee           | 2,455             | 2,455                | 2,431          |
| Other non-current assets—refundable deposits | Security deposits for court | 1,331             | 1,331                | 1,331          |
| Total  |                             | <u>\$ 528,137</u> | <u>532,477</u>       | <u>536,730</u> |

**(9) Commitments and contingencies**

Suzhou Forward Electronics Technology Co., Ltd. was filed for arbitration by a client on November 23, 2022, due to a dispute over the quality of the delivered product, and the claimed amount was CNY \$1,853 thousand. As of the release date of the financial report, the relevant arbitration is still in progress.

**(10) Losses Due to Major Disasters: None**

**(11) Subsequent Events: None**

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Other**

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

|                   |                            | <b>For the three months ended June 30,</b> |                          |              |                     |                          |              |
|-------------------|----------------------------|--|--------------------------|--------------|---------------------|--------------------------|--------------|
|                   |                            | <b>2023</b>                                |                          |              | <b>2022</b>         |                          |              |
| <b>By item</b>    | <b>By function</b>         | <b>Cost of Sale</b>                        | <b>Operating Expense</b> | <b>Total</b> | <b>Cost of Sale</b> | <b>Operating Expense</b> | <b>Total</b> |
| Employee benefits |                            |  |                          |              |                     |                          |              |
|                   | Salary                     | 34,639                                     | 11,127                   | 45,766       | 41,828              | 11,939                   | 53,767       |
|                   | Labor and health insurance | 2,938                                      | 796                      | 3,734        | 3,537               | 858                      | 4,395        |
|                   | Pension                    | 2,078                                      | 729                      | 2,807        | 2,370               | 840                      | 3,210        |
|                   | Others                     | 2,012                                      | 172                      | 2,184        | 1,393               | 401                      | 1,794        |
| Depreciation      |                            |  |                          |              |                     |                          |              |
|                   |                            | 11,332                                     | 1,796                    | 13,128       | 11,957              | 2,336                    | 14,293       |
| Amortization      |                            |  |                          |              |                     |                          |              |
|                   |                            | 64   | 14                       | 78           | 64                  | 14                       | 78           |

|                   |                            | <b>For the six months ended June 30,</b> |                          |              |                     |                          |              |
|-------------------|----------------------------|--|--------------------------|--------------|---------------------|--------------------------|--------------|
|                   |                            | <b>2023</b>                              |                          |              | <b>2022</b>         |                          |              |
| <b>By item</b>    | <b>By function</b>         | <b>Cost of Sale</b>                      | <b>Operating Expense</b> | <b>Total</b> | <b>Cost of Sale</b> | <b>Operating Expense</b> | <b>Total</b> |
| Employee benefits |                            |  |                          |              |                     |                          |              |
|                   | Salary                     | 66,362                                   | 22,003                   | 88,365       | 83,648              | 23,161                   | 106,809      |
|                   | Labor and health insurance | 6,338                                    | 1,644                    | 7,982        | 7,142               | 1,785                    | 8,927        |
|                   | Pension                    | 4,342                                    | 1,489                    | 5,831        | 4,651               | 1,653                    | 6,304        |
|                   | Others                     | 3,549                                    | 570                      | 4,119        | 3,432               | 740                      | 4,172        |
| Depreciation      |                            |  |                          |              |                     |                          |              |
|                   |                            | 23,319                                   | 4,105                    | 27,424       | 22,930              | 5,045                    | 27,975       |
| Amortization      |                            |  |                          |              |                     |                          |              |
|                   |                            | 129                                      | 30                       | 159          | 129                 | 32                       | 161          |

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(13) Other disclosures**

- (a) Information on significant transactions: None.
  - (i) Loans to other parties: None.
  - (ii) Guarantees and endorsements for other parties: None.
  - (iii) Securities held as of June 30, 2023 (excluding investment in subsidiaries, associates and joint ventures): Please refer to attachment 1.
  - (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
  - (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
  - (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
  - (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
  - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
  - (ix) Trading in derivative instruments: None.
  - (x) Business relationships and significant intercompany transactions: Please refer to attachment 2.
- (b) Information on investees: Please refer to attachment 3.
- (c) Information on investment in mainland China: Please refer to attachment 4.
- (d) Major shareholders: Please refer to attachment 5.

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**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information**

(a) General information

For management purposes, the Group divides its operating units by product and service, and divided them into the following three reportable operating segments:

- (i) Optoelectronics segment: Development, manufacture and sales of backlight modules and materials, liquid crystal display modules.
- (ii) Electronics components products segment: Development, manufacture and sales of switches, variable resistors, sensors and bit generators.
- (iii) Electronics applications products segment: Sales of peripheral products for information appliances and lighting products.

None of the Group's operating segments were aggregated to form the aforementioned reportable operating segments. Other business activities that are not reported and pertinent information on operating segments are disclosed in the section of "other operating segments".

The Group's key management monitors the operating results of each segment separately and makes decisions on resource allocation and performance assessment accordingly. Segment performance was evaluated based on net profit after tax and was measured in a manner consistent with based on accounting policies consistent with those adopted in the consolidated financial statements.

The entity shall disclose the measurement of assets of reportable operating segments in accordance with IFRS 8 "Operating Segments". However, the Company and subsidiaries did not disclose such information because the amounts of assets and liabilities of both the Company and its subsidiaries were not provided to operating decision makers.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(b) The Group's operating segment information and reconciliation were as follows:

|   | <u>Optoelectronics<br/>segment</u> | <u>Electronics<br/>components<br/>products<br/>segment</u> | <u>Electronics<br/>applications<br/>products<br/>segment</u> | <u>Other<br/>segments</u> | <u>Adjustments<br/>and<br/>eliminations</u> | <u>Total</u>   |
|---|------------------------------------|--|--|---------------------------|---|----------------|
| <b>For the three months ended June 30, 2023</b> |                                    |  |  |                           |   |                |
| Revenue:  |                                    |  |  |                           |   |                |
| Revenue from external customers                 | \$ 55,556                          | 71,027   | 67,116   | -                         | -   | 193,699        |
| Inter-segment revenue                           | 49,884                             | 4,275  | 284  | -                         | (54,443)                                    | -              |
| <b>Total revenue</b>                            | <b>\$ 105,440</b>                  | <b>75,302</b>  | <b>67,400</b>  | <b>-</b>                  | <b>(54,443)</b>                             | <b>193,699</b> |
| <b>Profit (loss) of reportable segments</b>     | <b>\$ 1,572</b>                    | <b>(11,468)</b>  | <b>1,777</b>   | <b>4,897</b>              | <b>-</b>                                    | <b>(3,222)</b> |
| <b>For the three months ended June 30, 2022</b> |                                    |  |  |                           |   |                |
| Revenue:  |                                    |  |  |                           |   |                |
| Revenue from external customers                 | \$ 57,256                          | 104,578  | 36,730   | -                         | -   | 198,564        |
| Inter-segment revenue                           | 22,109                             | 3,981  | 690  | -                         | (26,780)                                    | -              |
| <b>Total revenue</b>                            | <b>\$ 79,365</b>                   | <b>108,559</b>   | <b>37,420</b>  | <b>-</b>                  | <b>(26,780)</b>                             | <b>198,564</b> |
| <b>Profit (loss) of reportable segments</b>     | <b>\$ 1,897</b>                    | <b>(823)</b>   | <b>3,250</b>   | <b>11,276</b>             | <b>-</b>                                    | <b>15,600</b>  |

(Continued)

**FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|   | <u>Optoelectronics<br/>segment</u> | <u>Electronics<br/>components<br/>products<br/>segment</u> | <u>Electronics<br/>applications<br/>products<br/>segment</u> | <u>Other<br/>segments</u> | <u>Adjustments<br/>and<br/>eliminations</u> | <u>Total</u>           |
|---|------------------------------------|--|--|---------------------------|---|------------------------|
| <b>For the six months ended June 30, 2023</b> |                                    |  |  |                           |   |                        |
| Revenue:                                      |                                    |  |  |                           |   |                        |
| Revenue from external customers               | \$ 147,725                         | 139,779  | 115,984  | -                         | -   | 403,488                |
| Inter-segment revenue                         | <u>87,223</u>                      | <u>7,211</u>   | <u>695</u>   | <u>-</u>                  | <u>(95,129)</u>                             | <u>-</u>               |
| <b>Total revenue</b>                          | <b>\$ <u>234,948</u></b>           | <b><u>146,990</u></b>                                      | <b><u>116,679</u></b>  | <b><u>-</u></b>           | <b><u>(95,129)</u></b>                      | <b><u>403,488</u></b>  |
| <b>Profit (loss) of reportable segments</b>   | <b>\$ <u>(7,205)</u></b>           | <b><u>(23,965)</u></b>                                     | <b><u>(844)</u></b>  | <b><u>13,158</u></b>      | <b><u>-</u></b>                             | <b><u>(18,856)</u></b> |
| <b>For the six months ended June 30, 2022</b> |                                    |  |  |                           |   |                        |
| Revenue:                                      |                                    |  |  |                           |   |                        |
| Revenue from external customers               | \$ 135,726                         | 211,916  | 66,439   | -                         | -   | 414,081                |
| Inter-segment revenue                         | <u>39,868</u>                      | <u>8,520</u>   | <u>1,087</u>   | <u>-</u>                  | <u>(49,475)</u>                             | <u>-</u>               |
| <b>Total revenue</b>                          | <b>\$ <u>175,594</u></b>           | <b><u>220,436</u></b>                                      | <b><u>67,526</u></b>   | <b><u>-</u></b>           | <b><u>(49,475)</u></b>                      | <b><u>414,081</u></b>  |
| <b>Profit (loss) of reportable segments</b>   | <b>\$ <u>(8,572)</u></b>           | <b><u>11,243</u></b>                                       | <b><u>6,271</u></b>  | <b><u>22,495</u></b>      | <b><u>-</u></b>                             | <b><u>31,437</u></b>   |

Inter-segment revenue was eliminated upon consolidation and recorded under “adjustment and elimination”, and all other adjustments and eliminations are disclosed below.



FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

ATTACHMENT 1: Information regarding securities held at the reporting date (excluding subsidiary, associates and jointly controlled)

| Company holding securities                         | Security type and name<br>(Note 1)                | Relationship with<br>the Company<br>(Note 2) | Account  | Ending balance |                            |                                |                         | Remark |
|--|---|--|--|----------------|----------------------------|--------------------------------|-------------------------|--------|
|  |   |  |  | Shares         | Carrying value<br>(Note 3) | Percentage of<br>ownership (%) | Market value            |        |
| Forward Electronics Co., Ltd.                      | Stock—Cathay Financial Holdings Co., Ltd.         | -  | Current financial assets measured at fair value through profit or loss                 | 64,897         | 2,800                      | 0.00                           | 2,800                   |        |
|  | Stock—Elitegroup Computer Systems Co., Ltd.       | Affiliated company                           | Current financial assets measured at fair value through profit or loss                 | 250,000        | 7,925                      | 0.04                           | 7,925                   |        |
|  | Stock—Tatung Co., Ltd                             | Parent-subidiary                             | Non-current financial assets measured at fair value through other comprehensive income | 19,666,000     | 1,067,864                  | 0.84                           | 1,067,864               |        |
| Suzhou Forward Electronics<br>Technology Co., Ltd. | Stock—Nanjing Global Display Technology Co., Ltd. | -  | Non-current financial assets measured at fair value through profit or loss             | -              | -                          | 17.29                          | -                       |        |
|  | Financial products                                | -  | Non-current financial assets measured at fair value through profit or loss             | -              | 215,500<br>(RMB 50,000)    | -                              | 215,500<br>(RMB 50,000) |        |

Note 1: Securities are stocks, bonds, beneficiary certificates and derivative securities of the aforementioned items within the scope of IFRS 9 Financial Instruments.

Note 2: Only related parties are required to disclose such information.

Note 3: For financial assets measured at fair value, the book value should be the fair value less accumulated impairment loss. For financial assets not measured at fair value, the book value should be the original cost or amortized cost less accumulated impairment loss.

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

ATTACHMENT 2: Significant transactions and business relationship between the parent company and its subsidiaries

| No.<br>(Note 1) | Company name                  | Counterparty                                    | Relationship<br>(Note 2) | Intercompany Transactions |          |            | Percentage of total consolidated<br>net revenue or assets<br>(Note 3) |
|-----------------|-------------------------------|---|--------------------------|---------------------------|----------|------------|---|
|                 |                               |   |                          | Account                   | Amount   | Terms      |   |
| 0               | Forward Electronics Co., Ltd. | Suzhou Forward Electronics Technology Co., Ltd. | 1                        | Accounts receivable       | \$ 5,236 | As general | 0.16%   |
| 0               | "                             | "   | "                        | Accounts payable          | 71,435   | "          | 2.23%   |
| 0               | "                             | "   | "                        | Sales revenue             | 6,151    | "          | 1.52%   |
| 0               | "                             | "   | "                        | Cost of goods sold        | 88,978   | "          | 22.05%  |
| 0               | "                             | "   | "                        | Non-operating income      | 1,343    | "          | 0.33%   |
| 0               | "                             | "   | "                        | Unrealized gross profit   | (126)    | "          | -0.03%  |
| 0               | "                             | "   | "                        | Realized gross profit     | 812      | "          | 0.20%   |

Note 1: The Company and its subsidiaries are coded as follows:

1. The Company is coded "0".
2. Subsidiaries are coded consecutively starting from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

For example, if the parent company has disclosed the transaction between the parent company and the subsidiary company, the subsidiary part does not need to be disclosed repeatedly; if the subsidiary company has disclosed the transaction between one of its subsidiaries, the other subsidiary need not be disclosed repeatedly):

1. Parent company to subsidiary
2. Subsidiary to parent company
3. Subsidiary to subsidiary

Note 3: When calculating the percentage of transaction amount to the consolidated revenues or the consolidated assets:

Items of the balance sheets are calculated as its ending balance to total consolidated assets; items of income statement are calculated by its cumulative balance to the total consolidated income.

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

ATTACHMENT 3: Information on investments (excluding investments in Mainland China)

| Name of investor              | Name of investee              | Location               | Main businesses  | Original investment amount          |                                     | Ending balance |                |                | Net income (loss) of the investee | Investment income (loss) recognized by the Company (Note 1) | Remark   |
|-------------------------------|-------------------------------|------------------------|--|-------------------------------------|-------------------------------------|----------------|----------------|----------------|-----------------------------------|---|----------|
|                               |                               |                        |  | June 30, 2023                       | December 31, 2022                   | Shares         | Percentage (%) | Carrying value |                                   |   |          |
| Forward Electronics Co., Ltd. | Forward Development Co., Ltd. | British Virgin Islands | Investment in production business, etc.                          | 600,940<br>(USD 19,298)<br>(Note 1) | 600,940<br>(USD 19,298)<br>(Note 1) | -              | 100.00         | 844,318        | (2,908)                           | (3,063)   | (Note 2) |
|                               | Gintung Energy Co., Ltd.      | Taoyuan City, Taiwan   | The manufacturing and sale of solar module and related component | 355,296                             | 355,296                             | 5,398,269      | 14.59          | -              | (454)                             | -   | (Note 3) |

Note 1 : Including equipment investment of NTD75,115 thousand (USD2,282 thousand).

Note 2 : The difference, amounting to \$156 thousand, between net income of Forward Development Co., Ltd. and the investment income recognized is the unrealized loss on downstream transactions between Forward Electronics Co., Ltd. and Forward Development Co., Ltd..

Note 3 : The equity attributable to shareholders of Gintung Energy Co., Ltd. was negative, thus, the Company did not recognized investment income and the ending balance of investments accounted for under the equity method was zero.

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in Thousands of New Taiwan Dollars/ Foreign Currencies, Unless Specified Otherwise)

ATTACHMENT 4: Information on Investment in Mainland China

| Investor company<br>(Note 6) | Name of investee                                      | Main businesses   | Total amount of<br>paid-in capital | Method of<br>investment<br>(Note 1) | Accumulated outflow<br>of investment from<br>Taiwan as of<br>January 1, 2023 | Investment flows |        | Accumulated outflow<br>of investment from<br>Taiwan as of<br>June 30, 2023 | Net income<br>(loss) of the<br>investee<br>company | Percentage of<br>ownership | Investment<br>income (loss)<br>recognized<br>(Note 2 and 4) | Carrying Value<br>as of<br>June 30, 2023<br>(Note 4) | Accumulated<br>inward remittance<br>of earnings as of June<br>30, 2023 |
|------------------------------|---|---|------------------------------------|-------------------------------------|--|------------------|--------|--|--|----------------------------|---|--|--|
|                              |   |   |                                    |                                     |  | Outflow          | Inflow |  |  |                            |   |  |  |
| Forward Development          | Forward Electronics Equipment<br>(Dong Guan) Co., Ltd | Manufacture and sales of tuner, keyboard, mouse,<br>remote controller, switch, socket, potentiometer and<br>gaming mouse            | USD 4,600                          | (2)<br><br>(Note 5)                 | 141,266  | -                | -      | 141,266  | 6,500  | 100.00%                    | 6,500<br><br>(2)  | 192,165  | 25,348<br><br>USD 814  |
|                              | Suzhou Forward Electronics<br>Technology Co., Ltd.    | The manufacturing and sale of backlight unit for<br>TFT-LCD, driving board, tuner, keyboard, mouse,<br>switch, socket and connector | USD 12,200                         | (2)<br><br>(Note 5)                 | -  | -                | -      | -  | (9,398)  | 100.00%                    | (9,398)<br><br>(2)  | 651,739  | 721,078<br><br>USD 23,156  |

| Accumulated investment in Mainland China<br>as of June 30, 2023 | Investment amounts authorized by<br>Investment Commission, MOEA | Upper limit on investment<br>(Note 7) |
|---|---|---------------------------------------|
| \$141,266   | \$702,674<br>(USD 22,565)                                       | \$1,215,887                           |

Note 1 : The methods for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China.
- (2) Indirectly investment in Mainland China through companies registered in a third region. (Please specify the name of the company in third region).
- (3) Reinvested by the surplus from a mainland company established through a third region.
- (4) Other methods.

Note 2 : The investment income (loss) recognized in current period:

- (1) Please specify if no investment income (loss) has been recognized as still in the preparation stage.
- (2) Financial statements which were based on the reviewed by parent company's R.O.C. CPA.

Note 3 : Initial investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the spot rates at the financial report date

US dollars exchange rate on June 30, 2023 : 31.14

Note 4 : The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Significatn transactions and business relationship between the partent company and its subsidiaries"

Note 5 : Reinvested through Forward Development Co., Ltd. by remitting the investment funding and equipment investment.

Note 6 : Refer to Attachment 3 for investment percentages in all investees of the Company

Note 7 : In accordance with the regulations of the Investment Review Committee of the Ministry of Economic Affairs, the calculation is based on the higher of net value or combined net value.

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

ATTACHMENT 5: Information on major shareholders

| Shareholder's name                        | Shareholding | Shares     | Percentage |
|---|--------------|------------|------------|
| Tatung Co., Ltd                           |              | 31,635,411 | 22.59%     |
| Yu, Jin-Bang                              |              | 14,170,428 | 10.12%     |
| Fu, Yi-Yuan                               |              | 9,731,156  | 6.95%      |
| Chunghwa Electronic Development Co., Ltd. |              | 9,003,678  | 6.43%      |
| Fu, Pei-Ming                              |              | 8,383,542  | 5.98%      |

Note : The Company applies to Taiwan Depository & Clearing Corporation for the information on major shareholders.

Note 1 : The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

Note 2 : If the above information is a shareholder's delivery of shares to the trust, it is disclosed by the trustee's opening of a trust account with individual sub-accounts of the trustors. As for shareholders who are required to report holding more than 10% of the insider ownership in accordance with the Securities and Exchange Act, their shareholding includes their own shareholding plus the shares they have delivered to the trust, and with the right to decide on the use of the trust property, etc. For information on insider ownership reporting, please refer to the Market Observation Post System website.

Note 3 : The Major shareholder is provided by Taiwan Depository & Clearing Corporation.