

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2024 and 2023**

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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 March 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, 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 March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 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 Pan, Chun-Ming and Lai, Li-Chen.

KPMG

Taipei, Taiwan (Republic of China)

May 9, 2024

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****March 31, 2024, December 31, 2023, and March 31, 2023****(Expressed in Thousands of New Taiwan Dollars)**

Assets		March 31, 2024		December 31, 2023		March 31, 2023		Liabilities and Equity		March 31, 2024		December 31, 2023		March 31, 2023	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$ 1,248,149	37	1,132,328	36	501,694	18	2100	Short-term borrowings (Notes 6(k) and 8)	\$ 26,000	1	18,000	-	-	-
1110	Current financial assets at fair value through profit or loss (Note 6(b))	5,670	-	5,670	-	8,400	-	2130	Current contract liabilities (Note 6(t))	5,644	-	20,358	1	6,998	-
1136	Current financial assets at amortized cost (Notes 6(d) and 8)	67,588	2	2,488	-	215,605	8	2170	Accounts payable	97,516	3	111,745	4	80,409	3
1150	Notes receivable, net (Note 6(e))	3,564	-	5,511	-	6,011	-	2180	Accounts payable—related parties (Note 7)	171	-	55	-	294	-
1170	Accounts receivable, net (Note 6(e))	205,027	6	192,109	7	254,889	10	2200	Other payables (Note 6(l))	41,865	1	45,941	1	42,117	2
1180	Accounts receivable—related parties, net (Notes 6(e) and 7)	74	-	106	-	1,787	-	2220	Other payables—related parties (Note 7)	2,206	-	1,198	-	445	-
1200	Other receivables (Notes 6(f) and 7)	35,069	1	6,592	-	7,378	-	2230	Current tax liabilities	121	-	-	-	1,558	-
1220	Current tax assets	1,748	-	1,478	-	272	-	2250	Current provisions	1,720	-	7,108	-	1,690	-
130X	Inventories (Note 6(g))	76,350	2	92,297	3	118,506	4	2280	Current lease liabilities (Notes 6(n) and 7)	15,107	-	15,779	1	29,631	1
1410	Prepayments	3,592	-	2,545	-	2,585	-	2322	Long-term borrowings, current portion (Notes 6(m) and 8)	24,000	1	24,000	1	12,000	1
1470	Other current assets	1,608	-	1,550	-	1,467	-	2399	Other current liabilities	3,315	-	2,962	-	2,927	-
	Total current assets	<u>1,648,439</u>	<u>48</u>	<u>1,442,674</u>	<u>46</u>	<u>1,118,594</u>	<u>40</u>		Total current liabilities	<u>217,665</u>	<u>6</u>	<u>247,146</u>	<u>8</u>	<u>178,069</u>	<u>7</u>
Non-current assets:								Non-current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	-	-	108,375	3	221,550	8	2540	Long-term borrowings (Notes 6(m) and 8)	969,000	30	975,000	32	716,000	26
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,010,283	30	836,346	28	648,978	24	2570	Deferred tax liabilities	215,066	6	215,066	7	233,042	8
1600	Property, plant and equipment (Notes 6(h) and 8)	561,678	17	557,869	18	594,171	21	2580	Non-current lease liabilities (Notes 6(n) and 7)	21,128	1	10,999	-	9,465	1
1755	Right-of-use assets (Note 6(i))	24,823	1	15,424	-	30,416	1	2645	Guarantee deposits received	5,932	-	5,755	-	7,117	-
1760	Investment property, net (Note 6(j))	10,414	-	10,719	-	15,238	1	2670	Other non-current liabilities	1,479	-	1,479	-	1,479	-
1780	Intangible assets	555	-	427	-	325	-		Total non-current liabilities	<u>1,212,605</u>	<u>37</u>	<u>1,208,299</u>	<u>39</u>	<u>967,103</u>	<u>35</u>
1840	Deferred tax assets	68,941	2	68,941	2	86,317	3		Total liabilities	<u>1,430,270</u>	<u>43</u>	<u>1,455,445</u>	<u>47</u>	<u>1,145,172</u>	<u>42</u>
1920	Refundable deposits (Note 8)	4,865	-	6,700	-	6,181	-	Equity (Notes 6(c) and (r)):							
1930	Long-term receivables (Notes 6(e) and (f))	34,273	1	50,998	2	41,233	1	3100	Share capital	1,399,830	41	1,399,830	45	1,399,830	50
1975	Non-current net defined benefit assets	32,645	1	32,132	1	31,473	1	3200	Capital surplus	48,716	1	48,716	1	48,716	1
	Total non-current assets	<u>1,748,477</u>	<u>52</u>	<u>1,687,931</u>	<u>54</u>	<u>1,675,882</u>	<u>60</u>	3300	Retained earnings	69,530	2	35,674	1	174,402	6
	Total assets	<u>\$ 3,396,916</u>	<u>100</u>	<u>3,130,605</u>	<u>100</u>	<u>2,794,476</u>	<u>100</u>	3400	Other equity	448,570	13	190,940	6	26,356	1
									Total equity	<u>1,966,646</u>	<u>57</u>	<u>1,675,160</u>	<u>53</u>	<u>1,649,304</u>	<u>58</u>
									Total liabilities and equity	<u>\$ 3,396,916</u>	<u>100</u>	<u>3,130,605</u>	<u>100</u>	<u>2,794,476</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 ended March 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		For the three months ended March 31			
		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(t) and 7)	\$ 139,572	100	209,789	100
5000	Operating costs (Notes 6(g), (p) and 7)	<u>134,856</u>	<u>97</u>	<u>211,976</u>	<u>101</u>
	Gross profit (loss) from operations	<u>4,716</u>	<u>3</u>	<u>(2,187)</u>	<u>(1)</u>
	Operating expenses (Notes 6(e), (p) and 7):				
6100	Selling expenses	7,100	5	6,627	3
6200	Administrative expenses	37,551	27	11,416	5
6300	Research and development expenses	3,941	3	4,480	2
6450	Expected credit impairment loss	<u>509</u>	<u>-</u>	<u>68</u>	<u>1</u>
	Total operating expenses	<u>49,101</u>	<u>35</u>	<u>22,591</u>	<u>11</u>
	Net operating loss	<u>(44,385)</u>	<u>(32)</u>	<u>(24,778)</u>	<u>(12)</u>
	Non-operating income and expenses (Notes (n), (v), (w) and 7):				
7100	Interest income	6,236	4	6,494	3
7010	Other income	7,229	5	11,112	5
7020	Other gains and losses	13,351	10	(4,731)	(2)
7050	Finance costs	(5,560)	(4)	(3,731)	(1)
7055	Expected credit impairment loss	<u>(317)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total non-operating income and expenses	<u>20,939</u>	<u>15</u>	<u>9,144</u>	<u>5</u>
	Loss before tax	<u>(23,446)</u>	<u>(17)</u>	<u>(15,634)</u>	<u>(7)</u>
7950	Income tax expense (Note 6(q))	<u>158</u>	<u>-</u>	<u>1,160</u>	<u>1</u>
	Net loss	<u>(23,604)</u>	<u>(17)</u>	<u>(16,794)</u>	<u>(8)</u>
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	283,715	203	(27,650)	(13)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>283,715</u>	<u>203</u>	<u>(27,650)</u>	<u>(13)</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	31,375	22	4,329	2
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total components of other comprehensive income that will be reclassified to profit or loss	<u>31,375</u>	<u>22</u>	<u>4,329</u>	<u>2</u>
8300	Other comprehensive income (after tax)	<u>315,090</u>	<u>225</u>	<u>(23,321)</u>	<u>(11)</u>
	Total comprehensive income	<u>\$ 291,486</u>	<u>208</u>	<u>(40,115)</u>	<u>(19)</u>
	(Losses) earnings per share (NT dollars) (Note 6(s))				
9750	Basic (losses) earnings per share	<u>\$ (0.17)</u>		<u>(0.12)</u>	
9850	Diluted (losses) earnings per share	<u>\$ (0.17)</u>		<u>(0.12)</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 three months ended March 31, 2024 and 2023****(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>	
Balance at January 1, 2023	\$ 1,399,830	48,716	4,103	185,895	189,998	(95,020)	145,895	50,875	1,689,419
Net loss	-	-	-	(16,794)	(16,794)	-	-	-	(16,794)
Other comprehensive income	-	-	-	-	-	4,329	(27,650)	(23,321)	(23,321)
Total comprehensive income	-	-	-	(16,794)	(16,794)	4,329	(27,650)	(23,321)	(40,115)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	1,198	1,198	-	(1,198)	(1,198)	-
Balance at March 31, 2023	<u>\$ 1,399,830</u>	<u>48,716</u>	<u>4,103</u>	<u>170,299</u>	<u>174,402</u>	<u>(90,691)</u>	<u>117,047</u>	<u>26,356</u>	<u>1,649,304</u>
Balance at January 1, 2024	\$ 1,399,830	48,716	21,800	13,874	35,674	(108,477)	299,417	190,940	1,675,160
Net loss	-	-	-	(23,604)	(23,604)	-	-	-	(23,604)
Other comprehensive income	-	-	-	-	-	31,375	283,715	315,090	315,090
Total comprehensive income	-	-	-	(23,604)	(23,604)	31,375	283,715	315,090	291,486
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	57,460	57,460	-	(57,460)	(57,460)	-
Balance at March 31, 2024	<u>\$ 1,399,830</u>	<u>48,716</u>	<u>21,800</u>	<u>47,730</u>	<u>69,530</u>	<u>(77,102)</u>	<u>525,672</u>	<u>448,570</u>	<u>1,966,646</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 Cash Flows****For the three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	2024	2023
Cash flows from (used in) operating activities:		
Loss before tax	\$ (23,446)	(15,634)
Adjustments:		
Adjustments to reconcile (loss) profit		
Depreciation expense	10,659	14,296
Amortization expense	50	81
Expected credit impairment loss	826	68
Net gain on financial assets or liabilities at fair value through profit or loss	-	(654)
Interest expense	5,560	3,731
Interest income	(6,236)	(6,494)
Gain on disposal of property, plant and equipment	(247)	-
Total adjustments to reconcile profit	<u>10,612</u>	<u>11,028</u>
Changes in operating assets and liabilities:		
Notes receivable	1,957	3,757
Accounts receivable	(1,447)	17,520
Accounts receivable—related parties	32	(432)
Other receivables	615	(1,477)
Inventories	15,754	27,315
Prepayments	(1,047)	9,158
Other current assets	(58)	30
Long-term receivables	-	2,770
Net defined benefit assets	(513)	(477)
Contract liabilities	(14,805)	(2,639)
Accounts payable	(14,229)	(27,096)
Accounts payable—related parties	116	(20)
Other payables	(4,304)	(68,087)
Other payables—related parties	1,008	107
Provisions	(5,321)	-
Other current liabilities	353	(27)
Total adjustments	<u>(11,277)</u>	<u>(28,570)</u>
Cash inflow generated from operations	(34,723)	(44,204)
Interest received	17,100	6,198
Interest paid	(5,555)	(3,676)
Income taxes paid	(307)	(4,896)
Net cash flows from operating activities	<u>(23,485)</u>	<u>(46,578)</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(1,780)	(98,241)
Proceeds from disposal of financial assets at fair value through other comprehensive income	82,485	5,526
Acquisition of financial assets at amortized cost	(65,100)	(211,994)
Proceeds from disposal of financial assets at amortized cost	-	44,782
Proceeds from maturity of financial assets at amortized cost	-	347,342
Proceeds from disposal of financial assets at fair value through profit or loss	109,155	-
Acquisition of property, plant and equipment	(8,704)	(927)
Proceeds from disposal of property, plant and equipment	247	-
Decrease (Increase) in refundable deposits	1,923	(175)
Acquisition of intangible assets	(168)	-
Net cash flows from investing activities	<u>118,058</u>	<u>86,313</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	8,000	-
Repayments of long-term borrowings	(6,000)	(3,000)
Increase in guarantee deposits received	112	-
Payment of lease liabilities	(4,302)	(7,056)
Net cash flows from (used in) financing activities	<u>(2,190)</u>	<u>(10,056)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>23,438</u>	<u>10,421</u>
Net increase in cash and cash equivalents	115,821	40,100
Cash and cash equivalents at beginning of period	1,132,328	461,594
Cash and cash equivalents at end of period	<u>\$ 1,248,149</u>	<u>501,694</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

March 31, 2024 and 2023

(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 of the Company and its subsidiaries (the “Group”) is the development, manufacture and sales of backlight modules and materials, liquid crystal display modules, switches, variable resistors, sensors and bit generators, the sale of peripheral products for information appliances and lighting products, as well as carbon reduction, energy conservation, and energy storage. 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 May 9, 2024.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the IFRS Accounting Standards 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, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

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

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

(Continued)

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

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other 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 IAS21 “Lack of Exchangeability”

(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 significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2023. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2023.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

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

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding (%)</u>		
			<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
The Company	Forward Development Co., Ltd.	Investment in production business, etc.	100 %	100 %	100 %
The Company	Forward Intelligent Energy Co., Ltd. (Note 1)	Carbon reduction, energy conservation, and energy storage related business	100 %	100 %	- %
Forward Development Co., Ltd.	Forward Electronics Equipment (Dong Guan) Co., Ltd	Factory leasing business	100 %	100 %	100 %

(Continued)

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

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding (%)</u>		
			<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Forward Development Co., Ltd.	Suzhou Forward Electronics Technology Co., Ltd.	Manufacture and sale of TFT LCD backlight modules, switches and electronic labels, etc.	100 %	100 %	100 %

Note 1: Established and registered in July 2023.

(ii) Subsidiaries excluded from the consolidated financial statements: None.

(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 best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate which is forecasted by the management. 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.

(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 IFRS Accounting Standards (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, 2023. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2023.

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

(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 consolidated financial statements for the year ended December 31, 2023. Please refer to Notes 6 of the annual consolidated financial statements for the year ended December 31, 2023.

(a) Cash and cash equivalents

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Cash on hand	\$ 247	263	276
Demand deposits and checking deposits	228,683	681,152	351,331
Call deposits	136,458	130,050	119,637
Time deposits	<u>882,761</u>	<u>320,863</u>	<u>30,450</u>
Total	<u>\$ 1,248,149</u>	<u>1,132,328</u>	<u>501,694</u>

Please refer to Note 6(w) 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>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Mandatorily measured at fair value through profit or loss:			
Stocks listed on domestic markets	\$ 5,670	5,670	8,400
Financial products	<u>-</u>	<u>108,375</u>	<u>221,550</u>
Total	<u>\$ 5,670</u>	<u>114,045</u>	<u>229,950</u>
Current	\$ 5,670	5,670	8,400
Non-current	<u>-</u>	<u>108,375</u>	<u>221,550</u>
Total	<u>\$ 5,670</u>	<u>114,045</u>	<u>229,950</u>

(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(w).

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

(c) Financial assets measured at fair value through other comprehensive income

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Equity instruments measured at fair value through other comprehensive income—non-current			
Stock of domestic listed companies	\$ 998,129	825,972	648,978
Stock of domestic non-listed company	<u>12,154</u>	<u>10,374</u>	<u>-</u>
Total	<u>\$ 1,010,283</u>	<u>836,346</u>	<u>648,978</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 three months ended March 31, 2024 and 2023. The fair value of Tatung Corporation at the time of disposal amounted to \$111,558 thousand and \$5,526 thousand. The accumulated gains on disposal amounted to \$57,460 thousand and \$1,198 thousand, both of which were transferred from other equity interest to retained earnings.
- (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(w).

(d) Financial assets measured at amortized cost

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Time deposit (including pledged)	<u>\$ 67,588</u>	<u>2,488</u>	<u>215,605</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(w).

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

(e) Notes and accounts receivable

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Current:			
Notes receivable from operating activities	\$ 3,582	5,539	6,041
Less: loss allowance	<u>(18)</u>	<u>(28)</u>	<u>(30)</u>
Subtotal	<u>3,564</u>	<u>5,511</u>	<u>6,011</u>
Accounts receivable	186,716	181,340	266,167
Installment accounts receivable	73,049	63,712	20,929
Less: unrealized interest income	<u>(3,207)</u>	<u>(3,083)</u>	<u>(2,425)</u>
Subtotal	256,558	241,969	284,671
Less: loss allowance	<u>(51,531)</u>	<u>(49,860)</u>	<u>(29,782)</u>
Subtotal	<u>205,027</u>	<u>192,109</u>	<u>254,889</u>
Accounts receivable—related parties	74	106	1,787
Less: loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>74</u>	<u>106</u>	<u>1,787</u>
Subtotal of current portions	<u>208,665</u>	<u>197,726</u>	<u>262,687</u>
Non-current:			
Long-term installments receivable	47,731	52,814	25,126
Less: unrealized interest income	(1,317)	(1,265)	(1,163)
Loss allowance	<u>(12,709)</u>	<u>(12,216)</u>	<u>-</u>
Subtotal of non-current portions	<u>33,705</u>	<u>39,333</u>	<u>23,963</u>
Total	<u>\$ 242,370</u>	<u>237,059</u>	<u>286,650</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 provision were determined as follows:

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

March 31, 2024

Notes receivable

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 3,582	0.50%	18
Less than 120 days past due	-	-%	-
121~180 days past due	-	-%	-
181~270 days past due	-	-%	-
More than 271 days past due	-	-%	-
Total	<u>\$ 3,582</u>		<u>18</u>

Accounts receivable

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 149,204	-%	-
Less than 120 days past due	8,799	-%	-
121~180 days past due	8	-%	-
181~270 days past due	24	100%	24
More than 271 days past due	-	-%	-
Total	<u>\$ 158,035</u>		<u>24</u>

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

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 106,780	9.63%~43.38%	32,081
Less than 120 days past due	8,683	9.63%~43.38%	3,158
121~180 days past due	793	9.63%~43.38%	222
181~270 days past due	-	-%	-
More than 271 days past due	28,755	100%	28,755
Total	<u>\$ 145,011</u>		<u>64,216</u>

(Continued)

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

December 31, 2023

Notes receivable

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 5,539	0.51%	28
Less than 120 days past due	-	-%	-
121~180 days past due	-	-%	-
181~270 days past due	-	-%	-
More than 271 days past due	-	-%	-
Total	<u>\$ 5,539</u>		<u>28</u>

Accounts receivable

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 150,968	-%	-
Less than 120 days past due	2,484	-%	-
121~180 days past due	-	-%	-
181~270 days past due	24	100%	24
More than 271 days past due	-	-%	-
Total	<u>\$ 153,476</u>		<u>24</u>

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

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 110,083	9.63%~43.38%	33,319
Less than 120 days past due	2,095	9.63%~43.38%	763
121~180 days past due	-	-%	-
181~270 days past due	-	-%	-
More than 271 days past due	27,970	100%	27,970
Total	<u>\$ 140,148</u>		<u>62,052</u>

(Continued)

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

March 31, 2023

Notes receivable

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 6,041	0.50%	30
Less than 120 days past due	-	-%	-
121~180 days past due	-	-%	-
181~270 days past due	-	-%	-
More than 271 days past due	-	-%	-
Total	<u>\$ 6,041</u>		<u>30</u>

Accounts receivable

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 277,599	0.02%	56
Less than 120 days past due	3,121	0.8%	25
121~180 days past due	-	-%	-
181~270 days past due	-	100%	-
More than 271 days past due	-	100%	-
Total	<u>\$ 280,720</u>		<u>81</u>

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

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Less than 120 days past due	\$ -	-%	-
121~180 days past due	1,186	100%	1,186
181~270 days past due	5,540	100%	5,540
More than 271 days past due	22,975	100%	22,975
Total	<u>\$ 29,701</u>		<u>29,701</u>

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

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

	For the three months ended	
	March 31,	
	2024	2023
Balance at January 1	\$ 62,104	29,711
Impairment losses recognized	509	68
Effect of exchange rate change	1,645	33
Balance at March 31	\$ 64,258	29,812

- (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(w).
- (f) Other receivables

	March 31,	December 31,	March 31,
	2024	2023	2023
Current:			
Tax refund receivable	\$ 325	291	303
Earned revenue receivable	1,898	1,186	2,498
Securities receivable	29,073	-	-
Other receivables—related parties	2,081	2,136	2,108
Other receivables—other	21,420	21,835	22,745
Other installment receivables	2,219	2,133	-
Less: unrealized interest income—other installment receivables	(32)	(30)	-
Subtotal	56,984	27,551	27,654
Less: loss allowance	(21,915)	(20,959)	(20,276)
Subtotal of current portions	35,069	6,592	7,378
Non-current:			
Installments of long-term other receivables	1,016	976	-
Less: unrealized interest income loss allowance	(435)	(418)	-
Subtotal	568	546	-
Long-term receivables-interest	-	11,119	17,270
Subtotal of non-current portions	568	11,665	17,270
Total	\$ 35,637	18,257	24,648

(Continued)

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

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

(g) Inventories

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

	March 31, 2024	December 31, 2023	March 31, 2023
Raw materials	\$ 46,692	46,120	69,571
Work in process	16,470	18,216	25,474
Finished goods	11,838	26,620	23,138
Merchandise	1,350	1,341	323
Total	<u>\$ 76,350</u>	<u>92,297</u>	<u>118,506</u>

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

	For the three months ended March 31,	
	2024	2023
Cost of goods sold	\$ 135,499	210,993
(Reversal of write-downs) Write-down of inventories	(503)	449
Scrap of inventories	455	534
Revenue from sale of scraps	(595)	-
Total	<u>\$ 134,856</u>	<u>211,976</u>

(iii) The Group's inventories have not been pledged as collateral as of March 31, 2024, December 31 and March 31, 2023.

(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 improvements	Buildings and structures	Machinery	Office equipment	Transportation equipment	Leasehold improvements	Other equipment and construction in progress	Total
Cost:								
Balance on January 1, 2024	\$ 463,378	182,781	226,547	27,028	3,904	42,444	183,400	1,129,482
Additions	-	-	-	1,700	-	5,753	1,474	8,927
Disposal	-	-	-	(364)	-	-	-	(364)
Reclassification	-	-	193	-	-	-	-	193
Effects of changes in foreign exchange rates and others	-	-	2,523	203	83	1,681	1,450	5,940
Balance on March 31, 2024	<u>\$ 463,378</u>	<u>182,781</u>	<u>229,263</u>	<u>28,567</u>	<u>3,987</u>	<u>49,878</u>	<u>186,324</u>	<u>1,144,178</u>

(Continued)

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

	<u>Land and improvements</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Other equipment and construction in progress</u>	<u>Total</u>
Balance on January 1, 2023	\$ 463,378	186,569	286,938	27,393	4,857	43,142	211,297	1,223,574
Additions	-	-	242	-	-	-	-	242
Disposal	-	-	-	-	-	-	(149)	(149)
Reclassification	-	-	-	-	-	-	198	198
Effects of changes in foreign exchange rates and others	-	-	597	29	15	207	305	1,153
Balance on March 31, 2023	<u>\$ 463,378</u>	<u>186,569</u>	<u>287,777</u>	<u>27,422</u>	<u>4,872</u>	<u>43,349</u>	<u>211,651</u>	<u>1,225,018</u>
Depreciation and impairment losses:								
Balance on January 1, 2024	\$ -	129,993	194,523	24,726	3,484	42,444	176,443	571,613
Depreciation	-	2,086	1,832	292	148	116	1,555	6,029
Disposal	-	-	-	(364)	-	-	-	(364)
Effects of changes in foreign exchange rates and others	-	-	2,005	179	78	1,654	1,306	5,222
Balance on March 31, 2024	<u>\$ -</u>	<u>132,079</u>	<u>198,360</u>	<u>24,833</u>	<u>3,710</u>	<u>44,214</u>	<u>179,304</u>	<u>582,500</u>
Balance on January 1, 2023	\$ -	121,256	234,139	25,071	3,850	43,142	195,487	622,945
Depreciation	-	2,316	2,032	280	148	-	2,326	7,102
Disposal	-	-	-	-	-	-	(149)	(149)
Effects of changes in foreign exchange rates and others	-	-	439	27	12	207	264	949
Balance on March 31, 2023	<u>\$ -</u>	<u>123,572</u>	<u>236,610</u>	<u>25,378</u>	<u>4,010</u>	<u>43,349</u>	<u>197,928</u>	<u>630,847</u>
Carrying value :								
Balance on January 1, 2024	<u>\$ 463,378</u>	<u>52,788</u>	<u>32,024</u>	<u>2,302</u>	<u>420</u>	<u>-</u>	<u>6,957</u>	<u>557,869</u>
Balance on March 31, 2024	<u>\$ 463,378</u>	<u>50,702</u>	<u>30,903</u>	<u>3,734</u>	<u>277</u>	<u>5,664</u>	<u>7,020</u>	<u>561,678</u>
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 March 31, 2023	<u>\$ 463,378</u>	<u>62,997</u>	<u>51,167</u>	<u>2,044</u>	<u>862</u>	<u>-</u>	<u>13,723</u>	<u>594,171</u>

As of March 31, 2024, December 31 and March 31, 2023, 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 structures</u>	<u>Transportatio n equipment</u>	<u>Total</u>
Carrying value:			
Balance at January 1, 2024	<u>\$ 15,217</u>	<u>207</u>	<u>15,424</u>
Balance at March 31, 2024	<u>\$ 24,740</u>	<u>83</u>	<u>24,823</u>
Balance at January 1, 2023	<u>\$ 32,118</u>	<u>705</u>	<u>32,823</u>
Balance at March 31, 2023	<u>\$ 29,835</u>	<u>581</u>	<u>30,416</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 three months ended March 31, 2024 and 2023. Please refer to Note 6(i) of the consolidated financial statements for the year ended December 31, 2023, for other related information.

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

- 1) The Group rented office for business needs and acquired right-of-use assets amounting to \$15,644 thousand for the three months ended March 31, 2024.
- (ii) The Group's right-of-use assets had not been pledged as collateral as of March 31, 2024, December 31 and March 31, 2023.
- (j) Investment property

	Owned property	Right-of-use	
	Buildings and	assets	
	structures	Buildings and	Total
	structures	structures	
Carrying value :			
Balance at January 1, 2024	\$ <u>7,399</u>	<u>3,320</u>	<u>10,719</u>
Balance at March 31, 2024	\$ <u>7,392</u>	<u>3,022</u>	<u>10,414</u>
Balance at January 1, 2023	\$ <u>8,783</u>	<u>8,090</u>	<u>16,873</u>
Balance at March 31, 2023	\$ <u>8,463</u>	<u>6,775</u>	<u>15,238</u>

- (i) There were no significant additions, disposal, or recognition and reversal of impairment losses of investment properties for the three months ended March 31, 2024 and 2023. For other related information, please refer to Note 6(j) of the consolidated financial statements for the year ended December 31, 2023, for other related information.
- (ii) The fair values of the Group's investment properties did not differ materially from those disclosed in Note 6(j) to the consolidated financial statements for the year ended December 31, 2023.
- (iii) None of the Group's investment property has been pledged as collateral as of March 31, 2024, December 31 and March 31, 2023.
- (k) Short-term borrowings

	March 31,	December 31,	March 31,
	2024	2023	2023
Secured bank loans	\$ <u>26,000</u>	<u>18,000</u>	<u>-</u>
Unused credit lines	\$ <u>74,000</u>	<u>82,000</u>	<u>-</u>
Range of interest rates	<u>2.25%</u>	<u>2.25%</u>	

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

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

(l) Other payables

	March 31, 2024	December 31, 2023	March 31, 2023
Wages and salaries payable	\$ 15,468	17,778	18,291
Other accrued expenses	14,907	14,795	18,344
Interest payable	1,532	1,527	934
Payables on machinery and equipment	1,071	848	340
Other payables – others	8,887	10,993	4,208
	\$ 41,865	45,941	42,117

(m) Long-term borrowings

The details for long-term borrowings for March 31, 2024, December 31 and March 31, 2023, are as follows:

Creditor	March 31, 2024	December 31, 2023	March 31, 2023	Interest rate (%)	Repayment term and method
Secured bank loans from Sunny Bank	\$ 716,000	719,000	728,000	1.91~2.25	Monthly installments of \$1,000 thousand and \$667,000 thousand for the 84th installment, from May 6, 2021 to May 6, 2028. Interest payment on a monthly basis.
Secured bank loans from Sunny Bank	277,000	280,000	-	2.25	Monthly installments of \$1,000 thousand and \$221,000 thousand for the 60th installment, from December 1, 2023 to December 1, 2028. Interest payment on a monthly basis.
Less: current portion	(24,000)	(24,000)	(12,000)		
Total	\$ 969,000	975,000	716,000		
Unused credit lines	\$ -	-	-		

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

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

(n) Lease liabilities

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

	March 31, 2024	December 31, 2023	March 31, 2023
Current	\$ 15,107	15,779	29,631
Non-current	21,128	10,999	9,465
Total	\$ 36,235	26,778	39,096

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2024	2023
Interest on lease liabilities	\$ 172	277
Income from sub-leasing right-of-use assets	\$ (618)	(1,457)

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

	For the three months ended March 31,	
	2024	2023
Total cash outflow for leases	\$ 4,474	7,333

The Group leases various properties, including buildings and structures, machinery and transportation equipment. The lease terms range from 2 to 3 years.

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

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.

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

(o) Operating lease

The Group leases out its investment property and property, plant and equipment. 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 three months ended March 31, 2024 and 2023. Please refer to Note 6(p) of the consolidated financial statements for the year ended December 31, 2023 for other related information.

(p) Employee benefits

(i) Defined contribution plans

The Group recognized defined contribution plan expenses of \$2,429 thousand and \$2,961 thousand for the three months ended March 31, 2024 and 2023, 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 defined benefit plan expenses of \$17 thousand and \$63 thousand for the three months ended March 31, 2024 and 2023, respectively.

(q) Income tax

(i) Income tax expense

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

	For the three months ended	
	March 31,	
	2024	2023
Current tax expenses		
Current period	\$ 158	1,160
Income tax benefit	\$ 158	1,160

(ii) Assessment of income tax returns

As of March 31, 2024, the assessment of the Group's income tax returns is as follows:

Year of Assessment	Company name
2021	The Company
2022	Subsidiary – Forward Electronics Equipment (Dong Guan) Co., Ltd.
2022	Subsidiary – Suzhou Forward Electronics Technology Co., Ltd.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(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 three months ended March 31, 2024 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 March 31, 2024, the Group did not have sufficient information to determine the potential quantitative impact.

(r) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the three months ended March 31, 2024 and 2023. For the related information, please refer to Note 6(s) of the consolidated financial statements for the year ended December 31, 2023.

(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.
- 1) Earnings distribution

On March 4, 2024, the Company's board of directors proposed not to distribute earnings.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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On June 13, 2023, the shareholders' meeting resolved to distribute the earnings for 2022. The earning was appropriated as follows:

	2022	
	Amount per share	Amount
Dividends distributed to ordinary shareholders		
Cash	\$ 0.10	\$ <u><u>13,998</u></u>

(ii) Other equity, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (loss)	Total
Balance at January 1, 2024	\$ (108,477)	299,417	190,940
Exchange differences on foreign operations	31,375	-	31,375
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	283,715	283,715
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(57,460)	(57,460)
Balance at March 31, 2024	<u>\$ (77,102)</u>	<u>525,672</u>	<u>448,570</u>
Balance at January 1, 2023	\$ (95,020)	145,895	50,875
Exchange differences on foreign operations	4,329	-	4,329
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	(27,650)	(27,650)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(1,198)	(1,198)
Balance at March 31, 2023	<u>\$ (90,691)</u>	<u>117,047</u>	<u>26,356</u>

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(s) Losses per share

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

	For the three months ended March 31,	
	2024	2023
Losses attributable to ordinary shareholders of the Company	\$ (23,604)	(16,794)
Weighted average number of ordinary shares outstanding (thousand shares)	139,983	139,983
Basic and diluted losses per share (NTD)	\$ (0.17)	(0.12)

(t) Revenue from contracts with customers

	For the three months ended March 31,	
	2024	2023
Sale of goods revenue	\$ 139,472	207,122
Other operating revenue	100	2,667
Total	\$ 139,572	209,789

Pertinent information on the Group's revenue from contracts with customers for the three months ended March 31, 2024 and 2023, was as follows:

(i) Disaggregation of revenue

	For the three months ended March 31, 2024				
	Optoelectronics segment	Electronics component products segment	Electronics appliance segment	Adjustments and eliminations	Total
Sale of goods revenue	\$ 68,244	60,676	30,869	(20,317)	139,472
Other operating revenue	-	100	-	-	100
Total	\$ 68,244	60,776	30,869	(20,317)	139,572
Timing of revenue recognition:					
At a point in time	\$ 68,244	60,776	30,869	(20,317)	139,572
	For the three months ended March 31, 2023				
	Optoelectronics segment	Electronics component products segment	Electronics appliance segment	Adjustments and eliminations	Total
Sale of goods revenue	\$ 129,508	69,021	49,279	(40,686)	207,122
Other operating revenue	-	2,667	-	-	2,667
Total	\$ 129,508	71,688	49,279	(40,686)	209,789
Timing of revenue recognition:					
At a point in time	\$ 129,508	71,688	49,279	(40,686)	209,789

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(ii) Contract balances

A) Contract liabilities

	<u>March 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>March 31,</u> <u>2023</u>
Contract liabilities – Sale of goods	\$ <u>5,644</u>	<u>20,358</u>	<u>6,998</u>

Material movements in the balance of the Group's contract liabilities for the three months ended March 31, 2024 and 2023, are detailed as follows:

	For the three months ended March 31,	
	<u>2024</u>	<u>2023</u>
Opening balances transferred to income for the current period	\$ (18,180)	(4,514)
Increase in advances received in the period (excluding the amount incurred and transferred to revenue in the period)	3,375	1,875
Effect of movement in exchange rates	<u>91</u>	<u>16</u>
Net movement for the period	<u>\$ (14,714)</u>	<u>(2,623)</u>

(u) 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 months ended March 31, 2024 and 2023, the Company incurred net loss after tax and thus did not recognized remuneration to employees and directors. 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.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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During 2023, the Company incurred net loss after tax, and thus, the Company did not appropriate remunerations for employees and directors. For 2022, the Company estimated remunerations for employees and directors at \$2,942 thousand and \$558 thousand respectively. Both of which were recognized in the line item of salaries. The remunerations to employees and directors were resolved by the Board of Directors to be distributed in cash on March 7, 2023. There was no difference between the amount recognized and approved by the Board of Directors.

(v) Non-operating income and expenses

(i) Interest income

	For the three months ended March 31,	
	2024	2023
Interest income from bank deposits	\$ 5,967	1,210
Interest income from financial assets measured at fair value through profit or loss	52	1,936
Interest income from financial assets measured at amortized cost	195	2,529
Others	22	819
	\$ 6,236	6,494

(ii) Other income

	For the three months ended March 31,	
	2024	2023
Rental income	\$ 6,577	8,558
Other income	652	2,554
	\$ 7,229	11,112

(iii) Other gains and losses

	For the three months ended March 31,	
	2024	2023
Net gain on disposals of property, plant and equipment	\$ 247	-
Foreign exchange gains (losses), net	13,518	(3,510)
Gains on financial assets measured at fair value through profit or loss	-	654
Compensation losses	-	(336)
Others	(414)	(1,539)
	\$ 13,351	(4,731)

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(iv) Finance costs

	For the three months ended March 31,	
	2024	2023
Bank borrowings	\$ 5,366	3,444
Interest expense of lease liabilities	172	277
Others	22	10
	\$ 5,560	3,731

(w) 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 March 31, 2024, December 31 and March 31, 2023, the Group assessed the concentrations of credit risk arising from the major top three customers, at percentages of 32%, 45% and 76%, respectively, of the total notes and accounts receivable (including installments of long-term receivables).

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 receivables and long-term receivables, please refer to Notes 6(f) and (k). 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.

The following table presents whether the assets were subject to a 12-month ECL or lifetime ECL allowance, and in the latter case, whether they were credit-impaired:

	12 – month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
March 31, 2024				
Gross carrying amounts	\$ 33,418	837	23,732	57,987
Loss allowance	-	(425)	(21,925)	(22,350)
Carrying amounts	\$ 33,418	412	1,807	35,637

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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	<u>12-month ECL</u>	<u>Lifetime ECL – not credit impaired</u>	<u>Lifetime ECL – credit impaired</u>	<u>Total</u>
December 31, 2023				
Gross carrying amounts	\$ 15,349	975	23,019	39,343
Loss allowance	-	(94)	(21,283)	(21,377)
Carrying amounts	<u>\$ 15,349</u>	<u>881</u>	<u>1,736</u>	<u>17,966</u>
	<u>12-month ECL</u>	<u>Lifetime ECL – not credit impaired</u>	<u>Lifetime ECL – credit impaired</u>	<u>Total</u>
March 31, 2023				
Gross carrying amounts	\$ 24,648	-	20,276	44,924
Loss allowance	-	-	(20,276)	(20,276)
Carrying amounts	<u>\$ 24,648</u>	<u>-</u>	<u>-</u>	<u>24,648</u>

The movement in the allowance for impairment for other receivables were as follows:

<u>For the three months ended March 31, 2024</u>				
	<u>12-month ECL</u>	<u>Lifetime ECL – not credit impaired</u>	<u>Lifetime ECL – credit impaired</u>	<u>Total</u>
Balance at January 1, 2023	\$ -	94	21,283	21,377
Impairment loss recognized	-	317	-	317
Effect of movement in exchange rate	-	14	642	656
Balance at December 31, 2023	<u>\$ -</u>	<u>425</u>	<u>21,925</u>	<u>22,350</u>
<u>For the three months ended March 31, 2023</u>				
	<u>12-month ECL</u>	<u>Lifetime ECL – not credit impaired</u>	<u>Lifetime ECL – credit impaired</u>	<u>Total</u>
Balance at January 1, 2022	\$ -	-	20,202	20,202
Effect of movement in exchange rate	-	-	74	74
Balance at December 31, 2022	<u>\$ -</u>	<u>-</u>	<u>20,276</u>	<u>20,276</u>

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>Over 5 years</u>
March 31, 2024						
Non-derivative financial liabilities						
Short-term borrowings	\$ 26,000	26,454	26,454	-	-	-
Long-term borrowings	993,000	1,078,389	44,602	87,662	946,125	-
Accounts payable (including related parties)	97,687	97,687	97,687	-	-	-
Other payables (including related parties)	44,071	44,071	44,071	-	-	-
Guarantee deposit received	5,932	5,932	5,601	331	-	-
Lease liabilities	36,235	37,581	15,842	15,669	6,070	-
	<u>\$ 1,202,925</u>	<u>1,290,114</u>	<u>234,257</u>	<u>103,662</u>	<u>952,195</u>	<u>-</u>
December 31, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 18,000	18,405	18,405	-	-	-
Long-term borrowings	999,000	1,089,621	44,732	87,919	956,970	-
Accounts payable (including related parties)	111,801	111,801	111,801	-	-	-
Other payables (including related parties)	47,139	47,139	47,139	-	-	-
Guarantee deposit received	5,755	5,755	5,755	-	-	-
Lease liabilities	26,778	27,462	16,304	11,158	-	-
	<u>\$ 1,208,473</u>	<u>1,300,183</u>	<u>244,136</u>	<u>99,077</u>	<u>956,970</u>	<u>-</u>
March 31, 2023						
Non-derivative financial liabilities						
Long-term borrowings	\$ 728,000	796,832	25,800	50,912	49,995	670,125
Accounts payable (including related parties)	80,703	80,703	80,703	-	-	-
Other payables (including related parties)	42,562	42,562	42,562	-	-	-
Guarantee deposit received	7,117	7,117	7,028	89	-	-
Lease liabilities	39,096	39,790	30,271	9,519	-	-
	<u>\$ 897,478</u>	<u>967,004</u>	<u>186,364</u>	<u>60,520</u>	<u>49,995</u>	<u>670,125</u>

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

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(iii) Market risk

1) Currency risk

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

March 31, 2024			
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 18,337	32.0000	586,784
HKD	2,069	4.0890	8,460
CNY	996	4.5100	4,492
JPY	29,216	0.2115	6,179
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	2,003	32.0000	64,096
December 31, 2023			
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 17,870	30.7050	548,698
HKD	3,302	3.9290	4,313
CNY	995	4.3350	12,974
JPY	29,626	0.2172	6,435
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	2,952	30.7050	90,641
March 31, 2023			
	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 16,464	30.4500	501,329
HKD	1,377	3.8790	5,341
CNY	852	4.4310	3,775
JPY	21,170	0.2288	4,844
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	2,729	30.4500	83,098

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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 March 31, 2024 and 2023, 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 (loss) before tax by \$5,418 thousand and \$4,322 thousand for the three months ended March 31, 2024, December 31 and March 31, 2023, respectively, assuming all other variables held constant. The analysis of the two periods was conducted using the same basis.

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. During the three months ended March 31, 2024 and 2023, net foreign exchange (losses) gains (including realized and unrealized) amounted to \$13,518 thousand and \$(3,510) 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 (loss) before tax would have increased / decreased by \$254 thousand and \$182 thousand for the three months ended March 31, 2024, December 31 and March 31, 2023, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rate.

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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 three months ended March 31,			
	2024		2023	
Prices of securities at the reporting date	Other comprehensive income after tax	Net income (loss)	Other comprehensive income after tax	Net income (loss)
Increase by 1%	\$ <u>10,103</u>	<u>57</u>	<u>6,490</u>	<u>84</u>
Decrease by 1%	\$ <u>(10,103)</u>	<u>(57)</u>	<u>(6,490)</u>	<u>(84)</u>

(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:

	March 31, 2024				
	Amount	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Shares	\$ <u>5,670</u>	<u>5,670</u>	<u>-</u>	<u>-</u>	<u>5,670</u>
Financial assets at fair value through other comprehensive income					
Shares	<u>1,010,283</u>	<u>998,129</u>	<u>-</u>	<u>12,154</u>	<u>1,010,283</u>
Total	<u>\$ <u>1,015,953</u></u>	<u><u>1,003,799</u></u>	<u><u>-</u></u>	<u><u>12,154</u></u>	<u><u>1,015,953</u></u>

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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 three months ended March 31, 2024 and 2023.

4) Reconciliation of Level 3 fair values

	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
	<u>Financial products</u>	<u>Unquoted equity instruments</u>	<u>Total</u>
Balance at January 1, 2024	\$ 108,375	10,374	118,749
Purchased	-	1,780	1,780
Disposed	(109,155)	-	(109,155)
Effect of movements in exchange rates	780	-	780
Balance at December 31, 2024	<u>\$ -</u>	<u>12,154</u>	<u>12,154</u>
Balance at January 1, 2023	\$ 220,450	-	220,450
Effect of movements in exchange rates	1,100	-	1,100
Balance at December 31, 2023	<u>\$ 221,550</u>	<u>-</u>	<u>221,550</u>

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".

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.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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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 other comprehensive income – equity instruments without an active market	Market approach	<ul style="list-style-type: none"> · Market liquidity discount rate (15.7% as of both March 31, 2024 and December 31, 2023) · P/B ratio (3.68 as of both March 31, 2024 and December 31, 2023) 	<ul style="list-style-type: none"> · The higher the market liquidity discount rate, the lower the fair value. · The higher the multiplier the higher the fair value.

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

The Group's measurement on the fair value of financial instruments is deemed reasonable despite the fact that different valuation models or parameters may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	<u>Inputs</u>	<u>Upwards or downwards movement</u>	<u>The effect on other comprehensive income due to change of fair value</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
March 31, 2024				
Financial assets measured at fair value through other comprehensive income				
The fair value of equity instruments without an active market – market approach	Liquidity discount	1%	121	(121)
	P/B ratio	1%	110	(99)
December 31, 2023				
Financial assets measured at fair value through other comprehensive income				
The fair value of equity instruments without an active market – market approach	Liquidity discount	1%	121	(121)
	P/B ratio	1%	110	(99)

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.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(x) Financial risk management

Except for the following disclosures, there were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(y) to the consolidated financial statements for the year ended December 31, 2023.

(y) 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.

(z) Investing and financing activities not affecting current cash flows

For the three months ended March 31, 2024, the right-of-use assets that the Group acquired by leasing were \$15,644 thousand. The right-of-use assets were reduced by \$2,155 thousand due to lease modification. For the three months ended March 31, 2023, the right-of-use assets, amounting to \$2,916 thousand, were acquired under leases.

Reconciliation of liabilities arising from non-cash financing activities for the three months ended March 31, 2024, December 31 and March 31, 2023, was as follows:

	<u>2024.1.1</u>	<u>Cash flows</u>	<u>Non-cash changes other</u>	<u>2024.12.31</u>
Lease liabilities	\$ 26,778	(4,302)	13,759	36,235
Guarantee deposits received	5,755	112	65	5,932
Total liabilities from financing activities	<u>\$ 32,533</u>	<u>(4,190)</u>	<u>13,824</u>	<u>42,167</u>
			<u>Non-cash changes other</u>	
	<u>2023.1.1</u>	<u>Cash flows</u>	<u>2023.12.31</u>	
Lease liabilities	\$ 43,033	(7,056)	3,119	39,096
Guarantee deposits received	7,094	-	23	7,117
Total liabilities from financing activities	<u>\$ 50,127</u>	<u>(7,056)</u>	<u>3,142</u>	<u>46,213</u>

(Continued)

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

(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
Tatung System Technologies Inc.	Other related party of the Company
Tatung Consumer Products (Taiwan) Co., Ltd.	Other related party of the Company
Tatung Co. of Japan, Inc.	Other related party of the Company
The Joint Welfare Committee of Tatung	Other related party of the Company
Elitegroup Computer System Co., Ltd.	Other related party of the Company
Chyun Huei Business Technology Inc.	Other related party of the Company
Employee Welfare Committee of Forward Electronics Corporation	Other related party of the Company
Shan-Chih Asset Development Co., Ltd.	Other related party of the Company

(b) Significant transactions with related parties

(i) Sales

	For the three months ended March 31,	
	2024	2023
The parent company	\$ 70	1
Other related parties		
Tatung Consumer Products (Taiwan) Co., Ltd.	-	1,698
	\$ 70	1,699

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 three months ended March 31,			
	2024		2023	
Location	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

(Continued)

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

(ii) Purchases

	For the three months ended March 31,	
	2024	2023
Other related parties		
Tatung Co. of Japan, Inc.	\$ -	9

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:

	For the three months ended March 31,			
	2024		2023	
Location	Related party	Arm's length suppliers	Related party	Arm's length suppliers
Foreign	T/T 30-150 days or DA 120 days after acceptance	T/T 30-150 days or L/C after acceptance	T/T 30-150days or DA 120 days after acceptance	T/T 30-150 days or L/C after acceptance
Domestic	30-120 days after acceptance	30-120 days after acceptance	30~120 days after acceptance	30-120 days after acceptance

(iii) Receivables from related parties

Account	Relationship	March 31, 2024	December 31, 2023	March 31, 2023
Accounts receivables — related parties	The parent company	\$ 74	-	1
	Other related parties			
	Tatung Consumer Products (Taiwan) Co., Ltd.	-	106	1,786
	Less: loss allowance	-	-	-
	Total	\$ 74	106	1,787
Other receivables— related parties	The parent company	\$ 2,081	2,136	2,108
	Less: loss allowance	-	-	-
		\$ 2,081	2,136	2,108

(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>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Accounts payable – related parties	Other related parties			
	Tatung System Technologies Inc.	\$ 121	8	285
	Tatung Consumer Products (Taiwan) Co., Ltd.	50	47	9
	Total	<u>\$ 171</u>	<u>55</u>	<u>294</u>
Other payables – related parties	The parent company	\$ 2,030	1,159	2
"	Other related parties			
	Employee Welfare Committee of Forward Electronics Corporation	88	13	333
	Chyun Huei Business Technology Inc.	20	13	13
	The Joint Welfare Committee of Tatung	30	13	97
	Others	38	-	-
	Total	<u>\$ 2,206</u>	<u>1,198</u>	<u>445</u>

(v) Rental income

	For the three months ended	
	March 31	
	<u>2024</u>	<u>2023</u>
The parent company	<u>\$ 1,420</u>	<u>1,420</u>

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

(vi) Service fee

For the three months ended March 31, 2024, the Group's parent company incurred expenses of \$750 thousand for rendering administrative support services for the Group, and the amount was recognized in the line item of administrative expenses.

(Continued)

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

(vii) Leases

In December 2023, the Group leased its headquarter office from Shan-Chih Asset Development Co., Ltd. and entered into a 13-month lease contract with reference to office rentals in the vicinity. In March 2024, the contract term was extended. For the three months ended March 31, 2024 and 2023, interest expenses of \$17 thousand and \$0 were recognized, respectively. As of March 31, 2024 and 2023, the balances of lease liabilities amounted to \$15,644 thousand and \$3,434 thousand, respectively.

(c) Key management personnel compensation

	For the three months ended March 31,	
	2024	2023
Short-term employee benefits	\$ 5,487	2,283
Post-employment benefits	116	172
	\$ 5,603	2,455

(8) Assets pledged as security

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	March 31, 2024	December 31, 2023	March 31, 2023
Land	Security for long-term and short-term borrowings	\$ 463,378	463,378	463,378
Buildings and structures	Security for long-term and short-term borrowings	50,702	52,788	62,997
Financial assets at amortized cost—current	Customs guarantee	2,488	2,488	2,455
Other non-current assets—refundable deposits	Security deposits for court	1,331	1,331	1,331
Total		\$ 517,899	519,985	530,161

(Continued)

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

(9) Commitments and contingencies

(a) The Group's unrecognized contractual commitments were as follows:

	March 31, 2024
<u>Contracts entered into</u>	
Royalty of sales on carbon credit	\$ 272,000
<u>Amount paid</u>	March 31, 2024
Royalty of sales on carbon credit	\$ -

(b) Contingent liabilities

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

(12) Other

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

		For the three months ended March 31,					
		2024			2023		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
By item	By function						
	Employee benefits						
	Salary	30,440	14,136	44,576	31,723	10,876	42,599
	Labor and health insurance	2,956	901	3,857	3,400	848	4,248
	Pension	1,763	683	2,446	2,264	760	3,024
	Others	1,280	48	1,328	1,537	398	1,935
	Depreciation	6,144	4,515	10,659	11,987	2,309	14,296
	Amortization	11	39	50	65	16	81

(b) Seasonality of operations

The Group's operations is not impacted by seasonal or cyclical factors.

(Continued)

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 March 31, 2024 (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.

(Continued)

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

(14) Segment information

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

	<u>Optoelectronics segment</u>	<u>Electronics components products segment</u>	<u>Electronics applications products segment</u>	<u>Other segments</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
For the three months ended March 31, 2024						
Revenue:						
Revenue from external customers	\$ 49,813	58,890	30,869	-	-	139,572
Inter-segment revenue	<u>18,431</u>	<u>1,886</u>	<u>-</u>	<u>-</u>	<u>(20,317)</u>	<u>-</u>
Total revenue	<u>\$ 68,244</u>	<u>60,776</u>	<u>30,869</u>	<u>-</u>	<u>(20,317)</u>	<u>139,572</u>
Profit (loss) of reportable segments	<u>\$ (2,896)</u>	<u>(11,766)</u>	<u>2,427</u>	<u>(11,211)</u>	<u>-</u>	<u>(23,446)</u>
For the three months ended March 31, 2023						
Revenue:						
Revenue from external customers	\$ 92,169	68,752	48,868	-	-	209,789
Inter-segment revenue	<u>37,339</u>	<u>2,936</u>	<u>411</u>	<u>-</u>	<u>(40,686)</u>	<u>-</u>
Total revenue	<u>\$ 129,508</u>	<u>71,688</u>	<u>49,279</u>	<u>-</u>	<u>(40,686)</u>	<u>209,789</u>
Profit (loss) of reportable segments	<u>\$ (8,777)</u>	<u>(12,497)</u>	<u>(2,621)</u>	<u>8,261</u>	<u>-</u>	<u>(15,634)</u>

(Continued)

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 (Note 1)	Relationship with the Company (Note 2)	Account	Ending balance				Remark
				Shares	Carrying value	Percentage of ownership (%)	Market value	
Forward Electronics Co., Ltd.	Stock—Elitegroup Computer Systems Co., Ltd.	Affiliated company	Current financial assets measured at fair value through profit or loss	180,000	5,670	0.03	5,670	
	Stock—Tatung Co., Ltd	Parent-subsidiary	Non-current financial assets measured at fair value through other comprehensive income	17,666,000	998,129	0.76	998,129	
	Stock - GaN Power Technology Co., Ltd.	-	Non-current financial assets measured at fair value through other comprehensive income	648,351	12,154	1.42	12,154	
Suzhou Forward Electronics Technology Co., Ltd.	Stock—Nanjing Global Display Technology Co., Ltd.	-	Non-current financial assets measured at fair value through profit or loss	-	-	17.29	-	

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. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Intercompany Transactions			Percentage of total consolidated net revenue or assets (Note 3)
				Account	Amount	Terms	
0	Forward Electronics Co., Ltd.	Suzhou Forward Electronics Technology Co., Ltd.	1	Accounts receivable	\$ 3,829	As general	0.11%
0	"	"	"	Accounts payable	26,591	"	0.78%
0	"	"	"	Sales revenue	1,886	"	1.35%
0	"	"	"	Cost of goods sold	18,431	"	13.21%

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
				March 31, 2024	December 31, 2023	Shares	Percentage (%)	Carrying value			
Forward Electronics Co., Ltd.	Forward Development Co., Ltd.	British Virgin Islands	Investment in production business, etc.	617,551 (USD 19,298) (Note 1)	617,551 (USD 19,298) (Note 1)	-	100.00	808,940	4,074	4,074	
	Forward Intelligent Energy Co., Ltd.	Taiwan	Carbon reduction, energy conservation, and energy storage related business	290,000	290,000	29,000,000	100.00	264,496	(21,013)	(21,013)	
	Gintung Energy Co., Ltd.	Taoyuan City	The manufacturing and sale of solar module and related component	355,296	355,296	5,398,269	14.59	-	8,631	-	(Note 2)

Note 1 : Including equipment investment of NTD73,024 thousand (USD2,282 thousand).

Note 2 : 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 (Note 6)	Name of investee	Main businesses	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2024	Net income (loss) of the investee company	Percentage of ownership	Investment income (loss) recognized (Note 2 and 3)	Carrying Value as of March 31, 2024 (Note 3)	Accumulated inward remittance of earnings as of March 31, 2024
						Outflow	Inflow						
Forward Development	Forward Electronics Equipment (Dong Guan) Co., Ltd	Manufacture and sales of tuner, keyboard, mouse, remote controller, switch, socket, potentiometer and gaming mouse	USD 4,600	(2) (Note 4)	141,266	-	-	141,266	3,006	100.00%	3,006	208,846	26,048 USD 814
	Suzhou Forward Electronics Technology Co., Ltd.	The manufacturing and sale of backlight unit for TFT-LCD, driving board, tuner, keyboard, mouse, switch, socket and connector	USD 12,200	(2) (Note 4)	-	-	-	-	1,051	100.00%	1,051	600,514	740,992 USD 23,156

Accumulated investment in Mainland China as of March 31, 2024	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 5)
\$141,266	\$722,080 (USD 22,565)	\$1,179,987

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 were 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 March 31, 2024 : 32.00
RMB exchange rate on March 31, 2024 : 4.51

Note 4 : Reinvested through Forward Development Co., Ltd. by remitting the investment funding and equipment investment.

Note 5 : 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.

Note 6 : The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Significant transactions and business relationship between the parent company and its subsidiaries"

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%

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.