

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2024 and 2023**

Address: No. 22, Sec. 3, Zhongshan N. Rd., Zhongshan Dist., Taipei City
104427, Taiwan
Telephone: (02)2673-0411

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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of material accounting policies	10~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11
(6) Explanation of significant accounts	12~39
(7) Related-party transactions	40~42
(8) Assets pledged as security	42
(9) Commitments and contingencies	43
(10) Losses Due to Major Disasters	43
(11) Subsequent Events	43
(12) Other	43~44
(13) Other disclosures	
(a) Information on significant transactions	44
(b) Information on investees	45
(c) Information on investment in mainland China	45
(d) Major shareholders	45
(14) Segment information	45
9. Appendix	46~50



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel	+ 886 2 8101 6666
傳真 Fax	+ 886 2 8101 6667
網址 Web	kpmg.com/tw

Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Forward Electronics Co., Ltd. and its subsidiaries as of June 30, 2024 and 2023, and the consolidated statements of comprehensive income for the three months and six months ended June 30, 2024 and 2023, as well as the changes in equity and cash flows for the six months ended June 30, 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 June 30, 2024 and 2023, and of its consolidated financial performance for the three months and six months ended June 30, 2024 and 2023, as well as its consolidated cash flows for the six months ended June 30, 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)

August 7, 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****June 30, 2024, December 31, 2023, and June 30, 2023****(Expressed in Thousands of New Taiwan Dollars)**

		June 30, 2024		December 31, 2023		June 30, 2023						June 30, 2024		December 31, 2023		June 30, 2023	
Assets		Amount	%	Amount	%	Amount	%			Liabilities and Equity		Amount	%	Amount	%	Amount	%
Current assets:										Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$ 1,110,222	33	1,132,328	36	491,530	15	2100		Short-term borrowings (Notes 6(k) and 8)	\$	-	-	18,000	-	-	-
1110	Current financial assets at fair value through profit or loss (Note 6(b))	32,664	1	5,670	-	10,725	-	2130		Current contract liabilities (Note 6(s))		3,899	-	20,358	1	9,701	-
1136	Current financial assets at amortized cost (Notes 6(d) and 8)	100,468	3	2,488	-	220,435	7	2170		Accounts payable		92,875	3	111,745	4	105,587	3
1150	Notes receivable, net (Note 6(e))	6,187	-	5,511	-	2,634	-	2180		Accounts payable—related parties (Note 7)		123	-	55	-	3	-
1170	Accounts receivable, net (Note 6(e))	198,047	6	192,109	7	281,508	9	2200		Other payables		41,308	1	45,941	1	57,270	2
1180	Accounts receivable—related parties, net (Notes 6(e) and 7)	127	-	106	-	205	-	2220		Other payables—related parties (Note 7)		1,099	-	1,198	-	690	-
1200	Other receivables (Notes 6(f) and 7)	6,998	-	6,592	-	11,749	-	2230		Current tax liabilities		231	-	-	-	1,909	-
1220	Current tax assets	2,675	-	1,478	-	639	-	2250		Current provisions		1,736	-	7,108	-	1,644	-
130X	Inventories (Note 6(g))	80,017	2	92,297	3	103,014	3	2280		Current lease liabilities (Notes 6(m) and 7)		14,998	-	15,779	1	29,106	1
1410	Prepayments (Note 9)	83,388	2	2,545	-	3,299	1	2322		Long-term borrowings, current portion (Notes 6(l) and 8)		24,000	1	24,000	1	12,000	1
1470	Other current assets	1,598	-	1,550	-	1,461	-	2399		Other current liabilities		4,051	-	2,962	-	2,848	-
	Total current assets	<u>1,622,391</u>	<u>47</u>	<u>1,442,674</u>	<u>46</u>	<u>1,127,199</u>	<u>35</u>			Total current liabilities		<u>184,320</u>	<u>5</u>	<u>247,146</u>	<u>8</u>	<u>220,758</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	215,500	7	2540		Long-term borrowings (Notes 6(l) and 8)		963,000	29	975,000	32	713,000	22
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,019,116	30	836,346	28	1,067,864	34	2570		Deferred tax liabilities		215,066	6	215,066	7	233,042	7
1600	Property, plant and equipment (Notes 6(h) and 8)	557,576	17	557,869	18	588,034	18	2580		Non-current lease liabilities (Notes 6(m) and 7)		26,074	1	10,999	-	1,966	1
1755	Right-of-use assets (Note 6(i))	22,349	1	15,424	-	24,209	1	2645		Guarantee deposits received		7,379	-	5,755	-	7,058	-
1760	Investment property, net (Note 6(j))	17,356	1	10,719	-	9,125	-	2670		Other non-current liabilities		1,479	-	1,479	-	1,479	-
1780	Intangible assets	503	-	427	-	242	-			Total non-current liabilities		<u>1,212,998</u>	<u>36</u>	<u>1,208,299</u>	<u>39</u>	<u>956,545</u>	<u>30</u>
1840	Deferred tax assets	68,941	2	68,941	2	86,239	3			Total liabilities		<u>1,397,318</u>	<u>41</u>	<u>1,455,445</u>	<u>47</u>	<u>1,177,303</u>	<u>37</u>
1920	Refundable deposits (Note 8)	4,886	-	6,700	-	6,069	-	Equity (Notes 6(c) and (q)):									
1930	Long-term receivables (Notes 6(e) and (f))	26,538	1	50,998	2	37,370	1	3100		Share capital		1,399,830	42	1,399,830	45	1,399,830	44
1975	Non-current net defined benefit assets	33,173	1	32,132	1	31,931	1	3200		Capital surplus		48,716	1	48,716	1	48,716	1
1990	Total other non-current assets, others	-	-	-	-	10,000	-	3300		Retained earnings		61,636	2	35,674	1	156,405	5
	Total non-current assets	<u>1,750,438</u>	<u>53</u>	<u>1,687,931</u>	<u>54</u>	<u>2,076,583</u>	<u>65</u>	3400		Other equity		465,329	14	190,940	6	421,528	13
	Total assets	<u>\$ 3,372,829</u>	<u>100</u>	<u>3,130,605</u>	<u>100</u>	<u>3,203,782</u>	<u>100</u>			Total equity		1,975,511	59	1,675,160	53	2,026,479	63
										Total liabilities and equity	\$	<u>3,372,829</u>	<u>100</u>	<u>3,130,605</u>	<u>100</u>	<u>3,203,782</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 six months ended June 30, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		For the three months ended June 30				For the six months ended June 30			
		2024		2023		2024		2023	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (Notes 6(s) and 7)	\$ 140,351	100	193,699	100	279,923	100	403,488	100
5000	Operating costs (Notes 6(g) and (o))	136,177	97	193,111	100	271,033	97	405,087	100
	Gross profit (loss) from operations	4,174	3	588	-	8,890	3	(1,599)	-
	Operating expenses (Notes 6(e), (o) and 7):								
6100	Selling expenses	6,941	5	9,104	5	14,041	5	15,731	4
6200	Administrative expenses	17,863	13	11,687	6	55,414	20	23,103	6
6300	Research and development expenses	3,973	3	3,908	2	7,914	3	8,388	2
6450	Expected credit impairment loss (gain)	164	-	(951)	(1)	673	-	(883)	-
	Total operating expenses	28,941	21	23,748	12	78,042	28	46,339	12
	Net operating loss	(24,767)	(18)	(23,160)	(12)	(69,152)	(25)	(47,938)	(12)
	Non-operating income and expenses (Notes 6(m), (u), (v) and 7):								
7100	Interest income	9,484	7	6,956	4	15,720	6	13,450	3
7010	Other income	8,503	6	9,114	5	15,732	6	20,226	5
7020	Other gains and losses	6,695	5	7,785	4	20,046	7	3,054	1
7050	Finance costs	(5,813)	(4)	(3,902)	(2)	(11,373)	(4)	(7,633)	(2)
7055	Expected credit impairment loss	(1,771)	(1)	(15)	-	(2,088)	(1)	(15)	-
	Total non-operating income and expenses	17,098	13	19,938	11	38,037	14	29,082	7
	Loss before tax	(7,669)	(5)	(3,222)	(1)	(31,115)	(11)	(18,856)	(5)
7950	Income tax expense (Note 6(p))	225	(1)	777	-	383	-	1,937	-
	Net loss	(7,894)	(4)	(3,999)	(1)	(31,498)	(11)	(20,793)	(5)
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	8,833	6	418,886	216	292,548	105	391,236	97
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	8,833	6	418,886	216	292,548	105	391,236	97
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	7,926	6	(23,714)	(12)	39,301	14	(19,385)	(5)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	7,926	6	(23,714)	(12)	39,301	14	(19,385)	(5)
8300	Other comprehensive income (after tax)	16,759	12	395,172	204	331,849	119	371,851	92
	Total comprehensive income	\$ 8,865	8	391,173	203	300,351	108	351,058	87
	(Losses) earnings per share (NT dollars) (Note 6(r))								
9750	Basic (losses) earnings per share	\$ (0.06)		(0.03)		(0.23)		(0.15)	
9850	Diluted (losses) earnings per share	\$ (0.06)		(0.03)		(0.23)		(0.15)	

See accompanying notes to consolidated financial statements.

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

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the six months ended June 30, 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>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</u>	<u>Total</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>				
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	-	-	-	(20,793)	(20,793)	-	-	-	(20,793)
Other comprehensive income	-	-	-	-	-	(19,385)	391,236	371,851	371,851
Total comprehensive income	-	-	-	(20,793)	(20,793)	(19,385)	391,236	371,851	351,058
Legal reserve appropriated	-	-	17,697	(17,697)	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	(13,998)	(13,998)	-	-	-	(13,998)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	1,198	1,198	-	(1,198)	(1,198)	-
Balance at June 30, 2023	<u>\$ 1,399,830</u>	<u>48,716</u>	<u>21,800</u>	<u>134,605</u>	<u>156,405</u>	<u>(114,405)</u>	<u>535,933</u>	<u>421,528</u>	<u>2,026,479</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	-	-	-	(31,498)	(31,498)	-	-	-	(31,498)
Other comprehensive income	-	-	-	-	-	39,301	292,548	331,849	331,849
Total comprehensive income	-	-	-	(31,498)	(31,498)	39,301	292,548	331,849	300,351
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	57,460	57,460	-	(57,460)	(57,460)	-
Balance at June 30, 2024	<u>\$ 1,399,830</u>	<u>48,716</u>	<u>21,800</u>	<u>39,836</u>	<u>61,636</u>	<u>(69,176)</u>	<u>534,505</u>	<u>465,329</u>	<u>1,975,511</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 six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2024	2023
Cash flows from (used in) operating activities:		
Loss before tax	\$ (31,115)	(18,856)
Adjustments:		
Adjustments to reconcile (loss) profit		
Depreciation expense	21,630	27,424
Amortization expense	105	159
Expected credit impairment loss (gain)	2,761	(868)
Net gain on financial assets or liabilities at fair value through profit or loss	(1,599)	(2,979)
Interest expense	11,373	7,633
Interest income	(15,720)	(13,450)
Dividend income	-	(200)
(Gain) loss on disposal and write-off of property, plant and equipment	(318)	77
Impairment loss on non-financial assets	-	5,224
Total adjustments to reconcile profit	18,232	23,020
Changes in operating assets and liabilities:		
Notes receivable	(670)	7,151
Accounts receivable	14,381	1,990
Accounts receivable—related parties	(21)	1,150
Other receivables	902	(5,083)
Inventories	13,586	42,235
Prepayments	(80,333)	8,444
Other current assets	(48)	36
Long-term receivables	-	(3,825)
Net defined benefit assets	(1,041)	(935)
Contract liabilities	(16,510)	121
Accounts payable	(21,372)	(1,918)
Accounts payable—related parties	68	(311)
Other payables	(5,440)	(67,163)
Other payables—related parties	(99)	352
Provisions	(5,552)	-
Other current liabilities	1,089	(106)
Total adjustments	(82,828)	5,158
Cash outflow generated from operations	(113,943)	(13,698)
Interest received	24,354	12,114
Dividends received	-	200
Interest paid	(11,350)	(7,518)
Income taxes paid	(1,344)	(5,611)
Net cash flows from operating activities	(102,283)	(14,513)
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	111,558	5,526
Acquisition of financial assets at amortized cost	(96,572)	(211,921)
Proceeds from disposal of financial assets at amortized cost	-	44,782
Proceeds from maturity of financial assets at amortized cost	-	347,342
Acquisition of financial assets at fair value through profit or loss	(24,568)	-
Proceeds from disposal of financial assets at fair value through profit or loss	110,305	-
Increase in prepayments for investments	-	(10,000)
Acquisition of property, plant and equipment	(11,338)	(2,105)
Proceeds from disposal of property, plant and equipment	698	50
Increase (decrease) in refundable deposits	1,957	(175)
Acquisition of intangible assets	(168)	-
Net cash flows from investing activities	90,092	75,258
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(18,000)	-
Repayments of long-term borrowings	(12,000)	(6,000)
Increase in guarantee deposits received	1,446	46
Payment of lease liabilities	(8,706)	(14,816)
Net cash flows from (used in) financing activities	(37,260)	(20,770)
Effect of exchange rate changes on cash and cash equivalents	27,345	(10,039)
Net (decrease) increase in cash and cash equivalents for the current period	(22,106)	29,936
Cash and cash equivalents at beginning of period	1,132,328	461,594
Cash and cash equivalents at end of period	\$ 1,110,222	491,530

See accompanying notes to consolidated financial statements.

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

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 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 have been authorized for issuance by the Board of Directors on August 7, 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”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, will not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

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

- (c) 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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11

(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 Accounting Standards 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:

Name of investor	Name of subsidiary	Principal activity	Shareholding (%)		
			June 30, 2024	December 31, 2023	June 30, 2023
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 %	- %

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding (%)		
			June 30, 2024	December 31, 2023	June 30, 2023
Forward Development Co., Ltd.	Forward Electronics Equipment (Dong Guan) Co., Ltd	Factory leasing business	100 %	100 %	100 %
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.

(Continued)

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 Note 6 of the annual consolidated financial statements for the year ended December 31, 2023.

(a) Cash and cash equivalents

	June 30, 2024	December 31, 2023	June 30, 2023
Cash on hand	\$ 209	263	321
Demand deposits and checking deposits	211,341	681,152	294,123
Call deposits	328,938	130,050	137,920
Time deposits	569,734	320,863	59,166
Total	<u><u>\$ 1,110,222</u></u>	<u><u>1,132,328</u></u>	<u><u>491,530</u></u>

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

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

	June 30, 2024	December 31, 2023	June 30, 2023
Mandatorily measured at fair value through profit or loss:			
Stocks listed on domestic markets	\$ 5,940	5,670	10,725
Stocks listed on foreign markets	26,724	-	-
Financial products	-	108,375	215,500
Total	<u><u>\$ 32,664</u></u>	<u><u>114,045</u></u>	<u><u>226,225</u></u>
Current	\$ 32,664	5,670	10,725
Non-current	-	108,375	215,500
Total	<u><u>\$ 32,664</u></u>	<u><u>114,045</u></u>	<u><u>226,225</u></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(v).

(Continued)

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

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

	June 30, 2024	December 31, 2023	June 30, 2023
Equity instruments measured at fair value through other comprehensive income—non-current			
Stock of domestic listed companies	\$ 1,006,962	825,972	1,067,864
Stock of domestic non-listed company	<u>12,154</u>	<u>10,374</u>	<u>-</u>
Total	<u>\$ 1,019,116</u>	<u>836,346</u>	<u>1,067,864</u>

- (i) The Group has designated these investments in equity instruments as measured at fair value through other comprehensive income, because these investments are held as long-term strategic investments and are not held for trading purposes.
- (ii) For the purpose of the asset activation, the Group disposed of Tatung Corporation, which was designated to be measured at fair value through other comprehensive income, for the six months ended June 30, 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(v).

(d) Financial assets measured at amortized cost

	June 30, 2024	December 31, 2023	June 30, 2023
Time deposit (including pledged)	<u>\$ 100,468</u>	<u>2,488</u>	<u>220,435</u>

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

(Continued)

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

(e) Notes and accounts receivable

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>June 30,</u> <u>2023</u>
Current:			
Notes receivable from operating activities	\$ 6,217	5,539	2,647
Less: loss allowance	(30)	(28)	(13)
Subtotal	<u>6,187</u>	<u>5,511</u>	<u>2,634</u>
Accounts receivable	172,242	181,340	291,512
Installment accounts receivable	81,718	63,712	20,254
Less: unrealized interest income	(3,945)	(3,083)	(2,037)
Subtotal	250,015	241,969	309,729
Less: loss allowance	(51,968)	(49,860)	(28,221)
Subtotal	<u>198,047</u>	<u>192,109</u>	<u>281,508</u>
Accounts receivable—related parties	127	106	205
Less: loss allowance	-	-	-
Subtotal	<u>127</u>	<u>106</u>	<u>205</u>
Subtotal of current portions	<u>204,361</u>	<u>197,726</u>	<u>284,347</u>
Non-current:			
Long-term installments receivable	39,990	52,814	19,454
Less: unrealized interest income	(622)	(1,265)	(744)
Loss allowance	(12,830)	(12,216)	-
Subtotal of non-current portions	<u>26,538</u>	<u>39,333</u>	<u>18,710</u>
Total	<u>\$ 230,899</u>	<u>237,059</u>	<u>303,057</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. The loss allowance provision were determined as follows:

(Continued)

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

June 30, 2024

Notes receivable

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 6,217	0.48%	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>\$ 6,217</u>		<u>30</u>

Accounts receivable

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 142,036	-%	-
Less than 120 days past due	1,332	-%	-
121~180 days past due	1	-%	-
181~270 days past due	-	-%	-
More than 271 days past due	-	-%	-
Total	<u>\$ 143,369</u>		<u>-</u>

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

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 99,584	9.63%~43.38%	29,490
Less than 120 days past due	14,951	9.63%~43.38%	5,563
121~180 days past due	2,374	9.63%~43.38%	723
181~270 days past due	232	9.63%~43.38%	22
More than 271 days past due	29,000	100%	29,000
Total	<u>\$ 146,141</u>		<u>64,798</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

June 30, 2023

Notes receivable

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

Accounts receivable

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 230,459	0.01%	26
Less than 120 days past due	70,048	0.08%	58
121~180 days past due	-	-%	-
181~270 days past due	-	-%	-
More than 271 days past due	-	-%	-
Total	<u>\$ 300,507</u>		<u>84</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	-	-%	-
181~270 days past due	1,153	100%	1,153
More than 271 days past due	26,984	100%	26,984
Total	<u>\$ 28,137</u>		<u>28,137</u>

(Continued)

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 six months ended June 30,	
	2024	2023
Balance at January 1	\$ 62,104	29,711
Impairment losses (gains) recognized	673	(883)
Amounts written off as uncollectible during the year	-	(441)
Effect of exchange rate change	2,051	(153)
Balance at June 30	<u><u>\$ 64,828</u></u>	<u><u>28,234</u></u>

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

(f) Other receivables

	June 30, 2024	December 31, 2023	June 30, 2023
Current:			
Tax refund receivable	\$ 513	291	273
Earned revenue receivable	3,870	1,186	3,538
Other receivables—related parties	2,150	2,136	2,140
Other receivables—other	21,581	21,835	25,681
Other installment receivables	2,240	2,133	-
Less: unrealized interest income	(32)	(30)	-
Subtotal	30,322	27,551	31,632
Less: loss allowance	(23,324)	(20,959)	(19,883)
Subtotal of current portions	<u>6,998</u>	<u>6,592</u>	<u>11,749</u>
Non-current:			
Installments of long-term other receivables	1,026	976	-
Less: unrealized interest income	(13)	(12)	-
loss allowance	(1,013)	(418)	-
Subtotal	-	546	-
Long-term receivables-interest	-	11,119	18,660
Subtotal of non-current portions	-	11,665	18,660
Total	<u><u>\$ 6,998</u></u>	<u><u>18,257</u></u>	<u><u>30,409</u></u>

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

(Continued)

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

(g) Inventories

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

	June 30, 2024	December 31, 2023	June 30, 2023
Raw materials	\$ 44,983	46,120	58,212
Work in process	22,672	18,216	24,283
Finished goods	11,156	26,620	20,236
Merchandise	1,206	1,341	283
Total	<u><u>\$ 80,017</u></u>	<u><u>92,297</u></u>	<u><u>103,014</u></u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Cost of goods sold	\$ 139,088	193,601	274,587	406,895
Loss on write-down of inventories (reversal of write-down of inventories)	(499)	2,024	(1,002)	1,722
Scrap of inventories	41	163	496	1,156
Revenue from sale of scraps	(2,453)	(2,677)	(3,048)	(4,686)
Total	<u><u>\$ 136,177</u></u>	<u><u>193,111</u></u>	<u><u>271,033</u></u>	<u><u>405,087</u></u>

(iii) The Group's inventories have not been pledged as collateral as of June 30, 2024, December 31 and June 30, 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	-	-	-	2,882	-	5,763	2,693	11,338
Disposal	-	(620)	(9,840)	(572)	(484)	-	(2,636)	(14,152)
Reclassification	-	-	193	-	-	-	-	193
Effects of changes in foreign exchange rates and others	-	-	3,092	249	88	2,085	1,847	7,361
Balance on June 30, 2024	<u><u>\$ 463,378</u></u>	<u><u>182,161</u></u>	<u><u>219,992</u></u>	<u><u>29,587</u></u>	<u><u>3,508</u></u>	<u><u>50,292</u></u>	<u><u>185,304</u></u>	<u><u>1,134,222</u></u>

(Continued)

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

	Land and improvements	Buildings and structures	Machinery	Office equipment	Transportation equipment	Leasehold improvements	Other equipment and construction in progress	Total
Balance on January 1, 2023	\$ 463,378	186,569	286,938	27,393	4,857	43,142	211,297	1,223,574
Additions	-	285	242	429	-	-	635	1,591
Disposal	-	-	(1,996)	(125)	(924)	-	(347)	(3,392)
Reclassification	-	-	73	-	-	-	697	770
Effects of changes in foreign exchange rates and others	-	-	(2,375)	(131)	(47)	(933)	(1,377)	(4,863)
Balance on June 30, 2023	<u>\$ 463,378</u>	<u>186,854</u>	<u>282,882</u>	<u>27,566</u>	<u>3,886</u>	<u>42,209</u>	<u>210,905</u>	<u>1,217,680</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	-	4,172	3,530	641	346	489	3,066	12,244
Disposal	-	(620)	(9,840)	(567)	(484)	-	(2,261)	(13,772)
Effects of changes in foreign exchange rates and others	-	-	2,515	224	85	2,063	1,674	6,561
Balance on June 30, 2024	<u>\$ -</u>	<u>133,545</u>	<u>190,728</u>	<u>25,024</u>	<u>3,431</u>	<u>44,996</u>	<u>178,922</u>	<u>576,646</u>
Balance on January 1, 2023	\$ -	121,256	234,139	25,071	3,850	43,142	195,487	622,945
Depreciation	-	4,625	4,052	560	295	-	4,466	13,998
Disposal	-	-	(1,995)	(112)	(831)	-	(327)	(3,265)
Effects of changes in foreign exchange rates and others	-	-	(1,717)	(121)	(36)	(933)	(1,225)	(4,032)
Balance on June 30, 2023	<u>\$ -</u>	<u>125,881</u>	<u>234,479</u>	<u>25,398</u>	<u>3,278</u>	<u>42,209</u>	<u>198,401</u>	<u>629,646</u>
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 June 30, 2024	<u>\$ 463,378</u>	<u>48,616</u>	<u>29,264</u>	<u>4,563</u>	<u>77</u>	<u>5,296</u>	<u>6,382</u>	<u>557,576</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 June 30, 2023	<u>\$ 463,378</u>	<u>60,973</u>	<u>48,403</u>	<u>2,168</u>	<u>608</u>	<u>-</u>	<u>12,504</u>	<u>588,034</u>

As of June 30, 2024, December 31 and June 30, 2023, the property, plant and equipment of the Group had been pledged as collateral; please refer to Note 8.

(i) Right-of-use assets

	Buildings and structures	Transportation equipment	Total
Carrying value:			
Balance on January 1, 2024	<u>\$ 15,217</u>	<u>207</u>	<u>15,424</u>
Balance on June 30, 2024	<u>\$ 20,968</u>	<u>1,381</u>	<u>22,349</u>
Balance on January 1, 2023	<u>\$ 32,118</u>	<u>705</u>	<u>32,823</u>
Balance on June 30, 2023	<u>\$ 23,753</u>	<u>456</u>	<u>24,209</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, and transportation equipment for the six months ended June 30, 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.

(Continued)

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

- 1) The Group rented office and transportation equipment for business needs and acquired right-of-use assets amounting to \$17,025 thousand for the six months ended June 30, 2024.
- (ii) The Group's right-of-use assets had not been pledged as collateral as of June 30, 2024, December 31 and June 30, 2023.
- (j) Investment property

	<u>Owned property</u>		<u>Right-of-use assets</u>	
	<u>Buildings and structures</u>		<u>Buildings and structures</u>	
		<u>Right of land</u>		<u>Total</u>
Carrying value :				
Balance on January 1, 2024	\$ <u>7,399</u>	<u>-</u>	<u>3,320</u>	<u>10,719</u>
Balance on June 30, 2024	\$ <u>7,154</u>	<u>7,587</u>	<u>2,615</u>	<u>17,356</u>
Balance on January 1, 2023	\$ <u>8,783</u>	<u>-</u>	<u>8,090</u>	<u>16,873</u>
Balance on June 30, 2023	\$ <u>7,940</u>	<u>-</u>	<u>1,185</u>	<u>9,125</u>

- (i) Except for the following disclosure, there were no significant addition, disposal, or recognition and reversal of impairment losses of investment properties for the six months ended June 30, 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.
- 1) The Group acquired right-of-use assets amounting to \$7,587 thousand for the six months ended June 30, 2024.
- (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 June 30, 2024, December 31 and June 30, 2023.
- (k) Short-term borrowings

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>	<u>June 30,</u> <u>2023</u>
Secured bank loans	\$ <u>-</u>	<u>18,000</u>	<u>-</u>
Unused credit lines	\$ <u>100,000</u>	<u>82,000</u>	<u>-</u>
Range of interest rates	<u>2.25%</u>	<u>2.25%</u>	<u>-</u>

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

(Continued)

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

(l) Long-term borrowings

The details for long-term borrowings for June 30, 2024, December 31 and June 30, 2023, are as follows:

<u>Creditor</u>	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>	<u>Interest rate (%)</u>	<u>Repayment term and method</u>
Secured bank loans from Sunny Bank	\$ 713,000	719,000	725,000	1.79~2.16	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	274,000	280,000	-	2.25~2.37	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	<u>\$ 963,000</u>	<u>975,000</u>	<u>713,000</u>		
Unused credit lines	<u>\$ -</u>	<u>-</u>	<u>-</u>		

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

(m) Lease liabilities

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Current	\$ 14,998	15,779	29,106
Non-current	26,074	10,999	1,966
Total	<u>\$ 41,072</u>	<u>26,778</u>	<u>31,072</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Interest on lease liabilities	<u>\$ 354</u>	<u>236</u>	<u>526</u>	<u>513</u>
Income from sub-leasing right-of-use assets	<u>\$ (643)</u>	<u>(313)</u>	<u>(1,261)</u>	<u>(1,770)</u>

(Continued)

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

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

	For the six months ended June 30,	
	2024	2023
Total cash outflow for leases	\$ 9,232	15,329

The Group leases various properties, including buildings and structures, machinery and transportation equipment. The lease terms range from 2 to 26 years.

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

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

(n) Operating lease

The Group leases out its investment property and 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 six months ended June 30, 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.

(o) Employee benefits

(i) Defined contribution plans

The Group recognized defined contribution plans for the three months and six months ended June 30, 2024 and 2023 were \$2,446 thousand, \$2,743 thousand, \$4,875 thousand and \$5,704 thousand, respectively.

(ii) Defined benefit plans

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

(Continued)

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

The Group recognized expenses for the defined benefit plans for the three months and six months ended June 30, 2024 and 2023 were \$18 thousand, \$64 thousand, \$35 thousand and \$127 thousand, respectively.

(p) Income tax

(i) Income tax expense

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Current tax expenses				
Current period	\$ 225	1,006	383	2,166
Current tax expenses for prior periods	-	(384)	-	(384)
	<u>225</u>	<u>622</u>	<u>383</u>	<u>1,782</u>
Deferred income tax expense (benefit)				
Origination and reversal of temporary difference	-	155	-	155
Income tax benefit	<u>\$ 225</u>	<u>777</u>	<u>383</u>	<u>1,937</u>

(ii) Assessment of income tax returns

As of June 30, 2024, the assessment of the Group's income tax returns is as follows:

<u>Year of Assessment</u>	<u>Company name</u>
2021	The Company
2023	Subsidiary— Forward Electronics Equipment (Dong Guan) Co., Ltd.
2023	Subsidiary— Suzhou Forward Electronics Technology Co., Ltd.

(q) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the six months ended June 30, 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.

(Continued)

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

- 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 May 27, 2024, the shareholders' meeting resolved not to distribute earnings for the year 2023.

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 on January 1, 2024	\$ (108,477)	299,417	190,940
Exchange differences on foreign operations	39,301	-	39,301
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	292,548	292,548
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(57,460)	(57,460)
Balance on June 30, 2024	<u><u>\$ (69,176)</u></u>	<u><u>534,505</u></u>	<u><u>465,329</u></u>

(Continued)

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (loss)	合 計
Balance on January 1, 2023	\$ (95,020)	145,895	50,875
Exchange differences on foreign operations	(19,385)	-	(19,385)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	391,236	391,236
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(1,198)	(1,198)
Balance on June 30, 2023	<u>\$ (114,405)</u>	<u>535,933</u>	<u>421,528</u>

(r) Losses per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Losses attributable to ordinary shareholders of the Company	\$ <u>(7,894)</u>	<u>(3,999)</u>	<u>(31,498)</u>	<u>(20,793)</u>
Weighted average number of ordinary shares outstanding (thousand shares)	<u>139,983</u>	<u>139,983</u>	<u>139,983</u>	<u>139,983</u>
Basic and diluted losses per share (NTD)	<u>\$ (0.06)</u>	<u>(0.03)</u>	<u>(0.23)</u>	<u>(0.15)</u>

(s) Revenue from contracts with customers

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Sale of goods revenue	\$ 140,323	193,538	279,795	400,660
Other operating revenue	<u>28</u>	<u>161</u>	<u>128</u>	<u>2,828</u>
Total	<u>\$ 140,351</u>	<u>193,699</u>	<u>279,923</u>	<u>403,488</u>

(Continued)

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

Pertinent information on the Group's revenue from contracts with customers for the three months and six months ended June 30, 2024 and 2023, was as follows:

(i) Disaggregation of revenue

For the three months ended June 30, 2024				
	Optoelectronics segment	Electronics component products segment	Electronics appliance segment	Total
Sale of goods	\$ 27,828	76,670	35,823	140,321
Other operating revenue	-	20	10	30
Total	\$ 27,828	76,690	35,833	140,351
Timing of revenue recognition				
At a point in time	\$ 27,828	76,690	35,833	140,351
For the three months ended June 30, 2023				
	Optoelectronics segment	Electronics component products segment	Electronics appliance segment	Total
Sale of goods	\$ 55,556	70,866	67,116	193,538
Other operating revenue	-	161	-	161
Total	\$ 55,556	71,027	67,116	193,699
Timing of revenue recognition				
At a point in time	\$ 55,556	71,027	67,116	193,699
For the six months ended June 30, 2024				
	Optoelectronics segment	Electronics component products segment	Electronics appliance segment	Total
Sale of goods revenue	\$ 77,641	135,460	66,692	279,793
Other operating revenue	-	120	10	130
Total	\$ 77,641	135,580	66,702	279,923
Timing of revenue recognition:				
At a point in time	\$ 77,641	135,580	66,702	279,923
For the six months ended June 30, 2023				
	Optoelectronics segment	Electronics component products segment	Electronics appliance segment	Total
Sale of goods revenue	\$ 147,725	136,951	115,984	400,660
Other operating revenue	-	2,828	-	2,828
Total	\$ 147,725	139,779	115,984	403,488
Timing of revenue recognition:				
At a point in time	\$ 147,725	139,779	115,984	403,488

(Continued)

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

(ii) Contract balances

A) Contract liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
Contract liabilities — Sale of goods	\$ <u>3,899</u>	<u>20,358</u>	<u>9,701</u>

Material movements in the balance of the Group's contract liabilities for the six months ended June 30, 2024 and 2023, are detailed as follows:

	For the six months ended June 30,	
	2024	2023
Opening balances transferred to income for the current period	\$ (20,014)	(4,563)
Increase in advances received in the period (excluding the amount incurred and transferred to revenue in the period)	3,504	4,684
Effect of movement in exchange rates	<u>51</u>	<u>(41)</u>
Net movement for the period	<u>\$ (16,459)</u>	<u>80</u>

(t) Remunerations to employees and directors

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

For the six months ended June 30, 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.

(Continued)

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

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.

(u) Non-operating income and expenses

(i) Interest income

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Interest income from bank deposits	\$ 9,393	1,381	15,360	2,591
Interest income from financial assets measured at fair value through profit or loss	1	1,889	53	3,825
Interest income from financial assets measured at amortized cost	84	2,962	279	5,491
Others	6	724	28	1,543
	<u>\$ 9,484</u>	<u>6,956</u>	<u>15,720</u>	<u>13,450</u>

(ii) Other income

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Rental income	\$ 6,948	6,813	13,525	15,371
Dividend income	-	200	-	200
Other income	1,555	2,101	2,207	4,655
	<u>\$ 8,503</u>	<u>9,114</u>	<u>15,732</u>	<u>20,226</u>

(Continued)

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

(iii) Other gains and losses

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Net gain on disposals of property, plant and equipment	\$ 71	(77)	318	(77)
Foreign exchange gains (losses), net	5,473	11,554	18,991	8,044
Gains on financial assets measured at fair value through profit or loss	1,599	2,325	1,599	2,979
Impairment losses on investment property	-	(5,224)	-	(5,224)
Compensation losses	-	-	-	(336)
Others	(448)	(793)	(862)	(2,332)
	<u>\$ 6,695</u>	<u>7,785</u>	<u>20,046</u>	<u>3,054</u>

(iv) Finance costs

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Bank borrowings	\$ (5,468)	(3,660)	(10,834)	(7,104)
Interest expense of lease liabilities	(345)	(236)	(517)	(513)
Others	-	(6)	(22)	(16)
	<u>\$ (5,813)</u>	<u>(3,902)</u>	<u>(11,373)</u>	<u>(7,633)</u>

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of June 30, 2024, December 31 and June 30, 2023, the Group assessed the concentrations of credit risk arising from the major top three customers, at percentages of 31%, 45% and 37%, respectively, of the total notes and accounts receivable (including installments of long-term receivables).

(Continued)

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

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). 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 for the current 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
June 30, 2024				
Gross carrying amounts	\$ 6,582	845	23,908	31,335
Loss allowance	-	(429)	(23,908)	(24,337)
Carrying amounts	<u>\$ 6,582</u>	<u>416</u>	<u>-</u>	<u>6,998</u>
	12—month ECL	Lifetime ECL— not credit impaired	Lifetime ECL— credit impaired	Total
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>
	12—month ECL	Lifetime ECL— not credit impaired	Lifetime ECL— credit impaired	Total
June 30, 2023				
Gross carrying amounts	\$ 30,409	-	19,883	50,292
Loss allowance	-	-	(19,883)	(19,883)
Carrying amounts	<u>\$ 30,409</u>	<u>-</u>	<u>-</u>	<u>30,409</u>

(Continued)

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

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

	For the six months ended June 30, 2024			
	12—month ECL	Lifetime ECL— not credit impaired	Lifetime ECL— credit impaired	Total
Balance on January 1, 2024	\$ -	94	21,283	21,377
Impairment loss recognized	-	320	1,768	2,088
Effect of movement in exchange rate	-	15	857	872
Balance on June 30, 2024	<u>\$ -</u>	<u>429</u>	<u>23,908</u>	<u>24,337</u>
	For the six months ended June 30, 2023			
	12—month ECL	Lifetime ECL— not credit impaired	Lifetime ECL— credit impaired	Total
Balance on January 1, 2023	\$ -	-	20,202	20,202
Impairment loss recognized	-	-	15	15
Effect of movement in exchange rate	-	-	(334)	(334)
Balance on June 30, 2023	<u>\$ -</u>	<u>-</u>	<u>19,883</u>	<u>19,883</u>

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flow	Within 1 year	2-3 years	4-5 years	Over 5 years
June 30, 2024						
Non-derivative financial liabilities						
Long-term borrowings	\$ 987,000	1,071,770	45,646	89,660	936,464	-
Accounts payable (including related parties)	92,998	92,998	92,998	-	-	-
Other payables (including related parties)	42,407	42,407	42,407	-	-	-
Guarantee deposit received	7,379	7,379	7,125	254	-	-
Lease liabilities	41,072	46,486	16,061	14,773	6,133	9,519
	<u>\$ 1,170,856</u>	<u>1,261,040</u>	<u>204,237</u>	<u>104,687</u>	<u>942,597</u>	<u>9,519</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>

(Continued)

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

	<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>
June 30, 2023						
Non-derivative financial liabilities						
Long-term borrowings	\$ 725,000	794,809	26,678	52,621	715,510	-
Accounts payable (including related parties)	105,590	105,590	105,590	-	-	-
Other payables (including related parties)	57,960	57,960	57,960	-	-	-
Guarantee deposit received	7,058	7,058	7,058	-	-	-
Lease liabilities	31,072	31,518	29,524	1,994	-	-
	<u>\$ 926,680</u>	<u>996,935</u>	<u>226,810</u>	<u>54,615</u>	<u>715,510</u>	<u>-</u>

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

(iii) Market risk

1) Currency risk

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

June 30, 2024				
	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	23,180	32.4500	752,191
HKD		2,852	4.1550	11,850
CNY		977	4.5530	4,448
JPY		30,789	0.2017	6,210
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		1,269	32.4500	41,179
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

(Continued)

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

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

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, financial assets measured at amortized cost and accounts payable that are denominated in foreign currency. As of June 30, 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 decreased (increased) loss (profit) before tax by \$7,335 thousand and \$4,376 thousand for the six months ended June 30, 2024, December 31 and June 30, 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. For the three months and six months ended June 30, 2024 and 2023, net foreign exchange (losses) gains (including realized and unrealized) amounted to \$5,473 thousand, \$11,554 thousand, \$18,991 thousand and \$8,044 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.

(Continued)

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

If the interest rate had increased / decreased by 10 basis points, the Group's net income (loss) before tax would have increased / decreased by \$494 thousand and \$363 thousand for the six months ended June 30, 2024 and 2023, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rate.

5) Other market price risk

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

	For the six months ended June 30,			
	2024		2023	
	Other comprehensive income after tax	Net income (loss)	Other comprehensive income after tax	Net income (loss)
Prices of securities at the reporting date				
Increase by 1%	\$ <u>10,191</u>	<u>327</u>	<u>10,679</u>	<u>107</u>
Decrease by 1%	\$ <u>(10,191)</u>	<u>(327)</u>	<u>(10,679)</u>	<u>(107)</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:

	June 30, 2024				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Shares	\$ <u>32,664</u>	<u>32,664</u>	<u>-</u>	<u>-</u>	<u>32,664</u>
Financial assets at fair value through other comprehensive income					
Shares	<u>1,019,116</u>	<u>1,006,962</u>	<u>-</u>	<u>12,154</u>	<u>1,019,116</u>
Total	\$ <u>1,051,780</u>	<u>1,039,626</u>	<u>-</u>	<u>12,154</u>	<u>1,051,780</u>

(Continued)

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

		December 31, 2023			
		Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Shares	\$ 5,670	5,670	-	-	5,670
Financial products	108,375	-	-	108,375	108,375
Subtotal	114,045	5,670	-	108,375	114,045
Financial assets measured at fair value through other comprehensive income					
Shares	836,346	825,972	-	10,374	836,346
Total	\$ 950,391	831,642	-	118,749	950,391
		June 30, 2023			
		Fair value			
	Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Shares	\$ 10,725	10,725	-	-	10,725
Financial products	215,500	-	-	215,500	215,500
Subtotal	226,225	10,725	-	215,500	226,225
Financial assets at fair value through other comprehensive income					
Shares	1,067,864	1,067,864	-	-	1,067,864
Total	\$ 1,294,089	1,078,589	-	215,500	1,294,089

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

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm-length basis. Whether transactions are taking place ‘regularly’ is a matter of judgment and depends on the facts and circumstances of the market for the instrument. Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide.

(Continued)

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

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

3) Transfers between Level 1 and Level 2

No transfers have occurred between the fair value levels in the hierarchy for the six months ended June 30, 2024 and 2023.

4) Reconciliation of Level 3 fair values

	Fair value through profit or loss	Fair value through other comprehensive income	
	Financial products	Unquoted equity instruments	Total
Balance on January 1, 2024	\$ 108,375	10,374	118,749
Purchased	-	1,780	1,780
Disposed	(110,305)	-	(110,305)
Effect of movements in exchange rates	1,930	-	1,930
Balance on June 30, 2024	<u>\$ -</u>	<u>12,154</u>	<u>12,154</u>
Balance on January 1, 2023	\$ 220,450	-	220,450
Effect of movements in exchange rates	(4,950)	-	(4,950)
Balance on June 30, 2023	<u>\$ 215,500</u>	<u>-</u>	<u>215,500</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.

(Continued)

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

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 June 30, 2024 and December 31, 2023) · P/B ratio (3.68 as of both June 30, 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:

		Upwards or downwards movement	The effect on other comprehensive income due to change of fair value	
	Inputs		Favorable	Unfavorable
June 30, 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%	144	(144)
	P/B ratio	1%	121	(121)
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.

(Continued)

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

(w) Financial risk management

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.

(x) Capital management

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

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

For the six months ended June 30, 2024, the right-of-use assets that the Group acquired by leasing were \$24,525 thousand. The right-of-use assets were reduced by \$2,575 thousand due to lease modification. For the six months ended June 30, 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 six months ended June 30, 2024 and June 30, 2023, was as follows:

	2024.1.1	Cash flows	Non-cash changes other	2024.6.30
Lease liabilities	\$ 26,778	(8,706)	23,000	41,072
Guarantee deposits received	5,755	1,446	178	7,379
Total liabilities from financing activities	<u>\$ 32,533</u>	<u>(7,260)</u>	<u>23,178</u>	<u>48,451</u>
	2023.1.1	Cash flows	Non-cash changes other	2023.6.30
Lease liabilities	\$ 43,033	(14,816)	2,855	31,072
Guarantee deposits received	7,094	46	(82)	7,058
Total liabilities from financing activities	<u>\$ 50,127</u>	<u>(14,770)</u>	<u>2,773</u>	<u>38,130</u>

(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
Tatung Asset Development Co., Ltd. (Original name: Shan-Chih Asset Development Co., Ltd.)	Other related party of the Company
Tisnet Technology Inc.	Other related party of the Company

(b) Significant transactions with related parties

(i) Sales

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
The parent company	\$ -	-	70	1
Other related parties	47	193	47	1,891
	<u>\$ 47</u>	<u>193</u>	<u>117</u>	<u>1,892</u>

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

<u>For the six months ended June 30,</u>				
<u>2024</u>		<u>2023</u>		
<u>Location</u>	<u>Related party</u>	<u>Arm's length customer</u>	<u>Related party</u>	<u>Arm's length customer</u>
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

(Continued)

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

For the six months ended June 30,				
2024			2023	
Location	Related party	Arm's length customer	Related party	Arm's length customer
Domestic	Cash collection at period closing date or TT or O/A 30-150 days	O/A 30-120 days	Cash collection at period closing date or TT or O/A 30-150 days	O/A 30-120 days

(ii) Receivables from related parties

Account	Relationship	June 30, 2024	December 31, 2023	June 30, 2023
Accounts receivable — related parties	The parent company	\$ 74	-	-
	Other related parties			
"	Other related parties	53	106	205
	Less: loss allowance	-	-	-
	Total	<u>\$ 127</u>	<u>106</u>	<u>205</u>
Other receivables — related parties	The parent company	\$ 2,150	2,136	2,140
	Less: loss allowance	-	-	-
		<u>\$ 2,150</u>	<u>2,136</u>	<u>2,140</u>

(iii) Payables to related parties

Account	Relationship	June 30, 2024	December 31, 2023	June 30, 2023
Accounts payable — related parties	Other related parties	<u>\$ 123</u>	<u>55</u>	<u>3</u>
Other payables — related parties	The parent company	\$ 793	1,159	3
	Other related parties	306	39	687
	Total	<u>\$ 1,099</u>	<u>1,198</u>	<u>690</u>

(iv) Rental income

		For the three months ended June 30,		For the six months ended June 30,	
		2024	2023	2024	2023
The parent company		<u>\$ 1,419</u>	<u>1,419</u>	<u>2,839</u>	<u>2,839</u>

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

(Continued)

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

(v) Service fee

For the six months ended June 30, 2024, the Group's parent company incurred expenses of \$1,500 thousand for rendering administrative support services for the Group, and the amount was recognized in the line item of administrative expenses.

(vi) Leases

In December 2023, the Group leased its headquarter office from Tatung 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 six months ended June 30, 2024 and 2023, interest expenses of \$104 thousand and \$0 were recognized, respectively. As of June 30, 2024 and 2023, the balances of lease liabilities amounted to \$14,862 thousand and \$3,434 thousand, respectively.

(c) Key management personnel compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Short-term employee benefits	\$ 4,568	1,935	10,055	4,218
Post-employment benefits	123	50	239	122
	<u>\$ 4,691</u>	<u>1,985</u>	<u>10,294</u>	<u>4,340</u>

(8) Assets pledged as security

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	June 30, 2024	December 31, 2023	June 30, 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	48,616	52,788	60,973
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		<u>\$ 515,813</u>	<u>519,985</u>	<u>528,137</u>

(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:

<u>Contracts entered into</u>	June 30, 2024
Royalty of sales on carbon credit	\$ 275,825 (USD 8,500)
<u>Amount paid</u>	June 30, 2024
Royalty of sales on carbon credit	\$ 64,764 (USD 2,000)

(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:

A resolution was made during the Group's board meeting held on July 10, 2024, to approve Forward Intelligent Energy Co., Ltd. to develop Indonesian forest carbon credits with Asia Asset Development Co., Ltd., so as to enhance the corporate image and enhance shareholders' equity, and to promote the development of the new carbon rights business.

(12) Other

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

	For the three months ended June 30,						
By item	By function	2024			2023		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		30,693	13,478	44,171	34,639	11,127	45,766
Labor and health insurance		2,760	899	3,659	2,938	796	3,734
Pension		1,769	695	2,464	2,078	729	2,807
Others		1,628	54	1,682	2,012	172	2,184
Depreciation		6,626	4,345	10,971	11,332	1,796	13,128
Amortization		52	3	55	64	14	78

(Continued)

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

	For the six months ended June 30,						
By item	By function	2024			2023		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		61,133	27,614	88,747	66,362	22,003	88,365
Labor and health insurance		5,716	1,800	7,516	6,338	1,644	7,982
Pension		3,532	1,378	4,910	4,342	1,489	5,831
Others		2,908	102	3,010	3,549	570	4,119
Depreciation		12,770	8,860	21,630	23,319	4,105	27,424
Amortization		63	42	105	129	30	159

(b) Seasonality of operations

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

(13) Other disclosures

(a) Information on significant transactions: None.

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of June 30, 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.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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.

(14) Segment information

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

	Optoelectronics segment	Electronics components products segment	Electronics applications products segment	Other segments	Adjustments and eliminations	Total
For the three months ended June 30, 2024						
Revenue:						
Revenue from external customers	\$ 27,828	76,690	35,833	-	-	140,351
Inter-segment revenue	18,189	3,186	440	-	(21,815)	-
Total revenue	\$ 46,017	79,876	36,273	-	(21,815)	140,351
Profit (loss) of reportable segments	\$ (2,920)	(9,191)	(2,476)	6,918	-	(7,669)
For the three months ended June 30, 2023						
Revenue:						
Revenue from external customers	\$ 55,556	71,027	67,116	-	-	193,699
Inter-segment revenue	49,884	4,275	284	-	(54,443)	-
Total revenue	\$ 105,440	75,302	67,400	-	(54,443)	193,699
Profit (loss) of reportable segments	\$ 1,572	(11,468)	1,777	4,897	-	(3,222)
For the six months ended June 30, 2024						
Revenue:						
Revenue from external customers	\$ 77,641	135,580	66,702	-	-	279,923
Inter-segment revenue	36,620	5,072	440	-	(42,132)	-
Total revenue	\$ 114,261	140,652	67,142	-	(42,132)	279,923
Profit (loss) of reportable segments	\$ (5,816)	(20,957)	(49)	(4,293)	-	(31,115)
For the six months ended June 30, 2023						
Revenue:						
Revenue from external customers	\$ 147,725	139,779	115,984	-	-	403,488
Inter-segment revenue	87,223	7,211	695	-	(95,129)	-
Total revenue	\$ 234,948	146,990	116,679	-	(95,129)	403,488
Profit (loss) of reportable segments	\$ (7,205)	(23,965)	(844)	13,158	-	(18,856)