

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 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 September 30, 2024 and 2023, and the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, as well as the changes in equity and cash flows for the nine months ended September 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 September 30, 2024 and 2023, and of its consolidated financial performance for the three months and nine months ended September 30, 2024 and 2023, as well as its consolidated cash flows for the nine months ended September 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)
October 31, 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****September 30, 2024, December 31, 2023, and September 30, 2023****(Expressed in Thousands of New Taiwan Dollars)**

| | | September 30, 2024 | | December 31, 2023 | | September 30, 2023 | | | | September 30, 2024 | | December 31, 2023 | | September 30, 2023 | |
|--------------------------|---|--------------------|-----|-------------------|-----|--------------------|-----|-------------------------------|--|--------------------|-----|-------------------|-----|--------------------|-----|
| Assets | | Amount | % | Amount | % | Amount | % | Liabilities and Equity | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents (Note 6(a)) | \$ 1,021,014 | 33 | 1,132,328 | 36 | 741,888 | 25 | 2100 | Short-term borrowings (Notes 6(l) and 8) | \$ - | - | 18,000 | - | - | - |
| 1110 | Current financial assets at fair value through profit or loss (Note 6(b)) | 33,497 | 1 | 5,670 | - | 5,337 | - | 2130 | Current contract liabilities (Note 6(t)) | 1,951 | - | 20,358 | 1 | 5,617 | - |
| 1136 | Current financial assets at amortized cost (Notes 6(d) and 8) | 101,893 | 3 | 2,488 | - | 2,455 | - | 2170 | Accounts payable | 112,007 | 4 | 111,745 | 4 | 123,867 | 4 |
| 1150 | Notes receivable, net (Note 6(e)) | 2,102 | - | 5,511 | - | 5,425 | - | 2180 | Accounts payable—related parties (Note 7) | 39 | - | 55 | - | 114 | - |
| 1170 | Accounts receivable, net (Note 6(e)) | 215,313 | 7 | 192,109 | 7 | 284,245 | 10 | 2200 | Other payables | 42,824 | - | 45,941 | 1 | 44,132 | 1 |
| 1180 | Accounts receivable—related parties, net (Notes 6(e) and 7) | 1 | - | 106 | - | 31 | - | 2220 | Other payables—related parties (Note 7) | 1,253 | - | 1,198 | - | 3,083 | - |
| 1200 | Other receivables (Notes 6(f) and 7) | 6,886 | - | 6,592 | - | 7,878 | - | 2230 | Current tax liabilities | 244 | - | - | - | 2,735 | - |
| 1220 | Current tax assets | 3,178 | - | 1,478 | - | 1,076 | - | 2250 | Current provisions | 1,723 | - | 7,108 | - | 1,714 | - |
| 130X | Inventories (Note 6(g)) | 98,438 | 3 | 92,297 | 3 | 101,049 | 3 | 2280 | Current lease liabilities (Notes 6(n) and 7) | 17,869 | 1 | 15,779 | 1 | 23,184 | 1 |
| 1410 | Prepayments (Notes 6(h) and 9) | 98,770 | 3 | 2,545 | - | 3,073 | - | 2322 | Long-term borrowings, current portion (Notes 6(m) and 8) | 24,000 | 1 | 24,000 | 1 | 12,000 | 1 |
| 1470 | Other current assets | 1,487 | - | 1,550 | - | 1,486 | - | 2399 | Other current liabilities | 4,130 | - | 2,962 | - | 2,757 | - |
| Total current assets | | 1,582,579 | 50 | 1,442,674 | 46 | 1,153,943 | 38 | Total current liabilities | | 206,040 | 6 | 247,146 | 8 | 219,203 | 7 |
| Non-current assets: | | | | | | | | Non-Current liabilities: | | | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (Note 6(b)) | - | - | 108,375 | 3 | 224,750 | 7 | 2540 | Long-term borrowings (Notes 6(m) and 8) | 957,000 | 30 | 975,000 | 32 | 710,000 | 24 |
| 1517 | Non-current financial assets at fair value through other comprehensive income (Note 6(c)) | 878,487 | 28 | 836,346 | 28 | 878,170 | 29 | 2570 | Deferred tax liabilities | 215,066 | 7 | 215,066 | 7 | 233,042 | 8 |
| 1600 | Property, plant and equipment (Notes 6(i) and 8) | 553,743 | 17 | 557,869 | 18 | 583,423 | 20 | 2580 | Non-current lease liabilities (Notes 6(n) and 7) | 27,675 | 1 | 10,999 | - | 1,479 | - |
| 1755 | Right-of-use assets (Note 6(j)) | 27,397 | 1 | 15,424 | - | 19,209 | 1 | 2645 | Guarantee deposits received | 6,282 | - | 5,755 | - | 5,884 | - |
| 1760 | Investment property, net (Note 6(k)) | 16,405 | 1 | 10,719 | - | 8,656 | - | 2670 | Other non-current liabilities | 1,479 | - | 1,479 | - | 1,479 | - |
| 1780 | Intangible assets | 474 | - | 427 | - | 183 | - | Total non-current liabilities | | 1,207,502 | 38 | 1,208,299 | 39 | 951,884 | 32 |
| 1840 | Deferred tax assets | 68,941 | 2 | 68,941 | 2 | 86,249 | 3 | Total liabilities | | 1,413,542 | 44 | 1,455,445 | 47 | 1,171,087 | 39 |
| 1920 | Refundable deposits (Note 8) | 5,088 | - | 6,700 | - | 6,244 | - | Equity (Notes 6(c) and (r)): | | | | | | | |
| 1930 | Long-term receivables (Notes 6(e) and (f)) | 14,982 | - | 50,998 | 2 | 35,283 | 1 | 3100 | Share capital | 1,399,830 | 44 | 1,399,830 | 45 | 1,399,830 | 46 |
| 1975 | Non-current net defined benefit assets | 33,707 | 1 | 32,132 | 1 | 32,396 | 1 | 3200 | Capital surplus | 48,716 | 2 | 48,716 | 1 | 48,716 | 1 |
| Total non-current assets | | 1,599,224 | 50 | 1,687,931 | 54 | 1,874,563 | 62 | 3300 | Retained earnings | 2,122 | - | 35,674 | 1 | 145,914 | 5 |
| Total assets | | \$ 3,181,803 | 100 | 3,130,605 | 100 | 3,028,506 | 100 | 3400 | Other equity | 317,593 | 10 | 190,940 | 6 | 262,959 | 9 |
| | | | | | | | | Total equity | | 1,768,261 | 56 | 1,675,160 | 53 | 1,857,419 | 61 |
| | | | | | | | | Total liabilities and equity | | \$ 3,181,803 | 100 | 3,130,605 | 100 | 3,028,506 | 100 |

See accompanying notes to consolidated financial statements.

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

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2024 and 2023

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

| | | For the three months ended September 30 | | | | For the nine months ended September 30 | | | |
|------|--|---|-------|-----------|-------|--|------|----------|------|
| | | 2024 | | 2023 | | 2024 | | 2023 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | Operating revenue (Notes 6(t) and 7) | \$ 170,063 | 100 | 171,966 | 100 | 449,986 | 100 | 575,454 | 100 |
| 5000 | Operating costs (Notes 6(g) and (p)) | 158,329 | 93 | 171,238 | 100 | 429,362 | 95 | 576,325 | 100 |
| | Gross profit (loss) from operations | 11,734 | 7 | 728 | - | 20,624 | 5 | (871) | - |
| | Operating expenses (Notes 6(e), (p) and 7): | | | | | | | | |
| 6100 | Selling expenses | 8,048 | 5 | 7,677 | 4 | 22,089 | 5 | 23,408 | 4 |
| 6200 | Administrative expenses | 20,439 | 12 | 14,693 | 9 | 75,853 | 17 | 37,796 | 7 |
| 6300 | Research and development expenses | 2,844 | 2 | 3,654 | 2 | 10,758 | 2 | 12,042 | 2 |
| 6450 | Expected credit impairment loss | 34,447 | 20 | 4,906 | 3 | 35,120 | 8 | 4,023 | 1 |
| | Total operating expenses | 65,778 | 39 | 30,930 | 18 | 143,820 | 32 | 77,269 | 14 |
| | Net operating loss | (54,044) | (32) | (30,202) | (18) | (123,196) | (27) | (78,140) | (14) |
| | Non-operating income and expenses (Notes 6(k), (n), (v), (w) and 7): | | | | | | | | |
| 7100 | Interest income | 8,505 | 5 | 6,947 | 4 | 24,225 | 5 | 20,397 | 4 |
| 7010 | Other income | 8,016 | 5 | 6,729 | 4 | 23,748 | 5 | 26,955 | 5 |
| 7020 | Other gains and losses | (15,747) | (9) | 10,852 | 6 | 4,299 | 1 | 13,906 | 2 |
| 7050 | Finance costs | (5,766) | (3) | (3,868) | (2) | (17,139) | (4) | (11,501) | (2) |
| 7055 | Expected credit impairment loss | (197) | - | (81) | - | (2,285) | (1) | (96) | - |
| | Total non-operating income and expenses | (5,189) | (2) | 20,579 | 12 | 32,848 | 6 | 49,661 | 9 |
| | Loss before tax | (59,233) | (34) | (9,623) | (6) | (90,348) | (21) | (28,479) | (5) |
| 7950 | Income tax expense (Note 6(q)) | 281 | (1) | 868 | - | 664 | - | 2,805 | - |
| | Net loss | (59,514) | (33) | (10,491) | (6) | (91,012) | (21) | (31,284) | (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 | (140,629) | (83) | (194,693) | (113) | 151,919 | 34 | 196,543 | 34 |
| 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 | (140,629) | (83) | (194,693) | (113) | 151,919 | 34 | 196,543 | 34 |
| 8360 | Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (7,107) | (5) | 36,124 | 21 | 32,194 | 8 | 16,739 | 3 |
| 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 | (7,107) | (5) | 36,124 | 21 | 32,194 | 8 | 16,739 | 3 |
| 8300 | Other comprehensive income (after tax) | (147,736) | (88) | (158,569) | (92) | 184,113 | 42 | 213,282 | 37 |
| | Total comprehensive income | \$ (207,250) | (121) | (169,060) | (98) | 93,101 | 21 | 181,998 | 32 |
| | (Losses) earnings per share (NT dollars) (Note 6(s)) | | | | | | | | |
| 9750 | Basic (losses) earnings per share | \$ (0.43) | | (0.07) | | (0.65) | | (0.22) | |
| 9850 | Diluted (losses) earnings per share | \$ (0.43) | | (0.07) | | (0.65) | | (0.22) | |

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 nine months ended September 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>Ordinary shares</u> | <u>Capital surplus</u> | <u>Legal reserve</u> | <u>Unappropriated retained earnings</u> | <u>Total</u> | | | <u>Total</u> | <u>Total equity</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 | - | - | - | (31,284) | (31,284) | - | - | - | (31,284) |
| Other comprehensive income | - | - | - | - | - | 16,739 | 196,543 | 213,282 | 213,282 |
| Total comprehensive income | - | - | - | (31,284) | (31,284) | 16,739 | 196,543 | 213,282 | 181,998 |
| 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 September 30, 2023 | <u>\$ 1,399,830</u> | <u>48,716</u> | <u>21,800</u> | <u>124,114</u> | <u>145,914</u> | <u>(78,281)</u> | <u>341,240</u> | <u>262,959</u> | <u>1,857,419</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 | - | - | - | (91,012) | (91,012) | - | - | - | (91,012) |
| Other comprehensive income | - | - | - | - | - | 32,194 | 151,919 | 184,113 | 184,113 |
| Total comprehensive income | - | - | - | (91,012) | (91,012) | 32,194 | 151,919 | 184,113 | 93,101 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | 57,460 | 57,460 | - | (57,460) | (57,460) | - |
| Balance at September 30, 2024 | <u>\$ 1,399,830</u> | <u>48,716</u> | <u>21,800</u> | <u>(19,678)</u> | <u>2,122</u> | <u>(76,283)</u> | <u>393,876</u> | <u>317,593</u> | <u>1,768,261</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 nine months ended September 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

| | For the nine months ended September 30 | |
|---|---|-----------------|
| | 2024 | 2023 |
| Cash flows from (used in) operating activities: | | |
| Loss before tax | \$ (90,348) | (28,479) |
| Adjustments: | | |
| Adjustments to reconcile (loss) profit | | |
| Depreciation expense | 32,445 | 40,398 |
| Amortization expense | 157 | 225 |
| Expected credit impairment loss | 37,405 | 4,119 |
| Net gain on financial assets or liabilities at fair value through profit or loss | (755) | (2,179) |
| Interest expense | 17,139 | 11,501 |
| Interest income | (24,225) | (20,397) |
| Dividend income | (798) | (259) |
| (Gain) loss on disposal and write-off of property, plant and equipment | (296) | 137 |
| Impairment loss on non-financial assets | - | 5,530 |
| Total adjustments to reconcile profit | 61,072 | 39,075 |
| Changes in operating assets and liabilities: | | |
| Notes receivable | 3,426 | 4,346 |
| Accounts receivable | (23,566) | 194 |
| Accounts receivable—related parties | 105 | 1,324 |
| Other receivables | (2,709) | (3,847) |
| Inventories | (5,904) | 44,008 |
| Prepayments | (96,151) | 8,670 |
| Other current assets | 63 | 11 |
| Net defined benefit assets | (1,575) | (1,400) |
| Contract liabilities | (18,464) | (4,038) |
| Accounts payable | (1,984) | 16,362 |
| Accounts payable—related parties | (16) | (200) |
| Other payables | (3,830) | (66,398) |
| Other payables—related parties | 55 | 2,745 |
| Provisions | (5,589) | - |
| Other current liabilities | 1,168 | (197) |
| Total adjustments | (93,899) | 40,655 |
| Cash (outflow) inflow generated from operations | (184,247) | 12,176 |
| Interest received | 32,969 | 15,032 |
| Dividends received | 798 | 259 |
| Interest paid | (17,126) | (11,398) |
| Dividends paid | - | (13,998) |
| Income taxes paid | (2,117) | (6,100) |
| Net cash flows from operating activities | (169,723) | (4,029) |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | (1,780) | (103,240) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 111,558 | 5,526 |
| Acquisition of financial assets at amortized cost | (98,274) | (211,921) |
| Proceeds from disposal of financial assets at amortized cost | - | 44,782 |
| Proceeds from maturity of financial assets at amortized cost | - | 559,263 |
| Acquisition of financial assets at fair value through profit or loss | (26,587) | - |
| Proceeds from disposal of financial assets at fair value through profit or loss | 111,039 | 4,588 |
| Acquisition of property, plant and equipment | (12,691) | (2,635) |
| Proceeds from disposal of property, plant and equipment | 703 | 48 |
| Increase (decrease) in refundable deposits | 1,750 | (176) |
| Acquisition of intangible assets | (199) | - |
| Net cash flows from investing activities | 85,519 | 296,235 |
| Cash flows from (used in) financing activities: | | |
| Decrease in short-term borrowings | (18,000) | - |
| Repayments of long-term borrowings | (18,000) | (9,000) |
| Increase (decrease) in guarantee deposits received | 379 | (1,187) |
| Payment of lease liabilities | (13,089) | (21,594) |
| Net cash flows from (used in) financing activities | (48,710) | (31,781) |
| Effect of exchange rate changes on cash and cash equivalents | 21,600 | 19,869 |
| Net (decrease) increase in cash and cash equivalents for the current period | (111,314) | 280,294 |
| Cash and cash equivalents at beginning of period | 1,132,328 | 461,594 |
| Cash and cash equivalents at end of period | \$ 1,021,014 | 741,888 |

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

September 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 credits development, and carbon neutral consulting, 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 October 31, 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 (%) | | |
|------------------|--------------------------------------|--|-----------------------|----------------------|-----------------------|
| | | | September 30, 2024 | December 31, 2023 | September 30, 2023 |
| The Company | Forward Development Co., Ltd. | Investment in production business, etc. | 100 % | 100 % | 100 % |
| The Company | Forward Intelligent Energy Co., Ltd. | Carbon credits development and carbon neutral consulting | 100 % | 100 % | 100 % |

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

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

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

(c) Classification of current and non-current assets and liabilities

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle (carbon credits development project usually longer than one year);
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It expects to settle the liability in its normal operating cycle (carbon credits development project usually longer than one year);
- (ii) It holds the liability primarily for the purpose of trading
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(d) 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.

(e) Income taxes

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

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

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.

(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

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|---------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Cash on hand | \$ 217 | 263 | 212 |
| Demand deposits and checking deposits | 202,056 | 681,152 | 320,074 |
| Call deposits | 359,139 | 130,050 | 71,920 |
| Time deposits | 459,602 | 320,863 | 349,682 |
| Total | <u><u>\$ 1,021,014</u></u> | <u><u>1,132,328</u></u> | <u><u>741,888</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.

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

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

| | <u>September 30, 2024</u> | <u>December 31, 2023</u> | <u>September 30, 2023</u> |
|--|-------------------------------|------------------------------|-------------------------------|
| Mandatorily measured at fair value through profit or loss: | | | |
| Stocks listed on domestic markets | \$ 4,509 | 5,670 | 5,337 |
| Stocks listed on foreign markets | 28,988 | - | - |
| Financial products | <u>-</u> | <u>108,375</u> | <u>224,750</u> |
| Total | <u><u>\$ 33,497</u></u> | <u><u>114,045</u></u> | <u><u>230,087</u></u> |
| Current | \$ 33,497 | 5,670 | 5,337 |
| Non-current | <u>-</u> | <u>108,375</u> | <u>224,750</u> |
| Total | <u><u>\$ 33,497</u></u> | <u><u>114,045</u></u> | <u><u>230,087</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).

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

| | <u>September 30, 2024</u> | <u>December 31, 2023</u> | <u>September 30, 2023</u> |
|--|-------------------------------|------------------------------|-------------------------------|
| Equity instruments measured at fair value through other comprehensive income—non-current | | | |
| Stock of domestic listed companies | \$ 868,284 | 825,972 | 873,170 |
| Stock of domestic non-listed company | <u>10,203</u> | <u>10,374</u> | <u>5,000</u> |
| Total | <u><u>\$ 878,487</u></u> | <u><u>836,346</u></u> | <u><u>878,170</u></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 nine months ended September 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 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).

(Continued)

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

(d) Financial assets measured at amortized cost

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|----------------------------------|-----------------------|----------------------|-----------------------|
| Time deposit (including pledged) | <u>\$ 101,893</u> | <u>2,488</u> | <u>2,455</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).

(e) Notes and accounts receivable

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|--|-----------------------|----------------------|-----------------------|
| Current: | | | |
| Notes receivable from operating activities | \$ 2,112 | 5,539 | 5,452 |
| Less: loss allowance | <u>(10)</u> | <u>(28)</u> | <u>(27)</u> |
| Subtotal | <u>2,102</u> | <u>5,511</u> | <u>5,425</u> |
| Accounts receivable | 199,407 | 181,340 | 290,649 |
| Installment accounts receivable | 88,557 | 63,712 | 27,876 |
| Less: unrealized interest income | <u>(4,234)</u> | <u>(3,083)</u> | <u>(1,786)</u> |
| Subtotal | 283,730 | 241,969 | 316,739 |
| Less: loss allowance | <u>(68,417)</u> | <u>(49,860)</u> | <u>(32,494)</u> |
| Subtotal | <u>215,313</u> | <u>192,109</u> | <u>284,245</u> |
| Accounts receivable—related parties | 1 | 106 | 31 |
| Less: loss allowance | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>1</u> | <u>106</u> | <u>31</u> |
| Subtotal of current portions | <u>217,416</u> | <u>197,726</u> | <u>289,701</u> |
| Non-current: | | | |
| Long-term installments receivable | 31,543 | 52,814 | 15,304 |
| Less: unrealized interest income | (297) | (1,265) | (456) |
| Loss allowance | <u>(16,264)</u> | <u>(12,216)</u> | <u>(1,009)</u> |
| Subtotal of non-current portions | <u>14,982</u> | <u>39,333</u> | <u>13,839</u> |
| Total | <u>\$ 232,398</u> | <u>237,059</u> | <u>303,540</u> |

(Continued)

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

(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 was determined as follows:

September 30, 2024

Notes receivable

| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
|-----------------------------|----------------------------------|--|-------------------------------------|
| Current | \$ 2,112 | 0.47% | 10 |
| Less than 120 days past due | - | -% | - |
| 121~180 days past due | - | -% | - |
| 181~270 days past due | - | -% | - |
| More than 271 days past due | - | -% | - |
| Total | <u>\$ 2,112</u> | | <u>10</u> |

Accounts receivable

| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
|-----------------------------|----------------------------------|--|-------------------------------------|
| Current | \$ 186,279 | -% | - |
| Less than 120 days past due | 2,223 | -% | - |
| 121~180 days past due | - | -% | - |
| 181~270 days past due | 1 | -% | - |
| More than 271 days past due | - | -% | - |
| Total | <u>\$ 188,503</u> | | <u>-</u> |

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

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

| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
|-----------------------------|----------------------------------|--|-------------------------------------|
| Current | \$ 85,261 | 9.63%~99.34% | 53,369 |
| Less than 120 days past due | 15,359 | 9.63%~99.34% | 10,808 |
| 121~180 days past due | 6,099 | 9.63%~99.34% | 5,250 |
| 181~270 days past due | 7,849 | 9.63%~99.34% | 6,584 |
| More than 271 days past due | <u>11,906</u> | 0%~100% | <u>8,670</u> |
| Total | <u><u>\$ 126,474</u></u> | | <u><u>84,681</u></u> |

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 | <u>-</u> | -% | <u>-</u> |
| Total | <u><u>\$ 5,539</u></u> | | <u><u>28</u></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 | <u>-</u> | -% | <u>-</u> |
| Total | <u><u>\$ 153,476</u></u> | | <u><u>24</u></u> |

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

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 | <u>27,970</u> | 100% | <u>27,970</u> |
| Total | <u><u>\$ 140,148</u></u> | | <u><u>62,052</u></u> |

September 30, 2023

Notes receivable

| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
|-----------------------------|----------------------------------|--|-------------------------------------|
| Current | \$ 5,452 | 0.50% | 27 |
| Less than 120 days past due | - | -% | - |
| 121~180 days past due | - | -% | - |
| 181~270 days past due | - | -% | - |
| More than 271 days past due | <u>-</u> | -% | <u>-</u> |
| Total | <u><u>\$ 5,452</u></u> | | <u><u>27</u></u> |

Accounts receivable

| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
|-----------------------------|----------------------------------|--|-------------------------------------|
| Current | \$ 180,933 | 0.01% | 13 |
| Less than 120 days past due | 5,784 | 0.01% | 6 |
| 121~180 days past due | - | -% | - |
| 181~270 days past due | - | -% | - |
| More than 271 days past due | <u>-</u> | -% | <u>-</u> |
| Total | <u><u>\$ 186,717</u></u> | | <u><u>19</u></u> |

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

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

| | Gross carrying amount | Weighted- average loss rate | Loss allowance provision |
|-----------------------------|----------------------------------|--|-------------------------------------|
| Current | \$ 49,363 | 0.01% | 5 |
| Less than 120 days past due | 54,841 | 6.96% | 3,747 |
| 121~180 days past due | 11,856 | 7.52% | 891 |
| 181~270 days past due | - | -% | - |
| More than 271 days past due | <u>28,841</u> | 100% | <u>28,841</u> |
| Total | <u><u>\$ 144,901</u></u> | | <u><u>33,484</u></u> |

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

| | For the nine months ended September 30, | |
|--|--|----------------------|
| | 2024 | 2023 |
| Balance at January 1 | \$ 62,104 | 29,711 |
| Impairment losses (gains) recognized | 35,120 | 4,023 |
| Amounts written off as uncollectible during the year | (14,817) | (441) |
| Effect of exchange rate change | <u>2,284</u> | <u>237</u> |
| Balance at September 30 | <u><u>\$ 84,691</u></u> | <u><u>33,530</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

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|-------------------------------------|-------------------------------|------------------------------|-------------------------------|
| Current: | | | |
| Tax refund receivable | \$ 648 | 291 | 547 |
| Earned revenue receivable | 3,835 | 1,186 | 941 |
| Other receivables — related parties | 2,268 | 2,136 | 2,227 |
| Other receivables — other | 21,312 | 21,835 | 24,752 |
| Other installment receivables | 2,223 | 2,133 | - |
| Less: unrealized interest income | <u>(32)</u> | <u>(30)</u> | <u>-</u> |
| Subtotal | 30,254 | 27,551 | 28,467 |
| Less: loss allowance | <u>(23,368)</u> | <u>(20,959)</u> | <u>(20,589)</u> |
| Subtotal of current portions | <u><u>6,886</u></u> | <u><u>6,592</u></u> | <u><u>7,878</u></u> |

(Continued)

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

| | <u>September 30, 2024</u> | <u>December 31, 2023</u> | <u>September 30, 2023</u> |
|---|-------------------------------|------------------------------|-------------------------------|
| Non-current: | | | |
| Installments of long-term other receivables | 1,018 | 976 | - |
| Less: unrealized interest income loss allowance | (13) <u>(1,005)</u> | (12) <u>(418)</u> | - <u>-</u> |
| Subtotal | <u>-</u> | <u>546</u> | <u>-</u> |
| Long-term receivables-interest | <u>-</u> | <u>11,119</u> | <u>21,444</u> |
| Subtotal of non-current portions | <u>-</u> | <u>11,665</u> | <u>21,444</u> |
| Total | <u><u>\$ 6,886</u></u> | <u><u>18,257</u></u> | <u><u>29,322</u></u> |

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

(g) Inventories

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

| | <u>September 30, 2024</u> | <u>December 31, 2023</u> | <u>September 30, 2023</u> |
|-----------------|-------------------------------|------------------------------|-------------------------------|
| Raw materials | \$ 60,926 | 46,120 | 58,445 |
| Work in process | 20,565 | 18,216 | 22,726 |
| Finished goods | 15,841 | 26,620 | 19,608 |
| Merchandise | <u>1,106</u> | <u>1,341</u> | <u>270</u> |
| Total | <u><u>\$ 98,438</u></u> | <u><u>92,297</u></u> | <u><u>101,049</u></u> |

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

| | <u>For the three months ended September 30,</u> | | <u>For the nine months ended September 30,</u> | |
|-----------------------------------|---|-----------------------|--|-----------------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Cost of goods sold | \$ 161,980 | 171,000 | 436,567 | 577,895 |
| Loss on write-down of inventories | (5,167) | 376 | (6,169) | 2,098 |
| Scrap of inventories | 2,969 | 10 | 3,465 | 1,166 |
| Revenue from sale of scraps | <u>(1,453)</u> | <u>(148)</u> | <u>(4,501)</u> | <u>(4,834)</u> |
| Total | <u><u>\$ 158,329</u></u> | <u><u>171,238</u></u> | <u><u>429,362</u></u> | <u><u>576,325</u></u> |

(iii) The Group's inventories have not been pledged as collateral as of September 30, 2024, December 31 and September 30, 2023.

(Continued)

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

(h) Prepayments

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|--|-----------------------|----------------------|-----------------------|
| Prepaid cost of the carbon credits development | \$ 90,642 | - | - |
| Other | 8,128 | 2,545 | 3,073 |
| Total | <u>\$ 98,770</u> | <u>2,545</u> | <u>3,073</u> |

(i) 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 | - | 180 | - | 3,721 | - | 6,079 | 2,711 | 12,691 |
| Disposal | - | (620) | (10,926) | (618) | (487) | - | (2,633) | (15,284) |
| Reclassification | - | - | 1,237 | - | - | - | - | 1,237 |
| Effects of changes in foreign exchange rates and others | - | - | 2,581 | 204 | 78 | 1,737 | 1,512 | 6,112 |
| Balance on September 30, 2024 | <u>\$ 463,378</u> | <u>182,341</u> | <u>219,439</u> | <u>30,335</u> | <u>3,495</u> | <u>50,260</u> | <u>184,990</u> | <u>1,134,238</u> |
| Balance on January 1, 2023 | \$ 463,378 | 186,569 | 286,938 | 27,393 | 4,857 | 43,142 | 211,297 | 1,223,574 |
| Additions | - | 430 | 242 | 835 | - | - | 633 | 2,140 |
| Disposal | - | - | (1,996) | (150) | (934) | - | (910) | (3,990) |
| Reclassification | - | - | 73 | - | - | - | 881 | 954 |
| Effects of changes in foreign exchange rates and others | - | - | 2,270 | 115 | 37 | 811 | 1,185 | 4,418 |
| Balance on September 30, 2023 | <u>\$ 463,378</u> | <u>186,999</u> | <u>287,527</u> | <u>28,193</u> | <u>3,960</u> | <u>43,953</u> | <u>213,086</u> | <u>1,227,096</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 | - | 6,260 | 5,228 | 972 | 426 | 882 | 4,523 | 18,291 |
| Disposal | - | (620) | (10,905) | (610) | (487) | - | (2,255) | (14,877) |
| Effects of changes in foreign exchange rates and others | - | - | 2,099 | 187 | 72 | 1,722 | 1,388 | 5,468 |
| Balance on September 30, 2024 | <u>\$ -</u> | <u>135,633</u> | <u>190,945</u> | <u>25,275</u> | <u>3,495</u> | <u>45,048</u> | <u>180,099</u> | <u>580,495</u> |
| Balance on January 1, 2023 | \$ - | 121,256 | 234,139 | 25,071 | 3,850 | 43,142 | 195,487 | 622,945 |
| Depreciation | - | 6,923 | 6,113 | 840 | 442 | - | 6,504 | 20,822 |
| Disposal | - | - | (1,995) | (135) | (841) | - | (834) | (3,805) |
| Effects of changes in foreign exchange rates and others | - | - | 1,689 | 105 | 31 | 811 | 1,075 | 3,711 |
| Balance on September 30, 2023 | <u>\$ -</u> | <u>128,179</u> | <u>239,946</u> | <u>25,881</u> | <u>3,482</u> | <u>43,953</u> | <u>202,232</u> | <u>643,673</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 September 30, 2024 | <u>\$ 463,378</u> | <u>46,708</u> | <u>28,494</u> | <u>5,060</u> | <u>-</u> | <u>5,212</u> | <u>4,891</u> | <u>553,743</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 September 30, 2023 | <u>\$ 463,378</u> | <u>58,820</u> | <u>47,581</u> | <u>2,312</u> | <u>478</u> | <u>-</u> | <u>10,854</u> | <u>583,423</u> |

(Continued)

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

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

(j) Right-of-use assets

| | <u>Buildings and structures</u> | <u>Transportation equipment</u> | <u>Total</u> |
|-------------------------------|-------------------------------------|-------------------------------------|---------------|
| Carrying value: | | | |
| Balance on January 1, 2024 | \$ <u>15,217</u> | <u>207</u> | <u>15,424</u> |
| Balance on September 30, 2024 | \$ <u>26,131</u> | <u>1,266</u> | <u>27,397</u> |
| Balance on January 1, 2023 | \$ <u>32,118</u> | <u>705</u> | <u>32,823</u> |
| Balance on September 30, 2023 | \$ <u>18,877</u> | <u>332</u> | <u>19,209</u> |

(i) Except for the following disclosures, 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 nine months ended September 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.

- 1) The Group rented office and transportation equipment for business needs and acquired right-of-use assets amounting to \$26,070 thousand for the nine months ended September 30, 2024.
- 2) The Group rented office for business needs and acquired right-of-use assets amounting to \$2,916 thousand for the nine months ended September 30, 2023.

(ii) The Group's right-of-use assets had not been pledged as collateral as of September 30, 2024, December 31 and September 30, 2023.

(k) Investment property

| | <u>Owned property Buildings and structures</u> | <u>Right-of-use assets Right of land</u> | <u>Buildings and structures</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 September 30, 2024 | \$ <u>6,792</u> | <u>7,452</u> | <u>2,161</u> | <u>16,405</u> |
| Balance on January 1, 2023 | \$ <u>8,783</u> | <u>-</u> | <u>8,090</u> | <u>16,873</u> |
| Balance on September 30, 2023 | \$ <u>7,976</u> | <u>-</u> | <u>680</u> | <u>8,656</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 nine months ended September 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.

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

- 1) The Group acquired right-of-use assets amounting to \$7,587 thousand for the nine months ended September 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 September 30, 2024, December 31 and September 30, 2023.
- (iv) For the nine months ended September 30, 2023, the carrying amount of investment property was determined to be higher than its recoverable amount, and the Group recognized impairment loss of \$5,530 thousand.

(l) Short-term borrowings

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|-------------------------|-------------------------------|------------------------------|-------------------------------|
| 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.

(m) Long-term borrowings

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

| Creditor | September 30, 2024 | December 31, 2023 | September 30, 2023 | Interest rate (%) | Repayment term and method |
|---------------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|---|
| Secured bank loans from Sunny Bank | \$ 710,000 | 719,000 | 722,000 | 2.04~2.16 | 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 | 271,000 | 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 | <u>(24,000)</u> | <u>(24,000)</u> | <u>(12,000)</u> | | |
| Total | <u>\$ 957,000</u> | <u>975,000</u> | <u>710,000</u> | | |
| Unused credit lines | <u>\$ -</u> | <u>-</u> | <u>-</u> | | |

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

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

(n) Lease liabilities

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

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|-------------|-----------------------|----------------------|-----------------------|
| Current | \$ 17,869 | 15,779 | 23,184 |
| Non-current | 27,675 | 10,999 | 1,479 |
| Total | <u>\$ 45,544</u> | <u>26,778</u> | <u>24,663</u> |

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

The amounts recognized in profit or loss were as follows:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|-------|--|---------|
| | 2024 | 2023 | 2024 | 2023 |
| Interest on lease liabilities | \$ 307 | 184 | 824 | 697 |
| Income from sub-leasing right-of-use assets | \$ (643) | (233) | (1,904) | (2,003) |

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

| | For the nine months ended September 30, | |
|-------------------------------|--|--------|
| | 2024 | 2023 |
| Total cash outflow for leases | \$ 13,913 | 22,291 |

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.

(Continued)

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 nine months ended September 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.

(p) Employee benefits

(i) Defined contribution plans

The Group recognized defined contribution plans for the three months and nine months ended September 30, 2024 and 2023 were \$2,450 thousand, \$2,741 thousand, \$7,325 thousand and \$8,445 thousand, respectively.

(ii) Defined benefit plans

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

The Group recognized expenses for the defined benefit plans for the three months and nine months ended September 30, 2024 and 2023 were \$17 thousand, \$63 thousand, \$52 thousand and \$190 thousand, 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 September 30, | | For the nine months ended September 30, | |
|--|---|------------|--|--------------|
| | 2024 | 2023 | 2024 | 2023 |
| Current tax expenses | | | | |
| Current period | \$ 281 | 940 | 664 | 3,106 |
| Current tax expenses for prior periods | - | (62) | - | (446) |
| | <u>281</u> | <u>878</u> | <u>664</u> | <u>2,660</u> |
| Deferred income tax expense | | | | |
| Origination and reversal of temporary difference | - | (10) | - | 145 |
| Income tax expense | <u>\$ 281</u> | <u>868</u> | <u>664</u> | <u>2,805</u> |

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

(ii) Assessment of income tax returns

As of September 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. |

(r) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the nine months ended September 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.
- 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:

| | <u>2022</u> |
|--|---------------------------------|
| | <u>Amount</u> |
| | <u>per share</u> |
| | <u>(NT Dollars)</u> |
| | <u>Amount</u> |
| Dividends distributed to ordinary shareholders | |
| Cash | \$ 0.10 \$ <u><u>13,998</u></u> |

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

(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 | 32,194 | - | 32,194 |
| Unrealized gains from financial assets measured at fair value through other comprehensive income | - | 151,919 | 151,919 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | (57,460) | (57,460) |
| Balance on September 30, 2024 | <u>\$ (76,283)</u> | <u>393,876</u> | <u>317,593</u> |
| Balance on January 1, 2023 | \$ (95,020) | 145,895 | 50,875 |
| Exchange differences on foreign operations | 16,739 | - | 16,739 |
| Unrealized gains from financial assets measured at fair value through other comprehensive income | - | 196,543 | 196,543 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | (1,198) | (1,198) |
| Balance on September 30, 2023 | <u>\$ (78,281)</u> | <u>341,240</u> | <u>262,959</u> |

(s) Losses per share

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

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|--|---|-----------------|--|-----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Losses attributable to ordinary shareholders of the Company | <u>\$ (59,514)</u> | <u>(10,491)</u> | <u>(91,012)</u> | <u>(31,284)</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 (NT Dollars) | <u>\$ (0.43)</u> | <u>(0.07)</u> | <u>(0.65)</u> | <u>(0.22)</u> |

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

(t) Revenue from contracts with customers

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|-------------------------|---|----------------|--|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Sale of goods revenue | \$ 169,925 | 171,798 | 449,720 | 572,458 |
| Other operating revenue | 138 | 168 | 266 | 2,996 |
| Total | <u>\$ 170,063</u> | <u>171,966</u> | <u>449,986</u> | <u>575,454</u> |

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

(i) Disaggregation of revenue

| | For the three months ended September 30, 2024 | | | |
|--------------------------------|---|---|-------------------------------------|----------------|
| | Optoelectronics segment | Electronics component products segment | Electronics appliance segment | Total |
| Sale of goods | \$ 70,262 | 57,387 | 42,278 | 169,927 |
| Other operating revenue | - | 112 | 24 | 136 |
| Total | <u>\$ 70,262</u> | <u>57,499</u> | <u>42,302</u> | <u>170,063</u> |
| Timing of revenue recognition | | | | |
| At a point in time | <u>\$ 70,262</u> | <u>57,499</u> | <u>42,302</u> | <u>170,063</u> |
| | For the nine months ended September 30, 2023 | | | |
| | Optoelectronics segment | Electronics component products segment | Electronics appliance segment | Total |
| Sale of goods | \$ 35,272 | 59,961 | 76,565 | 171,798 |
| Other operating revenue | - | 168 | - | 168 |
| Total | <u>\$ 35,272</u> | <u>60,129</u> | <u>76,565</u> | <u>171,966</u> |
| Timing of revenue recognition | | | | |
| At a point in time | <u>\$ 35,272</u> | <u>60,129</u> | <u>76,565</u> | <u>171,966</u> |
| | For the nine months ended September 30, 2024 | | | |
| | Optoelectronics segment | Electronics component products segment | Electronics appliance segment | Total |
| Sale of goods revenue | \$ 147,903 | 192,847 | 108,970 | 449,720 |
| Other operating revenue | - | 232 | 34 | 266 |
| Total | <u>\$ 147,903</u> | <u>193,079</u> | <u>109,004</u> | <u>449,986</u> |
| Timing of revenue recognition: | | | | |
| At a point in time | <u>\$ 147,903</u> | <u>193,079</u> | <u>109,004</u> | <u>449,986</u> |

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

| | For the nine months ended September 30, 2023 | | | |
|--------------------------------|--|---|-------------------------------------|----------------|
| | Optoelectronics segment | Electronics component products segment | Electronics appliance segment | Total |
| Sale of goods revenue | \$ 182,997 | 196,912 | 192,549 | 572,458 |
| Other operating revenue | - | 2,996 | - | 2,996 |
| Total | <u>\$ 182,997</u> | <u>199,908</u> | <u>192,549</u> | <u>575,454</u> |
| Timing of revenue recognition: | | | | |
| At a point in time | <u>\$ 182,997</u> | <u>199,908</u> | <u>192,549</u> | <u>575,454</u> |

(ii) Contract balances

A) Contract liabilities

| | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|------------------------------------|-----------------------|----------------------|-----------------------|
| Contract liabilities—Sale of goods | <u>\$ 1,951</u> | <u>20,358</u> | <u>5,617</u> |

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

| | For the nine months ended September 30, | |
|---|--|----------------|
| | 2024 | 2023 |
| Opening balances transferred to income for the current period | \$ (20,071) | (5,857) |
| Increase in advances received in the period (excluding the amount incurred and transferred to revenue in the period) | 1,607 | 1,819 |
| Effect of movement in exchange rates | 57 | 34 |
| Net movement for the period | <u>\$ (18,407)</u> | <u>(4,004)</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.

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

For the nine months ended September 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.

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 September 30, | | For the nine months ended September 30, | |
|--|---|--------------|--|---------------|
| | 2024 | 2023 | 2024 | 2023 |
| Interest income from bank deposits | \$ 8,196 | 854 | 23,556 | 3,445 |
| Interest income from financial assets measured at fair value through profit or loss | - | 1,926 | 53 | 5,751 |
| Interest income from financial assets measured at amortized cost | 302 | 3,525 | 581 | 9,016 |
| Others | 7 | 642 | 35 | 2,185 |
| | <u>\$ 8,505</u> | <u>6,947</u> | <u>24,225</u> | <u>20,397</u> |

(ii) Other income

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|-----------------|---|--------------|--|---------------|
| | 2024 | 2023 | 2024 | 2023 |
| Rental income | \$ 7,013 | 6,525 | 20,538 | 21,896 |
| Dividend income | 798 | 59 | 798 | 259 |
| Other income | 205 | 145 | 2,412 | 4,800 |
| | <u>\$ 8,016</u> | <u>6,729</u> | <u>23,748</u> | <u>26,955</u> |

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

(iii) Other gains and losses

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---------------|--|---------------|
| | 2024 | 2023 | 2024 | 2023 |
| Net gain on disposals of property, plant and equipment | \$ (22) | (60) | 296 | (137) |
| Foreign exchange gains (losses), net | (14,708) | 11,779 | 4,283 | 19,823 |
| Gains on financial assets measured at fair value through profit or loss | (844) | (293) | 755 | 2,686 |
| Impairment losses on investment property | - | (306) | - | (5,530) |
| Compensation losses | - | - | - | (336) |
| Others | (173) | (268) | (1,035) | (2,600) |
| | <u>\$ (15,747)</u> | <u>10,852</u> | <u>4,299</u> | <u>13,906</u> |

(iv) Finance costs

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---------------------------------------|---|----------------|--|-----------------|
| | 2024 | 2023 | 2024 | 2023 |
| Bank borrowings | \$ (5,451) | (3,680) | (16,285) | (10,784) |
| Interest expense of lease liabilities | (307) | (184) | (824) | (697) |
| Others | (8) | (4) | (30) | (20) |
| | <u>\$ (5,766)</u> | <u>(3,868)</u> | <u>(17,139)</u> | <u>(11,501)</u> |

(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 September 30, 2024, December 31 and September 30, 2023, the Group assessed the concentrations of credit risk arising from the major top three customers, at percentages of 45%, 45% and 40%, respectively, of the total notes and accounts receivable (including installments of long-term receivables).

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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 |
|---------------------------|-------------------------|--|--|---------------|
| September 30, 2024 | | | | |
| Gross carrying amounts | \$ 6,886 | 612 | 23,761 | 31,259 |
| Loss allowance | - | (612) | (23,761) | (24,373) |
| Carrying amounts | <u>\$ 6,886</u> | <u>-</u> | <u>-</u> | <u>6,886</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 |
| September 30, 2023 | | | | |
| Gross carrying amounts | \$ 3,280 | 4,149 | 20,491 | 27,920 |
| Loss allowance | - | (98) | (20,491) | (20,589) |
| Carrying amounts | <u>\$ 3,280</u> | <u>4,051</u> | <u>-</u> | <u>7,331</u> |

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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 nine months ended September 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 | - | 506 | 1,779 | 2,285 |
| Effect of movement in exchange rate | - | 12 | 699 | 711 |
| Balance on September 30, 2024 | <u>\$ -</u> | <u>612</u> | <u>23,761</u> | <u>24,373</u> |
| | For the nine months ended September 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 | - | 96 | - | 96 |
| Effect of movement in exchange rate | - | 2 | 289 | 291 |
| Balance on September 30, 2023 | <u>\$ -</u> | <u>98</u> | <u>20,491</u> | <u>20,589</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 |
|--|---------------------|--------------------------|------------------|----------------|----------------|-----------------|
| September 30, 2024 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Long-term borrowings | \$ 981,000 | 1,060,308 | 45,510 | 89,388 | 925,410 | - |
| Accounts payable (including related parties) | 112,046 | 112,046 | 112,046 | - | - | - |
| Other payables (including related parties) | 44,077 | 44,077 | 44,077 | - | - | - |
| Guarantee deposit received | 6,282 | 6,282 | 6,101 | 181 | - | - |
| Lease liabilities | 45,544 | 47,077 | 18,007 | 15,768 | 4,204 | 9,098 |
| | <u>\$ 1,188,949</u> | <u>1,269,790</u> | <u>225,741</u> | <u>105,337</u> | <u>929,614</u> | <u>9,098</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> |
|--|----------------------------|----------------------------------|--------------------------|------------------|------------------|-------------------------|
| 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> |
| September 30, 2023 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Long-term borrowings | \$ 722,000 | 788,117 | 26,617 | 52,499 | 709,001 | - |
| Accounts payable (including related parties) | 123,981 | 123,981 | 123,981 | - | - | - |
| Other payables (including related parties) | 47,215 | 47,215 | 47,215 | - | - | - |
| Guarantee deposit received | 5,884 | 5,884 | 5,884 | - | - | - |
| Lease liabilities | 24,663 | 24,935 | 23,436 | 1,499 | - | - |
| | <u>\$ 923,743</u> | <u>990,132</u> | <u>227,133</u> | <u>53,998</u> | <u>709,001</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:

| | September 30, 2024 | | |
|------------------------------|---------------------|------------------|---------|
| | Foreign currency | Exchange rate | TWD |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ 21,405 | 31.6500 | 677,468 |
| HKD | 3,638 | 4.0750 | 14,825 |
| CNY | 205 | 4.5170 | 926 |
| JPY | 35,316 | 0.2223 | 7,851 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | 1,346 | 31.6500 | 4,261 |

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

| December 31, 2023 | | | |
|------------------------------|-----------------------------|--------------------------|------------|
| | Foreign currency | Exchange rate | TWD |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ | 17,870 | 30.7050 |
| HKD | | 3,302 | 3.9290 |
| CNY | | 995 | 4.3350 |
| JPY | | 29,626 | 0.2172 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | | 2,952 | 30.7050 |
| September 30, 2023 | | | |
| | Foreign currency | Exchange rate | TWD |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ | 17,720 | 32.2700 |
| HKD | | 2,483 | 4.1230 |
| CNY | | 1,086 | 4.4950 |
| JPY | | 30,159 | 0.2162 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | | 4,043 | 32.2700 |

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 September 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 \$6,968 thousand and \$4,630 thousand for the nine months ended September 30, 2024 and 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 nine months ended September 30, 2024 and 2023, net foreign exchange (losses) gains (including realized and unrealized) amounted to \$(14,708) thousand, \$11,779 thousand, \$4,283 thousand and \$19,823 thousand, respectively.

(Continued)

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

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 \$736 thousand and \$542 thousand for the nine months ended September 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 nine months ended September 30, | | | |
|--|---|-------------------|--------------------------------------|-------------------|
| | 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% | \$ 8,785 | 335 | 8,782 | 53 |
| Decrease by 1% | \$ (8,785) | (335) | (8,782) | (53) |

(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:

(Continued)

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

| September 30, 2024 | | | | | |
|--|---------------------|-------------------|----------------|----------------|------------------|
| | Amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Shares | \$ 33,497 | 33,497 | - | - | 33,497 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Shares | 878,487 | 868,284 | - | 10,203 | 878,487 |
| Total | <u>\$ 911,984</u> | <u>901,781</u> | <u>-</u> | <u>10,203</u> | <u>911,984</u> |
| December 31, 2023 | | | | | |
| | Amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| 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 | <u>\$ 950,391</u> | <u>831,642</u> | <u>-</u> | <u>118,749</u> | <u>950,391</u> |
| September 30, 2023 | | | | | |
| | Amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Shares | \$ 5,337 | 5,337 | - | - | 5,337 |
| Financial products | 224,750 | - | - | 224,750 | 224,750 |
| Subtotal | 230,087 | 5,337 | - | 224,750 | 230,087 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Shares | 878,170 | 873,170 | - | 5,000 | 878,170 |
| Total | <u>\$ 1,108,257</u> | <u>878,507</u> | <u>-</u> | <u>229,750</u> | <u>1,108,257</u> |

(Continued)

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

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

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

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

- 3) Transfers between Level 1 and Level 2

No transfers have occurred between the fair value levels in the hierarchy for the nine months ended September 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 |
| Recognized in other comprehensive income | - | (1,951) | (1,951) |
| Purchased | - | 1,780 | 1,780 |
| Disposed | (111,039) | - | (111,039) |
| Effect of movements in exchange rates | 2,664 | - | 2,664 |
| Balance on September 30, 2024 | <u>\$ -</u> | <u>10,203</u> | <u>10,203</u> |
| Balance on January 1, 2023 | \$ 220,450 | - | 220,450 |
| Purchased | - | 5,000 | 5,000 |
| Effect of movements in exchange rates | 4,300 | - | 4,300 |
| Balance on September 30, 2023 | <u>\$ 224,750</u> | <u>5,000</u> | <u>229,750</u> |

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

- 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.

Quantified information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Interrelationship between significant unobservable inputs and fair value measurement |
|--|--|--|--|
| Financial assets measured at fair value through profit or loss – financial products | Discounted cash flow method /Market approach | Pricing of financial products | None |
| 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% , 15.7% and 25% as of September 30, 2024 , December 31, 2023 and September 30, 2023) P/B ratio (3.68 as of both September 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 |
| September 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% | 121 | (121) |
| | P/B ratio | 1% | 102 | (102) |

(Continued)

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

| | | Upwards or downwards movement | The effect on other comprehensive income due to change of fair value | |
|--|---------------------------------|-------------------------------------|--|-------------|
| | Inputs | | Favorable | Unfavorable |
| 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) |
| September 30, 2023 | | | | |
| Financial assets measured at fair value through other comprehensive income | | | | |
| The fair value of equity instruments without an active market — market approach | Market liquidity discount | 1% | 67 | (67) |

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.

(x) 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.

(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 nine months ended September 30, 2024, the right-of-use assets that the Group acquired by leasing were \$33,620 thousand. The right-of-use assets were reduced by \$2,575 thousand due to lease modification. For the nine months ended September 30, 2023, the right-of-use assets, amounting to \$2,916 thousand, were acquired under leases.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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Reconciliation of liabilities arising from non-cash financing activities for the nine months ended September 30, 2024 and 2023, respectively, was as follows:

| | <u>2024.1.1</u> | <u>Cash flows</u> | <u>Non-cash changes</u> | | <u>2024.9.30</u> |
|---|------------------|-------------------|----------------------------------|---------------|------------------|
| | | | <u>Foreign exchange movement</u> | <u>other</u> | |
| Lease liabilities | \$ 26,778 | (13,089) | 810 | 31,045 | 45,544 |
| Guarantee deposits received | 5,755 | 379 | 148 | - | 6,282 |
| Total liabilities from financing activities | <u>\$ 32,533</u> | <u>(12,710)</u> | <u>958</u> | <u>31,045</u> | <u>51,826</u> |

| | <u>2023.1.1</u> | <u>Cash flows</u> | <u>Non-cash changes</u> | | <u>2023.9.30</u> |
|---|------------------|-------------------|----------------------------------|--------------|------------------|
| | | | <u>Foreign exchange movement</u> | <u>other</u> | |
| Lease liabilities | \$ 43,033 | (21,594) | 308 | 2,916 | 24,663 |
| Guarantee deposits received | 7,094 | (1,187) | (23) | - | 5,884 |
| Total liabilities from financing activities | <u>\$ 50,127</u> | <u>(22,781)</u> | <u>285</u> | <u>2,916</u> | <u>30,547</u> |

(7) Related-party transactions

(a) Names and relationship with related parties

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

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|--|------------------------------------|
| Tatung Corporation | The parent company |
| 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 |
| 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 |

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

(b) Significant transactions with related parties

(i) Sales

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|-----------------------|---|-----------|--|--------------|
| | 2024 | 2023 | 2024 | 2023 |
| The parent company | \$ - | 6 | 70 | 7 |
| Other related parties | 1 | 23 | 48 | 1,914 |
| | <u>\$ 1</u> | <u>29</u> | <u>118</u> | <u>1,921</u> |

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

| For the nine months ended September 30, | | | | |
|---|---|------------------------------|---|------------------------------|
| Location | Related party | Arm's length customer | 2024 | 2023 |
| | | | Related party | Arm's length customer |
| Foreign | O/A 30-150 days | O/A 60-150 days or Sight L/C | O/A 30-150 days | O/A 60-150 days or Sight L/C |
| Domestic | Cash collection at period closing date or TT or O/A 30-150 days | O/A 30-120 days | Cash collection at period closing date or TT or O/A 30-150 days | O/A 30-120 days |

(ii) Receivables from related parties

| Account | Relationship | September 30, 2024 | December 31, 2023 | September 30, 2023 |
|-------------------------------------|-----------------------|-----------------------|----------------------|-----------------------|
| Accounts receivable—related parties | The parent company | \$ - | - | 7 |
| | Other related parties | | | |
| " | Other related parties | 1 | 106 | 24 |
| | Less: loss allowance | - | - | - |
| | Total | <u>\$ 1</u> | <u>106</u> | <u>31</u> |
| Other receivables—related parties | The parent company | \$ 2,268 | 2,136 | 2,227 |
| | Less: loss allowance | - | - | - |
| | | <u>\$ 2,268</u> | <u>2,136</u> | <u>2,227</u> |

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(iii) Payables to related parties

| <u>Account</u> | <u>Relationship</u> | <u>September 30, 2024</u> | <u>December 31, 2023</u> | <u>September 30, 2023</u> |
|--------------------------------------|--------------------------|-------------------------------|------------------------------|-------------------------------|
| Accounts payable— related parties | Other related parties | \$ <u>39</u> | <u>55</u> | <u>114</u> |
| Other payables— related parties | The parent company | \$ 1,040 | 1,159 | 2,893 |
| | Other related parties | 213 | 39 | 190 |
| | Total | \$ <u>1,253</u> | <u>1,198</u> | <u>3,083</u> |

(iv) Rental income

| | <u>For the three months ended September 30,</u> | | <u>For the nine months ended September 30,</u> | |
|--------------------|---|--------------|--|--------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| The parent company | \$ <u>1,420</u> | <u>1,420</u> | <u>4,259</u> | <u>4,259</u> |

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

(v) Service fee

For the three months and nine months ended September 30, 2024 and 2023, the Group's parent company incurred expenses of \$750 thousand, \$2,363 thousand, \$2,250 thousand and \$2,363 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 three month ended September 30, 2023 and the nine months ended September 30, 2023, interest expenses of \$83 thousand, \$0, \$187 thousand and \$0 were recognized, respectively. As of September 30, 2024 and December 31, 2023, the balances of lease liabilities amounted to \$14,075 thousand and \$3,434 thousand, respectively.

(c) Key management personnel compensation

| | <u>For the three months ended September 30,</u> | | <u>For the nine months ended September 30,</u> | |
|------------------------------|---|---------------------|--|---------------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Short-term employee benefits | \$ 4,885 | 1,991 | 14,940 | 6,209 |
| Post-employment benefits | 124 | 57 | 363 | 179 |
| | \$ <u>5,009</u> | <u>2,048</u> | <u>15,303</u> | <u>6,388</u> |

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

(8) Assets pledged as security

The carrying amounts of pledged assets were as follows:

| <u>Pledged assets</u> | <u>Object</u> | <u>September 30, 2024</u> | <u>December 31, 2023</u> | <u>September 30, 2023</u> |
|--|--|-------------------------------|------------------------------|-------------------------------|
| 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 | 46,708 | 52,788 | 58,820 |
| 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>\$ 513,905</u> | <u>519,985</u> | <u>525,984</u> |

(9) Commitments and contingencies

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

| <u>Contracts entered into</u> | <u>September 30, 2024</u> |
|---|-------------------------------|
| Royalty of sales on carbon credits | USD 17,400 |
| | |
| <u>Amount paid</u> | <u>September 30, 2024</u> |
| Royalty of sales on carbon credits (Note) | USD 2,800 (NTD 90,642) |

Note: The amount was recognized in the line item of prepayments.

(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. In September 2024, the mediation was successfully concluded by Suzhou Arbitration Commission, and the client approved to give up the claimed amount.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(12) Other

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

| | For the three months ended September 30, | | | | | | |
|----------------------------|--|--------------|-------------------|--------|--------------|-------------------|--------|
| By item | By function | 2024 | | | 2023 | | |
| | | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| Employee benefits | | | | | | | |
| Salary | | 31,247 | 13,712 | 44,959 | 34,276 | 11,469 | 45,745 |
| Labor and health insurance | | 2,850 | 875 | 3,725 | 2,917 | 785 | 3,702 |
| Pension | | 1,760 | 707 | 2,467 | 2,064 | 740 | 2,804 |
| Others | | 1,490 | 111 | 1,601 | 1,425 | 663 | 2,088 |
| Depreciation | | 6,239 | 4,576 | 10,815 | 11,028 | 1,946 | 12,974 |
| Amortization | | 29 | 23 | 52 | 52 | 14 | 66 |

| | For the nine months ended September 30, | | | | | | |
|----------------------------|---|-------------------|---------|--------------|-------------------|---------|--|
| By item | By function | 2024 | | | 2023 | | |
| | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total | |
| Employee benefits | | | | | | | |
| Salary | 92,380 | 41,326 | 133,706 | 100,638 | 33,472 | 134,110 | |
| Labor and health insurance | 8,566 | 2,675 | 11,241 | 9,255 | 2,429 | 11,684 | |
| Pension | 5,292 | 2,085 | 7,377 | 6,406 | 2,229 | 8,635 | |
| Others | 4,398 | 213 | 4,611 | 4,974 | 1,233 | 6,207 | |
| Depreciation | 19,009 | 13,436 | 32,445 | 34,347 | 6,051 | 40,398 | |
| Amortization | 92 | 65 | 157 | 181 | 44 | 225 | |

- (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 September 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.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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.

(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 September 30, 2024 | | | | | | |
| Revenue: | | | | | | |
| Revenue from external customers | \$ 70,262 | 57,499 | 42,302 | - | - | 170,063 |
| Inter-segment revenue | 24,577 | 3,537 | - | - | (28,114) | - |
| Total revenue | \$ 94,839 | 61,036 | 42,302 | - | (28,114) | 170,063 |
| Profit (loss) of reportable segments | \$ (27,898) | (20,886) | (9,399) | (1,050) | - | (59,233) |
| For the three months ended September 30, 2023 | | | | | | |
| Revenue: | | | | | | |
| Revenue from external customers | \$ 35,272 | 60,129 | 76,565 | - | - | 171,966 |
| Inter-segment revenue | 53,974 | 3,410 | 445 | - | (57,829) | - |
| Total revenue | \$ 89,246 | 63,539 | 77,010 | - | (57,829) | 171,966 |
| Profit (loss) of reportable segments | \$ (7,936) | (12,717) | 4,827 | 6,203 | - | (9,623) |

(Continued)

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

| | <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 nine months ended September 30, 2024 | | | | | | |
| Revenue: | | | | | | |
| Revenue from external customers | \$ 147,903 | 193,079 | 109,004 | - | - | 449,986 |
| Inter-segment revenue | <u>61,197</u> | <u>8,609</u> | <u>440</u> | <u>-</u> | <u>(70,246)</u> | <u>-</u> |
| Total revenue | \$ <u>209,100</u> | <u>201,688</u> | <u>109,444</u> | <u>-</u> | <u>(70,246)</u> | <u>449,986</u> |
| Profit (loss) of reportable segments | \$ <u>(33,714)</u> | <u>(41,843)</u> | <u>(9,448)</u> | <u>(5,343)</u> | <u>-</u> | <u>(90,348)</u> |
| For the nine months ended September 30, 2023 | | | | | | |
| Revenue: | | | | | | |
| Revenue from external customers | \$ 182,997 | 199,908 | 192,549 | - | - | 575,454 |
| Inter-segment revenue | <u>141,197</u> | <u>10,621</u> | <u>1,140</u> | <u>-</u> | <u>(152,958)</u> | <u>-</u> |
| Total revenue | \$ <u>324,194</u> | <u>210,529</u> | <u>193,689</u> | <u>-</u> | <u>(152,958)</u> | <u>575,454</u> |
| Profit (loss) of reportable segments | \$ <u>(15,141)</u> | <u>(36,682)</u> | <u>3,983</u> | <u>19,361</u> | <u>-</u> | <u>(28,479)</u> |

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 | 4,509 | 0.03 | 4,509 | |
| | Stock—Tatung Co., Ltd | Parent-subsiary | Non-current financial assets measured at fair value through other comprehensive income | 17,666,000 | 868,284 | 0.76 | 868,284 | |
| | Stock - GaN Power Technology Co., Ltd. | - | Non-current financial assets measured at fair value through other comprehensive income | 648,351 | 10,203 | 1.42 | 10,203 | |
| Forward Electronics Equipment (Dong Guan) Co., Ltd. | Stock—China Mobile Limited. | - | Current financial assets measured at fair value through profit or loss | 58,500 | 28,988 | - | 28,988 | |

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 | | | |
|-----------------|-------------------------------|---|--------------------------|---------------------------|----------|------------|---|
| | | | | Account | Amount | Terms | Percentage of total consolidated net revenue or assets (Note 3) |
| 0 | Forward Electronics Co., Ltd. | Suzhou Forward Electronics Technology Co., Ltd. | 1 | Accounts receivable | \$ 4,401 | As general | 0.14% |
| 0 | " | " | " | Accounts payable | 31,543 | " | 0.99% |
| 0 | " | " | " | Sales revenue | 9,036 | " | 2.01% |
| 0 | " | " | " | Cost of goods sold | 61,210 | " | 13.60% |

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 | Remark |
|-------------------------------|--------------------------------------|------------------------|--|-------------------------------------|-------------------------------------|----------------|----------------|----------------|-----------------------------------|--|----------|
| | | | | September 30, 2024 | December 31, 2023 | Shares | Percentage (%) | Carrying value | | | |
| Forward Electronics Co., Ltd. | Forward Development Co., Ltd. | British Virgin Islands | Investment in production business, etc. | 610,797 (USD 19,298) (Note 1) | 610,797 (USD 19,298) (Note 1) | - | 100.00 | 788,077 | (17,588) | (17,588) | |
| | Forward Intelligent Energy Co., Ltd. | Taiwan | Carbon credits development and Carbon neutral consulting | 290,000 | 290,000 | 29,000,000 | 100.00 | 254,657 | (30,911) | (30,911) | |
| | 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 | - | 22,636 | - | (Note 2) |

Note 1 : Including equipment investment of NTD72,225 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 September 30, 2024 | Net income (loss) of the investee company | Percentage of ownership | Investment income (loss) recognized (Note 2 and 3) | Carrying Value as of September 30, 2024 (Note 3) | Accumulated inward remittance of earnings as of September 30, 2024 |
|------------------------------|---|---|------------------------------------|-------------------------------------|--|------------------|--------|---|--|----------------------------|---|---|---|
| | | | | | | Outflow | Inflow | | | | | | |
| Forward Development | Forward Electronics Equipment (Dong Guan) Co., Ltd | Factory leasing business | USD 4,600 | (2) (Note 4) | 141,266 | - | - | 141,266 | 13,680 | 100.00% | 13,680 | 219,973 | 25,763 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) | - | - | - | - | (31,286) | 100.00% | (31,286) | 568,541 | 732,887 USD 23,156 |

| Accumulated investment in Mainland China as of September 30, 2024 | Investment amounts authorized by Investment Commission, MOEA | Upper limit on investment (Note 5) |
|--|---|---------------------------------------|
| \$141,266 | \$714,182 (USD 22,565) | \$1,060,956 |

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 September 30, 2024 : 31.65

RMB exchange rate on September 30, 2024 : 4.517

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% |
| 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.