

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

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2025 and 2024**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Forward Electronics Co., Ltd. and its subsidiaries as of June 30, 2025 and 2024, and the consolidated statements of comprehensive income for the three months and six months ended June 30, 2025 and 2024, as well as the changes in equity and cash flows for the six months ended June 30, 2025 and 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Forward Electronics Co., Ltd. and its subsidiaries as of June 30, 2025 and 2024, and of its consolidated financial performance for the three months and six months ended June 30, 2025 and 2024, as well as its consolidated cash flows for the six months ended June 30, 2025 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



The engagement partners on the reviews resulting in this independent auditors' review report are Pan, Chun-Ming and Lai, Li-Chen.

KPMG

Taipei, Taiwan (Republic of China)
August 5, 2025

Notes to Readers

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

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

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

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**Consolidated Balance Sheets****June 30, 2025, December 31, 2024, and June 30, 2024****(Expressed in Thousands of New Taiwan Dollars)**

| | | June 30, 2025 | | December 31, 2024 | | June 30, 2024 | | | | | | June 30, 2025 | | December 31, 2024 | | June 30, 2024 | |
|---------------------------------|---|----------------------|------------|--------------------------|------------|----------------------|------------|------|--|--------------------------------------|-----|----------------------|------------|--------------------------|------------|----------------------|------------|
| Assets | | Amount | % | Amount | % | Amount | % | | | Liabilities and Equity | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents (Note 6(a)) | \$ 792,960 | 28 | 858,848 | 26 | 1,110,222 | 33 | 2100 | Short-term borrowings (Notes 6(l) and 8) | \$ 100,000 | 3 | 100,000 | 3 | - | - | | |
| 1110 | Current financial assets at fair value through profit or loss (Note 6(b)) | 30,252 | 1 | 35,541 | 1 | 32,664 | 1 | 2130 | Current contract liabilities (Note 6(t)) | 15,864 | 1 | 12,474 | - | 3,899 | - | | |
| 1136 | Current financial assets at amortized cost (Notes 6(d) and 8) | 140,513 | 5 | 222,319 | 8 | 100,468 | 3 | 2170 | Accounts payable | 99,155 | 3 | 110,533 | 3 | 92,875 | 3 | | |
| 1150 | Notes receivable, net (Note 6(e)) | 5,949 | - | 5,249 | - | 6,187 | - | 2180 | Accounts payable—related parties (Note 7) | - | - | 9 | - | 123 | - | | |
| 1170 | Accounts receivable, net (Note 6(e)) | 160,508 | 6 | 152,817 | 6 | 198,047 | 6 | 2200 | Other payables | 48,783 | 2 | 50,315 | 3 | 41,308 | 1 | | |
| 1180 | Accounts receivable—related parties, net (Notes 6(e) and 7) | 1,903 | - | 2 | - | 127 | - | 2220 | Other payables—related parties (Note 7) | 859 | - | 1,440 | - | 1,099 | - | | |
| 1200 | Other receivables (Notes 6(f) and 7) | 5,809 | - | 7,308 | - | 6,998 | - | 2230 | Current tax liabilities | 1,013 | - | - | - | 231 | - | | |
| 1220 | Current tax assets | 2,462 | - | 3,645 | - | 2,675 | - | 2250 | Current provisions | - | - | 1,739 | - | 1,736 | - | | |
| 130X | Inventories (Note 6(g)) | 104,304 | 4 | 106,913 | 3 | 80,017 | 2 | 2280 | Current lease liabilities (Notes 6(n) and 7) | 11,544 | - | 17,110 | 1 | 14,998 | - | | |
| 1410 | Prepayments (Notes 6(h) and 9) | 110,557 | 4 | 110,823 | 3 | 83,388 | 2 | 2322 | Long-term borrowings, current portion (Notes 6(m) and 8) | 24,000 | 1 | 24,000 | 1 | 24,000 | 1 | | |
| 1470 | Other current assets | 1,653 | - | 1,518 | - | 1,598 | - | 2399 | Other current liabilities | 4,285 | - | 3,701 | - | 4,051 | - | | |
| Total current assets | | <u>1,356,870</u> | <u>48</u> | <u>1,504,983</u> | <u>47</u> | <u>1,622,391</u> | <u>47</u> | | | Total current liabilities | | <u>305,503</u> | <u>10</u> | <u>321,321</u> | <u>11</u> | <u>184,320</u> | <u>5</u> |
| Non-current assets: | | | | | | | | | | Non-Current liabilities: | | | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (Note 6(b)) | 153,384 | 5 | 189,924 | 7 | - | - | 2540 | Long-term borrowings (Notes 6(m) and 8) | 939,000 | 33 | 951,000 | 29 | 963,000 | 29 | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income (Note 6(c)) | 672,023 | 23 | 853,074 | 26 | 1,019,116 | 30 | 2570 | Deferred tax liabilities | 210,789 | 7 | 210,789 | 6 | 215,066 | 6 | | |
| 1600 | Property, plant and equipment (Notes 6(i) and 8) | 543,265 | 19 | 549,982 | 17 | 557,576 | 17 | 2580 | Non-current lease liabilities (Notes 6(n) and 7) | 18,726 | 1 | 22,950 | 1 | 26,074 | 1 | | |
| 1755 | Right-of-use assets (Note 6(j)) | 22,424 | 1 | 30,347 | 1 | 22,349 | 1 | 2645 | Guarantee deposits received | 6,163 | - | 5,391 | - | 7,379 | - | | |
| 1760 | Investment property, net (Note 6(k)) | 13,208 | - | 15,743 | - | 17,356 | 1 | 2670 | Other non-current liabilities | 1,479 | - | 1,479 | - | 1,479 | - | | |
| 1780 | Intangible assets | 454 | - | 422 | - | 503 | - | | | Total non-current liabilities | | <u>1,176,157</u> | <u>41</u> | <u>1,191,609</u> | <u>36</u> | <u>1,212,998</u> | <u>36</u> |
| 1840 | Deferred tax assets | 47,685 | 2 | 47,685 | 1 | 68,941 | 2 | | | Total liabilities | | <u>1,481,660</u> | <u>51</u> | <u>1,512,930</u> | <u>47</u> | <u>1,397,318</u> | <u>41</u> |
| 1920 | Refundable deposits (Note 8) | 3,369 | - | 4,933 | - | 4,886 | - | | | Equity (Notes 6(c) and (r)): | | | | | | | |
| 1930 | Long-term receivables (Notes 6(e) and (f)) | - | - | 2,748 | - | 26,538 | 1 | 3100 | Share capital | 1,399,830 | 49 | 1,399,830 | 43 | 1,399,830 | 42 | | |
| 1975 | Non-current net defined benefit assets | 44,098 | 2 | 43,991 | 1 | 33,173 | 1 | 3200 | Capital surplus | 48,716 | 2 | 48,716 | 2 | 48,716 | 1 | | |
| 1990 | Total other non-current assets, others | 5,000 | - | - | - | - | - | 3300 | Retained earnings | (115,810) | (4) | (17,111) | (1) | 61,636 | 2 | | |
| Total non-current assets | | <u>1,504,910</u> | <u>52</u> | <u>1,738,849</u> | <u>53</u> | <u>1,750,438</u> | <u>53</u> | 3400 | Other equity | 47,384 | 2 | 299,467 | 9 | 465,329 | 14 | | |
| Total assets | | <u>\$ 2,861,780</u> | <u>100</u> | <u>3,243,832</u> | <u>100</u> | <u>3,372,829</u> | <u>100</u> | | | Total equity | | 1,380,120 | 49 | 1,730,902 | 53 | 1,975,511 | 59 |
| | | | | | | | | | | Total liabilities and equity | | <u>\$ 2,861,780</u> | <u>100</u> | <u>3,243,832</u> | <u>100</u> | <u>3,372,829</u> | <u>100</u> |

See accompanying notes to consolidated financial statements.

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

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the three months and six months ended June 30, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

| | | For the three months ended June 30 | | | | For the six months ended June 30 | | | |
|------|---|---|----------|---------------|----------|---|----------|---------------|----------|
| | | 2025 | | 2024 | | 2025 | | 2024 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | Operating revenue (Notes 6(t) and 7) | \$ 164,748 | 100 | 140,351 | 100 | 322,410 | 100 | 279,923 | 100 |
| 5000 | Operating costs (Notes 6(g) and (p)) | 153,127 | 93 | 136,177 | 97 | 298,938 | 93 | 271,033 | 97 |
| | Gross profit from operations | 11,621 | 7 | 4,174 | 3 | 23,472 | 7 | 8,890 | 3 |
| | Operating expenses (Notes 6(e), (p) and 7): | | | | | | | | |
| 6100 | Selling expenses | 7,498 | 5 | 6,941 | 5 | 13,938 | 4 | 14,041 | 5 |
| 6200 | Administrative expenses | 16,552 | 10 | 17,863 | 13 | 33,745 | 10 | 55,414 | 20 |
| 6300 | Research and development expenses | 3,992 | 2 | 3,973 | 3 | 7,519 | 2 | 7,914 | 3 |
| 6450 | Expected credit impairment loss | (9) | - | 164 | - | (204) | - | 673 | - |
| | Total operating expenses | 28,033 | 17 | 28,941 | 21 | 54,998 | 16 | 78,042 | 28 |
| | Net operating loss | (16,412) | (10) | (24,767) | (18) | (31,526) | (9) | (69,152) | (25) |
| | Non-operating income and expenses (Notes (n), (v), (w) and 7): | | | | | | | | |
| 7100 | Interest income | 6,384 | 4 | 9,484 | 7 | 12,802 | 4 | 15,720 | 6 |
| 7010 | Other income | 6,728 | 4 | 8,503 | 6 | 12,256 | 4 | 15,732 | 6 |
| 7020 | Other gains and losses | (50,906) | (31) | 6,695 | 5 | (78,690) | (24) | 20,046 | 7 |
| 7050 | Finance costs | (6,157) | (4) | (5,813) | (4) | (12,406) | (4) | (11,373) | (4) |
| 7055 | Expected credit impairment loss | - | - | (1,771) | (1) | - | - | (2,088) | (1) |
| | Total non-operating income and expenses | (43,951) | (27) | 17,098 | 13 | (66,038) | (20) | 38,037 | 14 |
| | Loss before tax | (60,363) | (37) | (7,669) | (5) | (97,564) | (29) | (31,115) | (11) |
| 7950 | Income tax expense (Note 6(q)) | 1,085 | - | 225 | (1) | 1,135 | - | 383 | - |
| | Net loss | (61,448) | (37) | (7,894) | (4) | (98,699) | (29) | (31,498) | (11) |
| 8300 | Other comprehensive income (loss): | | | | | | | | |
| 8310 | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | | | | | |
| 8316 | Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income | (41,235) | (25) | 8,833 | 6 | (172,218) | (53) | 292,548 | 105 |
| 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 | (41,235) | (25) | 8,833 | 6 | (172,218) | (53) | 292,548 | 105 |
| | Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | |
| 8360 | Exchange differences on translation of foreign financial statements | (90,900) | (56) | 7,926 | 6 | (79,865) | (25) | 39,301 | 14 |
| 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 | (90,900) | (56) | 7,926 | 6 | (79,865) | (25) | 39,301 | 14 |
| 8300 | Other comprehensive income (after tax) | (132,135) | (81) | 16,759 | 12 | (252,083) | (78) | 331,849 | 119 |
| | Total comprehensive income | \$ (193,583) | (118) | 8,865 | 8 | (350,782) | (107) | 300,351 | 108 |
| | Losses per share (NT dollars) (Note 6(s)) | | | | | | | | |
| 9750 | Basic losses per share | \$ (0.44) | | (0.06) | | (0.71) | | (0.23) | |
| 9850 | Diluted losses per share | \$ (0.44) | | (0.06) | | (0.71) | | (0.23) | |

See accompanying notes to consolidated financial statements.

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

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

| | <u>Share capital</u> | | <u>Retained earnings</u> | | | <u>Exchange differences on translation of foreign financial statements</u> | <u>Other equity</u> | <u>Total</u> | <u>Total equity</u> |
|---|------------------------|------------------------|--------------------------|---|------------------|--|--|----------------|---------------------|
| | <u>Ordinary shares</u> | <u>Capital surplus</u> | <u>Legal reserve</u> | <u>Unappropriated retained earnings</u> | <u>Total</u> | | <u>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</u> | | |
| Balance at January 1, 2024 | \$ 1,399,830 | 48,716 | 21,800 | 13,874 | 35,674 | (108,477) | 299,417 | 190,940 | 1,675,160 |
| Net loss | - | - | - | (31,498) | (31,498) | - | - | - | (31,498) |
| Other comprehensive income | - | - | - | - | - | 39,301 | 292,548 | 331,849 | 331,849 |
| Total comprehensive income | - | - | - | (31,498) | (31,498) | 39,301 | 292,548 | 331,849 | 300,351 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | 57,460 | 57,460 | - | (57,460) | (57,460) | - |
| Balance at June 30, 2024 | <u>\$ 1,399,830</u> | <u>48,716</u> | <u>21,800</u> | <u>39,836</u> | <u>61,636</u> | <u>(69,176)</u> | <u>534,505</u> | <u>465,329</u> | <u>1,975,511</u> |
| Balance at January 1, 2025 | \$ 1,399,830 | 48,716 | 21,800 | (38,911) | (17,111) | (68,996) | 368,463 | 299,467 | 1,730,902 |
| Net loss | - | - | - | (98,699) | (98,699) | - | - | - | (98,699) |
| Other comprehensive income | - | - | - | - | - | (79,865) | (172,218) | (252,083) | (252,083) |
| Total comprehensive income | - | - | - | (98,699) | (98,699) | (79,865) | (172,218) | (252,083) | (350,782) |
| Balance at June 30, 2025 | <u>\$ 1,399,830</u> | <u>48,716</u> | <u>21,800</u> | <u>(137,610)</u> | <u>(115,810)</u> | <u>(148,861)</u> | <u>196,245</u> | <u>47,384</u> | <u>1,380,120</u> |

See accompanying notes to consolidated financial statements.

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

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

| | For the six months ended June 30 | |
|--|---|------------------|
| | 2025 | 2024 |
| Cash flows from (used in) operating activities: | | |
| Loss before tax | \$ (97,564) | (31,115) |
| Adjustments: | | |
| Adjustments to reconcile loss | | |
| Depreciation expense | 19,593 | 21,630 |
| Amortization expense | 107 | 105 |
| Expected credit impairment (reversal gain) loss | (204) | 2,761 |
| Net loss (gain) on financial assets or liabilities at fair value through profit or loss | 40,627 | (1,599) |
| Interest expense | 12,406 | 11,373 |
| Interest income | (12,802) | (15,720) |
| Dividend income | (588) | - |
| Loss (gain) on disposal and write-off of property, plant and equipment | 12 | (318) |
| Gain on disposal of investment properties | (153) | - |
| Total adjustments to reconcile profit | 58,998 | 18,232 |
| Changes in operating assets and liabilities: | | |
| Notes receivable | (831) | (670) |
| Accounts receivable | (13,665) | 14,381 |
| Accounts receivable—related parties | (1,901) | (21) |
| Other receivables | 425 | 902 |
| Inventories | (4,230) | 13,586 |
| Prepayments | (94) | (80,333) |
| Other current assets | (135) | (48) |
| Net defined benefit assets | (107) | (1,041) |
| Contract liabilities | 3,482 | (16,510) |
| Accounts payable | (7,678) | (21,372) |
| Accounts payable—related parties | (9) | 68 |
| Other payables | (726) | (5,440) |
| Other payables—related parties | (581) | (99) |
| Provisions | (1,672) | (5,552) |
| Other current liabilities | 584 | 1,089 |
| Total adjustments | 31,860 | (82,828) |
| Cash outflow generated from operations | (65,704) | (113,943) |
| Interest received | 13,472 | 24,354 |
| Dividends received | 588 | - |
| Interest paid | (11,917) | (11,350) |
| Income taxes received (paid) | 1,119 | (1,344) |
| Net cash flows used in operating activities | (62,442) | (102,283) |
| Cash flows from investing activities: | | |
| Acquisition of financial assets at fair value through other comprehensive income | - | (1,780) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | - | 111,558 |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | 8,833 | - |
| Acquisition of financial assets at amortized cost | (45,723) | (96,572) |
| Proceeds from maturity of financial assets at amortized cost | 117,433 | - |
| Acquisition of financial assets at fair value through profit or loss | (3,920) | (24,568) |
| Proceeds from disposal of financial assets at fair value through profit or loss | - | 110,305 |
| Acquisition of derivative financial assets for hedging | 1,983 | - |
| Acquisition of property, plant and equipment | (3,823) | (11,338) |
| Proceeds from disposal of property, plant and equipment | 41 | 698 |
| Decrease in refundable deposits | 1,330 | 1,957 |
| Acquisition of intangible assets | (153) | (168) |
| Proceeds from disposal of investment properties | 153 | - |
| Increase in other non-current assets | (5,000) | - |
| Net cash flows from investing activities | 71,154 | 90,092 |
| Cash flows used in financing activities: | | |
| Decrease in short-term borrowings | - | (18,000) |
| Repayments of long-term borrowings | (12,000) | (12,000) |
| Increase in guarantee deposits received | 1,070 | 1,446 |
| Payment of lease liabilities | (8,769) | (8,706) |
| Net cash flows used in financing activities | (19,699) | (37,260) |
| Effect of exchange rate changes on cash and cash equivalents | (54,901) | 27,345 |
| Net decrease in cash and cash equivalents for the current period | (65,888) | (22,106) |
| Cash and cash equivalents at beginning of period | 858,848 | 1,132,328 |
| Cash and cash equivalents at end of period | \$ 792,960 | 1,110,222 |

See accompanying notes to consolidated financial statements.

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

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

(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 August 5, 2025.

(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, 2025:

- Amendments to IAS21 “Lack of Exchangeability”

- (b) The impact of IFRS Accounting Standards 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, 2026, would not have a significant impact on its consolidated financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(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 |

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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 19 “Subsidiaries without Public Accountability: Disclosures”

(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 (hereinafter referred to as “the Regulations”) IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as FSC), and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (altogether 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 material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2024. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2024.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

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

| Name of investor | Name of subsidiary | Principal activity | Shareholding (%) | | |
|-------------------------------|--|--|------------------|----------------------|------------------|
| | | | June 30, 2025 | December 31, 2024 | June 30, 2024 |
| 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 % |
| Forward Development Co., Ltd. | Forward Electronics Equipment (Dong Guan) Co., Ltd | Factory leasing business | 100 % | 100 % | 100 % |

(Continued)

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

| <u>Name of investor</u> | <u>Name of subsidiary</u> | <u>Principal activity</u> | <u>Shareholding (%)</u> | | |
|-------------------------------|---|---|--------------------------|------------------------------|--------------------------|
| | | | <u>June 30, 2025</u> | <u>December 31, 2024</u> | <u>June 30, 2024</u> |
| Forward Development Co., Ltd. | Suzhou Forward Electronics Technology Co., Ltd. | Manufacture and sale of TFT LCD backlight modules, switches and electronic labels, etc. | 100 % | 100 % | 100 % |

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Employee benefits

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

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34 “International Financial Reporting”.

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

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

(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 IAS 34 “Interim Financial Reporting” endorsed by the FSC requires management to make judgments, and estimates about the future, including climate-related risks and opportunities, 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, 2024. For related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2024.

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

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2024 consolidated financial statements. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2024.

(a) Cash and cash equivalents

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|---|--------------------------|------------------------------|--------------------------|
| Cash on hand | \$ 219 | 199 | 209 |
| Demand deposits and checking deposits | 220,377 | 294,618 | 211,341 |
| Call deposits | 143,255 | 250,855 | 328,938 |
| Time deposits matured within three months | 429,109 | 313,176 | 569,734 |
| Total | \$ 792,960 | 858,848 | 1,110,222 |

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

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

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|--|--------------------------|------------------------------|--------------------------|
| Mandatorily measured at fair value through profit or loss: | | | |
| Stocks listed on domestic markets | \$ 156,687 | 193,938 | 5,940 |
| Stocks listed on foreign markets | 26,949 | 31,527 | 26,724 |
| Total | \$ 183,636 | 225,465 | 32,664 |
| Current | \$ 30,252 | 35,541 | 32,664 |
| Non-current | 153,384 | 189,924 | - |
| Total | \$ 183,636 | 225,465 | 32,664 |

(i) The Group's financial assets measured at fair value through profit or loss have not been pledged as collateral.

(ii) For market risk and fair value information, please refer to Note 6(w).

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

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

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|--|--------------------------|------------------------------|--------------------------|
| Equity instruments measured at fair value through other comprehensive income—non-current | | | |
| Stock of domestic listed companies | \$ 666,273 | 846,201 | 1,006,962 |
| Stock of domestic non-listed company | <u>5,750</u> | <u>6,873</u> | <u>12,154</u> |
| Total | <u><u>\$ 672,023</u></u> | <u><u>853,074</u></u> | <u><u>1,019,116</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 six months ended June 30, 2025. The fair value of Tatung Corporation at the time of disposal amounted to \$111,558 thousand. The accumulated gains on disposal amounted to \$57,460 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(w).

(d) Financial assets measured at amortized cost-current

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|-----------------------------------|--------------------------|------------------------------|--------------------------|
| Restricted assets — trust account | \$ 30,100 | 33,352 | - |
| Time deposits (including pledged) | <u>110,413</u> | <u>188,967</u> | <u>100,468</u> |
| Total | <u><u>\$ 140,513</u></u> | <u><u>222,319</u></u> | <u><u>100,468</u></u> |

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

(Continued)

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

(e) Notes and accounts receivable

| | <u>June 30, 2025</u> | <u>December 31, 2024</u> | <u>June 30, 2024</u> |
|--|--------------------------|------------------------------|--------------------------|
| Current: | | | |
| Notes receivable from operating activities | \$ 5,949 | 5,274 | 6,217 |
| Less: loss allowance | <u>-</u> | <u>(25)</u> | <u>(30)</u> |
| Subtotal | <u>5,949</u> | <u>5,249</u> | <u>6,187</u> |
| Accounts receivable | 153,721 | 154,911 | 172,242 |
| Installment accounts receivable | 113,445 | 125,311 | 81,718 |
| Less: unrealized interest income | <u>(586)</u> | <u>(1,384)</u> | <u>(3,945)</u> |
| Subtotal | 266,580 | 278,838 | 250,015 |
| Less: loss allowance | <u>(106,072)</u> | <u>(126,021)</u> | <u>(51,968)</u> |
| Subtotal | <u>160,508</u> | <u>152,817</u> | <u>198,047</u> |
| Accounts receivable—related parties | 1,903 | 2 | 127 |
| Less: loss allowance | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>1,903</u> | <u>2</u> | <u>127</u> |
| Subtotal of current portions | <u>168,360</u> | <u>158,068</u> | <u>204,361</u> |
| Non-current: | | | |
| Long-term installments receivable | - | 2,758 | 39,990 |
| Less: unrealized interest income | - | (10) | (622) |
| Loss allowance | <u>-</u> | <u>-</u> | <u>(12,830)</u> |
| Subtotal of non-current portions | <u>-</u> | <u>2,748</u> | <u>26,538</u> |
| Total | <u><u>\$ 168,360</u></u> | <u><u>160,816</u></u> | <u><u>230,899</u></u> |

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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:

June 30, 2025

Notes receivable

| | Gross carrying amount | Weighted- average loss rate | Loss allowance |
|-----------------------------|----------------------------------|--|-----------------------|
| Current | \$ 5,949 | -% | - |
| Less than 120 days past due | - | -% | - |
| 121~180 days past due | - | -% | - |
| 181~270 days past due | - | -% | - |
| More than 271 days past due | - | -% | - |
| Total | <u>\$ 5,949</u> | | <u>-</u> |

Accounts receivable

| | Gross carrying amount | Weighted- average loss rate | Loss allowance |
|-----------------------------|----------------------------------|--|-----------------------|
| Current | \$ 151,806 | -% | - |
| Less than 120 days past due | 10,645 | 0.38% | 40 |
| 121~180 days past due | - | -% | - |
| 181~270 days past due | - | -% | - |
| More than 271 days past due | - | -% | - |
| Total | <u>\$ 162,451</u> | | <u>40</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 |
|-----------------------------|----------------------------------|--|-----------------------|
| Current | \$ 35,950 | 100% | 35,950 |
| Less than 120 days past due | 9,823 | 100% | 9,823 |
| 121~180 days past due | 4,093 | 100% | 4,093 |
| 181~270 days past due | 28,911 | 100% | 28,911 |
| More than 271 days past due | <u>27,255</u> | 100% | <u>27,255</u> |
| Total | <u><u>\$ 106,032</u></u> | | <u><u>106,032</u></u> |

December 31, 2024

Notes receivable

| | Gross carrying amount | Weighted- average loss rate | Loss allowance |
|-----------------------------|----------------------------------|--|-----------------------|
| Current | \$ 5,274 | 0.47% | 25 |
| 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>\$ 5,274</u></u> | | <u><u>25</u></u> |

Accounts receivable

| | Gross carrying amount | Weighted- average loss rate | Loss allowance |
|-----------------------------|----------------------------------|--|-----------------------|
| Current | \$ 149,339 | -% | - |
| Less than 120 days past due | 6,272 | 0.69% | 44 |
| 121~180 days past due | - | -% | - |
| 181~270 days past due | - | -% | - |
| More than 271 days past due | <u>6</u> | 100% | <u>6</u> |
| Total | <u><u>\$ 155,617</u></u> | | <u><u>50</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 |
|-----------------------------|----------------------------------|--|-----------------------|
| Current | \$ 55,568 | 100% | 55,568 |
| Less than 120 days past due | 36,645 | 100% | 36,645 |
| 121~180 days past due | 7,545 | 100% | 7,545 |
| 181~270 days past due | 9,693 | 100% | 9,693 |
| More than 271 days past due | 16,520 | 100% | 16,520 |
| Total | <u>\$ 125,971</u> | | <u>125,971</u> |

June 30, 2024

Notes receivable

| | Gross carrying amount | Weighted- average loss rate | Loss allowance |
|-----------------------------|----------------------------------|--|-----------------------|
| Current | \$ 6,217 | 0.48% | 30 |
| Less than 120 days past due | - | -% | - |
| 121~180 days past due | - | -% | - |
| 181~270 days past due | - | -% | - |
| More than 271 days past due | - | -% | - |
| Total | <u>\$ 6,217</u> | | <u>30</u> |

Accounts receivable

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

(Continued)

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

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

| | For the six months ended June 30, | |
|--|--|----------------------|
| | 2025 | 2024 |
| Balance at January 1 | \$ 126,046 | 62,104 |
| Impairment losses recognized | - | 673 |
| Impairment losses reversed | (204) | - |
| Amounts written off as uncollectible during the year | (7,654) | - |
| Effect of exchange rate change | <u>(12,116)</u> | <u>2,051</u> |
| Balance at June 30 | <u><u>\$ 106,072</u></u> | <u><u>64,828</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(w).

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

(f) Other receivables

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|---|--------------------------|------------------------------|--------------------------|
| Current: | | | |
| Tax refund receivable | \$ 917 | 816 | 513 |
| Earned revenue receivable | 3,561 | 4,231 | 3,870 |
| Other receivables — related parties | 1,177 | 2,152 | 2,150 |
| Other receivables — other | 5,517 | 5,470 | 21,581 |
| Other installment receivables | 2,942 | 3,278 | 2,240 |
| Less: unrealized interest income | <u>(46)</u> | <u>(49)</u> | <u>(32)</u> |
| Subtotal | 14,068 | 15,898 | 30,322 |
| Less: loss allowance | <u>(8,259)</u> | <u>(8,590)</u> | <u>(23,324)</u> |
| Subtotal of current portions | <u>5,809</u> | <u>7,308</u> | <u>6,998</u> |
| Non-current: | | | |
| Installments of long-term other receivables | - | - | 1,026 |
| Less: unrealized interest income | - | - | (13) |
| loss allowance | <u>-</u> | <u>-</u> | <u>(1,013)</u> |
| Subtotal of non-current portions | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u><u>\$ 5,809</u></u> | <u><u>7,308</u></u> | <u><u>6,998</u></u> |

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

(g) Inventories

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

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|-----------------|--------------------------|------------------------------|--------------------------|
| Raw materials | \$ 67,136 | 53,475 | 44,983 |
| Work in process | 22,878 | 24,996 | 22,672 |
| Finished goods | 13,322 | 27,441 | 11,156 |
| Merchandise | <u>968</u> | <u>1,001</u> | <u>1,206</u> |
| Total | <u><u>\$ 104,304</u></u> | <u><u>106,913</u></u> | <u><u>80,017</u></u> |

(Continued)

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

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---|--|----------------|--------------------------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| Cost of goods sold | \$ 156,229 | 139,088 | 304,069 | 274,587 |
| Reversal of write-downs of inventories | (1,425) | (499) | (74) | (1,002) |
| Write-off loss | 634 | 41 | 637 | 496 |
| Scrap revenue | (2,311) | (2,453) | (5,694) | (3,048) |
| Total | <u>\$ 153,127</u> | <u>136,177</u> | <u>298,938</u> | <u>271,033</u> |

(iii) The Group's inventories have not been pledged as collateral as of June 30, 2025, December 31 and June 30, 2024.

(h) Prepayments

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|---|-------------------|----------------------|------------------|
| Prepaid cost of the carbon credits development | \$ 103,750 | 103,750 | 64,764 |
| Other | 6,807 | 7,073 | 18,624 |
| Total | <u>\$ 110,557</u> | <u>110,823</u> | <u>83,388</u> |

The Group jointly developed an Indonesian REDD+/CBB carbon credits project with Asia Assets Development Co., Ltd., please refer to Note 9.

(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, 2025 | \$ 463,378 | 182,341 | 220,064 | 30,402 | 3,510 | 50,687 | 185,645 | 1,136,027 |
| Additions | - | - | 1,216 | 82 | - | - | 2,525 | 3,823 |
| Disposal and write-off | - | - | (900) | (175) | - | (41,124) | (211) | (42,410) |
| Reclassification | - | - | - | - | - | - | 2,263 | 2,263 |
| Effects of changes in foreign exchange rates and others | - | - | (6,638) | (541) | (171) | (1,798) | (4,242) | (13,390) |
| Balance on June 30, 2025 | <u>\$ 463,378</u> | <u>182,341</u> | <u>213,742</u> | <u>29,768</u> | <u>3,339</u> | <u>7,765</u> | <u>185,980</u> | <u>1,086,313</u> |
| Balance on January 1, 2024 | \$ 463,378 | 182,781 | 226,547 | 27,028 | 3,904 | 42,444 | 183,400 | 1,129,482 |
| Additions | - | - | - | 2,882 | - | 5,763 | 2,693 | 11,338 |
| Disposal and write-off | - | (620) | (9,840) | (572) | (484) | - | (2,636) | (14,152) |
| Reclassification | - | - | 193 | - | - | - | - | 193 |
| Effects of changes in foreign exchange rates | - | - | 3,092 | 249 | 88 | 2,085 | 1,847 | 7,361 |
| Balance on June 30, 2024 | <u>\$ 463,378</u> | <u>182,161</u> | <u>219,992</u> | <u>29,587</u> | <u>3,508</u> | <u>50,292</u> | <u>185,304</u> | <u>1,134,222</u> |

(Continued)

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

| | Land and improvements | Buildings and structures | Machinery | Office equipment | Transportation equipment | Leasehold improvements | Other equipment and construction in progress | Total |
|--|--------------------------|--------------------------------|----------------|---------------------|-----------------------------|---------------------------|---|----------------|
| Depreciation and impairment losses: | | | | | | | | |
| Balance on January 1, 2025 | \$ - | 137,706 | 193,175 | 25,614 | 3,510 | 45,901 | 180,139 | 586,045 |
| Depreciation | - | 4,120 | 3,306 | 668 | - | 856 | 2,314 | 11,264 |
| Disposal and write-off | - | - | (900) | (123) | - | (41,124) | (210) | (42,357) |
| Effects of changes in foreign exchange rates | - | - | (5,711) | (488) | (171) | (1,747) | (3,787) | (11,904) |
| Balance on June 30, 2025 | <u>\$ -</u> | <u>141,826</u> | <u>189,870</u> | <u>25,671</u> | <u>3,339</u> | <u>3,886</u> | <u>178,456</u> | <u>543,048</u> |
| Balance on January 1, 2024 | \$ - | 129,993 | 194,523 | 24,726 | 3,484 | 42,444 | 176,443 | 571,613 |
| Depreciation | - | 4,172 | 3,530 | 641 | 346 | 489 | 3,066 | 12,244 |
| Disposal | - | (620) | (9,840) | (567) | (484) | - | (2,261) | (13,772) |
| Effects of changes in foreign exchange rates | - | - | 2,515 | 224 | 85 | 2,063 | 1,674 | 6,561 |
| Balance on June 30, 2024 | <u>\$ -</u> | <u>133,545</u> | <u>190,728</u> | <u>25,024</u> | <u>3,431</u> | <u>44,996</u> | <u>178,922</u> | <u>576,646</u> |
| Carrying value : | | | | | | | | |
| Balance on January 1, 2025 | <u>\$ 463,378</u> | <u>44,635</u> | <u>26,889</u> | <u>4,788</u> | <u>-</u> | <u>4,786</u> | <u>5,506</u> | <u>549,982</u> |
| Balance on June 30, 2025 | <u>\$ 463,378</u> | <u>40,515</u> | <u>23,872</u> | <u>4,097</u> | <u>-</u> | <u>3,879</u> | <u>7,524</u> | <u>543,265</u> |
| Balance on January 1, 2024 | <u>\$ 463,378</u> | <u>52,788</u> | <u>32,024</u> | <u>2,302</u> | <u>420</u> | <u>-</u> | <u>6,957</u> | <u>557,869</u> |
| Balance on June 30, 2024 | <u>\$ 463,378</u> | <u>48,616</u> | <u>29,264</u> | <u>4,563</u> | <u>77</u> | <u>5,296</u> | <u>6,382</u> | <u>557,576</u> |

As of June 30, 2025, December 31 and June 30, 2024, the property, plant and equipment of the Group had been pledged as collateral; please refer to Note 8.

(j) Right-of-use assets

| | Buildings and structures | Transportation equipment | Total |
|----------------------------|-----------------------------|-----------------------------|---------------|
| Carrying value: | | | |
| Balance on January 1, 2025 | <u>\$ 29,196</u> | <u>1,151</u> | <u>30,347</u> |
| Balance on June 30, 2025 | <u>\$ 21,503</u> | <u>921</u> | <u>22,424</u> |
| Balance on January 1, 2024 | <u>\$ 15,217</u> | <u>207</u> | <u>15,424</u> |
| Balance on June 30, 2024 | <u>\$ 20,968</u> | <u>1,381</u> | <u>22,349</u> |

- (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 six months ended June 30, 2025 and 2024. Please refer to Note 6(j) of the consolidated financial statements for the year ended December 31, 2024, for other related information.

The Group rented office for business needs and acquired right-of-use assets amounting to \$17,025 thousand for the six months ended June 30, 2024.

- (ii) The Group's right-of-use assets were not pledged as collateral as of June 30, 2025, December 31 and June 30, 2024.

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

(k) Investment property

| | <u>Owned property</u> | | <u>Right-of-use assets</u> | |
|----------------------------|---------------------------------|----------------------|---------------------------------|---------------|
| | <u>Buildings and structures</u> | | <u>Buildings and structures</u> | |
| | | <u>Right of land</u> | | <u>Total</u> |
| Carrying value : | | | | |
| Balance on January 1, 2025 | \$ <u>6,548</u> | <u>7,449</u> | <u>1,746</u> | <u>15,743</u> |
| Balance on June 30, 2025 | \$ <u>5,876</u> | <u>6,548</u> | <u>784</u> | <u>13,208</u> |
| Balance on January 1, 2024 | \$ <u>7,399</u> | <u>-</u> | <u>3,320</u> | <u>10,719</u> |
| Balance on June 30, 2024 | \$ <u>7,154</u> | <u>7,587</u> | <u>2,615</u> | <u>17,356</u> |

(i) There were no significant addition and disposal of investment properties for the six months ended June 30, 2025 and 2024. For other related information, please refer to Note 6(k) of the consolidated financial statements for the year ended December 31, 2024, for other related information.

1) The Group acquired right-of-use assets amounting to \$7,587 thousand for the six months ended June 30, 2024.

(ii) The fair values of the Group's investment properties did not differ materially from those disclosed in Note 6(k) to the consolidated financial statements for the year ended December 31, 2024.

(iii) None of the Group's investment property has been pledged as collateral as of June 30, 2025, December 31 and June 30, 2024.

(l) Short-term borrowings

| | <u>June 30,</u> <u>2025</u> | <u>December 31,</u> <u>2024</u> | <u>June 30,</u> <u>2024</u> |
|-------------------------|--------------------------------|------------------------------------|--------------------------------|
| Secured bank loans | \$ <u>100,000</u> | <u>100,000</u> | <u>-</u> |
| Unused credit lines | \$ <u>30,000</u> | <u>-</u> | <u>100,000</u> |
| Range of interest rates | <u>2.35%~2.37%</u> | <u>2.37%</u> | <u>2.25%</u> |

The Group pledged assets as collateral to secure bank loans, please refer to Note 8 for details.

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

(m) Long-term borrowings

The details for long-term borrowings for June 30, 2025, December 31 and June 30, 2024, are as follows:

| Creditor | June 30, 2025 | December 31, 2024 | June 30, 2024 | Interest rate (%) | Repayment term and method |
|---------------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|---|
| Secured bank loans from Sunny Bank | \$ 701,000 | 707,000 | 713,000 | 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 | 262,000 | 268,000 | 274,000 | 2.37 | Monthly installments of \$1,000 thousand and \$221,000 thousand for the 60th installment, from December 1, 2023 to December 1, 2028. Interest payment on a monthly basis. |
| Less: current portion | (24,000) | (24,000) | (24,000) | | |
| Total | <u>\$ 939,000</u> | <u>951,000</u> | <u>963,000</u> | | |
| Unused credit lines | <u>\$ -</u> | <u>-</u> | <u>-</u> | | |

The Group pledged assets as collateral 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:

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|-------------|--------------------------|------------------------------|--------------------------|
| Current | \$ 11,544 | 17,110 | 14,998 |
| Non-current | 18,726 | 22,950 | 26,074 |
| Total | <u>\$ 30,270</u> | <u>40,060</u> | <u>41,072</u> |

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

The amounts recognized in profit or loss were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|--------------|--|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| Interest on lease liabilities | <u>\$ 219</u> | <u>354</u> | <u>474</u> | <u>526</u> |
| Income from sub-leasing right-of-use assets | <u>\$ (426)</u> | <u>(643)</u> | <u>(877)</u> | <u>(1,261)</u> |

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

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

| | For the six months ended June 30, | |
|-------------------------------|--|--------------|
| | 2025 | 2024 |
| Total cash outflow for leases | \$ 9,243 | 9,232 |

The Group leases various properties, including land, 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(o).

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.

(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(k) for information on operating leases of investment property.

There were no significant changes in operating lease for the six months ended June 30, 2025 and 2024. Please refer to Note 6(o) of the consolidated financial statements for the year ended December 31, 2024 for other related information.

(p) Employee benefits

(i) Defined contribution plans

The Group recognized defined contribution plans for the three months and six months ended June 30, 2025 and 2024 amounting to \$2,345 thousand, \$2,446 thousand, \$4,793 thousand and \$4,875 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, 2024 and 2023.

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

The Group recognized (profit) expenses for the defined benefit plans for the three months and six months ended June 30, 2025 and 2024 amounting to \$(54) thousand, \$18 thousand, \$(107) thousand and \$35 thousand.

(q) Income tax

(i) Income tax expense

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|----------------------|--|------------|--------------------------------------|------------|
| | 2025 | 2024 | 2025 | 2024 |
| Current tax expenses | | | | |
| Current period | \$ 1,085 | 225 | 1,135 | 383 |
| Income tax expense | <u>\$ 1,085</u> | <u>225</u> | <u>1,135</u> | <u>383</u> |

(ii) Assessment of income tax returns

- 1) The Company's income tax returns through 2023 were assessed and approved by the tax authority.
- 2) The income tax returns of the Group's subsidiaries in Mainland China have been filed with the local tax authorities through the year 2024.

(r) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the six months ended June 30, 2025 and 2024. For the related information, please refer to Note 6(r) to of the consolidated financial statements for the year ended December 31, 2024.

(i) Retained earnings

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

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

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

1) Earnings distribution

On June 17, 2025 and May 27, 2024, the shareholders' meeting resolved not to distribute earnings for the years 2024 and 2023, respectively.

(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, 2025 | \$ (68,996) | 368,463 | 299,467 |
| Exchange differences on foreign operations | (79,865) | - | (79,865) |
| Unrealized gains from financial assets measured at fair value through other comprehensive income | - | (172,218) | (172,218) |
| Balance on June 30, 2025 | <u>\$ (148,861)</u> | <u>196,245</u> | <u>47,384</u> |
| Balance on January 1, 2024 | \$ (108,477) | 299,417 | 190,940 |
| Exchange differences on foreign operations | 39,301 | - | 39,301 |
| Unrealized gains from financial assets measured at fair value through other comprehensive income | - | 292,548 | 292,548 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | (57,460) | (57,460) |
| Balance on June 30, 2024 | <u>\$ (69,176)</u> | <u>534,505</u> | <u>465,329</u> |

(s) Losses per share

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|----------------|--------------------------------------|-----------------|
| | 2025 | 2024 | 2025 | 2024 |
| Basic and diluted losses per share | | | | |
| Losses attributable to ordinary shareholders of the Company | \$ <u>(61,448)</u> | <u>(7,894)</u> | <u>(98,699)</u> | <u>(31,498)</u> |
| Weighted average number of ordinary shares outstanding (thousand shares) | 139,983 | 139,983 | 139,983 | 139,983 |
| Basic and diluted losses per share (NT Dollars) | <u>\$ (0.44)</u> | <u>(0.06)</u> | <u>(0.71)</u> | <u>(0.23)</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 June 30, | | For the six months ended June 30, | |
|-------------------------|--|----------------|--------------------------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| Sale of goods revenue | \$ 164,679 | 140,323 | 321,852 | 279,795 |
| Other operating revenue | 69 | 28 | 558 | 128 |
| Total | <u>\$ 164,748</u> | <u>140,351</u> | <u>322,410</u> | <u>279,923</u> |

Pertinent information on the Group's revenue from contracts with customers for the three months and six months ended June 30, 2025 and 2024, was as follows:

(i) Disaggregation of revenue

| | For the three months ended June 30, 2025 | | | |
|--------------------------------|--|---|-------------------------------------|----------------|
| | Optoelectronics segment | Electronics component products segment | Electronics appliance segment | Total |
| Sale of goods revenue | \$ 50,738 | 82,197 | 31,744 | 164,679 |
| Other operating revenue | - | 69 | - | 69 |
| Total | <u>\$ 50,738</u> | <u>82,266</u> | <u>31,744</u> | <u>164,748</u> |
| Timing of revenue recognition | | | | |
| At a point in time | <u>\$ 50,738</u> | <u>82,266</u> | <u>31,744</u> | <u>164,748</u> |
| | For the three months ended June 30, 2024 | | | |
| | Optoelectronics segment | Electronics component products segment | Electronics appliance segment | Total |
| Sale of goods revenue | \$ 27,828 | 76,670 | 35,823 | 140,321 |
| Other operating revenue | - | 20 | 10 | 30 |
| Total | <u>\$ 27,828</u> | <u>76,690</u> | <u>35,833</u> | <u>140,351</u> |
| Timing of revenue recognition | | | | |
| At a point in time | <u>\$ 27,828</u> | <u>76,690</u> | <u>35,833</u> | <u>140,351</u> |
| | For the six months ended June 30, 2025 | | | |
| | Optoelectronics segment | Electronics component products segment | Electronics appliance segment | Total |
| Sale of goods revenue | \$ 74,635 | 165,063 | 82,154 | 321,852 |
| Other operating revenue | - | 558 | - | 558 |
| Total | <u>\$ 74,635</u> | <u>165,621</u> | <u>82,154</u> | <u>322,410</u> |
| Timing of revenue recognition: | | | | |
| At a point in time | <u>\$ 74,635</u> | <u>165,621</u> | <u>82,154</u> | <u>322,410</u> |

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

| | For the six months ended June 30, 2024 | | | |
|--------------------------------|--|---|-------------------------------------|----------------|
| | Optoelectronics segment | Electronics component products segment | Electronics appliance segment | Total |
| Sale of goods revenue | \$ 77,641 | 135,460 | 66,692 | 279,793 |
| Other operating revenue | - | 120 | 10 | 130 |
| Total | <u>\$ 77,641</u> | <u>135,580</u> | <u>66,702</u> | <u>279,923</u> |
| Timing of revenue recognition: | | | | |
| At a point in time | <u>\$ 77,641</u> | <u>135,580</u> | <u>66,702</u> | <u>279,923</u> |

(ii) Contract balances

A) Contract liabilities

| | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|------------------------------------|------------------|----------------------|------------------|
| Contract liabilities—Sale of goods | <u>\$ 15,864</u> | <u>12,474</u> | <u>3,899</u> |

Material movements in the balance of the Group's contract liabilities for the six months ended June 30, 2025 and 2024, are detailed as follows:

| | For the six months ended June 30, | |
|--|-----------------------------------|-----------------|
| | 2025 | 2024 |
| Opening balances transferred to income for the current period | \$ (12,065) | (20,014) |
| Increase in advances received in the period (excluding the amount incurred and transferred to revenue in the period) | 15,539 | 3,504 |
| Effect of movement in exchange rates | (84) | 51 |
| Net movement for the period | <u>\$ 3,390</u> | <u>(16,459)</u> |

(u) Remunerations to employees and directors

The Company amended its Article of Incorporation following a resolution passed at the shareholders' meeting on June 17, 2025. According to the modified Articles of Incorporation, once the Company has annual profit, it should contribute no less than 1% of the profit to its employees (No less than 60% of this total employee remuneration shall be allocated to entry-level employees.) and no more than 2% of the profit to its directors as remuneration. However, if the Company has accumulated deficits, the profit shall be reserved to offset the deficits in advance. The aforementioned employee remuneration shall be in the form of 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 Article of Incorporation prior to the amendment stipulated that once the Company has annual profit, it should contribute no less than 1% of the profit to its employees and no more than 2% of the profit to its directors as remuneration. However, if the Company has accumulated deficits, the profit shall be reserved to offset the deficits in advance. The aforementioned employee remuneration shall be in the form of 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, and 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 six months ended June 30, 2025 and 2024, 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.

(v) Non-operating income and expenses

(i) Interest income

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|--------------|--------------------------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| Interest income from bank deposits | \$ 5,853 | 9,393 | 11,627 | 15,360 |
| Interest income from financial assets measured at fair value through profit or loss | - | 1 | - | 53 |
| Interest income from financial assets measured at amortized cost | 191 | 84 | 391 | 279 |
| Others | 340 | 6 | 784 | 28 |
| | <u>\$ 6,384</u> | <u>9,484</u> | <u>12,802</u> | <u>15,720</u> |

(ii) Other income

| | For the three months ended June 30, | | For the six months ended June 30, | |
|-----------------|--|--------------|--------------------------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| Rental income | \$ 5,312 | 6,948 | 9,052 | 13,525 |
| Dividend income | 588 | - | 588 | - |
| Other income | 828 | 1,555 | 2,616 | 2,207 |
| | <u>\$ 6,728</u> | <u>8,503</u> | <u>12,256</u> | <u>15,732</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 June 30, | | For the six months ended June 30, | |
|--|--|--------------|--------------------------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| Net (losses) gains on disposals of property, plant and equipment | \$ 1 | 71 | (12) | 318 |
| Gains on disposal of investment properties | 153 | - | 153 | - |
| Foreign exchange (losses) gains, net | (42,653) | 5,473 | (37,923) | 18,991 |
| (Losses) gains on financial assets measured at fair value through profit or loss | (8,238) | 1,599 | (40,627) | 1,599 |
| Others | (169) | (448) | (281) | (862) |
| | <u>\$ (50,906)</u> | <u>6,695</u> | <u>(78,690)</u> | <u>20,046</u> |

(iv) Finance costs

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---------------------------------------|--|--------------|--------------------------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| Bank borrowings | \$ 5,933 | 5,468 | 11,902 | 10,834 |
| Interest expense of lease liabilities | 219 | 345 | 474 | 517 |
| Others | 5 | - | 30 | 22 |
| | <u>\$ 6,157</u> | <u>5,813</u> | <u>12,406</u> | <u>11,373</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 June 30, 2025, December 31 and June 30, 2024, the Group assessed the concentrations of credit risk arising from the major top three customers, at percentages of 36%, 50% and 31%, 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 Note 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 during the period was limited to 12-months expected credit losses.

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

| | 12—month ECL | Lifetime ECL— not credit impaired | Lifetime ECL— credit impaired | Total |
|--------------------------|-------------------------|--|--|--------------|
| June 30, 2025 | | | | |
| Gross carrying amounts | \$ 5,809 | - | 8,259 | 14,068 |
| Loss allowance | - | - | (8,259) | (8,259) |
| Carrying amounts | <u>\$ 5,809</u> | <u>-</u> | <u>-</u> | <u>5,809</u> |
| | 12—month ECL | Lifetime ECL— not credit impaired | Lifetime ECL— credit impaired | Total |
| December 31, 2024 | | | | |
| Gross carrying amounts | \$ 7,308 | - | 8,590 | 15,898 |
| Loss allowance | - | - | (8,590) | (8,590) |
| Carrying amounts | <u>\$ 7,308</u> | <u>-</u> | <u>-</u> | <u>7,308</u> |
| | 12—month ECL | Lifetime ECL— not credit impaired | Lifetime ECL— credit impaired | Total |
| June 30, 2024 | | | | |
| Gross carrying amounts | \$ 6,582 | 845 | 23,908 | 31,335 |
| Loss allowance | - | (429) | (23,908) | (24,337) |
| Carrying amounts | <u>\$ 6,582</u> | <u>416</u> | <u>-</u> | <u>6,998</u> |

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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The movement in the allowance for impairment for other receivables were as follows:

| | 12—month ECL | Lifetime ECL— not credit impaired | Lifetime ECL— credit impaired | Total |
|--|-------------------------|--|--|--------------|
| Balance on January 1, 2025 | \$ - | - | 8,590 | 8,590 |
| Effect of movement in exchange rate | - | - | (331) | (331) |
| Balance on June 30, 2025 | <u>\$ -</u> | <u>-</u> | <u>8,259</u> | <u>8,259</u> |

| | 12—month ECL | Lifetime ECL— not credit impaired | Lifetime ECL— credit impaired | Total |
|--|-------------------------|--|--|---------------|
| Balance on January 1, 2024 | \$ - | 94 | 21,283 | 21,377 |
| Impairment loss recognized | - | 320 | 1,768 | 2,088 |
| Effect of movement in exchange rate | - | 15 | 857 | 872 |
| Balance on June 30, 2024 | <u>\$ -</u> | <u>429</u> | <u>23,908</u> | <u>24,337</u> |

(ii) Liquidity risk

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

| | Carrying amount | Contractual cash flow | Within 1 year | 2-3 years | 4-5 years | Over 5 years |
|--|----------------------------|----------------------------------|--------------------------|------------------|------------------|-------------------------|
| June 30, 2025 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | \$ 100,000 | 101,000 | 101,000 | - | - | - |
| Long-term borrowings | 963,000 | 1,026,124 | 45,102 | 752,374 | 228,648 | - |
| Accounts payable (including related parties) | 99,155 | 99,155 | 99,155 | - | - | - |
| Other payables (including related parties) | 49,642 | 49,642 | 49,642 | - | - | - |
| Guarantee deposit received | 6,163 | 6,163 | 3,966 | - | - | 2,197 |
| Lease liabilities | 30,270 | 34,251 | 12,161 | 11,590 | 2,569 | 7,931 |
| | <u>\$ 1,248,230</u> | <u>1,316,335</u> | <u>311,026</u> | <u>763,964</u> | <u>231,217</u> | <u>10,128</u> |
| December 31, 2024 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | \$ 100,000 | 102,370 | 102,370 | - | - | - |
| Long-term borrowings | 975,000 | 1,048,880 | 45,374 | 89,117 | 914,389 | - |
| Accounts payable (including related parties) | 110,542 | 110,542 | 110,542 | - | - | - |
| Other payables (including related parties) | 51,755 | 51,755 | 51,755 | - | - | - |
| Guarantee deposit received | 5,391 | 5,391 | 5,391 | - | - | - |
| Lease liabilities | 40,060 | 44,910 | 17,956 | 13,484 | 4,400 | 9,070 |
| | <u>\$ 1,282,748</u> | <u>1,363,848</u> | <u>333,388</u> | <u>102,601</u> | <u>918,789</u> | <u>9,070</u> |

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

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

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

(iii) Currency risk

1) Currency risk

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

| June 30, 2025 | | | | |
|-----------------------|---------------------|------------------|---------|---------|
| | Foreign currency | Exchange rate | NTD | |
| Financial assets | | | | |
| Monetary items | | | | |
| USD | \$ | 20,436 | 29.3000 | 598,775 |
| HKD | | 3,264 | 3.7320 | 12,181 |
| CNY | | 190 | 4.0930 | 778 |
| JPY | | 33,591 | 0.2034 | 6,832 |
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | | 1,385 | 29.3000 | 40,581 |
| December 31, 2024 | | | | |
| | Foreign currency | Exchange rate | NTD | |
| Financial assets | | | | |
| Monetary items | | | | |
| USD | \$ | 24,176 | 32.7850 | 792,610 |
| HKD | | 2,511 | 4.2220 | 10,601 |
| CNY | | 205 | 4.5610 | 935 |
| JPY | | 34,015 | 0.2099 | 7,140 |
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | | 1,696 | 32.7850 | 55,603 |

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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| | | June 30, 2024 | |
|------------------------------|-----------------------------|--------------------------|------------|
| | Foreign currency | Exchange rate | NTD |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$ | 23,180 | 32.4500 |
| HKD | | 2,852 | 4.1550 |
| CNY | | 977 | 4.5530 |
| JPY | | 30,789 | 0.2017 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | | 1,269 | 32.4500 |

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, financial assets measured at amortized cost and accounts payable that are denominated in foreign currency. As of June 30, 2025 and 2024, a strengthening (weakening) of 1% of the exchange rate of the functional currency of the Group against the main foreign currencies would have increase (decrease) profit (loss) before tax by \$5,780 thousand and \$7,335 thousand for the six months ended June 30, 2025 and 2024, respectively, assuming all other variables held constant. The analysis of the two periods was conducted using the same basis.

3) Foreign exchange gains or losses on monetary items

Since the Group has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. for the three months and six months ended June 30, 2025 and 2024, net foreign exchange (losses) gains (including realized and unrealized) amounted to \$(42,653) thousand, \$5,473 thousand, \$(37,923) thousand and \$18,991 thousand, respectively.

4) Interest rate risk

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

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

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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If the interest rate had increased / decreased by 10 basis points, the Group's net income (loss) before tax would have increased / decreased by \$532 thousand and \$494 thousand for the six months ended June 30, 2025 and 2024, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rate.

5) Other market price risk

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

| | For the six months ended June 30, | | | |
|--|--------------------------------------|-------------------|--------------------------------------|-------------------|
| | 2025 | | 2024 | |
| | Other comprehensive income after tax | Net income (loss) | Other comprehensive income after tax | Net income (loss) |
| Prices of securities at the reporting date | | | | |
| Increase by 1% | \$ <u>6,720</u> | <u>1,836</u> | <u>10,191</u> | <u>327</u> |
| Decrease by 1% | \$ <u>(6,720)</u> | <u>(1,836)</u> | <u>(10,191)</u> | <u>(327)</u> |

(iv) Fair value information

1) Types and fair value of financial instruments

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

| | June 30, 2025 | | | | |
|--|-------------------|----------------|----------|--------------|----------------|
| | Amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at fair value through profit or loss | | | | | |
| Shares | \$ <u>183,636</u> | <u>183,636</u> | <u>-</u> | <u>-</u> | <u>183,636</u> |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Shares | <u>672,023</u> | <u>666,273</u> | <u>-</u> | <u>5,750</u> | <u>672,023</u> |
| Total | \$ <u>855,659</u> | <u>849,909</u> | <u>-</u> | <u>5,750</u> | <u>855,659</u> |

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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| | | December 31, 2024 | | | |
|--|---------------------|--------------------------|----------------|----------------|------------------|
| | | Fair value | | | Total |
| | Amount | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at fair value through profit or loss | | | | | |
| Shares | \$ 225,465 | 225,465 | - | - | 225,465 |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Shares | 853,074 | 846,201 | - | 6,873 | 853,074 |
| Total | <u>\$ 1,078,539</u> | <u>1,071,666</u> | <u>-</u> | <u>6,873</u> | <u>1,078,539</u> |
| | | June 30, 2024 | | | |
| | | Fair value | | | Total |
| | Amount | Level 1 | Level 2 | Level 3 | |
| Financial assets measured at fair value through profit or loss | | | | | |
| Shares | \$ 32,664 | 32,664 | - | - | 32,664 |
| Financial assets measured at fair value through other comprehensive income | | | | | |
| Shares | 1,019,116 | 1,006,962 | - | 12,154 | 1,019,116 |
| Total | <u>\$ 1,051,780</u> | <u>1,039,626</u> | <u>-</u> | <u>12,154</u> | <u>1,051,780</u> |

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

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

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

3) Transfers between Level 1 and Level 2

No transfers have occurred between the fair value levels in the hierarchy for the six months ended June 30, 2025 and 2024.

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

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, 2025 | \$ - | 6,873 | 6,873 |
| Total gains and losses | | | |
| Recognized in other comprehensive income | - | (1,123) | (1,123) |
| Balance on June 30, 2025 | <u>\$ -</u> | <u>5,750</u> | <u>5,750</u> |
| Balance on January 1, 2024 | \$ 108,375 | 10,374 | 118,749 |
| Purchased | - | 1,780 | 1,780 |
| Disposed | (110,305) | - | (110,305) |
| Effect of movements in exchange rates | 1,930 | - | 1,930 |
| Balance on June 30, 2024 | <u>\$ -</u> | <u>12,154</u> | <u>12,154</u> |

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 |

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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| Item | Valuation technique | Significant unobservable inputs | Interrelationship between significant unobservable inputs and fair value measurement |
|--|----------------------------|--|---|
| 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 (15.6% , 15.6% and 15.7% as of June 30, 2025, December 31, 2024 and June 30, 2024 P/B ratio (1.92, 1.84 and 3.68 as of June 30, 2025, December 31, 2024 and June 30, 2024) | <ul style="list-style-type: none"> The higher the market liquidity discount rate, the lower the fair value. The higher the multiplier, the higher the fair value. |
| 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions | | | |

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

| | | Upwards or downwards movement | The effect on other comprehensive income due to change of fair value | |
|--|---------------------------------|-------------------------------------|--|-------------|
| | Inputs | | Favorable | Unfavorable |
| June 30, 2025 | | | | |
| 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% | 68 | (68) |
| | P/B ratio | 1% | 57 | (57) |
| December 31, 2024 | | | | |
| 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% | 34 | (40) |
| | P/B ratio | 1% | 27 | (33) |
| June 30, 2024 | | | | |
| Financial assets measured at fair value through other comprehensive income | | | | |
| The fair value of equity instruments without an active market — market approach | Market liquidity discount | 1% | 144 | (144) |
| | P/B ratio | 1% | 121 | (121) |

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(x) to the consolidated financial statements for the year ended December 31, 2024.

(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 six months ended June 30, 2024, the right-of-use assets that the Group acquired by leasing were \$24,525 thousand. The right-of-use assets decreased \$2,575 thousand due to lease modification.

Reconciliation of liabilities arising from non-cash financing activities for the six months ended June 30, 2025 and 2024, was as follows:

| | | Non-cash changes | | | |
|---|------------------|-------------------------|-----------------|---------------|------------------|
| | | Foreign | exchange | effect | other |
| | 2025.1.1 | Cash flows | effect | other | 2025.6.30 |
| Lease liabilities | \$ 40,060 | (8,769) | (1,495) | 474 | 30,270 |
| Guarantee deposits received | 5,391 | 1,070 | (298) | - | 6,163 |
| Total liabilities from financing activities | <u>\$ 45,451</u> | <u>(7,699)</u> | <u>(1,793)</u> | <u>474</u> | <u>36,433</u> |

| | | Non-cash changes | | | |
|---|------------------|-------------------------|-----------------|---------------|------------------|
| | | Foreign | exchange | effect | other |
| | 2024.1.1 | Cash flows | effect | other | 2024.6.30 |
| Lease liabilities | \$ 26,778 | (8,706) | 1,050 | 21,950 | 41,072 |
| Guarantee deposits received | 5,755 | 1,446 | 178 | - | 7,379 |
| Total liabilities from financing activities | <u>\$ 32,533</u> | <u>(7,260)</u> | <u>1,228</u> | <u>21,950</u> | <u>48,451</u> |

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(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 |
| Tisnet Technology Inc. | Other related party of the Company |
| Tatung (Shanghai) Co., Ltd. | Other related party of the Company |

(b) Significant transactions with related parties

(i) Sales

| | <u>For the three months ended</u> <u>June 30,</u> | | <u>For the six months ended</u> <u>June 30,</u> | |
|-----------------------|--|-------------|--|-------------|
| | <u>2025</u> | <u>2024</u> | <u>2025</u> | <u>2024</u> |
| The parent company | \$ - | - | 1 | 70 |
| Other related parties | 1,799 | 47 | 1,799 | 47 |
| | <u>\$ 1,799</u> | <u>47</u> | <u>1,800</u> | <u>117</u> |

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

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

| For the six months ended June 30, | | | | |
|-----------------------------------|---|------------------------------|---|------------------------------|
| | | 2025 | 2024 | |
| Location | Related party | Arm's length customer | Related party | Arm's length customer |
| Foreign | O/A 30-150 days | O/A 60-150 days or Sight L/C | O/A 30-150 days | O/A 60-150 days or Sight L/C |
| Domestic | Cash collection at period closing date or TT or O/A 30-150 days | O/A 30-120 days | Cash collection at period closing date or TT or O/A 30-150 days | O/A 30-120 days |

(ii) Receivables from related parties

| Account | Relationship | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|---------------------------------------|-----------------------|------------------|----------------------|------------------|
| Accounts receivable — related parties | The parent company | \$ 1 | - | 74 |
| " | Other related parties | 1,902 | 2 | 53 |
| | Less: loss allowance | - | - | - |
| | Total | <u>\$ 1,903</u> | <u>2</u> | <u>127</u> |
| Other receivables — related parties | The parent company | \$ 1,177 | 2,152 | 2,150 |
| | Less: loss allowance | - | - | - |
| | | <u>\$ 1,177</u> | <u>2,152</u> | <u>2,150</u> |

(iii) Payables to related parties

| Account | Relationship | June 30, 2025 | December 31, 2024 | June 30, 2024 |
|------------------------------------|-----------------------|------------------|----------------------|------------------|
| Accounts payable — related parties | Other related parties | \$ - | 9 | 123 |
| Other payables — related parties | The parent company | \$ 353 | 1,387 | 793 |
| " | Other related parties | 506 | 53 | 306 |
| | Total | <u>\$ 859</u> | <u>1,440</u> | <u>1,099</u> |

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(iv) Rental income

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--------------------|--|--------------|--------------------------------------|--------------|
| | 2025 | 2024 | 2025 | 2024 |
| The parent company | \$ <u>946</u> | <u>1,419</u> | <u>2,366</u> | <u>2,839</u> |

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

(v) Service fee

For the three months and six months ended June 30, 2025 and 2024, the Group's parent company incurred expenses of \$750 thousand, \$750 thousand, \$1,500 thousand and \$1,500 thousand for rendering administrative support services for the Group, and the amount was recognized in the line item of administrative expenses.

(vi) Leases

In December 2023, the Group leased its headquarter office from Tatung Asset Development Co., Ltd. and entered into a 13-month lease contract with reference to office rentals in the vicinity. In March 2024, the contract term was extended. For the six months ended June 30, 2025 and 2024, interest expenses of \$139 thousand and \$104 thousand were recognized, respectively. As of June 30, 2025, December 31 and June 30, 2024, the balances of lease liabilities amounted to \$11,688 thousand, \$13,284 thousand and \$14,862 thousand, respectively.

(c) Key management personnel compensation

| | For the three months ended June 30, | | For the six months ended June 30, | |
|---------------------------------|--|--------------|--------------------------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| Short-term employee benefits \$ | 4,443 | 4,568 | 8,816 | 10,055 |
| Post-employment benefits | <u>91</u> | <u>123</u> | <u>180</u> | <u>239</u> |
| | <u>\$ 4,534</u> | <u>4,691</u> | <u>8,996</u> | <u>10,294</u> |

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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(8) Assets pledged as security

The carrying amounts of pledged assets were as follows:

| <u>Pledged assets</u> | <u>Object</u> | <u>June 30, 2025</u> | <u>December 31, 2024</u> | <u>June 30, 2024</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 | 40,515 | 44,635 | 48,616 |
| Financial assets at amortized cost — current | Collateral for short-term bank loan facilities | 3,516 | - | - |
| Financial assets at amortized cost — current | Customs guarantee | 2,525 | 2,525 | 2,488 |
| Other non-current assets — refundable deposits | Security deposits for court | - | 1,331 | 1,331 |
| Total | | <u>\$ 509,934</u> | <u>511,869</u> | <u>515,813</u> |

(9) Commitments and contingencies

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

| <u>Contracts entered into</u> | <u>June 30, 2025</u> | <u>December 31, 2024</u> | <u>June 30, 2024</u> |
|---|----------------------------|------------------------------|--------------------------|
| Royalty of sales on carbon credits | USD 17,400 | 17,400 | 8,500 |
| <u>Amount paid</u> | <u>June 30, 2025</u> | <u>December 31, 2024</u> | <u>June 30, 2024</u> |
| Royalty of sales on carbon credits (Note) | USD 2,800 (NTD 90,642) | 2,800 (NTD 90,642) | 2,000 (NTD 64,764) |

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

The Group's Board of Directors approved the joint development of Indonesia REDD+/CCB carbon credit projects (WSRAFP and WSRAFP2) with Asia Assets Development Co., Ltd. (hereinafter referred to as AAD) in March and July of 2024, respectively. This initiative aims to enhance the Company's corporate image, increase shareholder equity, and promote the development of the new carbon business. These development projects were applied for Verified Carbon Units (VCUs) under Verra's Verified Carbon Standard (VCS) to obtain carbon credits certification by promoting forest ecological conservation and practicing the United Nations' Sustainable Development Goals (SDGs), among other initiatives.

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AAD engaged Centre Testing International Group Co., Ltd. (hereinafter referred to as 'CTI') as the third-party validation body for the WSRAFP project. A Validation Report was issued by CTI in November 2024 and submitted to Verra for review. However, on March 25, 2025, Verra notified that, from April 15, 2025, CTI's qualification to validate certain carbon standards would be temporarily suspended. Consequently, AAD was required to reappoint a new third-party validation body and secure a revised Validation Report. On May 6, 2025, the Group has reported to the Board of Directors the intention to appoint a new Verra-approved third party validation body, and to revise the methodology for the WSRAFP Project Plan Description and resubmit it to Verra for review.

Key information of the contract is as follows:

| Contract number | WSRAFP | WSRAFP2 |
|---|--|--|
| Verra case number | 4381 | Registration pending |
| Estimated Carbon Credits to be Obtained (in tons) | 10,000,000 | 10,000,000 |
| Payment schedule under the contract | <ol style="list-style-type: none"> 1. Completion of the trust account establishment. 2. Obtaining the finalized validation report issued by a Verra-recognized third-party independent organization, and it is publicly available on the Verra Registry official website. 3. Payment of funds according to the work plan and budget execution plan. 4. Completion of third-party verification and receiving notification of Verra's VCUs carbon credit registration fee invoice. | <ol style="list-style-type: none"> 1. Completion of the Verra registration and obtaining the Verra-registered project ID and entering the public comment period. 2. Obtaining the finalized validation report issued by a Verra-recognized third-party independent organization, and it is publicly available on the Verra Registry official website. 3. Payment of funds according to the work plan and budget execution plan. 4. Completion of third-party verification and receiving notification of Verra's VCUs carbon credit registration fee invoice. |
| Milestone | <ol style="list-style-type: none"> 1. Passing the first third-party validation. 2. Passing the first third-party verification. 3. Receiving the first carbon credit issuance. | <ol style="list-style-type: none"> 1. Completed Verra registration. 2. Passing the first third-party validation. 3. Passing the first third-party verification. 4. Receiving the first carbon credit issuance. |

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES
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| Contract number | WSRAFP | WSRAFP2 |
|--------------------------------------|--|---------|
| Termination and Compensation Clause: | The contract contains compensation and termination clauses. If any party breaches the contract or an event occurs attributable to the party and makes it impossible to fulfill the contract, the contract may be terminated, and the breaching party may be claimed for compensation. This includes, without limitation, the breaching party refunding any amounts received. | |

(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

(12) Other

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

| | For the three months ended June 30, | | | | | |
|----------------------------|-------------------------------------|-------------------|--------|--------------|-------------------|--------|
| | 2025 | | | 2024 | | |
| | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| By item | | | | | | |
| Employee benefits | | | | | | |
| Salary | 29,706 | 12,678 | 42,384 | 30,693 | 13,478 | 44,171 |
| Labor and health insurance | 2,903 | 1,096 | 3,999 | 2,760 | 899 | 3,659 |
| Pension | 1,629 | 662 | 2,291 | 1,769 | 695 | 2,464 |
| Others | 1,641 | 84 | 1,725 | 1,628 | 54 | 1,682 |
| Depreciation | 5,655 | 3,890 | 9,545 | 6,626 | 4,345 | 10,971 |
| Amortization | 42 | 22 | 64 | 52 | 3 | 55 |

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| | For the six months ended June 30, | | | | | | |
|----------------------------|-----------------------------------|--------------|-------------------|--------|--------------|-------------------|--------|
| By item | By function | 2025 | | | 2024 | | |
| | | Cost of Sale | Operating Expense | Total | Cost of Sale | Operating Expense | Total |
| Employee benefits | | | | | | | |
| Salary | | 57,500 | 24,531 | 82,031 | 61,133 | 27,614 | 88,747 |
| Labor and health insurance | | 5,963 | 1,919 | 7,882 | 5,716 | 1,800 | 7,516 |
| Pension | | 3,349 | 1,337 | 4,686 | 3,532 | 1,378 | 4,910 |
| Others | | 3,357 | 127 | 3,484 | 2,908 | 102 | 3,010 |
| Depreciation | | 11,641 | 7,952 | 19,593 | 12,770 | 8,860 | 21,630 |
| Amortization | | 62 | 45 | 107 | 63 | 42 | 105 |

(b) Seasonality of operations

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

(13) Other disclosures

(a) Information on significant transactions: None.

(i) Loans to other parties: None.

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

(iii) Securities held as of June 30, 2025 (excluding investment in subsidiaries, associates and joint ventures): Please refer to attachment 1.

(iv) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

(v) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

(vi) 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.

(Continued)

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

(14) Segment information

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

| | Optoelectronics segment | Electronics components products segment | Electronics applications products segment | Other segments | Adjustments and eliminations | Total |
|---|----------------------------|--|--|-------------------|------------------------------------|-----------------|
| For the three months ended June 30, 2025 | | | | | | |
| Revenue: | | | | | | |
| Revenue from external customers | \$ 50,738 | 82,266 | 31,744 | - | - | 164,748 |
| Inter-segment revenue | 9,732 | 2,287 | - | - | (12,019) | - |
| Total revenue | \$ 60,470 | 84,553 | 31,744 | - | (12,019) | 164,748 |
| Profit (loss) of reportable segments | \$ (3,082) | (28,433) | (11,194) | (17,654) | - | (60,363) |
| For the three months ended June 30, 2024 | | | | | | |
| Revenue: | | | | | | |
| Revenue from external customers | \$ 27,828 | 76,690 | 35,833 | - | - | 140,351 |
| Inter-segment revenue | 18,189 | 3,186 | 440 | - | (21,815) | - |
| Total revenue | \$ 46,017 | 79,876 | 36,273 | - | (21,815) | 140,351 |
| Profit (loss) of reportable segments | \$ (2,920) | (9,191) | (2,476) | 6,918 | - | (7,669) |
| For the six months ended June 30, 2025 | | | | | | |
| Revenue: | | | | | | |
| Revenue from external customers | \$ 74,635 | 165,621 | 82,154 | - | - | 322,410 |
| Inter-segment revenue | 38,547 | 4,483 | - | - | (43,030) | - |
| Total revenue | \$ 113,182 | 170,104 | 82,154 | - | (43,030) | 322,410 |
| Profit (loss) of reportable segments | \$ (5,181) | (30,682) | (13,185) | (48,516) | - | (97,564) |
| For the six months ended June 30, 2024 | | | | | | |
| Revenue: | | | | | | |
| Revenue from external customers | \$ 77,641 | 135,580 | 66,702 | - | - | 279,923 |
| Inter-segment revenue | 36,620 | 5,072 | 440 | - | (42,132) | - |
| Total revenue | \$ 114,261 | 140,652 | 67,142 | - | (42,132) | 279,923 |
| Profit (loss) of reportable segments | \$ (5,816) | (20,957) | (49) | (4,293) | - | (31,115) |