

Stock code: 8085



2023 Annual Report

(Translation)

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Trading venues for the listing and trading of overseas securities and the methods of obtaining information

Trading venue name : No overseas securities listed for trading

Information inquiry method : None

Company Website : <http://www.fwd.com.tw>

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I. Letter to Shareholders

Dear Shareholders,

On behalf of the management team of Forward Electronics Co. Ltd., we want to first express our sincerer gratitude to all shareholders for their long-term support for our company. Looking back over the past year, our company has been continuously implementing a transformation plan, focusing on sales of our niche products, downsizing the organization, and investing in green energy-related businesses to increase future growth momentum.

I. 2023 Annual Business Report

(1) Implementation results of business plans:

In the fiscal year 2023, the company's consolidated operating income was NT\$722,577,000, a decrease of approximately 19.16% compared to the fiscal year 2022. The consolidated gross profit margin for the fiscal year 2023 was 0.08%. The consolidated pre-tax net loss for the fiscal year 2023 was NT\$140,673,000, a decrease of approximately NT\$212,303,000 compared to the fiscal year 2022. The consolidated post-tax net loss for the fiscal year 2023 was NT\$140,283,000, a decrease of approximately NT\$312,313,000 compared to the fiscal year 2022, resulting in a NT\$1 loss per share

In the fiscal year 2023, the company's individual operating income was NT\$485,756,000, a decrease of approximately 13.9% compared to the fiscal year 2022. The individual gross profit margin for the fiscal year 2023 was -2.38%. The individual pre-tax net loss for the fiscal year 2023 was NT\$141,343,000, a decrease of approximately NT\$196,657,000 compared to the fiscal year 2022. The individual post-tax net loss for the fiscal year 2023 was NT\$140,283,000, a decrease of approximately NT\$312,312,000 compared to the fiscal year 2022, resulting in a NT\$1 loss per share.

Summary of significant business achievement and strategies: :

1. To increase sales of niche products

By leveraging our company's core technologies (impedance techniques, precision manufacturing technology, magnetic induction product development technology, and LED module structure development technology, and the in-house capability of producing manufacturing equipment), we aim to ensure our competitiveness. We will expand the research and sales of high-value-added products such as high-lifespan variable resistors for motors, encoders and variable resistors with LED attachments, non-contact position sensors and encoders, as well as customized and modular products. For switch products, we will select models with better future growth potential and gross margin for price increase and sales promotion.

2. To expand production scale and optimizing and optimizing processes

We will integrate the manufacturing equipment. We will improve injection molding process of switch products to support production of variable resistors and encoders. Meanwhile, we will work on eliminate difficulties in manufacturing of molded parts. The assembly of products, which is the final step of production, will be outsourced, and we plan to automatize production to enhance efficiency.

(2) Budget plan implementation:

The company did not publicize its financing conditions forecast of 2023, so it is not applicable.

(3) Analysis on incomes and expenses and profitability:

Item	Consolidated		Individual	
	2023	2022	2023	2022
Current ratio (%)	583.73%	471.81%	254.54%	321.92%
Debt to asset ratio (%)	46.49%	42.64%	45.57%	41.30%
Return on equity (%)	-8.34%	10.82%	-8.34%	10.82%
Gross profit margin (%)	0.08%	9.19%	-2.38%	10.77%
Net profit margin (%)	-19.41%	19.25%	-28.88%	30.49%
EPS (NT\$/per share)	(1.00)	1.23	(1.00)	1.23

(4) Research and development items :

1. Sliding variable resistors with LED attachments and motor attachments with 100mm and 60mm strokes.
2. Miniature variable resistors for dual independent stereo circuits.
3. Magnetic induction non-contact encoders with LED attachments.
4. Magnetic induction non-contact joystick (potentiometer).
5. Motor-attached non-contact position sensor.
6. Thin motor-attached variable resistors with high lifespan.
7. Encoders and variable resistors with programmable RGB-LED attachments.

II. Overview of 2023 Business plan

For the 2023 business plan, in addition to continue with increasing the production capacity of precision components, the company also plans to continuously review and optimize various costs and expenses. The major sales and production policies are as follows:

1. sales:

- (1) We will adjust pricing strategies appropriately in response to increased costs and strengthen risk management for customers.
- (2) We will enhance product value by combining components with customer products to form modular sales.
- (3) We will seek cooperation with industry peers to expand service and product diversity, reinforcing customer reliance on our company.
- (4) We will strengthen service for internationally renowned brands, design proprietary

products that meet customer needs, and enhance our company's development and sales capabilities.

- (5) We will actively collaborate with customers' R&D units through professional exhibitions and other activities in business and design, designing exclusive models that meet customer needs to enhance brand value.
- (6) We will utilize international exhibition opportunities to strengthen relationships and discussions with customers, grasp market trends, increase our brand visibility, formulate product development directions, and develop new customers.

2. production:

- (1) We will actively introduce the source of the raw material 2 and speed up the verification procedure. We'll plan for advance material preparation based on the orders we get, and we'll develop alternative materials while integrating material commonality to reduce raw material costs and ensure stable supply.
- (2) We will integrate production equipment and unify manufacturing plants, plan for the introduction of automatized equipment to improve yield and production efficiency, effectively reduce labor costs, and improve manufacturing efficiency.

3. Future outlook and strategies for development of the company

In 2024, we will continue to deepen our core technology and expand our capabilities in vertical integration, aiming to meet customer demands for quality and delivery time. We will also activate asset utilization, invest in the development of green energy industries, and enhance the overall performance and profitability of the company, thereby creating maximum benefits for shareholders.

4. External competitive environment, regulatory environment, and overall operating environment

In 2023, the global economy was impacted by high inflation and rapid interest rate hikes by central banks of various countries as well as the ongoing geopolitical tensions, which resulted in a slowdown in economic growth, especially with significant downturns in mainland China. Major international institutions such as World Bank, the international Monetary Fund, and Organization of Economic Co-operation and Development (OECD) have revised down their economic growth forecasts. However, in the post-pandemic era, countries are gradually reopening and lifting restrictions, and inflation and interest rate hikes are expected to stop, leading to a gradual growth.

After undergoing transformation and restructuring, the company pursues stable growth and innovation by developing new products independently or for fulfilling customers' demands. We work on creating uniqueness and niche products, and we have been exploring new market. Meanwhile, in production processes, the Company continues to introduce automation and automatic inspection equipment, develops alternative materials, and integrates common materials to improve quality and production efficiency as well as

lower production cost to fill customers' needs for quality and delivery time. With the collaboration of the management team and the efforts of all staff members, we could sustain the competitive edge for stable growth of the company, bringing profitability and expansion for shareholders.

Chairman Hong Chi-Chang

II. Company Profile

2.1 Establishment date

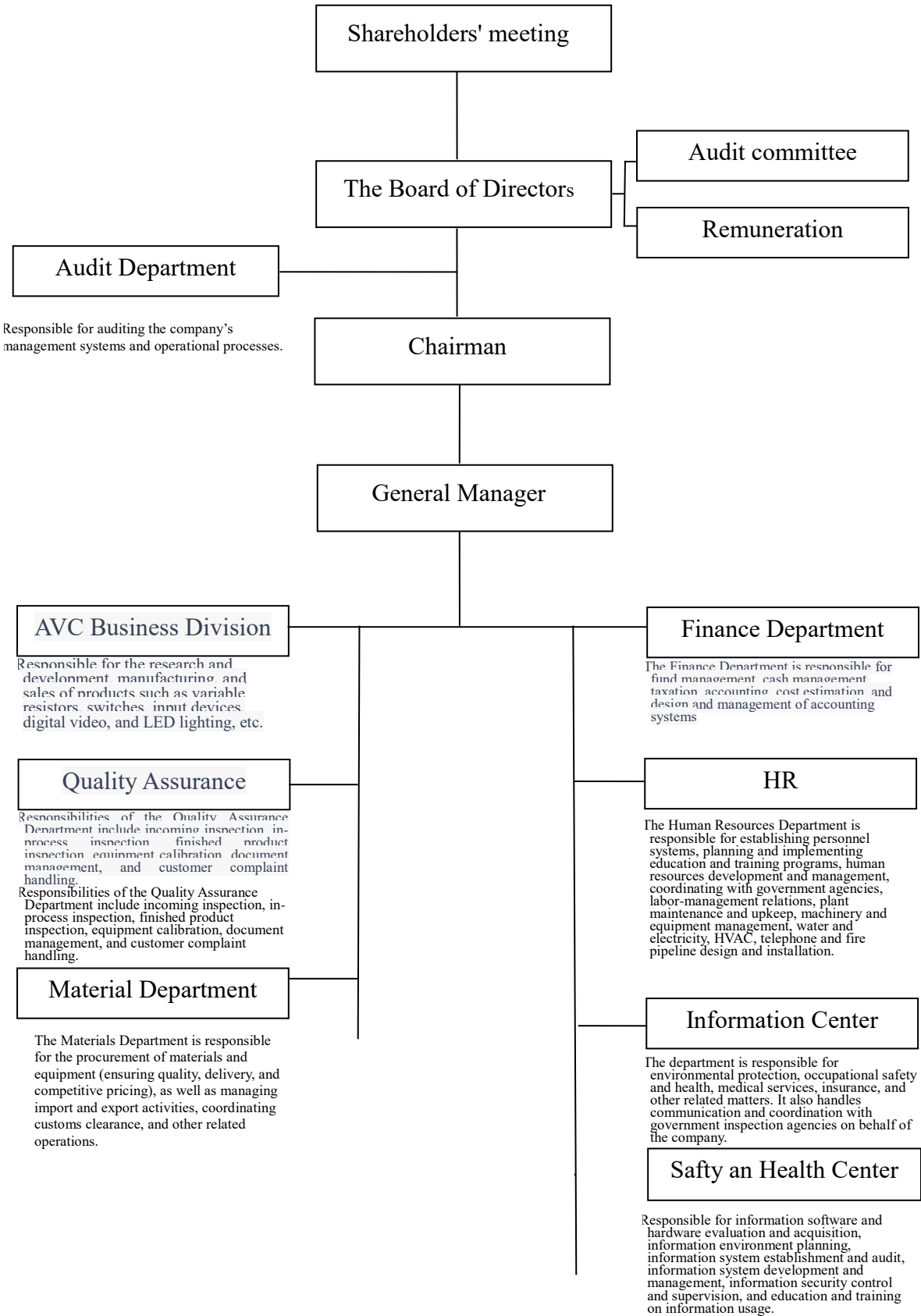
Our company was established on August 31, 1970.

2.2 Company history

Time	Company History
August 1970	Our company was jointly founded by Chunghwa Electronic Development CO., LTD. and Alps Electric Co, Ltd. in August 1970
April 1971	The company started production of TV tuners at the Sanxia factory.
September 1975	we started production of variable resistors
February 1976	we started production of switches
July 1984	Kaohsiung factory started operation, producing variable resistors
October 1985	Started production of keyboards and keyboard switches
March 1988	Began production of remote controls, RF modulators, and FM tuners
March 1991	Started production of computer mice
August 1991	Began production of LCD modules
January 1995	Started production of car audio controllers
April 1995	Started production of Game Pads
January 1996	Started production of multimedia products such as TV cards and TV boxes
October 1997	Started production of Encoders
March 1998	Started production of Infrared (IR) Transceiver Modules
December 1998	Establishment of Forward Co.,Ltd., in the British Virgin Islands
February 1999	Established Forward Electronics Equipment (Dongguan) Co., Ltd. (Dongguan Factory) in Guangdong Province, China
May 1999	Public offering
March 2000	Alps Electric Co, Ltd. transferred its shares to Tatung Company and Chunghwa Picture Tubes Ltd
November 2000	The Sanxia Factory started production of Back Light Modules
July 2002	Suzhou Forward Development Co., Ltd. (Wujiang Factory) was established in Jiangsu Province, China.
March 2003	The company's stock was listed and traded on the Emerging Stock Market (ESM)
May 2003	Suzhou Forward Development Co.,Ltd. (Wujiang Plant) commences production
March 2004	On March 1st, the stock of the company was officially listed on the Over-The-Counter (OTC) market with stock code 8085.
December 2006	The annual consolidated revenue exceeds 10 billion New Taiwan dollars, marking a significant milestone for the company.
November 2007	Acquired 45% equity stake in Genesolar Energy Technology Co., Ltd., entering the solar energy industry.
March 2008	Acquired 9.08% equity stake in Lite-On Technology Corp., expanding ownership in the company.
November 2008	the Sanxia factory began production of high-power AC LED (alternating current light-emitting diode) products
November 2008	Obtained government-industry-academia research and development subsidy for the "Multi-channel Fiber Surface Plasmon Resonance (SPR) Biosensing System Development Project"
October 2009	Developed a medical and cosmetic instrument "LED Acne Treatment Machine"
November 2009	The Wujiang Factory began production of LED streetlights
December 2010	The Company's investment a 17% equity stake in Nanjing Guanxin Optoelectronics Co., Ltd. through its subsidiary Suzhou Forward Development Co., Ltd.
March 2011	The Company's investment a 40% equity stake in Donghua Yuan Technology Co., Ltd. through its subsidiary Suzhou Forward Development Co., Ltd.

Time	Company History
October 2011	The company obtained a patent for micro-projection technology
April 2012	The Company's investment a 35% equity stake in Hefei Fuying Optoelectronics Co., Ltd. through its investment company Suzhou Forward Electronic Technology Co., Ltd.
July 2013	The subsidiary, Gintung Energy Corporation conducted a capital reduction and subsequent capital increase. Our company did not participate in the subscription of new shares, resulting in a decrease in our ownership stake from 45% to 25%. As a result of losing control over the subsidiary, we have accounted for the investment using the equity method.
May 2014	The affiliated company, Gintung Energy Corporation conducted a capital increase, but our company did not participate in the subscription of new shares. As a result, our ownership stake decreased from 25% to 15% after the capital increase.
June 2014	The affiliated company Gintung Energy Corporation changed its name to Tong Yu Energy Technology Co., Ltd.
June 2014	There was a change in the board of directors and supervisors of the affiliated company Laster Tech Co., Ltd. As a result, the Company's board seats were reduced, leading to a significant loss of influence, and the investment was reclassified as financial assets held for sale.
March 2015	The Company's investment 35% of its equity interest in Hefei Fuying Optoelectronics Co., Ltd. through its investment in Forward Development Co.,Ltd.
December 2016	Affiliated company Laster Tech Co., Ltd. officially listed its stock on December 19th with stock code 3346.
March 2018	The Company's investment 24.81% of the equity of Cptf Visual Display (Fuzhou) ltd. through its investment in Forward Development Co.,Ltd.
March 2018	The Company participated in the Taipei City Government's Autonomous Vehicle Verification Field Project in the Beitou-Shilin Science Park with its V2V DSRC (Vehicle-to-Vehicle Dedicated Short-Range Communications) workshop communication module for connected vehicle technology.
May 2018	The Company obtained the Ministry of Economic Affairs' technology research and development project for the development of PM2.5 sensor applications and environmental control prediction and analysis system, with the goal of achieving autonomy.
March 2019	The Company participated in the Smart City Expo, showcasing DSRC communication modules that enable real-time traffic information and driving safety features.
July 2020	The Company's investment in Forward Development Co., Ltd. which holds shares in Donghua Yuan Technology Co., Ltd., has completed the liquidation legal procedures and has returned the original investment funds and distributed the remaining profits.
September 2020	The Company has discontinued production in electronic OEM, vehicle (IoT), and professional OEM segments, streamlining uncompetitive and unprofitable product lines.
September 2020	The Company is expanding sales and production capacity of precision component products with core competitiveness, including variable resistors, encoders, non-contact position sensors, and modularized products.
December 2020	The Company is developing rotary shaft type encoder products, motorized sliding variable resistors with 100mm stroke (60mm), designed with special circuits for high durability up to 1 million cycles, and encoder products with metal shafts coated with plastic for high structural strength and insulation performance.
June 2021	The resolution for capital reduction to offset accumulated losses has been resolution of shareholders' meeting.
November 2021	The company has successfully completed the registration for capital reduction and changes in registered capital.
December 2021	Developed products for the automotive market, including a 60mm hollow encoder, a long-stroke vertical LED switch, a 45mm inductive sliding position sensor with RGB LED push switch, a non-contact position sensor with a motor durability of 10 million cycles, an ultra-thin SMD sliding potentiometer, complete rearview mirror assemblies for passenger vehicles, and large-sized displays for unmanned vehicles.
March 2022	Developed micro-sized variable resistors with special electrical circuit designs for use in gaming headsets.
May 2022	Developed magnetic induction non-contact encoders with a lifespan of over 5 million cycles.
October 2022	Developed 60mm/100mm stroke sliding variable resistors with RGB LED and motor.
July 2023	Establish the re-investment company Forward Intelligent Energy Co., Ltd. in Taiwan, focusing on the development of net zero carbon emissions and green startup industries.

III. Corporate Governance Report
 3.1 Organization Structure



3.2 Directors, Supervisors, General Manager, Deputy General Manager, Associates, Departments and Branches Officer Information

(1) Information of Directors, Supervisors and Key Managerial Personnel

1. Directors' and Supervisors' Information

Unit: Shares
March 29, 2024.

Job title	Nationality or place of registration	Name	Gender, age	Date of election / appointment to current term	Term of office	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Note
							No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Share holding ratio			Job title	Name	Relationship	
Chairman/ Directors	The Republic of China (Taiwan)	Tatung Company	-	2021.08.09	3 years	2000.05.08	18,955,623	12.05	31,635,411	22.59	0	0	0	0						
Chairman	The Republic of China (Taiwan)	Tatung Company Legal Representative : Hong Chi-Chang	Male 70-80Age	2023.05.16	3 years	2023.05.16	0	0	0	0	250,000	0.18	0	0	Graduated from the Medical Department of Taipei Medical University. Obtained a Master's degree in Preventive Medicine from the Institute of Preventive Medicine, College of Public Health, National Taiwan University. Earned a Master's degree in Community Medicine from the Institute of Community Medicine, University of Toronto, Canada.	Chairman of Forward Intelligent Energy Co., Ltd. Independent Director of Giant Life Sciences Co., Ltd. Chairman of Taiwan Institute for Economic and Industrial Research Member of the Chinese Taipei Olympic Committee Member of the Commission for the Promotion of Peace of the Chinese Taipei Olympic Committee Advisory Committee Member of Taiwan Institute of Economic Research Affairs Consultant of Chinese National Association of Industry and Commerce Affairs Consultant of Chinese National Federation of Industries Advisor of Taiwan Business Association	None	None	None	Note(2)
Directors	The Republic of China (Taiwan)	Tatung Company Legal Representative : Wang Guang-Xiang	Male 71-80Age	2023.05.16	3 years	2021.04.09	0	0	0	0	0	0	0	0	Honorary Doctor of Engineering, National Taiwan Ocean University Master's Degree in Agricultural Economics, Graduate Institute of National Taiwan University Chairman of San Yuan Construction (stock) Company	Chairman of Tatung (stock) Chairman of Shanyuan Construction (stock) Company Chairman of Longhua Electronics (stock) Company Chairman of Sanyuan Investment Enterprise (stock) Company Chairman of Sanyuan Venture Investment (stock) Company Chairman of Sanyu	None	None	None	Note(2)

[illegible]

																Company Director ChiYi Technology (stock) Company Director Chengtai Electronics (Wujiang) Limited Company Director Qingdao Liansheng Industry Co., Ltd. Director				
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Job title	National ity or place of registration	Name	Gender, age	Date of election / appointment to current term	Term of office	Commence ment date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Note
							No. of shares	Shar e holdi ng ratio	No. of shares	Shar e holdi ng ratio	No. of shares	Share holdi ng ratio	No. of shares	Shar e holdi ng ratio			Job title	Na me	Rel a tion shi p	
Directors	The Republic of China (Taiwan)	Tatung Company Legal Representative : Sui Feng-Zhi	Male 51-60Age	2022.03.01	3 years	2022.03.01	0	0	0	0	0	0	0	0	University of Glasgow MBA Master of Business Administration from National Central University General Manager of Zhang Jin Securities & Investments (Hong Kong) Limited Deputy General Manager of Wealth Management Business, Taipei Fubon Bank, Hong Kong Branch Director of Zhang Jin Securities & Investments (Hong Kong) Limited	Chief Operating Officer of Finance and Accounting Department, Tatung (stock) Company Chairman of Tatung Compressor (Zhongshan) Co., Ltd. Chairman of Suzhou Forward Electronic Technology Co., Ltd. Chairman of Forward Electronic Equipment (Dongguan) Co., Ltd. Chairman of Jinfeng Asia Pacific Co., Ltd. Independent Non-Executive Director of Dongsheng Smart City Service Holdings Limited Director of Kolis Material Technology Co., Ltd.	None	Non e	Non e	None
Directors	The Republic of China (Taiwan)	Tatung Company Legal Representative : Yu Jin-Bang	Male 61-70Age	2022.05.17	3 years	2022.05.17	0	0	14,170,428	10.12	2,713,000	1.94	0	0	General Manager of Pao Shin securities CO., LTD.	Chairman o f Pao Shin securities CO., LTD	None	Non e	Non e	Note(2)
Directors	The Republic of China (Taiwan)	Tatung Company Legal Representative : Fu Yi-Yuan	Male 51-60Age	2022.05.17	3 years	2022.05.17	0	0	9,731,156	6.95	4,185,501	2.99	0	0	Chairman of Pao Shin securities CO., LTD	Deputy Director of Pao Shin securities CO., LTD	None	Non e	Non e	Note (2)

Note : (1) The above shareholding information is recorded in the shareholder registry (as registered in the shareholders roster) of the Company until the date of the shareholders' general meeting for changes.

(2) The original legal representatives of Tatung (stock) Company, Directors Wang Li-rong and Zeng Jie-ming, were reassigned on May 16, 2023, replaced by Directors Wang Guang-xiang and Hong Chi-Chang.

Chairman: Wang Li Rong was resignation on May 16, 2023. Subsequently, Director Wang Guang-Xiang was approved as Chairman at the board meeting on May 19, 2023. Chairman Wang Guang-Xiang resigned after the 18th extraordinary 17th board meeting on June 19, 2023. Director Hong Chi-Chang was then elected as Chairman at the same board meeting on June 19, 2023.

Unit: Shares
March 29, 2024.

Job title	Nationality or place of registration	Name	Gender, age	Date of election / appointment to current term	Term of office	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees			Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree	Other executives, directors, or supervisors with spouses or relatives within the second degree of consanguinity or affinity.			Note
							No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Share holding ratio	Positions held concurrently in the company and/or in any other company		Job title	Name	Relationship	
Independent Director	The Republic of China (Taiwan)	Wang Chia-Nan	Male	2021.08.09	3 years	2014.06.18	0	0	0	0	0	0	0	Master of Business Administration from University of Illinois, USA Independent Director of PX Mart Co., Ltd., Taiwan Associates /Regional Head of Asia Pacific Center, Mega International Commercial Bank Co., Ltd., Taiwan General Manager of Mega International Commercial Bank Co., Ltd., Thailand General Manager of Mega International Management Consulting Co., Ltd., Taiwan	Independent Director of Fortune Grand Corporation Limited Director of Kingpak Technology Inc., a company registered in the British Virgin Islands Independent Director of Baotek Industrial Materials Ltd	None	None	None	None	
			71-80 Age																	
Independent Director	The Republic of China (Taiwan)	Yeh Huang-Chi	Male	2022.06.27	3 years	2022.06.27	34,000	0	0	0	0	0	0	Bachelor's degree in Banking from Tamkang University Chairman of Yuanta Futures Co., Ltd. General Manager and Director of Yuanta Securities Co., Ltd. Director of Yuanta Securities (Asia) Limited Executive Director of Taiwan Futures Exchange Association Executive Supervisor of Taiwan Securities Association Director of Shuang Mei Biomedical Technology Co., Ltd.	Independent Director of Fuhwa Electronic Co., Ltd Independent Director of DTC World Corp Executive Director of MetaNano Inc Advisor of Yuanta Futures Co., Ltd	None	None	None	None	
			61-70Age																	

Job title	Nationality or place of registration	Name	Gender, age	Date of election / appointment to current term	Term of office	Commencement date of first term	No. of shares held at time of election		No. of shares currently held		Shares currently held by spouse and minor children		Shares held through nominees		Academic qualifications	Positions held concurrently in the company and/or in any other company	Other officer(s), director(s), or supervisor(s) with which the person has a relationship of spouse or relative within the second degree			Note
							No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Share holding ratio			Job title	Name	Relationship	
Independent Director	The Republic of China (Taiwan)	Tsai Mao-Yin appointed on 2022.06.27	Male	2022.06.27	3 years	2022.06.27	0	0	0	0	0	0	0	0	Postdoctoral research at Harvard University in the United States Doctor of Laws from Nagoya University in Japan Visiting Professor at Waseda University in Japan Associate Professor and Professor of the College of Law at National Taiwan University Advisor to the Ministry of the Interior in Taiwan Advisor to the National Health Insurance Administration Member of the Central Election Commission in Taiwan Member of the Labor Committee on Regulations of the Executive Yuan Member of the Atomic Energy Commission of the Executive Yuan Mediation Commissioner of the Public Construction Commission of the Executive Yuan Deputy Director of the Law and Regulations Committee of the National Police Agency under the Ministry of the Interior Regulations Commissioner of Taipei City Government Regulations Commissioner of Taipei County Government Director of Taiwan Sugar Corporation (Stock)	Independent Director of DTC World Corporation Director and Dean of the College of Motion Picture and Creative Content at Chung Yuan Christian University Concurrent Professor at the College of Law, National Taiwan University Member of the Administrative Appeal Committee of the Executive Yuan Member of the Local Tax Review Committee of the Ministry of Finance Advisor to the Taiwan-Japan Relations Association	None	None	None	None
			61-70Age																	

2. The major shareholders among the corporate shareholders

2023.12.31

Institutional name	Major shareholders of institutional shareholders	
Tatung Company.	Major shareholders	Ownership (%)
	San Ya Investment Co., Ltd.	7.47%
	Jun Investment International Co., Ltd.	5.21%
	Rowda Capital Co.	5.19%
	Ou Chi Investment Co., Ltd.	4.29%
	Capital Securities Corporation is entrusted the custody of investment account by Luk Fook Securities Limited	3.84%
	Chun-Lung Wu	3.50%
	Tatung University	3.41%
	Wen-Yi Zheng	2.96%
	Dong-Jun Jiang	2.32%
	Xin-Tatung Investment Consulting Ltd.	2.23%

3. The major shareholders of corporate shareholders are their principal shareholders

2023.12.31

Institutional name	Major shareholders of institutional shareholders
Sanya Investment Co.	Wkang-Hsiang Wang (31.33%), Syue-E Wang Hu (31.33%), Ya-Lin Wang (18.33%), Ya-Syuan Wang (7.61%), Ya-Wei Wang (7.61%), Li-Chih Wang (0.95%), Li-Cyun Wang (0.95%), Li-Ming Wang (0.95%), Li-Ju Wang (0.95%)
Jun Investment International Co., Ltd.	Chun-Lung Wu(44%), Jyun-Yi Wu(28%)、Yi-Ci Wu (28%)
Rowda Capital Co.	Shanyuan Construction Co., Ltd. (100%)
Ou Chi Investment Co., Ltd.	British Virgin Islands (GIGANT HOLDINGS LIMITED)(99.9%)
Capital Securities Corporation is entrusted the custody of investment account by Luk Fook Securities Limited	NA
Tatung University	Association for the Promotion of Industry of Corporation Aggregate (100%)
Xin-Tatung Investment Consulting Ltd.	Rang-Guang Yang(1%)、Jing-Yi Gao (99%)

4. Director and Supervisor Professional Qualifications and Independent Director Independence Disclosure

Conditions Name	Professional qualifications and experience	Independence Status	Number of Independent Director Positions in Other Publicly Listed Companies
Tatung Company Legal Representative of the Board of Directors: Chairman Hong Chi-Chang	Relevant work experience in commerce and corporate business operations	<ol style="list-style-type: none"> 1. No immediate family relationship, within spouse or up to second degree of kinship, with any other director. 2. Not a natural person shareholder, directly or indirectly, holding 1% or more of the total issued shares of the company or listed among the top ten shareholders, along with their spouse, minor children, or holding shares on behalf of others. 3. Has not received any remuneration in the past two years for providing business, legal, financial, accounting or other services to the company or its affiliated enterprises. 	1
Tatung Company Legal Representative of the Board of Directors: Wang Guang- Xiang	Relevant work experience in commerce and corporate business operations	<ol style="list-style-type: none"> 1. Does not have a spouse or close relatives within the second degree of kinship who concurrently serve as directors. 2. Does not, together with his/her spouse, minor children, or other persons on behalf of whom he/she holds shares, hold 1% or more of the total issued shares of the company or be among the top ten individual shareholders. 3. Has not received any remuneration from the company or its affiliated enterprises for providing services such as business, legal, financial, accounting, etc., in the past two years. 	None
Tatung Company Legal Representative of the Board of Directors: Sui Feng-Zhi	Relevant work experience in commerce, financial and corporate business operations	<ol style="list-style-type: none"> 1. No spousal or close relative relationship within the scope of spouse or second-degree relatives with other directors. 2. Not the individual shareholder, spouse, minor child, or shareholder in the name of others, holding more than 1% of the total issued shares or ranked among the top ten natural person shareholders of the Company. 3. Has not received any remuneration from providing business, legal, financial, accounting or other services to the Company or its affiliated enterprises in the past 2 years. 	None

Conditions Name	Professional qualifications and experience	Independence Status	Number of Independent Director Positions in Other Publicly Listed Companies
Tatung Company Legal Representative of the Board of Directors: Yu Jin- Bang	Relevant work experience in commerce and corporate business operations	1. Not concurrently holding spousal or close relative relationship within the second degree of consanguinity with other directors. 2. Not having provided remuneration from business, legal, financial, accounting or other services to the Company or its affiliated companies in the past 2 years.	None
Tatung Company Legal Representative of the Board of Directors: Fu Yi-yuan	Relevant work experience in commerce and corporate business operations	1. Not concurrently holding spousal or close relative relationship within the second degree of consanguinity with other directors. 2. Not having provided remuneration from business, legal, financial, accounting or other services to the Company or its affiliated companies in the past 2 years.	None
Independent Director: Wang Jia- nan	Has work experience in business, legal, financial, accounting, and company operations, and does not fall under any of the circumstances listed in Article 30 of the Company Act.	1. Neither himself, have spouse, nor relatives up to the second degree of kinship served as directors, supervisors, or employees of the Company or its affiliated enterprises. 2. Neither himself, spouse, nor relatives up to the second degree of kinship (or using others' names) hold any shares or stakes in the Company. 3. I have not served as a director, supervisor, or employee of any company with a specific relationship with the Company (meeting the requirements of independent directors of publicly traded companies and following the regulations of Article 3, paragraphs 1, 5-8). 4. I have not received any remuneration from the Company or its affiliated enterprises for providing business, legal, financial, accounting, or other services in the past 2 years.	1

Conditions Name	Professional qualifications and experience	Independence Status	Number of Independent Director Positions in Other Publicly Listed Companies
Independent Director : Yeh Huang-Chi	Has work experience in business, legal, financial, accounting, and company operations, and does not fall under any of the circumstances listed in Article 30 of the Company Act.	<ol style="list-style-type: none"> Neither himself, nor spouse, parents or close relatives within the second degree of kinship, hold positions as directors, supervisors, or employees of the Company or its affiliated enterprises. Neither himself, nor spouse, parents or close relatives within the second degree of kinship, hold any shares or proportion of shares in the Company, directly or indirectly through others. Didn't hold any position as a director, supervisor, or employee in a company that has specific relationships with the Company (as defined in Article 3, Paragraph 1, Items 5-8 of the Regulations Governing the Establishment of Independent Directors of Public Companies). Didn't received any remuneration from the Company or its affiliated enterprises for business, legal, financial, accounting, or other services rendered in the past 2 years. 	1
Independent Director : Tsai Mao-Yin	Possesses relevant academic background with a Bachelor's degree or above in business, law, finance, accounting, or related fields from a public or private university, and has work experience as a lecturer or above in business, law, finance, accounting, or company-related fields. Also, has no conflicts of interest as defined in Article 30 of the Company Law.	<ol style="list-style-type: none"> Neither himself, nor spouse, parents or close relatives within the second degree of kinship, hold positions as directors, supervisors, or employees of the Company or its affiliated enterprises. Neither himself, nor spouse, parents or close relatives within the second degree of kinship, hold any shares or proportion of shares in the Company, directly or indirectly through others. Didn't hold any position as a director, supervisor, or employee in a company that has specific relationships with the Company (as defined in Article 3, Paragraph 1, and Items 5-8 of the Regulations Governing the Establishment of Independent Directors of Public Companies). Didn't received any remuneration from the Company or its affiliated enterprises for business, legal, financial, accounting, or other services rendered in the past 2 years. 	1

5.Board Diversity and Independence:

(1) Board Diversity Policy:

The structure of our company's board of directors is determined based on the scale of our company's operations and the shareholding situation of its major shareholders, taking into account practical operational needs, with a decision made to have an appropriate number of directors exceeding five. Regarding the composition of the board members, except for directors who also serve as company executives, the number of such directors should not exceed one-third of the total number of board seats. Board members should generally possess the necessary knowledge, skills, and qualities required to fulfill their duties. Furthermore, in formulating appropriate diversification policies, the board should consider its own operations, business model, and development needs. This should include, but not be limited to, the following two major aspects:

A. Basic Criteria and Values: Gender, age, nationality, and cultural background.

B. Professional Knowledge and Skills: Professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

(2)The current list of 8 directors of the Company consists of individuals who are all citizens of the Republic of China. Among them, 3 seats are occupied by independent directors, accounting for 37.5% of the total. The board members of the Company possess work experience and expertise in operational management, industry knowledge, finance, and strategic management. The implementation of board diversity is reflected in the following table:

Title	Business management	Leadership and decision	Industry knowledge	Financial accounting	Legal
Chairman Hong Chi-Chang	✓	✓	✓	✓	✓
Director Wang Guang-Xiang	✓	✓	✓	✓	✓
Director Sui Feng-Zhi	✓	✓	✓	✓	✓
Director Yu Jin-Bang	✓	✓	✓	✓	✓
Director Fu Yi-Yuan	✓	✓	✓	✓	✓
Independent Director Wang Jia-Nan	✓	✓	✓	✓	✓
Independent Director Yeh Huang-Chi	✓	✓	✓	✓	✓
Independent Director Tsai Mao-Yin	✓	✓	✓	✓	✓

(3) The Board of Directors of our company guides the company's strategy, oversees the management team, and is responsible to the company and its shareholders. Directors receive reports from the management team during board meetings and provide guidance and advice. They maintain good communication with the management team. The governance system and all operations and arrangements of the company are conducted in accordance with laws, the company's articles of association, or decisions made by the shareholders' meeting. Together, they work to maximize the interests of the shareholders.

Unit: Shares
March 29, 2024.

(2) General Manager, Deputy General Manager, Division Managers, and Branch Managers Information:

Job title	Nationality	Name	Gender	Date of appointment to position	Shares held		Shares held by spouse and minor children		Shares held through nominees		Academic qualifications	Positions concurrently held in other companies at present	Other managerial officer(s) with which the person has a relationship of spouse or relative within the second degree			Remarks
					No. of shares	Share holding ratio	No. of shares	Share holding ratio	No. of shares	Share holding ratio			Job title	Name	Relationship	
General Manager 2024.01.09 Appointment	Republic of China (Taiwan)	Shen Ying-Yi	Male	2024.01.09	0	0	0	0	0	0	National Taiwan University, Department of Electrical Engineering Software Engineer specializing in project management at Lingqun Computers General Manager at Feida Information Technology Co., Ltd., also serving as Manager of the Proprietary Trading Department at BoFei Information Technology Co., Ltd., a subsidiary of First Financial Securities Co., Ltd. Chief Investment Officer at Aberton Investment Company	Director of Forward Intelligent Energy Co., Ltd.	None	None	None	None
General Manager 2024.01.08 Resignation	Republic of China (Taiwan)	Shaw Ming-Fu	Male	2023.08.14	0	0	0	0	0	0	Bachelor's degree in Physics from Fu Jen Catholic University Master's degree in Economics from Taipei School of Commerce, National Chung Hsing University Doctorate in Economics from National Chengchi University	Independent Director, Audit Committee Member, and Sustainability Committee Member at Yilong Electronics Co., Ltd. Director at Taiwan Sugar Association	None	None	None	None
General Manager 2023.05.19 Resignation	Republic of China (Taiwan)	Lin Rong-Tzu	Male	2020.07.01	0	0	0	0	0	0	Master of Mechanical Engineering, Chung Yuan Christian University Quality Director, Fuzhou Huaying Video Co., Ltd. Technical Director, Fuzhou Huaying Video Co., Ltd. Deputy Plant Manager, Huaying (Wujiang) Technology Co., Ltd. General Manager, Donghuayuan (Wujiang) Technology Co., Ltd. General Manager, Suzhou Forward Electronic Technology Co., Ltd. Director, Suzhou Forward Electronic Technology Co., Ltd. Director, Forward Electronic Equipment (Dongguan) Co., Ltd.	-	None	None	None	None
Finance Manager Corporate Governance Manager	Republic of China (Taiwan)	Sung Cheng-Xi	Male	2024.01.09/ 2024.01.09	0	0	0	0	0	0	The London School of Economics and Political Science MSc in Accounting and Finance The University of Reading, Henley Business School	Supervisor of Suzhou Forward Electronics Technology Co., Ltd Supervisor of Forward Electronic Equipment (Dongguan) Co., Ltd Finance Manager at Forward Intelligent	None	None	None	Note

2024.01.09 Appointment											MSc in International Securities Investment and Banking National Dong Hwa University, Department of Economics Industry Research Analyst at Cathay Financial Holdings Chief Financial Officer and Global Business Manager at HuiZuan Technology (stock) Company	Energy Co., Ltd.				
Accounting Supervisor 2024.02.01 Appointment	Republic of China (Taiwan)	Chen Jing-Min	Female	2024.02.01	0	0	0	0	0	0	Graduated from the Department of Accounting, Feng Chia University Audit Department Team Leader at Ernst & Young Accounting Specialist at Tatung Healthcare Co., Ltd. Senior Specialist in the Finance and Accounting Department at RiDing Water Enterprise Co., Ltd.	None	None	None	None	Note
Finance Manager Corporate Governance Manager 2024.01.09 Resignation	Republic of China (Taiwan)	Yang Cheng-Chieh	Male	2022.07.21/ 2023.03.08	0	0	0	0	0	0	Bachelor's degree in Business Administration from National Taiwan University of Science and Technology Senior Manager at the Investment Department (Investment Accounting Section, Business Analysis Department) of the Finance and Accounting Department at Tatung (stock) Company Senior Manager at the Accounting Section of the Motor Business Division at Tatung (stock) Company Manager of the Medium and Small Horse Section at the Motor Business Division of Tatung (stock) Company	-	None	None	None	Note

Note: There was a change in positions on January 9, 2024. Yang Cheng Chieh, Finance Manager, Corporate Governance Manager, and Accounting Supervisor, were adjusted on January 9, 2024. Song Cheng Xi took over as Finance Manager and Corporate Governance Manager on January 9, 2024, while Chen Jing Min took over as Accounting Supervisor on February 1, 2024.

(3) Remuneration paid to directors (including independent directors), supervisors, general manager, and deputy general manager during the most recent fiscal year

1-1 Remuneration of directors (including independent directors)

2023.12.31 ; Unit: NTD (New Taiwan Dollar) thousand per thousand shares

Title	Name	Director's fees								Total amount of A, B, C, and D, and the percentage of their respective amounts to the net income (loss) after tax(%)		Employees receiving related remuneration for concurrent positions								Total amount and percentage of A, B, C, D, E, F, and G in relation to net income (loss) after tax(%)		Receipt of Re-invested businesses from investees outside of subsidiary or parent companies (Note 11)
		Compensation (A)		Retirement pension(B)		Director's remuneration (C)		Business execution expenses (D)				Salary, bonus, and special allowances, etc. (E)		Retirement pension (F)		Employee compensation (G)						
		Our Company	All companies within the financial report	Our Company	All companies within the financial report	Our Company	All companies within the financial report	Our Company	All companies within the financial report	Our Company	All companies within the financial report	Our Company	All companies within the financial report	Our Company		All companies within the financial report		Our Company	All companies within the financial report			
Chairman	Tatung Company Legal Representative Hong, Chi-Chang appointment on June 19 th 2023	1280	1280	0	0	0	0	360	572	1,640 1.17%	1,852 1.32%	0	807	0	0	0	0	0	0	1,640 1.17%	2,659 1.89%	0
Chairman	Tatung Company Legal Representative Wang Li Rong resignation on May 16 th 2023	907	907	0	0	0	0	429	630	1,336 0.95%	1,537 1.09%	0	0	0	0	0	0	0	0	1,336 0.95%	1,537 1.09%	0
Directors	Tatung Company Legal Representative Wang Guang-Xiang appointment on May16 th 2023	213	213	0	0	0	0	93	103	306 0.22%	316 0.23%	0	0	0	0	0	0	0	0	306 0.22%	316 0.23%	35
Directors	Tatung Company Legal Representative: Tseng Chieh-Ming May 16 th , 2023	0	0	0	0	0	0	10	10	10 0.01%	10 0.01%	0	0	0	0	0	0	0	0	10 0.01%	10 0.01%	2,483
Directors	Tatung Company Legal Representative: Su Feng zhi	0	0	0	0	0	0	50	50	50 0.04%	50 0.04%	0	0	0	0	0	0	0	0	50 0.04%	50 0.04%	2,290
Directors	Tatung Company Legal Representative: Yu Jin bang	0	0	0	0	0	0	50	60	50 0.04%	60 0.04%	0	0	0	0	0	0	0	0	50 0.04%	60 0.04%	0
Directors	Tatung Company Legal Representative: Fu Yi-Yuan	0	0	0	0	0	0	50	60	50 0.04%	60 0.04%	0	0	0	0	0	0	0	0	50 0.04%	60 0.04%	0
Independent Director	Wang Jia-Nan	840	840	0	0	0	0	50	50	890 0.63%	890 0.63%	0	0	0	0	0	0	0	0	890 0.63%	890 0.63%	0
Independent Director	Ye Huang-Qi	840	840	0	0	0	0	45	45	890 0.63%	890 0.63%	0	0	0	0	0	0	0	0	890 0.63%	890 0.63%	0
Independent Director	Tsai Mao-Yin	840	840	0	0	0	0	50	50	890 0.63%	890 0.63%	0	0	0	0	0	0	0	0	890 0.63%	890 0.63%	0

1. Policy, system, standards, and structure for the payment of remuneration to independent directors are proposed by taking into consideration the company's operating performance and industry norms, and submitted for approval by the Board of Directors.

2.Apart from the disclosed information, there were no remunerations received by the directors for providing services to other companies as non-employees, as stated in the financial reports for the most recent fiscal year.

3.Directors who have drivers, please provide additional information on the remuneration paid to the driver, which is not included in the remuneration. The Chairman, Mr. Wang Li-rong, assumed office on October 12 2022, and had one driver with a salary of NTS225, thousand for January to December 2023.

1-2 Compensation Level Table

Compensation Levels for Directors in Our Company	Names of Directors			
	Total remuneration for the top four items (A+B+C+D)		Total remuneration for the top seven items (A+B+C+D+E+F+G)	
	The Company	All companies in the financial reports H	The Company	All companies in the financial reports I
Less than 1,000,000 NTD	The representative of Tatung Co., Ltd.: Wang Guang Xiang, Zeng Jie Ming, Su Feng zhi, Yu Jin bang, Fu Yi-Yuan Independent Directors : Wang Jia Nan, Ye Huang Qi, Tsai Mao-Yin	The representative of Tatung Co., Ltd.: Wang Guang Xiang, Zeng Jie Ming, Su Feng zhi, Yu Jin bang, Fu Yi-Yuan Independent Directors : Wang Jia Nan, Ye Huang Qi, Tsai Mao-Yin	The representative of Tatung Co., Ltd.: Wang Guang Xiang, Zeng Jie Ming, Su Feng zhi, Yu Jin bang, Fu Yi-Yuan Independent Directors : Wang Jia Nan, Ye Huang Qi, Tsai Mao-Yin	The representative of Tatung Co., Ltd.: Wang Guang Xiang, Zeng Jie Ming, Su Feng zhi, Yu Jin bang, Fu Yi-Yuan Independent Directors : Wang Jia Nan, Ye Huang Qi, Tsai Mao-Yin
1,000,000 NTD (inclusive) to 2,000,000 NTD (exclusive)	2 persons (Hong, Chi-Chang, Wang Li Rong)	2 persons (Hong, Chi-Chang, Wang Li Rong)	2 persons (Hong, Chi-Chang, Wang Li Rong)	1 person (Wang Li Rong)
2,000,000 NTD (inclusive) to 3,500,000 NTD (exclusive)	-	-	-	1 person (Hong, Chi-Chang)
3,500,000 NTD (inclusive) to 5,000,000 NTD (exclusive)	-	-	-	-
5,000,000 NTD (inclusive) to 10,000,000 NTD (exclusive)	-	-	-	-
10,000,000 NTD (inclusive) to 15,000,000 NTD (exclusive)	-	-	-	-
15,000,000 NTD (inclusive) to 30,000,000 NTD (exclusive)	-	-	-	-
30,000,000 NTD (inclusive) to 50,000,000 NTD (exclusive)	-	-	-	-
50,000,000 NTD (inclusive) to 100,000,000 NTD (exclusive)	-	-	-	-
100,000,000 NTD or above	-	-	-	-
Total	10 persons	10 persons	10 persons	10 persons

Note 1: The names of directors should be listed separately (for legal entity shareholders, the name of the legal entity and its representative should be listed separately), and the remuneration amounts for both regular directors and independent directors should be disclosed in an aggregated manner. If a director also serves as the general manager or deputy general manager, please complete this form and Form (3-1), or Form (3-2-1) and (3-2-2) accordingly.

Note 2: Refers to the remuneration of directors for the most recent fiscal year, including director's salary, job allowances, severance payment, various bonuses, incentives, etc.

Note 3: Refers to the amount of director's remuneration approved by the board of directors for distribution in the most recent fiscal year.

Note 4: Refers to the expenses related to the execution of relevant business by directors in the most recent fiscal year, including transportation expenses, special allowances, various subsidies, dormitories, company-provided vehicles, etc. If the company provides assets such as housing, cars, and other domestic natural persons transportation tools, the nature and cost of the provided assets, actual or fair market price value-based rental, fuel expenses, and other benefits should be disclosed. If a driver is provided, please provide a note explaining the remuneration paid to the driver, but it should not be included in the remuneration.

Note 5: Refers to the remuneration received by directors who also serve as employees (including those who serve as general manager, deputy general manager, other managers, and employees) in the most recent fiscal year, including salary, duty allowance, severance payment, various bonuses, incentives, transportation expenses, special allowances, various subsidies, dormitories, company-provided vehicles, etc. If the company provides assets such as housing, cars, and other domestic natural persons transportation tools, the nature and cost of the provided assets, actual or fair market price value-based rental, fuel expenses, and other benefits should be disclosed. If a driver is provided, please provide a note explaining the remuneration paid to the driver, but it should not be included in the remuneration. In addition, the salary expense recognized in accordance with IFRS 2 "Share-based Payment," including the acquisition of employee stock options, restricted stock units, and participation in capital increases, should also be included in the remuneration.

Note 6: Refers to the disclosure of the amount of employee compensation (including stock and cash) allocated by the board of directors in the most recent fiscal year to directors who also serve as employees (including those who serve as general manager, deputy general manager, other managers, and employees). If the estimated amount of proposed allocation cannot be determined, it should be calculated based on the proportion of actual allocation amount compared to the previous year, and the information should also be provided in Appendix 1-3.

Note 7: The total amount of remuneration paid to directors of all companies (including the reporting company) should be disclosed in the consolidated financial statements.

Note 8: The total amount of remuneration paid to each director of the reporting company should be disclosed in the respective remuneration bands, along with the names of the directors.

Note 9: The total amount of remuneration paid to each director of the reporting company should be disclosed in the respective remuneration bands, along with the names of the directors, in the consolidated financial statements, including all companies (including the reporting company).

Note 10: "Net income after tax" refers to the net income after tax as reported in the most recent individual or separate financial statements.

Note 11: a. This column should clearly specify the amount of re-invested businesses received by company directors from subsidiaries or non-consolidated investee companies (if none, please indicate "none").

b. If company directors receive re-invested businesses from subsidiaries or non-consolidated investee companies, such re-invested businesses should be included in column I of the re-invested businesses bands table, and the column name should be changed to "Parent Company and All Non-consolidated Investee Companies".

c. "Re-invested businesses" refers to re-invested businesses, compensation (including bonuses of employees, directors and supervisors), and business execution expenses received by the company directors in their capacities as directors, supervisors, or managers of subsidiaries or non-consolidated investee companies.

*The information disclosed in this table regarding remuneration is different from the concept of income tax paid, and therefore, the purpose of this table is for information disclosure only and should not be used for tax assessment purposes.

2-1 The remuneration for supervisors: Not applicable

3-1 Remuneration for General Manager and Deputy General Manager

Date: December 31 2023 (Unit: Thousand New Taiwan Dollars/Thousand Shares)

Job title	Name	Salary(A)		Retirement pay and pension (B)		Rewards and special disbursements (C)		Employee profit-sharing compensation (D)				Sum of A+B+C+D and ratio to net income (%)		Remuneration received from investee enterprises other than subsidiaries or from the parent company
		The Company	All consolidated entities	The Company	All consolidated entities	The Company	All consolidated entities	The Company		All consolidated entities		The Company	All consolidated entities	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
General Manager 2024.01.19 appointment	Shen Ying-Yi	0	0	0	0	0	0	0	0	0	0	0	0	
General Manager 2023.08.14 appointment 2024.01.08 resignation	Shaw Ming Fu	916	916	41	41	274 Note	274 Note	0	0	0	0	1,231 0.88%	1,231 0.88%	
General Manager 2023.05.19 resignation	Lin Rong-Ci	1,020	1,379	42	42	3	3	0	0	0	0	1,065 0.76%	1,424 1.02%	

Note: The bonus and special allowances for General Manager Shaw Ming Fu include a car rental fee of 195,000 NT dollars, with one driver, totaling 236,477 NT dollars from May to December of the fiscal year 2023.

3-2 Compensation Bracket Table

Compensation Bracket Table for Each General Manager and Deputy General Manager of the Company	The names of the General Manager and Deputy General Manager are not provided	
	The Company	All consolidated entities Ex1x1
Less than 1,000,000 NTD	1 person (Shen Ying-Yi)	1 person (Shen Ying-Yi)
1,000,000 NTD (inclusive) to 2,000,000 NTD (exclusive)	2 persons (Shaw Ming Fu, Lin Rongci)	2 persons (Shaw Ming Fu, Lin Rongci)
2,000,000 NTD (inclusive) to 3,500,000 NTD (exclusive)	-	-
3,500,000 NTD (inclusive) to 5,000,000 NTD (exclusive)	-	-
5,000,000 NTD (inclusive) to 10,000,000 NTD (exclusive)	-	-
10,000,000 NTD (inclusive) to 15,000,000 NTD (exclusive)	-	-
15,000,000 NTD (inclusive) to 30,000,000 NTD (exclusive)	-	-
30,000,000 NTD (inclusive) to 50,000,000 NTD (exclusive)	-	-
50,000,000 NTD (inclusive) to 100,000,000 NTD (exclusive)	-	-
100,000,000 NTD or more	-	-
Total	3 persons	3 persons

Note 1 : The names of the General Manager and Deputy General Manager should be listed separately, and the amounts of various payments should be disclosed in a summarized manner. If a director also serves as General Manager or Deputy General Manager, both this table and Table (1-1) or (1-2-1) and (1-2-2) should be completed.

Note 2 : Fill in the salary, job allowance, and severance payment of the General Manager and Deputy General Manager for the most recent fiscal year.

Note 3 : Fill in the amounts of various bonuses, incentives, car allowances, special allowances, subsidies, dormitory, company-provided vehicles, and other compensation paid to the General Manager and Deputy General Manager for the most recent fiscal year. If assets such as houses, cars, and other domestic natural persons transportation tools or exclusive personal expenses are provided, disclose the nature and cost of the provided assets, actual or fair market price value-based rent, fuel costs, and other payments. If a driver is provided, please provide a note explaining the relevant compensation paid by the company to the driver, but do not include it in the remuneration. In addition, share-based payments recognized in accordance with IFRS 2 "Share-based Payments," including the acquisition of employee share options, restricted share units, and participation in capital increases through subscription of shares, should also be included in the remuneration.

Note 4 : Fill in the total amount of employee remuneration (including stocks and cash) distributed to the General Manager and Deputy General Manager approved by the Board of Directors for the most recent fiscal year. If it cannot be estimated, the proposed distribution amount for this year should be calculated based on the proportion of actual distribution amount last year, and it should also be listed separately in Schedule 1-3.

Note 5 : The total amount of all remuneration paid by all companies (including the company itself) to the General Manager and Deputy General Manager of the company should be disclosed.

Note 6 : The total amount of remuneration paid by the company to each General Manager and Deputy General Manager should be disclosed in the corresponding pay scale, including their names.

Note 7 : The total amount of remuneration paid by all companies (including the company itself) to each General Manager and Deputy General Manager of the company should be disclosed in the corresponding pay scale, including their names.

Note 8 : Post-tax net profit refers to the net profit after-tax for the most recent fiscal year in the individual or separate financial statements.

Note 9: a. This column should clearly indicate the amounts of remuneration received by the company's general manager and deputy general manager from investments outside of subsidiaries or the parent company (if none, please fill in "None").

b. If the company's general manager and deputy general manager receive remuneration from investments outside of subsidiaries or the parent company, the remuneration received by the general manager and deputy general manager from investments outside of subsidiaries or the parent company should be included in Column E of the remuneration range table, and the column name should be changed to "Parent Company and All Investment Enterprises."

c. Remuneration refers to the compensation, remuneration (including employee, director, and supervisor remuneration), and business execution expenses received by the company's general manager and deputy general manager in their capacity as directors, supervisors, or executives of investments outside of subsidiaries or the parent company.

* The remuneration disclosed in this table is different from the concept of income under the Income Tax Act, so the purpose of this table is for information disclosure and not for tax assessment.

4. Name of managers who distributed employee remuneration and details of distribution

December 31, 2023; Unit: Thousand New Taiwan Dollars

Item	Title	Name	Cash amount	Stock amount	Total	Percentage of Total Amount to Net Income after Tax (%)
Manager	General Manager	Shen Ying-Yi 2024.01.19 appointment	Under distribution	None	None	Under distribution
	General Manager	Shaw Ming Fu 2024.01.08 resignation				
	General Manager	Lin Rong-Ci 2023.05.19 resignation				
	Senior Department Head of Business Affairs	Lin Chin-Feng				
	Director of Finance Department	Yang Cheng Chieh 2024.01.19 resignation				
	Director of Human Resources Department	Huang Hsiu Hua				

Note 1: Individual names and titles should be disclosed, but the distribution of earnings can be disclosed in an aggregated manner.

Note 2: Fill in the amount of employee compensation (including stock and cash) approved by the Board of Directors for the most recent fiscal year. If it cannot be estimated, calculate the proposed distribution amount for this year based on the proportion of actual distribution amount last year. After-tax net profit refers to the after-tax net profit of the most recent fiscal year; for those who have adopted international Financial Reporting Standards, after-tax net profit refers to the after-tax net profit of the individual or separate financial reports of the most recent fiscal year.

Note 3: The scope of application for managers is stipulated in the letter issued by the Taiwan Financial Supervisory Commission on March 27 2003, with the following scope:

- (1) General Manager and equivalent level
- (2) Deputy General Manager and equivalent level
- (3) Assistant General Manager and equivalent level
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Other persons responsible for company management affairs and signing authority

Note 4: If directors, general manager, and deputy general manager receive employee compensation (including stock and cash), in addition to filling in Attachment 1-2, they should also fill in this table

5. The analysis of the total amount of remuneration paid to directors, supervisors, general manager, and deputy general manager of the Company and its consolidated subsidiaries as a percentage of the net income after tax, as well as the explanation of the policy, standards, and composition of remuneration, the formula for setting remuneration, and the correlation between remuneration and operational performance and future risks.

(1) Analysis of the proportion of the total remuneration paid to the directors, supervisors, general manager, and deputy general manager of the company as a percentage of post-tax net income (loss) in the past two years.

Unit: NTD (thousand); %

Year	2022		2023	
Title	Our Company	All companies in the financial statements	Our Company	All companies in the financial statements
Directors and Independent	3.74	4.36	4.35	5.24

Directors				
General Manager and Deputy General Manager	1.68	2.19	1.64	1.89

(2) Explanation of the policy, standards, and composition of remuneration, the process of determining remuneration, and the relationship between remuneration and business performance, as well as future risks:

A. The policy for remuneration of directors and supervisors in our company is as follows :

(A) According to the meeting held on July 21, 2022, the Fifth Session of the Sixth Salary and Remuneration Committee revised and passed the "Independent Director Compensation System" method during the meeting, and requested the board of directors' review. It was then resolved by the board of directors on July 21, 2022:

- a. Independent directors receive a monthly salary and do not receive remuneration from profit distribution or retirement benefits for directors.
- b. Vehicle expenses:
 - (a) Attendance at board meetings or shareholders' meetings in person or online conference may receive vehicle expenses.
 - (b) If a shareholders' meeting and a board meeting are held on the same day, only one payment is allowed.

(B) According to the meeting held on October 3, 2023, the Fifth Session of the Fourteenth Salary and Remuneration Committee revised and passed the "Director Compensation" method during the meeting, and requested the board of directors' review. It was then resolved by the board of directors on October 3, 2023:

- a. The source of director's compensation is based on Article 27 of the "Company Articles of Association":
If the company is profitable for the year, director's compensation shall not exceed two percent of the pre-tax net profit, but when the company has accumulated losses, the amount to be offset shall be reserved in advance.
- b. Director's compensation is distributed annually according to the relevant provisions of the company's articles of association. The Salary and Remuneration Committee considers the overall performance of the board of directors, the company's operational performance, future operations, and risk tolerance, formulates distribution recommendations, and requests board of directors' resolution for report at the shareholders' meeting.
- c. The distribution of compensation for individual directors will be based on their level of involvement in the company's operations and their contribution value, distributed according to their weighting, and the weighted results.
- d. Vehicle expenses:
 - (a) Attendance at board meetings or shareholders' meetings in person or online conference may receive vehicle expenses.
 - (b) If a shareholders' meeting and a board meeting are held on the same day, only one payment is allowed.

B. The policy of executive compensation in our company :

The compensation for the General Manager and Deputy General Manager is determined and paid in accordance with the compensation policy approved by the Remuneration Committee and the Board of Directors. The process for setting the compensation takes into consideration the

position, contribution to the company, and is carried out in accordance with Article 24 of Incorporation and personnel regulations. In addition to considering the overall operational performance of the company, future business risks and trends, domestic natural persons goal achievement percentage, and contributions to the company are also taken into account to provide reasonable compensation. Efforts are made to minimize the possibility of future operational risks, and the compensation system is periodically reviewed in accordance with actual business conditions and relevant laws and regulations, aiming for sustainable business operation and a balanced approach to risk management.

(4) Total remuneration of the top five highest-paid executives in listed or over-the-counter (OTC) companies:

Date: December 31, 2023; Unit: Thousand New Taiwan Dollars

Date: December 31, 2023, Unit: Thousand New Taiwan Dollars

Job title	Name	Salary(A) (Note 2)		Pension (B)		Rewards and special disbursements (C) (Note 3)		Employee profit-sharing compensation (D) (Note 4)				Sum of A+B+C+D and ratio to net income (Note 6)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 7)
		The Company	All consolidated entities (Note 5)	The Company	All consolidated entities (Note 5)	The Company	All consolidated entities (Note 5)	The Company		All consolidated entities (Note 5)		The Company	All consolidated entities	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
General Manager	Shen Ying-Yi 2024.01.19 appointment	0	0	0	0	0	0	0	0	0	0	0	0	
General Manager	Shaw Ming Fu 2023.08.14 appointment 2024.01.08 resignation	916	916	41	41	274 Note	274 Note	0	0	0	0	1,231 0.88%	1,231 0.88%	0
General Manager	Lin Rong- Ci 2023.05.19 resignation	1,020	1,379	42	42	3	3	0	0	0	0	1,065 0.76%	1,424 1.02%	0
Senior Department Director	Lin Qing- Feng	1,588	1,588	0	0	134	134	0	0	0	0	1,722 1.23%	1,722 1.23%	0
Chief Financial Officer	Yang Zheng-Jie 2024.01.09 resignation	1,523	1,523	87	87	129	129	0	0	0	0	1,739 1.24%	1,739 1.24%	0
Human Resources Director	Huang Xiu- Hua	1,306	1,306	0	0	98	98	0	0	0	0	1,404 1.00%	1,404 1.00%	0
Deputy Director of Information Cente	Lee Tsung- tsan	1,094	1,094	0	0	94	94	0	0	0	0	1,188 0.85%	1,188 0.85%	0

Note: The bonus and special allowances for General Manager Shaw Ming Fu include a car rental fee of 195,000 NT dollars, with one driver, totaling 236,477 NT dollars from May to December of the fiscal year 2023.

Note 1: The term "top five highest paid executives" refers to the company's managers, and the criteria for identifying such managers shall be handled in accordance with the letter of the Ministry of Finance and the Securities and Futures Bureau dated March 27, 2004, No. Tai Cai Zheng San Zi No. 0920001301. As for the calculation principles for determining the "top five highest paid" executives, it is based on the total amount of salaries, pensions, bonuses, special allowances, etc., received by the company's managers from the consolidated financial statements of all companies (i.e., the sum of A + B + C + D), and the top five highest paid executives are determined after sorting. If a director concurrently serves as one of the aforementioned executives, please fill in this form and the table (1-1) above.

Note 2: Fill in the salaries, job allowances, and severance payment of the top five highest paid executives in the most recent year.

Note 3: Fill in the various bonuses, incentives, car expenses, special allowances, allowances for dormitories, company-provided vehicles, and other compensation amounts provided to the top five highest paid executives in the most recent year. If assets such as houses, cars, and other means of transportation or expenses exclusively for personal use are provided, disclose the nature and cost of the provided assets, the actual or fair market price value of the rent, fuel costs, and other domestic natural persons payments. If a driver is provided, please provide a note explaining the relevant compensation provided by the company to the driver, but do not include it in the compensation. In addition, the salary expenses recognized according to IFRS 2 "Share-based Payment," including the acquisition of employee stock options, restricted stock units, and participation in capital increases, should also be included in the compensation.

Note 4: Fill in the employee compensation (including stocks and cash) allocated to the top five highest paid executives approved by the Board of Directors in the most recent year. If it cannot be estimated, calculate the proposed allocation amount for this year based on the proportion of the actual allocation amount from last year, and also fill in Schedule 1-3.

Note 5: Disclose the total amount of compensation for the top five highest paid executives of all companies (including the company) in the consolidated financial statements.

Note 6: After-tax net income refers to the net income of the individual or separate financial statements for the most recent year.

Note 7: a. This column should clearly indicate the amount of re-invested businesses received by the company's top five highest paid executives from subsidiaries, affiliated companies, or the parent company, if any (if not, please fill in "N/A").

b. Compensation refers to the compensation, re-invested businesses (including bonuses of employees, directors and supervisors), and business execution expenses received by the company's top five highest paid executives in their roles as directors, supervisors, or managers of subsidiaries, affiliated companies, or the parent company, and other related compensation expenses.

*The content of compensation disclosed in this table is different from the concept of income tax paid under the income tax law, and therefore, the purpose of this table is for information disclosure only and not for taxation purposes.

3-3. Corporate Governance Status

(1) Board of Directors Operation Information

The Board of Directors held 8 meetings in the most recent fiscal year (2023), and the attendance of directors is as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) 【B/A】	Remark(s)
Chairman	Representative of Tatong Corporation: Hong Chi-Chang	9	0	100	On May 16, 2023, a new representative was appointed. The expected attendance times were 9, and the actual attendance rate was 100%.
Directors	Representative of Tatong Corporation: Wang Guang-Xiang	9	0	100	On May 16, 2023, a new representative was appointed. The expected attendance times were 9, and the actual attendance rate was 100%.
Directors	Representative of Tatung Co., Ltd.: Sui Feng-Zhi	11	0	100	The expected attendance times were 11, and the actual attendance rate was 100%.
Directors	Representative of Tatung Co., Ltd.: Yu Jin-Bang	11	0	100	The expected attendance times were 11, and the actual attendance rate was 100%.
Directors	Representative of Tatung Co., Ltd.: Fu Yi-Yuan	11	0	100	The expected attendance times were 11, and the actual attendance rate was 100%.
Chairman	Representative of Tatong Corporation: Wang Li-Rong	2	0	100	On May 16, 2023, the appointed representative resigned. The expected attendance times were 2, and the actual attendance rate was 100%.
Directors	Representative of Tatong Corporation: Zeng Jie-Ming	2	0	100	On May 16, 2023, the appointed representative resigned. Expected Attendance: 2 times Actual Attendance Rate: 100%
Independent Directors	Wang Chia-Nan	11	0	100	The expected attendance times were 11, and the actual attendance rate was 100%.
Independent Directors	Yeh Huang-Chi	11	0	100	The expected attendance times were 11, and the actual attendance rate was 100%.
Independent Directors	Tsai Mao-Yin	10	0	90.9	The expected attendance times were 10, and the actual attendance rate was 90.9%.

Information on the operation of the Board of Directors	
Other matters to be recorded :	
1. If any of the following situations occur in the operation of the Board of Directors, the date of the Board of Directors meeting, session, agenda content, opinions of all independent directors, and the company's handling of opinions of independent directors shall be documented:	
1. Matters listed in Article 14-3 of the Securities and Exchange Act :	
(1) The 18th Meeting of the 13th Board of Directors (2023.03.08)	
A. Approved the proposal of auditor's remuneration for the year 2022.	Opinions of independent directors and the company's handling of opinions of independent directors: None.
	Resolution result: Unanimous agreement among all attending directors.
B. Approval of the 2023 Auditor's Fees Case.	Opinions of independent directors and the company's handling of opinions of independent directors: None.
	Resolution result: Unanimous agreement among all attending directors
C. Approved of the 2022 internal control system statements case.	Opinions of independent directors and the company's handling of opinions of independent directors: None.
	Resolution result: Unanimous agreement among all attending directors.
D. Approval of the Activation of the Company's Holdings of Tatung Stocks Investment Assets Case.	Opinions of independent directors and the company's handling of opinions of independent directors: Based on the premise of long-term holding, authorize the Chairman to handle buying and selling activities, considering the company's fund requirements and market conditions.
	Resolution result: Unanimous agreement among all attending directors.
E. Approval of the Establishment of the "Corporate Governance Officer" at Forward Corporation Case.	Opinions of independent directors and the company's handling of opinions of independent directors: None.
	Resolution result: Unanimous agreement among all attending directors.
(2) The 18th Meeting of the 14th Board of Directors (2023.05.02)	
A. Approved the proposal of amending the Company's "Regulations Governing the Acquisition and Disposal of Assets ".	Opinions of independent directors and the company's handling of opinions of independent directors: None.
	Resolution result: Unanimous agreement among all attending directors.
(3) The 18th Meeting of the 19th Board of Directors (2023.08.03)	
A. Approval of the acquisition by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd.	Opinions of independent directors and the company's handling of opinions of independent directors: None.
	Resolution result: Unanimous agreement among all attending directors.
(4) The 18th Meeting of the 20th Board of Directors (2023.09.19)	
A. Approval of the acquisition request for postponement of the lease period by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd.	Opinions of independent directors and the company's handling of opinions of independent directors: None.
	Resolution result: Unanimous agreement among all attending directors for approval.
(5) The 18th Meeting of the 22th Board of Directors (2023.11.06)	
A. Approval of the Internal Audit Supervisor's Personnel Change Case.	Independent Directors' Opinions and Company's Opinion on Independent Directors' Opinions: None.
	Resolution Result: Unanimous approval by all attending directors.
(6) The 18th Meeting of the 24th Board of Directors (2024.01.09)	
A. Approval of the Appointment of Financial and Accounting Supervisor Case.	Independent Directors' Opinions and Company's Opinion on Independent Directors' Opinions: None.
	Resolution Result: Unanimous approval by all attending directors.
B. Approval of the Spokesperson Personnel Change Case.	Independent Directors' Opinions and Company's Opinion on Independent Directors' Opinions: None.
	Resolution Result: Unanimous approval by all attending directors.
C. Approval of the Establishment of the "Corporate Governance Officer" at Forward Corporation Change Case.	Independent Directors' Opinions and Company's Opinion on Independent Directors' Opinions: None.
	Resolution Result: Unanimous approval by all attending directors.
(7) The 18th Meeting of the 25th Board of Directors (2024.02.01)	
A. Approval of the Change for the Company's Accounting Supervisor Case.	

	Independent Directors' Opinions and Company's Opinion on Independent Directors' Opinions: None. Resolution Result: Unanimous approval by all attending directors.
(8)	The 18th Meeting of the 26th Board of Directors (2024.03.04) A. Approval of the Company's 2023 Annual Operating Report and Financial Statements Case. Independent Directors' Opinions and Company's Opinion on Independent Directors' Opinions: None. Resolution Result: Unanimous approval by all attending directors. B. Approval that the overdue amounts of Suzhou Foward Electronic Technology Co., Ltd. (FDS) for 2023, including newly added accounts receivable and amounts other than accounts receivable, do not constitute loans. Independent Directors' Opinions and Company's Opinion on Independent Directors' Opinions: None. Resolution Result: Unanimous approval by all attending directors. C. Approval of the acquisition request for postponement of the lease period by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd. Independent Directors' Opinions and Company's Opinion on Independent Directors' Opinions: None. Resolution Result: Unanimous approval by all attending directors. D. Approval of the Internal Control Statement for the Fiscal Year 2023 Case. Independent Directors' Opinions and Company's Opinion on Independent Directors' Opinions: Based on the premise of long-term holding, authorize the Chairman to handle buying and selling activities, considering the company's fund requirements and market conditions. Resolution Result: Unanimous approval by all attending directors.
(9)	The 18th Meeting of the 27th Board of Directors (2024.03.22) A. Approval for the joint development of Indonesian forest carbon credits by subsidiary Forward Intelligent Energy Co., Ltd. and ASIA ASSETS DEVELOPMENTS CO., LTD. (AAD). Independent Directors' Opinions and Company's Opinion on Independent Directors' Opinions: None. Resolution Result: Unanimous approval by all attending directors.
2.Except for the aforementioned matters, other board resolutions where independent directors expressed opposition or reservation and there are recorded or written statements regarding such matters: No such matters.	
2.The status of implementation of abstention from directors on matters related to conflicts of interest shall be state, including the names of the directors, the content of the resolutions, the reasons for abstention due to potential conflicts of interest, and their participation in the voting process:	
2.1. The 18th Meeting of the 13th Board of Directors (2023.03.08)	
(1)	Approved the activation of the investment assets held by the Company in the Tatung Company: In accordance with Article 206, Paragraph 2 of the Company Law, and the provisions of Article 178 on recusal due to conflicts of interest, directors Wang, Li-Rong, Yu Jin-bang, Fu Yi-Yuan, Tseng Chieh-Ming, Sui Feng-Zhi and others had conflicts of interest with this proposal and abstained from participating in the discussion and resolution of this proposal. The remaining directors present at the meeting agreed to pass the proposal as consulted by the acting chairman.
2.2. The 18th Meeting of the 15th Board of Directors (2023.05.19)	
(1)	Approved the change in the Chairman of Forward Development Co., Ltd. (abbreviated as BVI): In accordance with Article 206, Paragraph 2 of the Company Law, and the provisions of Article 178 on recusal due to conflicts of interest, the directors Sui Feng-Zhi had conflicts of interest with regard to this proposal, and therefore abstained from participating in the discussion and resolution of this proposal. The proposal was approved with consent from the remaining attending directors by the acting chairman.
(2)	Approved the change in the Chairman and Directors of Suzhou Forward Electronic Technology Co., Ltd. (abbreviated as FDS): In accordance with Article 206, Paragraph 2 of the Company Law, and the provisions of Article 178 on recusal due to conflicts of interest, the directors Sui Feng-Zhi had conflicts of interest with regard to this proposal, and therefore abstained from participating in the discussion and resolution of this proposal. The proposal was approved with consent from the remaining attending directors by the acting chairman.
(3)	Approved the change in the Chairman and Directors of Forward Electronic Equipment (Dongguan) Co., Ltd. (abbreviated as FDD) In accordance with Article 206, Paragraph 2 of the Company Law, and the provisions of Article 178 on recusal due to conflicts of interest, the directors Sui Feng-Zhi had conflicts of interest with regard to this proposal, and therefore abstained from participating in the discussion and resolution of this proposal. The proposal was approved with consent from the remaining attending directors by the acting chairman.
(4)	Approved the change in the General Manager of Forward Electronic Technology Co., Ltd. (abbreviated as FDS) in Suzhou: In accordance with Article 206, Paragraph 2 of the Company Law, and the provisions of Article 178 on recusal due to conflicts of interest, the directors Sui Feng-Zhi had conflicts of interest with regard to this proposal, and therefore abstained from participating in the discussion and resolution of this proposal. The proposal was approved with consent from the remaining attending directors by the acting chairman.

2.3. The 18th Meeting of the 16h Board of Directors (2023.06.13)

- (1) Approved the establishment of Forward Intelligent Energy Co., Ltd., and appointed directors and supervisors according to the Operational Procedures for Supervising and Managing Subsidiaries and Invested Companies:

As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Wang, Guang-Xiang, Hong, Chi-Chang, Yu, Jin-bang and Fu, Yi-yuan has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

- (2) Approved the salary and compensation for the Chairman of the Company:

As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Wang, Guang-Xiang has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

- (3) Approved the salary and compensation for the General Manager of the Company:

As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Wang, Guang-Xiang has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

- (4) Approved the salary and compensation for the Chairman of Suzhou Forward Electronic Technology Co., Ltd. :

As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Sui Feng-zhi has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

- (5) Approved the salary and compensation for the General Manager of Suzhou Forward Electronic Technology Co., Ltd.:

As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Sui Feng-zhi has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. Chairman Sui Feng zhi reminded before discussing this case: Not receive the salary for serving concurrently as the General Manager. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

2.4. The 18th Meeting of the 18th Board of Directors (2023.08.03)

- (1) Approved the salary and compensation for the Chairman of the Board and the interim General Manager of the company:

As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Hong, Chi-Chang has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

2.5. The 18th Meeting of the 19th Board of Directors (2023.08.31)

- (1) Approval of the acquisition by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd.:

As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Wang, Guang-Xiang, Hong, Chi-Chang, Yu, Jin-bang and Fu, Yi-yuan has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

- (2) Approved the appointment of the General Manager of Forward Intelligent Energy Co., Ltd.:

As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Hong, Chi-Chang has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

2.6. The 18th Meeting of the 20th Board of Directors (2023.09.19)

- (1) Approved the appointment and reassignment of directors and supervisors for Forward Intelligent Energy Co., Ltd.:

As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Fu, Yi-Yuan has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

- (2) Approval of the acquisition request for postponement of the lease period by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd.:

As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, legal representative of Tatung Chairman Wang, Guang-Xiang, Hong, Chi-Chang, Yu, Jin-bang and Fu, Yi-yuan has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

2.7. The 18th Meeting of the 21th Board of Directors (2023.10.03)

- (1) Approval of the salary and compensation for the General Manager of Forward Intelligent Energy Co., Ltd.:
As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Hong, Chi-Chang has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.
- (2) Approval of the amendment to the Company's 'Director Remuneration Policy':
As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Sui Feng zhi has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.
- (3) Approval to cancel the monthly business execution fee of RMB 10,000 for the Chairman of Suzhou Forward Electronic Technology Co., Ltd., and propose to issue a business execution fee for the Chairman of Forward Electronic Equipment (Dongguan) Co., Ltd.:
As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, Chairman Sui Feng zhi has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

2.8. The 18th Meeting of the 26th Board of Directors (2024.03.04)

- (1) Approval of the acquisition request for postponement of the lease period by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd.:
As per Article 206, Paragraph 2 of the Company Act and the provisions of Article 178 on recusal due to conflicts of interest, legal representative of Tatung Chairman Wang, Guang-Xiang, Hong, Chi-Chang, Yu, Jin-bang and Fu, Yi-yuan has a conflict of interest with this agenda item and recused himself from the discussion and resolution of this agenda item. The resolution was passed after consultation with the remaining directors present by the acting Chairman.

3. Disclose information on the assessment cycle and period, assessment scope, methods, and content of the Board of Directors' self-assessment (or peer assessment), and provide an update on the execution status of implementation.

3.1. To enhance the efficiency and effectiveness of the Board of Directors' operations, in accordance with the "Board of Directors' Performance Evaluation Measures" of the company, the Board of Directors conducts a self-assessment at the beginning of each year and reports the evaluation results and improvement plans to the Board of Directors.

3.2. The evaluation period for this assessment is from January 1, 2023 to December 31, 2023. The evaluators are Chairman Hong, Director Chi-Chang, Director Wang Guang-Xiang, Director Sui Feng-Zhi, Director Yu Jin-Bang, Director Fu Yi-Yuan, Independent Director Wang Jia-Nan, Independent Director Yeh Huang-Chi, and Independent Director Tsai Mao-Yin.

3.3. Evaluation ratings:

- Numeric 1: Poor (Strongly Disagree)
- Numeric 2: Fair (Disagree)
- Numeric 3: Average (Neutral)
- Numeric 4: Good (Agree)
- Numeric 5: Excellent (Strongly Agree)

3.4. Evaluation Items:

(1) Board Performance Evaluation

- A. Involvement in company operations
- B. Enhancement of board decision-making quality
- C. Board composition and structure
- D. Director selection and continuous education
- E. Internal controls
- F. Other items

(2) Board Members Performance Evaluation

- A. Understanding of company goals and missions
- B. Awareness of director's responsibilities
- C. Involvement in company operations
- D. Internal relationship management and communication
- E. Director's expertise and continuous education
- F. Internal controls
- G. Other items

(3) Functional Committee Performance Evaluation

- A. Involvement in company operations
- B. Understanding of functional committee responsibilities
- C. Enhancement of functional committee decision-making quality
- D. Composition and member selection of functional committees
- E. Internal controls
- F. Other items

3.4. Evaluation Results:

(1) Board Performance Evaluation
The overall average score for various evaluation items in the board performance evaluation of the company is 4.9, close to excellent.
(2) Board Members Performance Evaluation
The overall average score for various evaluation items in the board members performance evaluation of the company is 4.9, close to excellent.
(3)Functional Committee Performance Evaluation
(4)Functional Committee Performance Evaluation, the overall average score for various evaluation items in the functional committee performance evaluation of the company is 4.9, close to excellent
4. Goals for enhancing the functions of the Board of Directors in the current year and the most recent year (e.g. establishing an audit committee, improving information transparency, etc.) and evaluation of the status of implementation
4.1.In order to comply with the corporate governance policies promoted by regulatory authorities, the company has established independent directors, an audit committee, and a compensation remuneration committee as required.
4.2.The company has established comprehensive Rules of Procedure for Board of Directors Meetings, and meetings are conducted in accordance with the rules.
4.3.In order to implement corporate governance, enhance the functions of the board of directors, and establish performance objectives to strengthen the efficiency of the board's operations, the members of the board of directors conduct performance evaluations of each other on an annual basis.

(2)Information on the operation of the Audit Committee

The Audit Committee was established in our company on 2012.01.27. In the most recent fiscal year (2023), the Audit Committee held 10 meetings (A), and the attendance of Audit Committee members is as follows :

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) 【B/A】	Remarks
Independent Directors	Wang Chia-Nan	10	0	100	The convener of the 4th term was re-elected on August 9, 2021.
Independent Directors	Yeh Huang-Chi	10	0	100	Re-elected on June 27, 2022, with an expected attendance of 10 times and an actual attendance rate of 100%.
Independent Directors	Tsai Mao-Yin	10	0	100	Re-elected on June 27, 2022, with an expected attendance of 10 times and an actual attendance rate of 100%.

Other matters to be recorded :

1.If any of the following situations occur in the operation of the Audit Committee, the Board of Directors shall specify the date, session, agenda content, decision result of the Audit Committee, and the company's handling of the Audit Committee:

1.1.The matters listed in Article 14-5 of the Securities and Exchange Act:

(1) Audit Committee Meeting of the 11th Term, 4th Session (2023.03.08)

A. Approval of the 2022 annual operating report and financial report of the company.

Audit Committee Resolution: All attending members agreed.

Company's Handling of Audit Committee's Decision: All attending directors agreed and approved.

B. Approval of the auditors' remuneration for the year 2023.

Audit Committee Resolution: All attending members agreed.

Company's Handling of Audit Committee's Decision: All attending directors agreed and approved.

C. Approval of the Internal Control Statement for the year 2022.

Audit Committee Resolution: All attending members agreed.

Company's Handling of Audit Committee's Decision: All attending directors agreed and approved.

D. Approval of the Activation of the Company's Holding of Tatung Company Stock Investment Assets.

Audit Committee Resolution: Based on the premise of long-term holding, authorize the Chairman to handle buying and selling activities at his discretion, considering the company's fund requirements and market conditions, unanimous Decision by All Committee Members Present.

Company's Handling of Audit Committee's Decision: All attending directors agreed and approved.

E. Approval of the Establishment of the "Corporate Governance Officer" at Forward Corporation Case.

Audit Committee Resolution: All attending members agreed.

Company's Handling of Audit Committee's Decision: All attending directors agreed and approved.

(2) Audit Committee Meeting of the 12th Term, 4th Session (2023.05.02)

A. Approval of the Consolidated Financial Statements for the First Quarter of 2023 of the Company.

Resolution result of the Audit Committee: Unanimously agreed by all attending members.

Company's handling of the Audit Committee's decision: Unanimously approved by all attending directors.

B. Approval of the Amendment to the Company's Asset Acquisition or Disposal Procedure.

Resolution result of the Audit Committee: Unanimously agreed by all attending members.

Company's handling of the Audit Committee's decision: Unanimously approved by all attending

- directors.
- C. Approval of the Amendment to the Company's Standard Operating Procedure for Handling Director Requests
Resolution result of the Audit Committee: Unanimously agreed by all attending members.
Company's handling of the Audit Committee's decision: Unanimously approved by all attending directors.
- D. Approval of the Amendment to the Company's Operating Procedures for Supervising and Evaluating Subsidiaries and Invested Companies.
Resolution result of the Audit Committee: Unanimously agreed by all attending members.
Company's handling of the Audit Committee's decision: Unanimously approved by all attending directors.
- (3) Audit Committee Meeting of the 14th Term, 4th Session (2023.06.13)
- A. Approval of the Establishment of Forward Intelligent Energy Co., Ltd., and the Appointment of Directors and Supervisors in Accordance with the Operating Procedures for Supervising and Managing Subsidiaries and Invested Companies.
Resolution result of the Audit Committee: Unanimously agreed by all attending members.
Company's handling of the Audit Committee's decision: Unanimously approved by all attending directors.
- (4) Audit Committee Meeting of the 15th Term, 4th Session (2023.08.03)
- A. Approval of the Consolidated Financial Statements for the Second Quarter of 2023.
Resolution result of the Audit Committee: Unanimously agreed by all attending members.
Company's handling of the Audit Committee's decision: Unanimously approved by all attending directors.
- B. Approval of the Amendment to the Internal Control System of the Company.
Resolution result of the Audit Committee: Unanimously agreed by all attending members.
Company's handling of the Audit Committee's decision: Unanimously approved by all attending directors.
- (5) Audit Committee Meeting of the 16th Term, 4th Session (2023.08.31)
- A. Approval of the acquisition by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd.
Audit Committee Resolution Result: Unanimous agreement among all attending members.
Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.
- B. Approval of the Company's Cash Capital Increase of 280 Million New Taiwan Dollars for Forward Intelligent Energy Co., Ltd. .
Audit Committee Resolution Result: Unanimous agreement among all attending members.
Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.
- (6) Audit Committee Meeting of the 17th Term, 4th Session (2023.09.19)
- A. Approval of the acquisition request for postponement of the lease period by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd.
Audit Committee Resolution Result: Unanimous agreement among all attending members.
Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.
- (7) Audit Committee Meeting of the 19th Term, 4th Session (2023.11.06)
- A. Approval of the Company's Consolidated Financial Statements for the Third Quarter of 2023.
Audit Committee Resolution Result: Unanimous agreement among all attending members.
Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.
- B. Approval of the Internal Audit Supervisor's Personnel Change.
Audit Committee Resolution Result: Unanimous agreement among all attending members.
Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.
- (8) Audit Committee Meeting of the 20th Term, 4th Session (2023.12.19)
- A. Approval of the Internal Audit Plan for the Fiscal Year 2024
Audit Committee Resolution Result: Unanimous agreement among all attending members.
Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.
- (9) Audit Committee Meeting of the 21th Term, 4th Session (2024.01.09)
- A. Approval of the Appointment of the Finance and Accounting Executives in the Company.
Audit Committee Resolution Result: Unanimous agreement among all attending members.
Company's action regarding the Audit Committee: Unanimous agreement among all

	<p>attending directors to approve.</p> <p>(10) Audit Committee Meeting of the 22th Term, 4th Session (2024.02.01)</p> <p>A. Approval of the Change in the Company's Accounting Manager. Audit Committee Resolution Result: Unanimous agreement among all attending members. Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.</p> <p>(11) Audit Committee Meeting of the 23th Term, 4th Session (2024.03.04)</p> <p>A. Approval of the Company's 2023 Annual Operating Report and Financial Statements. Audit Committee Resolution Result: Unanimous agreement among all attending members. Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.</p> <p>B. Approval of the recognition of newly added accounts receivable and overdue amounts other than accounts receivable in the 2023 fiscal year of Suzhou Forward Electronic Technology Co., Ltd. (referred to as FDS), which do not constitute loans. Audit Committee Resolution Result: Unanimous agreement among all attending members. Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.</p> <p>C. Approval of the acquisition by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd. Audit Committee Resolution Result: Unanimous agreement among all attending members. Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.</p> <p>D. Approval of the internal control system statement for the fiscal year 2023. Audit Committee Resolution Result: Unanimous agreement among all attending members. Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.</p> <p>(12) Audit Committee Meeting of the 24th Term, 4th Session (2024.03.22)</p> <p>A. Approval for the joint development of Indonesian forest carbon credits by subsidiary Forward Intelligent Energy Co., Ltd. and ASIA ASSETS DEVELOPMENTS CO., LTD. (AAD). Audit Committee Resolution Result: Unanimous agreement among all attending members. Company's action regarding the Audit Committee: Unanimous agreement among all attending directors to approve.</p> <p>1.2.The resolution items of the board of directors where the independent directors' objection or reserved opinion and have recorded or provided written statements, other than the aforementioned matters: No such occurrence.</p> <p>2. The execution status of implementation, independent directors recusing themselves from voting on matters involving conflicts of interest shall be disclosed, including the names of the independent directors, the details of the matters, the reasons for recusal due to conflicts of interest, and their participation in the voting: No such occurrence.</p> <p>3. The communication between independent directors, internal audit executives, and accountants regarding significant matters, methods, and outcomes of communication on the company's financial and operational conditions.</p> <p>3.1.In addition to regular communication on audit reports and understanding of the financial Status, independent directors also gain an understanding of the company's strategic operations and hidden risks through the audit committee and board of directors. There has been sufficient communication regarding audit activities and status of implementation.</p> <p>3.2.Independent directors of the company may request the auditors to report and communicate on the results of the audit of the financial statements (including consolidated financial statements) and other relevant legal requirements at any time.</p> <p>3.3.The independent directors of the company hold regular discussions and communications with the auditors regarding questions and consultations raised by the independent directors and other attendees.</p> <p>3.4.Communication Situation:</p> <p>(1) Communication between Independent Directors and Internal Audit Supervisor:</p> <p>A. Date of Communication: 2023.03.08 、 2023.05.02 、 2023.06.13 、 2023.08.03 。 Attendees: Independent Directors Wang Chia-Nan, Yeh Huang-Chi, Tsai Mao-Yin, and Internal Audit Supervisor Huang Hsiang-Lan. Summary of Key Points of Communication:</p> <ul style="list-style-type: none"> ● Execution report of internal audit operations. ● Communication between the Internal Audit Supervisor and Independent Directors regarding the subsequent internal audit operational model. <p>Communication Result: There were no objections raised during the meeting and communication was sufficient.</p> <p>B. Date of Communication:2023.11.06 、 2023.12.19 、 2024.01.09 、 2024.02.01 、 2024.03.04 、</p>
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2024.03.22 °

Attendees: Independent Directors Wang Chia-Nan, Yeh Huang-Chi, Tsai Mao-Yin, and Internal Audit Supervisor Wu Hui-Ping.

Summary of Key Points of Communication:

- Execution report of internal audit operations.
- Communication between the Internal Audit Supervisor and Independent Directors regarding the subsequent internal audit operational model.

Communication Result: There were no objections raised during the meeting and communication was sufficient.

(2) The communication between independent directors and accountants :

- A. Arrangements have been made for the accountant to provide explanations to the audit committee 3 regarding the quarterly consolidated financial statements on March 8, 2023, May 2, 2023, August 3, 2023, November 6, 2023, December 27, 2022, and March 4, 2024, and to discuss and communicate on issues raised by the audit committee and attendees.
- B. On March 8, 2023, the accountant and independent directors conducted a meeting to report on "Communication with Corporate Governance Unit and Management" and discussed communication matters, data analysis, updates on regulatory laws, updates on tax laws, and the introduction of amendments to the 10th Corporate Governance Evaluation System.
- C. On March 4, 2024, the accountant and independent directors conducted a meeting to report on "Communication with Corporate Governance Unit and Management" and discussed communication matters, data analysis, updates on regulatory laws, updates on tax laws, and the introduction of amendments to the 11th Corporate Governance Evaluation System.

(3)Corporate Governance Status and the differences with the governance practices of listed and OTC companies, along with the reasons for such differences

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Explanation	
1. Has the company established and disclosed its corporate governance practices in accordance with the "Corporate Governance Best Practice Principles for Listed and OTC Companies"?	V		The Board of Directors of the company has established a "Corporate Governance Practices Code" to promote the operation of corporate governance, and disclosed it on the Taiwan Stock Exchange Market Observation Post System (MOPS) and the company's website in the Investor Information Corporate Governance section.	Compliant
2. Company's shareholding structure and Shareholders' Rights				
2.1.Has the company established internal procedures for handling shareholder suggestions, inquiries, disputes, and litigation matters, and implemented them according to the procedures?	V		1. The company has established a spokesman, acting spokesman, and shareholder service unit to handle shareholder suggestions or dispute-related issues. In addition, the company's website has a dedicated stakeholder's area and shareholders, which serves as a contact point for shareholders and investors to provide feedback or raise questions.	Compliant
2.2.Does the company maintain a list of major shareholders and ultimate controllers of the company?	V		2. The company's shareholder service unit regularly monitors the shareholding status of directors, executives, and shareholders holding more than 10% of the shares, and endeavors to obtain the list of major shareholders and their ultimate controllers through historical shareholder registries. The company also pays attention to significant matters that may cause changes in shareholding.	Compliant
2.3.Has the company established and implemented risk management and firewall mechanisms with related parties?	V		3. The Company has established various practices, including the "Corporate Governance Best Practices Guidelines," "Internal Control System," "Procedure for Funds Lending, Endorsements, and Guarantees," "Procedure for Acquisition or Disposal of Assets," and "Operation Method for Supervision of Subsidiaries," which clearly define the roles and responsibilities of the Company and its related entities. These practices are continuously implemented and monitored to ensure effective governance and control.	Compliant
2.4.Has the company established internal regulations prohibiting insiders from trading securities based on undisclosed information in the market?	V		4. The company has established internal regulations, including a "Codes of Ethical Conduct" and "Guidelines for Ethical Conduct and Business Operations," which prohibit employees, executives, and directors from engaging in insider trading using non-public information. The company has also developed a written "Insider Trading Prevention Management Procedure" to enforce compliance. In 2023, a total of 8 current directors (as of the end of 2023) and 25 managers and employees attended a practical seminar on insider trading related to the Securities Exchange Act. The session, lasting 1.5 hours, covered topics such as understanding insider trading, examining insider trading from a corporate governance perspective, an introduction to Article 157-1 of the Securities Exchange Act, and practical case studies. The presentation slides and video recording of the session were made available on the internal platform system for reference by those who were unable to attend on the day.	Compliant
3.Board of Directors Composition and Responsibilities				
3.1.Has the Board of Directors formulated a diversity policy, specific management objectives, and implemented them?	V		1. The company's "Corporate Governance Practices Guidelines," Chapter 3, outlines the policy for strengthening the functions of the Board of Directors, including the formulation of a diversity policy. The nomination and selection of board members adhere to the provisions of the company's articles of association, adopting a candidate nomination system. In addition to	Compliant
3.2.Has the company voluntarily established other functional	V			Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Explanation	
<p>committees in addition to the Compensation and Remuneration Committee and the Audit Committee as required by law?</p> <p>3.3.Has the company established a board performance evaluation mechanism and its evaluation methods, and conducted regular performance evaluations on an annual basis? Are the results of the performance evaluations reported to the board and utilized as references for individual director's compensation, remuneration, and nomination for reappointment?</p>	V		<p>evaluating the qualifications and experiences of each candidate, the opinions of stakeholders are also considered, in compliance with the "Director Election Regulations" and the "Corporate Governance Practices Guidelines," to ensure the diversity and independence of board members. Currently, the board of directors consists of 9 members, including three independent directors, accounting for 33% of the total. Among the independent directors, two have served for less than three years. Each director possesses expertise and experience in operational management, industry knowledge, finance, and strategic management, reflecting the board's commitment to diversity. The board has formulated policies on member composition diversity, which are disclosed on the company's website and the public information disclosure platform.</p> <p>2. In addition to the Compensation Remuneration Committee and Audit Committee established in accordance with the law, our company has also established a Corporate Governance Committee and a Corporate Governance Officer. The operation of corporate governance is the responsibility of each department according to its jurisdiction. In the future, other functional committees may be established at the discretion of the company or based on actual needs in accordance with company law regulations.</p> <p>3. For the year 2022, the company conducted performance evaluations for the overall board, individual directors, members of the audit committee, and members of the compensation remuneration committee. These evaluations were conducted regularly on an annual basis and served as references for reviewing and improving board performance. The evaluation process utilized self-assessment questionnaires.</p> <p>(1) The measurement items for the board performance evaluation include the following five dimensions:</p> <p>A. Involvement in the company's operations.</p> <p>B. Enhancement of the quality of board decision-making.</p> <p>C. Board composition and structure.</p> <p>D. Director appointment and continuous professional development.</p> <p>E. Internal controls.</p> <p>(2) The measurement items for individual director performance evaluation include the following six dimensions:</p> <p>A. Understanding of company goals and tasks.</p> <p>B. Awareness of director responsibilities.</p> <p>C. Involvement in the company's operations.</p> <p>D. Internal relationship management and communication.</p> <p>E. Director's expertise and continuous professional development.</p> <p>F. Internal controls.</p>	Compliant
Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Explanation	

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Explanation	
3.4.Does the company regularly assess the independence of the signing auditor?	V		<p>(3) The performance evaluation criteria for functional committees (such as the Audit Committee and Compensation Remuneration Committee) include the following five dimensions:</p> <p>A. Participation in company operations.</p> <p>B. Understanding of the responsibilities of the functional committee.</p> <p>C. Enhancement of decision-making quality of the functional committee.</p> <p>D. Composition and member selection of the functional committee.</p> <p>E. Internal controls.</p> <p>The company has completed the self-assessment of the Board of Directors' performance for the fiscal year 2023, and the evaluation results have been submitted to the Board of Directors' report on 2024.03.04 as a basis for review and improvement.</p> <p>The self-assessment of the Board of Directors' performance in the company has been summarized, and the overall average score for various evaluation items is 4.6 out of 5, indicating excellent performance.</p> <p>The self-assessment of the Board of Directors' performance in the company has been summarized, and the overall average score for various evaluation items is 4.9 out of 5, indicating excellent performance.</p> <p>The self-assessment of the Board of Directors' performance in the company has been summarized, and the overall average score for various evaluation items is 4.8 out of 5, indicating excellent performance.</p> <p>4. The company's external auditor is An-Hou Jian-Ye & Partners Certified Public Accountants, and this firm completes an annual declaration of independence and risk management policy compliance statement. The independence of the external auditor is regularly assessed by the Audit Committee and the results are reported to the Board of Directors. The assessment of the independence of Mr. Yin Yuan-Sheng and Mr. Wang Yong-Sheng, who are the certified public accountants from K.P.M.G. , was passed by the Board of Directors in the resolution of the Audit Appointment and Independence Assessment on March 8, 2023. They both meet the company's criteria for independence and are capable of serving as the company's external auditors.</p>	Compliant
4.Does the listed or OTC company appoint qualified and appropriate personnel for corporate governance, including a designated corporate governance officer, who is responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with necessary information for the execution of their duties, assisting directors and supervisors in complying with laws and regulations, handling matters related to board meetings and shareholders' meetings in accordance with the law, and preparing minutes of board meetings and shareholders' meetings)? ?	V		<p>1. Does the listed or OTC company appoint qualified and appropriate personnel for corporate governance, including a designated corporate governance officer, who is responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with necessary information for the execution of their duties, assisting directors and supervisors in complying with laws and regulations, handling matters related to board meetings and shareholders' meetings in accordance with the law, and preparing minutes of board meetings and shareholders' meetings)?</p> <p>2. The key business priorities for the year 2023 are as follows:</p> <p>2.1.As the secretariat for the Board of Directors and Audit Committee, our duties include compiling meeting agendas, clearly stating the reasons for convening the meeting, and sending out meeting notices to all directors or committee members at least seven days before the meeting, along with providing ample meeting materials to facilitate attendees'</p>	Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Explanation	
			<p>understanding of the relevant information related to the agenda items. When meeting topics involve conflicts of interest with directors' personal or representative interests, we also remind them to avoid such conflicts and follow proper conflict of interest procedures. Finally, we also distribute meeting minutes to all directors or committee members for retention within 20 days.</p> <p>2.2.Responsible for issuing important information or announcements regarding significant resolutions after the Board of Directors' meeting and shareholders' meeting, ensuring the legality and accuracy of disclosed information to safeguard equal access to trading information for investors.</p> <p>2.3.Handling pre-registration for the date of the shareholders' meeting in accordance with the law, preparing and submitting meeting notices, agendas, and meeting minutes within the prescribed duration.</p> <p>2.4.Processing registration changes for various operations of the company.</p> <p>2.5.Purchasing "Directors and Officers Liability Insurance" for directors and key officers.</p> <p>2.6.Providing periodic information on director-related professional development, reminding directors to comply with the requirements of "Guidelines for Continuing Education for Directors and Supervisors of Listed and OTC Companies" and complete relevant reporting.</p> <p>2.7.Providing company business or financial operation information as requested by directors, maintaining smooth communication and exchanges between directors and business executives.</p>	
5.Has the company established communication channels with stakeholders, including but not limited to shareholders, employees, customers, and suppliers, and set up a dedicated stakeholder's area on its website to appropriately respond to important corporate social responsibility issues of concern to stakeholders?	V		<p>1.The company engages various departments, including Investor Relations and Share Services, to communicate with stakeholders based on different situations. The company also provides contact information for spokesman and relevant departments on its website, and has set up dedicated stakeholder's area (Customer Zone, Supplier Zone, Shareholder Zone, and Employee Zone) to appropriately respond to issues of concern. The communication channels are smooth and effective.</p> <p>2.The company has established communication channels for employees, allowing them to provide feedback or express opinions through mail, email, or written means.</p>	Compliant
6.Has the company appointed a professional shareholder service agency to handle shareholder meeting affairs?	V		The company's shareholder services were originally handled by the Shareholder Service Department of Uni-President Securities Co., Ltd. Since January 20, 2022, it has been entrusted to the Shareholder Service Department of Fubon Securities Co., Ltd., as approved by the Taiwan Depository & Clearing Corporation in letter no. 1100023767 dated November 17, 2021 for reference.	Compliant

7.Information disclosure				
7.1.Does the company have a website to disclose financial and business information, as well as corporate governance information?	V		1. The company has established a corporate website (http://www.fwd.com.tw) to disclose financial and business information, as well as corporate governance information. A dedicated person is responsible for maintaining the website, and the information is regularly updated for inquiry purposes.	Compliant
7.2.Does the company implement other methods of information disclosure, such as setting up an English website, designating personnel to be responsible for collecting and disclosing company information, implementing a spokesperson system, and placing the process of corporate briefings on the company website?	V		2. The company has established both Traditional Chinese and English language websites, and provided dedicated email addresses for various business inquiries. It also has a spokesperson system in place and regularly posts relevant company information on its website. Additionally, a designated person is responsible for disclosing the company's financial and business information on the Public Information Observation System for shareholders, stakeholders, and regulatory authorities to stay updated on the company's status.	Compliant
7.3.Is the company required to announce and file the annual financial statements within two months after the end of the fiscal year, and to announce and file the first, second, and third quarter financial statements, as well as monthly operating results, ahead of the prescribed duration?	V		3. The company announces and files the annual financial statements within three months after the end of the fiscal year, and completes the announcement and filing of the first, second, and third quarter financial statements, as well as monthly operating results, ahead of the prescribed duration.	Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Explanation	
8. Does the company provide other important information that helps to understand its corporate governance status, (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, professional development of directors and supervisors, status of implementation of risk management policies and risk measurement standards, status of implementation of customer policies, and the company's purchase of directors and supervisors' liability insurance, etc.) ?	V		<p>1. Human rights, employee benefits, and employee care: :</p> <p>All employees, job applicants, and workers in cooperating factories of our company, regardless of race, religion, skin color, gender, nationality, etc., are treated fairly and with dignity. We abide by relevant labor and gender equality laws issued by the government and establish work regulations, welfare benefits, salaries, allowances, etc., to ensure that all employees are content and satisfied with their positions. Our welfare measures include:</p> <p>(1) Provide employee health insurance, labor insurance, medical insurance, and accident insurance.</p> <p>(2) Offer free regular health check-ups.</p> <p>(3) Establish an Employee Welfare Committee to organize various activities such as employee trips and hiking, providing opportunities for employees to relax and relieve work stress.</p> <p>(4) Contribute to retirement pension according to the law.</p> <p>(5) Provide on-the-job training for employees and encourage them to pursue further education while employed.</p> <p>2. Investor Relations :</p> <p>Our company has dedicated personnel responsible for the collection, disclosure, and investor inquiries of company information. We have established a company website in both Chinese and English languages to disclose financial and corporate governance-related information, providing references for investors. We fully disclose information through the Public Information Observation System and our company website to allow investors to fully understand our business operations. We also communicate with investors through shareholder meetings and spokesman.</p> <p>3. Supplier Relations :</p> <p>Our company is committed to manufacturing environmentally-friendly products. We require all our suppliers, subcontractors, and commissioned manufacturing facilities to sign contracts and comply with relevant government environmental protection regulations in their production operations. Any business waste generated is properly handled in accordance with environmental regulations.</p>	Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Explanation	
			<p>4. Rights of Stakeholders: Stakeholders have the right to communicate and provide feedback to the company. The company upholds the principle of integrity and provides sufficient operational information to safeguard their legitimate interests.</p> <p>5. Directors, supervisors, and managers' professional development: Please refer to the "2023 Board of Directors' Continuing Education Status" and "2023 Manager and Audit Committee Member's training status" explanations in this annual report (pages 44).</p> <p>6. Status of implementation of Risk Management Policies and Risk Measurement Standards: The company follows the spirit of the internal control system design and conducts regular internal self-assessment in various departments, followed by review and improvement by audit personnel to reduce operational risks.</p> <p>7. Status of implementation of Consumer or Customer Protection Policies: The company has obtained international quality certifications such as ISO 9001, ISO 14001, and ISO/TS-16949. The products sold also comply with relevant safety regulations based on customer requirements, and related after-sales services are provided for the products.</p> <p>8. Purchase of Directors' Liability Insurance by the Company: The company has stipulated in Article 23 of its Articles of Incorporation that it may purchase liability insurance for directors during their term of office to cover their legal liability for damages incurred in the performance of their duties. Since 2004, the company has been purchasing directors' liability insurance annually. The company has purchased liability insurance for directors and key officers for the year 2024, and a report was presented at the board meeting held on December 19, 2023.</p>	
<p>9. Regarding the recent company governance evaluation results released by the Taiwan Stock Exchange Corporation's Corporate Governance Center, our company has completed the self-assessment for 2023 on the self-assessment platform in the "Corporate Governance Evaluation Zone" of the Taiwan Depository & Clearing Corporation's website. The following is an explanation of the improvements made, as well as priority measures and actions for areas that have not yet been improved, with the aim of enhancing the company's governance image.</p>				

(4) Director Continuing Education Situation in the Year 2023

Name	Date	Organizer	Course name	Time
Hong, Chi-Chang appointed as the new representative person on May 16, 2023	2023.12.08	Securities and Futures Institute	Challenges and Responsibilities of the Board of Directors under Corporate Governance Evaluation Indicators and Sustainable Action Plans	3 Hours
	2023.08.09	Taipei Exchange	Internal Shareholder Equity Advocacy Seminar for OTC and Emerging Companies, Taipei Second Session	3 Hours
Wang, Guang-Xiang appointed as the new representative person on May 16, 2023	2023.11.01	Taiwan Corporate Governance Association	A Mandatory Course in Corporate Sustainable Governance: Diversified Management in Response to External Influences, Creating Positive Corporate Value	3 Hours
	2023.05.04	Taiwan Corporate Governance Association	Exploring Information Security Governance Strategies of Listed Companies through the Lens of ESG and Sustainable Development	3 Hours
Sui Feng zhi	2023.12.22	Taiwan Corporate Governance Association	Connected by Carbon, exploring Carbon Fees, Carbon Taxes, Carbon Credits, and Carbon Trading	3 Hours
	2022.11.10	Taiwan Corporate Governance Association	American Corporate Governance: Historical Evolution and Latest Developments	3 Hours
Yu Jin bang	2023.09.12	Taiwan Corporate Governance Association	Corporate Growth Strategy and External Innovation	3 Hours
	2023.04.21	Taiwan Corporate Governance Association	How the Board of Directors Formulated ESG Sustainability Governance Strategy in 2023	3 Hours
Fu Yi-Yuan	2023.09.12	Taiwan Corporate Governance Association	Corporate Growth Strategy and External Innovation	3 Hours
	2023.04.21	Taiwan Corporate Governance Association	How the Board of Directors Formulated ESG Sustainability Governance Strategy in 2023	3 Hours
Wang Chia-Nan	2023.04.27	Taiwan Corporate Governance Association	Promotional Event on Sustainable Development Action Plans for Listed Companies	1 Hours
	2023.03.29	Taiwan Investor Relations Institute	Company Operations Involving Trade Secrets, Personal Data, and Gender Equality Issues	3 Hours
Yeh Huang-Chi	2023.09.06	Taiwan Independent Director Association	Interpreting Financial Statements and Case Analysis: Essential Skills for the Board of Directors	3 Hours
	2023.05.10	Taiwan Independent Director Association	A Cutting-Edge Tool for Board Oversight: Internal Investigations and E-Discovery for Detecting Fraud Signals	3 Hours
	2023.03.28	Taiwan Independent Director Association	How Directors (Independent Directors) can Prevent? Identifying Financial and Business Alerts from Cases of Financial Misreporting	3 Hours
	2023.03.17	Taiwan Corporate Governance Association	How Board Meetings are Conducted? Common Operational Deficiencies in Board Meetings of Listed Companies Practical Insights	3 Hours
Cai Mao-Yin	2023.09.02	Taiwan Corporate Governance Association	Corporate Growth Strategies and External Innovation	3 Hours
	2023.04.21	Taiwan Corporate Governance Association	How the Board of Directors Formulated ESG Sustainable Governance Strategy in 2023	3 Hours

Note: In the fiscal year 2023, the company has a total of 8 directors (including independent directors) who have completed the required training hours in accordance with the guidelines for continuing education for directors and supervisors of listed and OTC companies.

(5) Composition, Responsibilities, and Operation Information of the Compensation Remuneration Committee

1. Information on the Members of the Compensation Remuneration Committee

Position (Note1)	Name	Professional qualifications and experience	Independence status	Number of Directors Serving as Compensation Remuneration Committee Members in Other Publicly Listed Companies
Independent Director	Yeh Huang-Chi	Having work experience in business, legal, financial, accounting, and corporate affairs, and without any circumstances specified in Article 30 of the Company Act	<ol style="list-style-type: none"> Neither himself, spouse, nor relatives within the second degree of kinship have assumed the positions of director, supervisor, or employee in this company or its affiliated enterprises. Neither himself, spouse, nor relatives within the second degree of kinship (or using other individuals' names) hold any shares or stakes in the company. Have not served as a director, supervisor, or employee of a company that has a specific relationship with the company (as defined in Article 3, Paragraph 1, Subparagraphs 5-8 of the Regulations Governing the Appointment and Exercise of Powers by Independent Directors of Public Companies) Have not received any remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliated companies in the past 2 years 	1
Independent Director	Tsai Mao-Yin	Tsai Mao Yin has work experience in business, legal, finance, accounting, and corporate operations, and does not have any circumstances that violate Article 30 of the Company Act	<ol style="list-style-type: none"> Neither himself, spouse, nor relatives within the second degree of kinship have assumed the positions of director, supervisor, or employee in this company or its affiliated enterprises Neither himself, spouse, parents, or other close relatives (or using others' names) hold any shares or significant ownership in the company Have not served as a director, supervisor, or employee of a company that has a specific relationship with the company (as defined in Article 3, Paragraph 1, Subparagraphs 5-8 of the Regulations Governing the Appointment and Exercise of Powers by Independent Directors of Public Companies) Have not received any remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliated companies in the past 2 years 	1
Independent Director	Wang, Chia-Nan	Having working experience in business, law, finance, accounting, and corporate operations, and without any circumstances specified in Article 30 of the Company Act	<ol style="list-style-type: none"> Neither himself, spouse, nor relatives within the second degree of kinship have assumed the positions of director, supervisor, or employee in this company or its affiliated enterprises Neither himself, spouse, parents, or other close relatives (or using others' names) hold any shares or significant ownership in the company Have not served as a director, supervisor, or employee of a company that has a specific relationship with the company (as defined in Article 3, Paragraph 1, Subparagraphs 5-8 of the Regulations Governing the Appointment and Exercise of Powers by Independent Directors of Public Companies) Have not received any remuneration for providing business, legal, financial, accounting, or other services to the company or its affiliated companies in the past 2 years 	1

Note 1: Please specify the relevant work experience, professional qualifications and expertise, and independence status of each member of the Remuneration Committee. Indicate whether the member is an independent director or others (if the member is the convener, please note).

Note 2: Professional qualifications and expertise: Describe the professional qualifications and expertise of individual members of the Remuneration Committee.

Note 3: Independence status: Describe whether the member of the Remuneration Committee meets the independence criteria, including but not limited to whether the member, his/her spouse, parents, or other close relatives serve as directors, supervisors, or employees of the Company or its related enterprises; whether the member, his/her spouse, parents, or other close relatives (or using others' names) hold shares of the Company and their proportion; whether the member serves as a director, supervisor, or employee of a company with specific relationships with the Company (referring to the provisions of Article 6, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Public Companies); and the amount of remuneration received for providing business, legal, financial, accounting, or other services to the Company or its related enterprises in the past 2 years.

2. Responsibilities of the Compensation Remuneration Committee

- (1) Setting and periodically reviewing policies, systems, standards, and structures related to the evaluation of performance and compensation of directors and executives.
- (2) Conducting regular evaluations and establishing compensation for directors and executives

3. The information on the operation of the remuneration committee

- (1) There are three members in the remuneration committee of the company
- (2) The current term of the committee members is from August 9, 2021 to August 8, 2024. In the latest fiscal year (2023), the remuneration committee held 5 meetings (A), and the qualifications and attendance of the committee members are as follows:

Title	Name	No. of meetings attended in person (B)	No. of meetings attended by proxy	In-person attendance rate (%) 【B/A】
Independent Directors	Yeh Huang-Chi	5	0	100
Independent Directors	Tsai Mao-Yin	5	0	100
Independent Directors	Wang Jia-Nan	5	0	100

Other items to be recorded :

- (1) If the Board of Directors does not adopt or amend the recommendations of the Remuneration Committee, the date of the Board of Directors meeting, agenda, resolution results, and the company's handling of the opinions of the Remuneration Committee should be disclosed, including any differences and reasons for the Board of Directors' remuneration decision if it deviates from the recommendations of the Remuneration Committee :
No such occurrence.
- (2) Decisions of the Compensation Remuneration Committee, including any recorded or written dissents or reservations from committee members, shall be documented, including the date, term, agenda, content of the resolution, all members' opinions, and the handling of members' opinions :
No such occurrence.
- (3) The discussion topics and resolution results of the Compensation Remuneration Committee shall be recorded, including the agenda of the discussions and the outcomes of the resolutions:

Date	Agenda contents	Resolution outcome	Company's handling of the opinions of the remuneration committee
2023.03.08	2022 Employee and Director Compensation Allocation Proposal of the Company	This proposal was passed without objection after the Chairman consulted all attending committee members.	The proposal was passed by all attending directors.
2023.06.13	The proposal regarding the remuneration of the chairman of the board of directors of our company	This proposal was passed without objection after the Chairman consulted all attending committee members.	The proposal was passed by all attending directors.
	Proposal for the salary and compensation of the General Manager of our company.	This proposal was passed without objection after the Chairman consulted all attending committee members.	The proposal was passed by all attending directors.
	Proposal for the salary and compensation of the Chairman of Suzhou Forward Electronic Technology Co., Ltd.	This proposal was passed without objection after the Chairman consulted all attending committee members.	The proposal was passed by all attending directors.
	Proposal for the salary and compensation of the General Manager of Suzhou Fuhua Electronic Technology Co., Ltd.	This proposal was passed without objection after the Chairman consulted all attending committee members.	The proposal was passed by all attending directors.
2023.08.03	Proposal for the salary and compensation of the Chairman of the Board and the interim General Manager of our company.	This proposal was passed without objection after the Chairman consulted all attending committee members(The salary for the interim General Manager will not be paid).	The proposal was passed by all attending directors.

	The employee remuneration for managers for the year 2022 has been approved.	This proposal was passed without objection after the Chairman consulted all attending committee members.	The proposal was passed by all attending directors.
2023.08.31	The remuneration for the company's General Manager has been approved.	This proposal was passed without objection after the Chairman consulted all attending committee members.	The proposal was passed by all attending directors.
2023.10.03	The remuneration for the General Manager of Forward Intelligent Energy Co., Ltd. has been approved.	This proposal was passed without objection after the Chairman consulted all attending committee members.	The proposal was passed by all attending directors.
	Amendment to the "Director Remuneration Policy" of our company has been proposed.	This proposal was passed without objection after the Chairman consulted all attending committee members.	The proposal was passed by all attending directors.

4. Nomination Committee Members' Information and Operations Update: The company does not have a Nomination Committee in place.

(6) Status of implementation of Sustainable Development and Differences from the Best Practice Principles for Sustainable Development in Listed Companies.

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Illustration	
1.Has the company established a governance structure for promoting sustainable development, including the establishment of dedicated positions (full-time or part-time) for driving sustainable development, and authorization from the board of directors for senior management to handle such matters, as well as oversight by the board of directors?	V		<p>1. The company, in fulfilling its corporate social responsibility and promoting progress in the economy, environment, and society towards sustainable development goals, has formulated the "Guidelines for Sustainable Development Practices" in reference to the "Practices for Sustainable Development of Listed and OTC Companies" and relevant laws and regulations. These guidelines have been reviewed by the Audit Committee, approved by the Board of Directors, implemented, and reported to the shareholders' meeting. Any amendments to these guidelines shall follow the same process, and the guidelines shall be disclosed on the company's website under the "Investor Information" section, "Corporate Governance," and "Company Regulations and Policies."</p> <p>2. In order to enhance the management of sustainable development, on March 8, 2023, the Board of Directors approved the establishment of a Sustainability Task Force, with the Chief Financial Officer concurrently serving as the head of corporate governance. The task force has set up a Corporate Sustainability Committee with three sub-committees, namely (1) Corporate Governance Committee, (2) Corporate Social Responsibility Committee, and (3) Environmental Sustainability Committee, to promote corporate sustainable development.</p>	Compliant
2.Has the company conducted risk assessments on environmental, social, and corporate governance (ESG) issues related to its business operations, based on materiality principles, and established relevant risk management policies or strategies?	V		<p>1. Environmental Protection As a responsible global citizen, our company recognizes the importance of environmental sustainability. We have implemented an environmental management system ISO-14001, and have established a strategy and monitoring operation for sampling and monitoring of hazardous operational environments to minimize environmental compliance risks. We also proactively promote energy conservation and carbon reduction initiatives, enhance employee awareness of environmental protection, and optimize resource utilization efficiency.</p> <p>2. Product Responsibility The company continuously promotes clean production processes, with a primary consideration of using raw materials with the lowest environmental impact during the production process. Currently, solvents used in the process are managed through vendor partnerships for recycling and reuse of concentrated waste liquids. Some raw materials are also sourced from vendors who have implemented processes for regenerating and reusing concentrated waste liquids, in compliance with RoHS (Restriction of Hazardous Substances) and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulations set by the European Union.</p>	Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Illustration	
			<p>3. Labor relations Personnel appointments are made in accordance with the annual plans of each department, and diverse channels are used to recruit outstanding talents, along with providing various on-the-job training programs to enhance core values. Retention of talents is emphasized, and through objective interviews, feedback is provided to department managers for personnel management and optimization measures, such as adjusting the requirements for job openings, based on understanding the reasons for employee turnover.</p> <p>4. Anti-corruption The company has established a dedicated unit for integrity management, which regularly reports the annual status of implementation of integrity management to the Board of Directors, assisting the Board in verifying and evaluating the effectiveness of the preventive measures established for integrity management. The company has established measures to prevent corruption, including the "Code of Conduct for Integrity Management", "Operating Procedures and Behavioral Guidelines for Integrity Management", "Codes of Ethical Conduct", and "Internal Control System". These measures are complemented by internal audit operations, internal control self-assessment, and a whistleblowing channel for reporting violations of professional ethics, to ensure effective implementation of anti-corruption measures.</p> <p>5. Customer Privacy The company strictly adheres to the confidentiality of business secrets and is prohibited from inquiring or collecting non-job-related trade secrets, trademarks, patents, copyrights, and other intellectual property of suppliers and customers. The company also signs Non-Disclosure Agreements (NDAs) with customers and original equipment manufacturers (OEMs) to protect business secrets and ensure confidentiality.</p>	

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Illustration	
			<p>6. Compliance with Social and Economic Regulations</p> <p>The company complies with the Fair Trade Act, Trade Act, and ensures that products meet international safety standards, environmental regulations, and import/export regulations. The company also ensures that its business operations are environmentally friendly and comply with ethical standards. Internal education and training programs are conducted to promote awareness of regulations and compliance with them.</p>	
<p>3.Environmental Issues</p> <p>3.1.Has the company established an appropriate environmental management system based on the characteristics of its industry?</p>	V		<p>1.The company has already implemented the ISO-14001 environmental management system and obtained verification, in order to effectively prevent and control environmental pollution, as well as improve the utilization of resources and energy.</p>	Compliant
<p>3.2.Is the company committed to improving energy efficiency and using renewable materials with low environmental impact?</p>	V		<p>2.The company continues to implement various measures for energy conservation and carbon reduction in response to environmental changes:</p> <p>(1) Introduction of energy-saving equipment in offices</p> <p>Installation of energy-saving measures has been implemented for utility equipment, including the addition of variable frequency controllers to high-energy-consuming air compression equipment, cooling towers, and air handling units to reduce energy waste.</p> <p>(2)Implementation of energy conservation and carbon reduction promotion</p> <p>Energy-saving slogans are posted at light switches and air conditioning controls to encourage employees to save energy.</p> <p>(3)Resource utilization and recycling</p> <p>Recyclable and dismantled resources, including computer equipment and parts, waste paper, packaging materials, etc., are utilized through recycling, reducing environmental damage.</p> <p>(4)The company promotes electronic document management and approval, replacing traditional paper-based document transmission with electronic means to reduce paper usage and minimize environmental impact.</p>	Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Illustration	
3.3.Has the company assessed the potential risks and opportunities of climate change on its current and future operations, and implemented measures to address climate-related issues?	V		3.3.The company has established a strategy and operational monitoring for sampling of hazardous operations to effectively achieve environmental safety and energy conservation goals, and comply with regulations.	Compliant
3.4.Has the company calculated greenhouse gas emissions, water usage, and total waste weight for the past two years, and formulated policies for energy conservation, carbon reduction, water usage reduction, or other waste management?	V		3.4.The company is committed to corporate environmental responsibility, with the following achievements in the environmental management plan: (1)In the year 2023, savings of 1,716,996 NTD, reduction of 246 metric ton of CO2 equivalent emissions and 31,784 kWh of electricity generation from a 50 kW solar power system. (2) In the year 2023, savings of 445,848 NTD, reduction of 46 metric tons of CO2 equivalent emissions, and 27,540 kWh of electricity generation from a 50 kW solar power system. (3) On March 8, 2023, the board of directors approved the establishment of a Greenhouse Gas Inventory Promotion Task Force. The team is scheduled to conduct educational training, boundary setting, emission source identification, emission calculation, establishment of inventory lists, documentation and recordkeeping, preparation of inventory reports, and ISO 14064-1 internal verifier training from May to September 2024. External verification and review are planned for October 2024.	Compliant
4.Social issues				
4.1.Does the company establish relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	V		4.1.The company adheres to the "International Labour Organization Occupational Health and Safety Guidelines", "International Labour Organization International Labour Standards", "Labor Standards Act", and other relevant personnel regulations. It has established work rules and implemented the "RBA Corporate Social Responsibility Management System" to safeguard the legitimate rights and interests of employees.	Compliant
4.2.Does the company establish and implement reasonable employee welfare measures (including compensation, leave, and other benefits), and appropriately reflect business performance or results in employee compensation ?	V		4.2.The company's employee compensation and welfare measures include: (1)Salary and bonuse The company complies with the Labor Standards Act and other relevant laws and regulations, as well as conducts regular assessments, as the basis for salary and bonus disbursement, and shares the achievements with employees. (2)Retirement system The company complies with the Labor Standards Act and establishes a "Labor Retirement Reserve Supervisory Committee" to commission an actuary to conduct actuarial valuation at the end of each year. After approval by the aforementioned committee, the retirement reserve is fully allocated to a bank account in Taiwan. For employees who meet the retirement conditions, the company calculates the retirement pension based on their years of service and disburses the retirement pension accordingly. For employees who qualify for the new labor retirement system, the company allocates the retirement pension monthly and deposits it into their domestic natural person's accounts	Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Illustration	
			in accordance with the law.	
4.3.Does the company provide employees with a safe and healthy work environment, and regularly conduct safety and health education for employees?	V		<p>(3)Leave and Other Benefits Our company complies with the law to provide employees with labor insurance, health insurance, and group insurance, as well as various types of leave benefits such as sick leave, parental leave, and family care leave. Additionally, in recognition of the long-term contributions of senior and outstanding employees to the company, we award them with service longevity awards and model worker certificates, along with corresponding bonuses.</p> <p>(4)Employee Stock Ownership Committee The company established the Employee Stock Ownership Committee in 1994, providing stock purchase subsidies to employees, allowing them to share in the company's operational results.</p> <p>4.3.The company is committed to maintaining the personal safety of employees. It provides group insurance for all employees, arranges regular free health check-ups, and obtained ISO-45001 certification on Jan. 28 ,2023, which is verified annually. In recent years, the company has implemented the 5S movement to provide employees with a clean environment and safety protective equipment as needed. Supervisors and safety units regularly inspect the work environment and update safety and health work guidelines in accordance with regulatory changes. Safety and health education is provided to employees, and the company has an on-site clinic with resident doctors to provide professional medical consultation services for employees within the premises.</p>	Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons										
	Yes	No	Abstract Illustration											
4.4.Does the company establish an effective career development and training program for employees?	V		4.4.The company has a comprehensive training plan for career development of employees, aiming to enable employees to perform their duties effectively in their current positions, while acquiring necessary skills for promotion. The company also encourages employees to assess their own interests, skills, values, and goals, and communicate their domestic natural person’s career intentions with their managers for future career planning.	Compliant										
4.5.Does the company comply with relevant laws and international standards regarding customer health and safety, customer privacy, marketing, and labeling? Has the company established relevant policies and complaint procedures to protect consumer rights?	V		<table><tr><td>Education and training sessions</td><td>Implementation status</td></tr><tr><td>Supervisory Management Training</td><td>Total duration: 72 hours, for a total of 15 participants.</td></tr><tr><td>Occupational Health and Safety Training</td><td>Total duration: 298 hours, for a total of 152 participants.</td></tr><tr><td>Quality Control Related Training</td><td>Total duration: 18 hours, for a total of 27 participants.</td></tr><tr><td>Other Professional Job Training</td><td>Total duration: 139 hours, for a total of 568 participants.</td></tr></table>	Education and training sessions	Implementation status	Supervisory Management Training	Total duration: 72 hours, for a total of 15 participants.	Occupational Health and Safety Training	Total duration: 298 hours, for a total of 152 participants.	Quality Control Related Training	Total duration: 18 hours, for a total of 27 participants.	Other Professional Job Training	Total duration: 139 hours, for a total of 568 participants.	Compliant
Education and training sessions	Implementation status													
Supervisory Management Training	Total duration: 72 hours, for a total of 15 participants.													
Occupational Health and Safety Training	Total duration: 298 hours, for a total of 152 participants.													
Quality Control Related Training	Total duration: 18 hours, for a total of 27 participants.													
Other Professional Job Training	Total duration: 139 hours, for a total of 568 participants.													
4.6.Does the company have a supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational health and safety, labor rights, etc., and their implementation status?	V		4.5.The company values customer feedback and provides various channels for customers to contact us, including individual visits, product contact information and email on the company's website, as well as a dedicated stakeholder’s area where customers can inquire, complain, or provide suggestions. The company's products are labeled in compliance with relevant laws and international standards, and product liability insurance is also obtained. 4.6.The company has implemented the "RBA Social Responsibility Management System" and has established a "Supplier and Subcontractor Management Procedure". All suppliers are required to sign a "Social Responsibility Commitment Letter" before receiving orders or contracts, committing to comply with labor laws and social responsibility standards of relevant authorities. The company conducts regular evaluations of the suitability of suppliers in terms of environmental protection, occupational health and safety, and labor rights, and strengthens the investigation of suppliers' records of potential impact on the environment and society. The green procurement amount reached 73 million NTD in 2023.	Compliant										

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Illustration	
5.Does the company follow internationally recognized reporting standards or guidelines when preparing sustainability reports or other non-financial information disclosure reports? Has the aforementioned report obtained assurance or assurance opinions from third-party verification entities?	V		The company has not yet prepared a sustainability report, but it remains committed to the principles and guidelines of the "Sustainability Development Practices for Listed and OTC Companies" in implementing corporate governance, promoting sustainable environmental practices, and supporting social welfare. The company may consider preparing a sustainability report in the future, depending on its operational conditions.	Not applicable
6. The company has revised its "Sustainable Development Practices Guidelines" during the board meeting on 2022.03.07. The operation of these guidelines does no major difference from the "Sustainable Development Practices Guidelines" for listed and OTC companies. Please refer to the company's website for relevant information. The company also commits to periodically engaging in environmental protection, social contribution, community service, social welfare, consumer rights, human rights, occupational health and safety, and other social responsibility activities.				
<p>Other important information for understanding the status of implementation of sustainable development efforts :</p> <ol style="list-style-type: none"> 1. Our company has received awards for being an outstanding enterprise 2. Our company manages employees in accordance with relevant regulations, such as the Labor Standards Act, and has dedicated personnel to handle various employee welfare matters to safeguard the rights and interests of employees 3. Social welfare activities : <ol style="list-style-type: none"> (1)Our company sponsors charity events and encourages all employees to participate in fundraising activities, such as making charitable donations. In addition to donating to charitable organizations through public welfare funds, we also rally our employees to participate in charitable activities. (2) Blood donation activities (3)Continuously promoting ISO 45001 international occupational health and safety management system, systematically improving employees' working environment, safeguarding the health of colleagues, and striving to earn customers' trust and enhance the company's operational performance. 4. Human Rights: Our company has established management procedures for child labor and underage workers in our "RBA Social Responsibility Management Manual", and we have never employed child labor. We also comply with the Gender Equality in Employment Act and the Employment Services Act, and have established work rules, regularly held management and labor council, and have implemented a "Code of Conduct and Ethics Guidelines" for honest business operations. 5. Work-Life Balance: Our company implements maternity/paternity leave without pay in accordance with legal requirements, and provides measures such as paternity leave, menstrual leave, and lactation rooms. We encourage employees to take vacations, and provide subsidies for vacation travel and regular health check-ups. 6. Supplier Relationship and Rights of Stakeholders: We maintain good communication channels with suppliers, customers, partner banks, and other creditors. Our company's website has dedicated stakeholder's area, including customer zone, supplier zone, shareholder zone, and employee zone, which serve as channels for stakeholders to provide feedback, suggestions, and complaints to the company's management, audit committee, directors, and board of directors. 7. Our company has purchased liability insurance for directors and managers. 8. Information Disclosure: We have established a dedicated section on our official website to announce the records of annual activities, which can be found at the Corporate Social Responsibility section of our website. URL: https://www.fwd.com.tw/zh-tw/csr.php?act=view&id=1 				

Note 1: If "Yes" is selected, please provide specific details of the important policies, strategies, measures, and status of implementation. If status of implementation "No" is selected, please explain the differences and reasons in the "Differences and Reasons from Sustainable Development Practice Guidelines for Listed and OTC Companies" field, and provide plans for future status of implementation of related policies, strategies, and measures.

Note 2: Materiality principle refers to the significant impact of environmental, social, and corporate governance issues on the company's investors and other stakeholders.

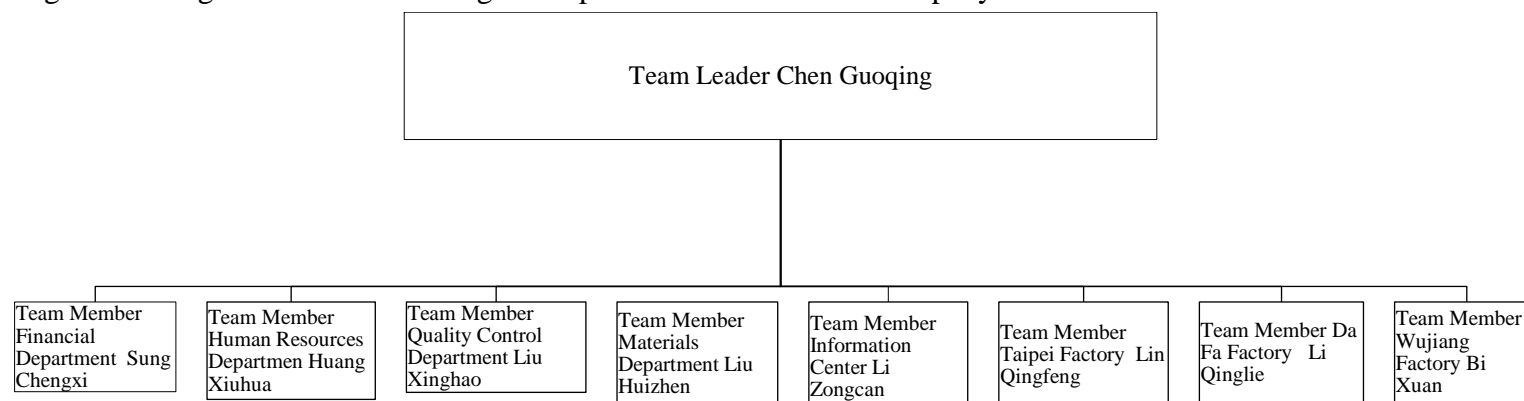
Note 3: For disclosure methods, please refer to the best practice examples on the Corporate Governance Center website of the Taiwan Stock Exchange.

(7) Climate-related information for listed and over-the-counter (OTC) companies

1. The greenhouse gas inventory and verification schedule of the Company has been approved and documented by the Board of Directors on May 9, 2022. The schedule is as follows.

Work Items	Planned (or Completed) Deadline
Establishment of dedicated (or part-time) positions, number of dedicated (or part-time) personnel, and their job responsibilities	2023.03
Development of inventory verification plan	2025.12
Development of inventory verification plan	2027.12

2. The greenhouse gas information management promotion team of our company is as follows :



3. Scope of responsibilities and authority for each position

Team Leader	The main contact point of the Greenhouse Gas (GHG) Information Management Implementation Team, responsible for planning and coordinating GHG inventory activities within the company, coordinating with relevant departments for all GHG inventory matters, and consolidating GHG inventory information submitted by relevant departments.
Team Member	Including representatives from the Finance Department, Human Resources Department, Quality Control Department, Materials Department, Information Center, Taipei Plant, Ta Fa Plant, and Wujiang Plant, who are responsible for implementing GHG inventory, data collection, emission calculation, and document preparation.

4. Climate-related information status of implementation: Not applicable

1-1 Greenhouse gas inventory and verification status: Not applicable

Basic information of our company		According to the Sustainable Development Roadmap for Listed Companies	
<input type="checkbox"/>	Company Name: Companies with Capital of Over 10 Billion New Taiwan Dollars, Steel Industry, Cement Industry	<input type="checkbox"/> Parent Company Individual Inventory Check Report Subsidiary Inventory Check	<input type="checkbox"/> Consolidated Financial
<input type="checkbox"/>	Companies with Capital of Over 5 Billion New Taiwan Dollars but Below 10 Billion New Taiwan Dollars	<input type="checkbox"/> Parent Company Individual Assurance Statements Subsidiary Assurance	<input type="checkbox"/> Consolidated Financial
<input checked="" type="checkbox"/>	Companies with Capital of Less than 5 Billion New Taiwan Dollars		

(8) Performance of Integrity in Business Operations and Differences in Integrity Codes of Conduct with Listed Companies and OTC Companies, and Reasons for Such Differences

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of Integrity in Business Operations Policy and Plan				
1.1.Does the company have an integrity in business operations policy established and approved by the board of directors, with the policy and practices of integrity in business operations clearly stated in regulations and external documents, and with the board of directors and senior management actively implementing the commitments of the business policy?	V		1.1.The company has established the "Integrity in Business Operations Code of Conduct" which was approved by the board of directors on November 10, 103 (2014). Furthermore, in compliance with legal amendments, the Code of Conduct was revised and approved by the board of directors on March 26, 109 (2020), and has been disclosed on the Public Information Observation System and the company's website	Compliant
1.2.Has the company established a mechanism for assessing the risk of dishonest behavior, regularly analyzing and evaluating business activities within its scope of operation that may have a higher risk of dishonest behavior, and based on such assessments, developed measures to prevent dishonest behavior, including at least preventive measures covering the behaviors specified in Article 7, Section 2, of the "Code of Conduct for Listed and OTC Companies"?	V		1.2.The company has clearly stipulated in its "Code of Conduct and Ethical Guidelines for Business Operations" that activities such as bribery, acceptance of improper benefits, facilitation payments, illegal political donations, unfair competition, improper charitable donations or sponsorships, disclosure of business secrets, and actions that harm the rights and interests of stakeholders are strictly prohibited. The company has also established channels for reporting and handling complaints, and has implemented preventive measures and conducted educational and promotional activities to ensure the implementation of its integrity in business operations policy.	Compliant
1.3.Does the company have a clear operational procedure, code of conduct, disciplinary measures for violations, and complaint system specified in the anti-unethical behavior plan, and is it implemented and regularly reviewed and revised?	V		1.3.In order to implement the policy of integrity in business operations based on principles of fairness, honesty, trustworthiness, and transparency, the company adopted the "Code of Conduct and Operational Procedures for Integrity in Business Operations" on November 10, 103 (2014) through a resolution by the board of directors, which provides specific guidelines for the company's personnel in conducting business activities. This includes establishing operational procedures and codes of conduct for various programs, as well as disciplinary measures and complaint system for violations. The scope of application includes the company, its affiliated enterprises, directors, supervisors, managers, employees, appointees, and	Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Illustration	
			persons with substantial controlling power. In addition to providing enhanced education and promotion to new employees, the company diligently implements these guidelines in its operational activities.	
2. Implementing integrity in business operations				
2.1.Does the company assess the integrity records of its business counterparts and include integrity behavior clauses in contracts signed with them?	V		2.1.The company considers the legality of suppliers and customers before engaging in transactions, and takes into account whether they have a record of dishonest behavior. The company has established "Supplier and Subcontractor Management Procedures" in its "RBA Social Responsibility Management Manual", and signs "Supplier Code of Conduct" with its suppliers.	Compliant
2.2.Does the company have a dedicated unit under the Board of Directors to promote corporate integrity and ethics, and report to the Board of Directors on a regular basis (at least once a year) regarding its integrity and ethics policy, measures to prevent dishonest behavior, and the monitoring and status of implementation?	V		2.2.The company has established an integrity management promotion team to ensure the implementation of the integrity management policy and preventive measures. The team is responsible for system development and supervision of the implementation of integrity management policies and measures, based on the responsibilities and scope of each department, in order to enhance the management of business integrity. The company regularly reports to the board of directors on the annual results of integrity management implementation, assisting the board of directors in evaluating the effectiveness of the established integrity management preventive measures. The integrity management execution report for the year 2023 has been completed on December 19, 2023.	Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Illustration	
2.3.Does the company have a policy in place to prevent conflicts of interest, provide appropriate channels for disclosure, and enforce implementation?	V		2.3.The company has established "Code of Conduct" and "Standard Operating Procedures and Behavioral Guidelines for Business Integrity," which includes policies to prevent conflicts of interest and requires all units to implement them. The company also provides accessible channels for employees to report concerns or opinions internally or through the company's website. In addition, board members with potential conflicts of interest in relation to agenda items of the board meetings, as per the company's "Board Meeting Rules" Article 15, have followed the provisions of the company's policy on avoiding conflicts of interest in various board meetings held on March 8, 2023, May 19, 2023, June 13, 2023, August 3, 2023, August 31, 2023, September 19, 2023,October 3, 2023 and March 4, 2024.	Compliant
2.4.Has the company established effective accounting and internal control systems to implement integrity management, and has the internal audit unit developed relevant audit plans based on the assessment results of the risk of dishonest behavior, and conducted audits to check compliance with the measures to prevent dishonest behavior, or commissioned auditors to perform audits?	V		2.4.The company has established comprehensive and effective control mechanisms in the accounting and internal control systems for business activities and operations that potentially involve higher risks of dishonest behavior. The internal audit personnel also enhance audit frequency based on risk assessment for higher-risk operations to prevent dishonest behavior. The implementation status of the audit plan is reported to the regular board meetings. In addition, through the annual internal control self-assessment process, all departments and subsidiaries of the company conduct self-assessment of their internal control systems to ensure the effectiveness of the design and implementation of such systems.	Compliant
2.5.Does the company regularly hold internal and external training on integrity in business operations?	V		2.5.The company's "Code of Ethics" and "Procedures and Guidelines for Integrity in Business Operations" are disclosed on the company's website under the "Corporate Governance" section, and are also promoted through internal website and new employee training upon joining the company. In the year 2022, a total of 52 employees received training, aiming to ensure that all employees understand and comply with these guidelines. In addition, relevant personnel are also encouraged to participate in seminars and discussions organized by associations or	Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Illustration	
			professional organizations to further strengthen the company's policy on integrity in business operations.	
<p>3. The operation of the company's whistleblowing system is monitored to ensure its effectiveness and efficiency.</p> <p>3.1. Has the company established specific reporting and reward systems, as well as convenient channels for reporting, and designated appropriate personnel to handle reported cases?</p>	V		3.1.According to the provisions in Article 23 of the "Code of Conduct for Business Integrity" and Article 21 of the "Procedures and Guidelines for Business Integrity Operations," employees of the company are required to proactively report suspected or identified violations of behavior to independent directors, managers, internal audit managers, or other appropriate personnel. In addition, the company's website also provides channels for reporting unethical behavior. As of the fiscal year 2023, there were no significant internal or external reports of misconduct.	Compliant
3.2.Has the company established standard operating procedures for handling reported complaints, including investigation procedures, follow-up measures after investigation completion, and relevant confidentiality mechanisms?	V		3.2.According to the provisions of the "Code of Conduct" Article 23 and "Operating Procedures and Code of Conduct" Article 21, the company maintains records and documentation of the reported complaints, investigation processes, and results. The identity and content of the whistleblower are kept strictly confidential. In case of significant violations or potential significant damages to the company found during the investigation, a report shall be immediately made and notified in writing to the independent directors. There were no such incidents in the year 2023.	Compliant
3.3.Does the company take measures to protect whistleblowers from retaliation or improper treatment as a result of their whistleblowing?	V		3.3.According to the provisions of Article 23 of the company's "Code of Conduct" and Article 21 of the "Standard Operating Procedures and Behavioral Guidelines for Ethical Business Operations," the identity and content of whistleblowers should be kept confidential, and they should not face improper treatment or retaliation as a result of their whistleblowing.	Compliant

Evaluation Item	Implementation Status			Differences in Corporate Governance Practices with Listed and OTC Companies and Reasons
	Yes	No	Abstract Illustration	
<p>4. Enhancing Information Disclosure</p> <p>Does the company disclose the contents of its established code of conduct and the results of its implementation on its website and public information disclosure platform?</p>	V		The company has disclosed information about its "Code of Conduct" and "Codes of Ethical Conduct" on its website and public information disclosure platform, including information about the implementation results of integrity management, education and training, and complaint handling. For more details, please refer to the Corporate Social Responsibility and Integrity Management section on the company's website and the annual report under section (VIII) Compliance with Integrity Management.	Compliant
<p>5. If the company has established its own Code of Conduct based on the "Code of Conduct for Listed and OTC Companies", please describe any differences between the actual operation and the provisions of the company's Code of Conduct:</p> <p>The company has established a "Code of Conduct" to promote a culture of integrity and sustainable development. There are no differences between the actual operation and the provisions of the company's Code of Conduct.</p>				
<p>6. Other important information that can help understand the integrity of a company's operations may include: (such as the company's review and revision of its established code of conduct for ethical business practices, among others)</p> <p>Our company will constantly monitor the development of integrity-related regulations both domestically and internationally. Prior to engaging in transactions, we will assess the legality of our dealings with suppliers and customers, as well as consider any records of unethical behavior. We uphold the principles of integrity in our interactions with customers, promptly handle customer complaints, and proactively take measures to minimize losses for both parties in order to gain customer trust.</p>				

(9) The Company has established various regulations, including the "Articles of Incorporation," "Rules of Shareholders' Meetings," "Rules of Board Meetings," "Procedures for Director Elections," "Responsibilities of Independent Directors," "Organization Regulations of the Audit Committee," "Organization Regulations of the Remuneration Committee," "Regulations Governing the Acquisition and Disposal of Assets," "Procedure for Funds Lending, Endorsements, and Guarantee," "Norms for Exercise of Rights and Participation in Decision-Making by Shareholders with Controlling Power," "Management Procedures for Related Party Transactions," "Corporate Governance Best-Practice Principles," "Practical Guidelines for Corporate Social Responsibility," "Codes of Ethical Conduct," "Code of Conduct for Ethical Business Practices," and "Operating Procedures and Code of Conduct for Ethical Business Practices," etc., to ensure the operation and promotion of corporate governance. These regulations can be accessed on the Taiwan Stock Exchange (TWSE)/Taipei Exchange (TPEX) website and the Company's website at <http://www.fwd.com.tw> for reference.

(10) Other important information for enhancing understanding of the corporate governance status:

The corporate governance status can be accessed and reviewed on the Public Information Observation Station or our company's website at <http://www.fwd.com.tw>.

(11) The implementation status of internal control systems

1. Statement of Internal Control

Statement of Internal Control System for Publicly Listed Companies, indicating that the design and implementation are effective
(This statement is applicable when declaring compliance with all applicable laws and regulations in accordance with the relevant laws and regulations)

Forward Electronic Co., Ltd

Statement of Internal Control

Date: March 4, 2024

This is to certify that the internal control system of our company for the year 2023 has been evaluated based on our self-assessment, and we hereby declare the following:

1. Our company acknowledges that the establishment, implementation, and maintenance of the internal control system are the responsibilities of our Board of Directors and management. We have already established this system. The purpose of the internal control system is to achieve the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), provide reliable, timely, and transparent reporting, and comply with relevant regulations and laws, in order to ensure reasonable assurance.
2. The internal control system has inherent limitations, and no matter how well-designed it is, it can only provide reasonable assurance for the achievement of the three objectives mentioned above. Moreover, the effectiveness of the internal control system may change due to changes in the environment or circumstances. However, our company has established a mechanism for self-assessment of the internal control system, and any deficiencies identified will be rectified promptly.
3. Our company assesses the effectiveness of the internal control system based on the criteria set forth in the "Guidelines for Establishing Internal Control Systems for Publicly Issued Companies" (hereinafter referred to as the "Guidelines"). The criteria used in the "Guidelines" divide the internal control system into five components: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring activities. Each component includes several items. Please refer to the provisions of the "Guidelines" for details on these criteria.
4. Our company has adopted the above-mentioned criteria for assessing the design and effectiveness of the internal control system.
5. Based on the evaluation results, our company believes that the design and implementation of our internal control system (including the supervision and management of subsidiaries) as of December 31, 2023, which includes the assessment of operational effectiveness and efficiency, reliable and timely reporting, and compliance with relevant regulations and laws, are effective in reasonably ensuring the achievement of the above-mentioned objectives.
6. This statement will be included as a key content in our company's annual report and public disclosure documents, and will be made publicly available. Any false, concealed, or unlawful information in the above-mentioned public content may incur legal liabilities under the Securities Exchange Act, including Article 20, Article 32, Article 171, and Article 174.
7. This statement has been approved by the board of directors of our company on March 4, 2024. There were 0 directors who expressed any dissenting opinions, and the rest of the directors unanimously agreed with the contents of this statement. This serves as our official declaration.

Forward Electronic Co., Ltd

Chairman: Hong Chi-Chang

General Manager: Shen Ying-Yi

2. In accordance with the "Guidelines for Publicly Issued Companies to Establish Internal Control Systems" issued by the Financial Supervisory Commission of the Executive Yuan.
 3. As requested by the Financial Supervisory Commission of the Executive Yuan, the company is not required to engage an accountant for special review of the internal control system, and therefore no accountant review report is applicable.
- (12) As of the latest fiscal year and up to the date of printing of the annual report, the company and its internal personnel have not been punished according to the law. The company has also not imposed any penalties on its internal personnel for violating internal control system regulations. No significant deficiencies have been identified in the internal control system, and therefore no improvements are required.

Main deficiencies in the internal control system	Improvements made by the company
None	None

- (13) Important resolutions and implementation status of shareholders' meetings and board of directors' meetings for the recent fiscal year up to the date of annual report printing

1. Important resolutions of the board of directors' meetings

Date	Resolution content
The 18th Meeting of the 13th Board of Directors 2023.03.08	<ol style="list-style-type: none"> 1. Approved the company's 2022 annual operating report and financial statements. 2. Approved the company's 2022 earnings distribution proposal. 3. Approved the allocation of employee and director remuneration for 2022. 4. Approved the removal of restrictions on directors (including independent directors) and their representatives from engaging in competitive activities. 5. Approved matters related to convening the company's 2023 annual general meeting of shareholders. 6. Approved the appointment of Anhui Jianye Certified Public Accountants LLP for the 2023 audit service fee and assessment of auditor independence. 7. Approved the amendment of the company's "Acquisition or Disposal of Assets Processing Procedures." 8. Approved the draft of the company's 2022 internal control system statement. 9. Approved the retroactive confirmation of changes in directors at Suzhou Forward Electronic Technology Co., Ltd. (FDS). 10. Approved the retroactive confirmation of changes in directors at Forward Electronic Equipment (Dongguan) Co., Ltd. (FDD). 11. Approved the activation of the company's holding of shares in Tatung Company. 12. Approved the establishment of the "Sustainability Development Task Force" at Forward Corporation. 13. Approved the establishment of the "Corporate Governance Supervisor" position at Forward Corporation.
The 18th Meeting of the 14th Board of Directors 2023.05.02	<ol style="list-style-type: none"> 1. Approved the financial report for the first quarter of 2023, which is consolidated by the Company. 2. Approved the amendment of the company's "Acquisition or Disposal of Assets Processing Procedures." 3. Approved the establishment of the company's "Standard Operating Procedures for Handling Director Requests." 4. Approved the amendment of the company's "Supervisory and Assessment Procedures for Subsidiaries and Equity Invested Companies." 5. Approved the distribution of earnings for the company's 2022 fiscal year (amendment to cash dividend amount).
The 18th Meeting of the 15th Board of Directors 2023.05.19	<ol style="list-style-type: none"> 1. Approved the election of the Chairman of the Board. 2. Approved the change of General Manager of the Company. 3. Approved the change of General Manager of Suzhou Forward Electronic Technology Co., Ltd. (referred to as FDS).

Date	Resolution content
	<ol style="list-style-type: none"> 4. Approved the change of Chairman of Forward Development Co., Ltd. (referred to as BVI). 5. Approved the change of Chairman and Directors of Suzhou Forward Electronic Technology Co., Ltd. (referred to as FDS). 6. Approved the change of Chairman and Directors of Forward Electronic Equipment (Dongguan) Co., Ltd. (referred to as FDD)..
The 18th Meeting of the 16th Board of Directors 2023.06.13	<ol style="list-style-type: none"> 1. Approved the establishment of Forward Intelligent Energy Co., Ltd., and the appointment of directors and supervisors in accordance with the Company's Supervision and Management Procedures for Subsidiaries and Equity Investment Companies. 2. Approved the salary compensation for the Chairman of the Board of the Company. 3. Approved the salary compensation for the General Manager of the Company. 4. Approved the salary compensation for the Chairman of Suzhou Foward Electronic Technology Co., Ltd. 5. Approved the salary compensation for the General Manager of Suzhou Foward Electronic Technology Co., Ltd.
The 18th Meeting of the 17th Board of Directors 2023.06.19	<ol style="list-style-type: none"> 1. Approved the election of the Chairman of the Board.
The 18th Meeting of the 18th Board of Directors 2023.08.03	<ol style="list-style-type: none"> 1. Approved the second quarter consolidated financial statements for the year 2023. 2. Approved the salary for the Chairman of the Board and the interim salary for the Acting General Manager of the company. 3. Approved the change in position for the General Manager of the company. 4. Approved the termination of non-compete restrictions for the company's executives. 5. Approved the employee remuneration plan for the year 2022. 6. Approved the proposal by the Internal Control Committee to draft amendments to the company's internal control system.
The 18th Meeting of the 19th Board of Directors 2023.08.31	<ol style="list-style-type: none"> 1. Approved the salary for the General Manager of the company. 2. Approval of the acquisition by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd. 3. Approved the appointment of the General Manager of Forward Intelligent Energy Co., Ltd. 4. Approved the cash capital increase of 280 million yuan for Forward Intelligent Energy Co., Ltd. 12.Approval of Review of Chairman's Remuneration Package for the Company.
The 18th Meeting of the 20th Board of Directors 2023.09.19	<ol style="list-style-type: none"> 1. Approved the appointment and reassignment of directors and supervisors for Forward Intelligent Energy Co., Ltd. 2. Approval of the acquisition request for postponement of the lease period by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd.
The 18th Meeting of the 21th Board of Directors 2023.10.03	<ol style="list-style-type: none"> 1. Approved the salary compensation plan for the General Manager of Forward Intelligent Energy Co., Ltd. 2. Approved the amendment to the "Director Compensation Policy" of the company. 3. Approved the cancellation of the business execution fee for the Chairman of Suzhou Foward Electronic Technology Co., Ltd. (RMB 10,000/month) and the issuance of the business execution fee for Foward Electronic Equipment (Dongguan) Co., Ltd.

Date	Resolution content
	<p>4. Approved the increase in the pledged loan amount through the Yangxin Bank Muzha Branch, secured by the existing factory building and land located at No. 393, Section 1, Zhongzheng Road, Sanxia District, New Taipei City, from 10.2 billion to 13.212 billion, and the addition of long-term borrowing of 2.8 billion, along with a short-term revolving credit line of 100 million.</p> <p>5. Approved the business development and lean project plan for Suzhou Forward Electronic Technology Co., Ltd. (FDS).</p>
The 18th Meeting of the 22th Board of Directors 2023.11.06	<p>1. Approved the consolidated financial statements for the third quarter of 2023 for the company.</p> <p>2. Approved the change in the Internal Audit Supervisor for the company.</p>
The 18th Meeting of the 23th Board of Directors 2023.12.19	<p>1. Approved the work objectives and budget for the year 2024.</p> <p>2. Approved the internal audit plan for the year 2024 for the company.</p>
The 18th Meeting of the 24th Board of Directors 2024.01.09	<p>1. Approved the change in the company's general manager.</p> <p>2. Approved the lifting of the competitive restriction on company managers.</p> <p>3. Approved the appointment of the financial and accounting director for the company.</p> <p>4. Approved the change in the company's spokesperson.</p> <p>5. Approved the change in the supervisor of Suzhou Forward Electronic Technology Co., Ltd. (FDS).</p> <p>6. Approved the change in the supervisor of Forward Electronic Equipment (Dongguan) Co., Ltd. (FDD).</p> <p>7. Approved the lifting of the competitive restriction for the newly appointed financial director to serve as the company's accounting director.</p> <p>8. Approved the change in the governance supervisor for Forward Corporation.</p> <p>9. Approved the reassignment of directors and supervisors for Forward Intelligent Energy Co., Ltd..</p>
The 18th Meeting of the 25th Board of Directors 2024.02.01	<p>1. Approved the change in the company's accounting director.</p> <p>2. Approved the amendment to the "Managerial Compensation Regulations" of the company.</p> <p>3. Approved the compensation package for the company's general manager.</p> <p>4. Approved the compensation package for the company's financial director.</p>
The 18th Meeting of the 26th Board of Directors 2024.03.04	<p>1. Approved the company's 2023 annual business report and financial statements.</p> <p>2. Approved the distribution of profits for the year 2023.</p> <p>3. Approved that the overdue amounts beyond accounts receivable and accounts receivable of Suzhou Forward Electronic Technology Co., Ltd. (referred to as FDS) in 2023 are not considered as loans.</p> <p>4. Approval of the acquisition request for postponement of the lease period by the Company of the property usage rights asset (1st floor of the North Design and Engineering Building) from Shangzhi Asset Development Co., Ltd.</p> <p>5. Approved the comprehensive re-election of directors.</p> <p>6. Approved the nomination of candidates for directors (including independent directors) nominated by shareholders holding more than one percent of the company's issued shares.</p> <p>7. Approved the removal of the competitive restriction on newly appointed directors (including independent directors).</p> <p>8. Approved the convening of the company's 2024 annual general meeting.</p> <p>9. Approved the adjustment of the salary for the company's general manager.</p> <p>10. Approved the adjustment of the salary for the company's financial</p>

Date	Resolution content
	<p>director.</p> <p>11. Approved the adjustment of the salary for the company's accounting director.</p> <p>12. Approved the change in position for the general manager of Forward Intelligent Energy Co., Ltd.</p> <p>13. Approved the appointment of directors for Forward Intelligent Energy Co., Ltd.</p> <p>14. Approved the company's 2023 internal control system declaration.</p>
<p>The 18th Meeting of the 27th Board of Directors 2024.03.22</p>	<p>1. Approval for the joint development of Indonesian forest carbon credits by subsidiary Forward Intelligent Energy Co., Ltd. and ASIA ASSETS DEVELOPMENTS CO., LTD. (AAD).</p>

2. Important Resolutions and Implementation Status of Shareholders' Meeting

The resolutions and implementation status of the shareholders' meeting held on 2022.06.27, at the company's Welfare Building are as follows:(All the acknowledged and discussed matters were consulted with all the attending shareholders by the Chairman and passed by voting according to the agenda) :

Item	Resolution of shareholders' meeting	Implementation Status
1	Approval of the 2021 Annual Operating Report and Financial Statements.	Completed.
2	Approval of the 2022 Profit Distribution Plan.	The board of directors is authorized to establish relevant dates for ex-dividend purposes, with July 14, 2023 set as the ex-dividend record date and August 10, 2023 set as the cash dividend payment date. (A cash dividend of NT\$0.1 dollars per share will be distributed.)
3	Release the Prohibition on Directors and their proxy (including independent directors) from Participation in Competitive Business.	Completed.
4	Amendment of the Company's Asset Acquisition or Disposal Processing Procedures.	Completed.

(14) In the recent fiscal year and up to the date of printing of the annual report, there were no recorded or written statements from directors or supervisors expressing disagreement with significant resolutions passed by the board of directors.

(15) Summary of resignations or removals of individuals related to the company (such as Chairman, CEO, CFO, Internal Audit Director, R&D Director, etc.) during the recent fiscal year and up to the date of printing of the annual report:

Title	Name	Date of Appointment	Date of Termination	Reason for Resignation or Dismissal
Chairman	Wang Li-Rong	2022.10.12	2023.05.16	The legal representative has been reassigned, and the positions of director and chairman have been dismissed.
Chairman/ General Manager	Wang, Guang-Xiang	2023.05.19	2023.06.19	Resignation due to busy work schedule
General Manager	Lin Rong-Ci	2020.06.30	2023.05.19	Interim task completed.
General Manager	Hong, Chi-Chang	2023.06.19	2024.08.13	Acting temporarily. On August 3, 2023, the appointment of Shaw Ming Fu as General Manager was approved by the Board of Directors.
General Manager	Shaw Ming-Fu	2024.08.14	2024.01.08	Resignation due to personal planning.
Internal Audit Manager	Huang Hsiang-Lan	2015.01.01	2023.10.25	Retirement due to personal planning.
Finance Manager Accounting Manager Corporate Governance Manager	Yang Zheng-Jie	2022.07.21	2024.01.09	Job reassignment.
Accounting Manager	Sung Cheng-Xi	2024.01.09	2024.02.01	Job reassignment.

3.4. Information on Certified Public Accountant Fees :

Amount Unit: NTD in thousands

Name of accounting firm	Names of CPAs	Period covered by the CPA audit	Audit Fees	Non-audit Fees	Total	Remarks
KPMG International Limited	Yin Yuan-sheng	2023.01.01~2023.12.31	2,504	586	3,090	Note
	Wang Yong-sheng	2023.01.01~2023.12.31				

Note : 1. The non-audit fees mainly include expenses related to tax certification, review of financial statement disclosures, review of relevant examination sheets, annual shareholder meeting report review, and translation of financial reports.

2. If the audit fees for the current year decreased by more than 10% compared to the previous year, the amount and reasons for the decrease in audit fees should be disclosed: None.

3.5. Change of Accountants

(1)Information regarding the former CPAs: No such matters exist in 2023.

(2)Information Regarding the Successor CPAs: No such matters exist in 2023.

(3) Response letter from the previous accountant on matters related to Article 10, Paragraph 6, Subsection 1 and Subsection 2-3 of this standard: No such matters exist.

3.6. The Chairman, General Manager, Manager responsible for finance or accounting affairs of the company, who have served in the accounting firm or its affiliated enterprises of the signing accountant within the past year, shall disclose their names, positions, and the duration of their service in the accounting firm or its affiliated enterprises: None.

3.7. Changes in the equity transfer and equity pledge status of directors, supervisors, managers and shareholders who hold more than 10% of the shares up to the date of printing of the latest annual report.

(1) Changes in shareholdings of directors, supervisors, executives, and major shareholders

Unit: Shares

Job title	Name	Fiscal year 2023		Current fiscal year as of 2024.03.29	
		Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)	Shareholding increase (or decrease)	Pledged shareholding increase (or decrease)
Corporate Director	Tatung Company	0	0	0	0
Chairman	Representative of Tatung Company: Hong, Chi-Chang (Note 1 and Note 2)	0	0	0	0
Chairman	Representative of Tatung Company: Wang, Guang-Xiang (Note 1 and Note 2)	0	0	0	0
Chairman	Representative of Tatung Company: Wang Li-Rong (Note 1)	0	0	0	0
Director	Representative of Tatung Company: Wang, Guang-Xiang (Note 1 and Note 2)	0	0	0	0
Director	Representative of Tatung Company: Sui Feng-zhi	0	0	0	0
Director	Representative of Tatung Company: Yu Jin-bang	0	0	0	(5,587,704)
Director	Representative of Tatung Company: Fu Yi-Yuan	0	(5,587,704)	0	0
Director	Representative of Tatung Company: Tseng Chieh-Ming(Note 1)	0	0	0	0
Independent Director	Wang Jia-Nan	0	0	0	0
Independent Director	Yeh Huang-Chi	0	0	0	0
Independent Director	Tsai Mao-Yin	0	0	0	0
General Manager	Shen Ying-Yi(Note 3)	0	0	0	0
General Manager	Shaw Ming-Fu(Note 4)	0	0	0	0
General Manager	Lin Rong-Ci 2023.05.19 Resignation	(56,000)	0	0	0
Finance Manager Corporate Governance Manager	Song Cheng-Xi(Note 5)	0	0	0	0
Finance Manager Corporate Governance Manager Accounting Manager	Yang Zheng-Jie (2024.01.09 Job reassignment)	0	0	0	0
Accounting Manager	Chen Jing-Min(Note 6)	0	0	0	0

Note :

1. The original legal representatives of Tatung (stock) Company, Directors Wang Li-Rong and Yang Zheng-Jie, were replaced by Directors Wang, Guang-Xiang and Hong, Chi-Chang on May 16, 2023.
2. Chairman Wang Li-Rong was removed on May 16, 2023. Wang, Guang-Xiang was appointed Chairman on May 19, 2023, but resigned after the 17th board meeting of the 18th session held on June 19, 2023. Director Hong,

- Chi-Chang was then elected Chairman during the 17th board meeting of the 18th session on June 19, 2023.
3. General Manager Shen Ying-Yi was newly appointed by the board on January 9, 2024, effective from January 9, 2024.
 4. General Manager Shaw Ming Fu was newly appointed by the board on August 3, 2024, effective from August 14, 2024, and resigned on January 8, 2024.
 5. Finance Manager and Corporate Governance Manager Song Cheng Xi was newly appointed by the board on January 9, 2024, effective from January 9, 2024.
 6. Accounting Manager Chen Jing Min was newly appointed by the board on February 1, 2024, effective from February 1, 2024

(2) Related parties involved in the transfer of shares: None.

(3) Related parties involved in the share pledge: None.

3.8. Information on the relationships among the top ten shareholders who hold the highest percentage of shares

March 29, 2024; Unit: shares

Name	Shares held		Shares held by spouse and minor children		Shares held through nominees		The top ten shareholders with which the person has a relationship of spouse or relative within the second degree		Remarks
	No. of shares	Share-holding ratio	No. of shares	Share-holding ratio	No. of shares	Share-holding ratio	Name	Relation-ship	-
The principal of Tatung Company Limited: Wang Guangxiang	31,635,411	22.60	N/A		0	0	China Electronics Investment Holdings Limited	Parent company and subsidiary company	-
	0	0	0	0	0	0	-	-	-
Yu, Jinbang	14,170,428	10.12	2,713,000	1.94	0	0	Guo Liling	Spouse	-
							Yu Chaoyueh	Father and Son	
Fu, Yiyuan	9,731,156	6.95	4,185,501	2.99	0	0	Chen, Liching	Spouse	-
							Fu Weiming Fu Peiming	Father and Son	
The principal of China Electronic Investment Co., Ltd.: Zhang, Ruikai	9,003,678	6.43	N/A		0	0	Tatung Company	Parent company and subsidiary company	-
	0	0	0	0	0	0	-	-	-
Chen Liqing	4,185,501	2.99	9,731,156	6.95	0	0	Fu, Yiyuan	Spouse	-
							Fu Weiming Fu Peiming	Mother and son	
Guo Liling	2,713,000	1.94	14,170,428	10.12	0	0	Yu, Jinbang	Spouse	-
Fu Weiming	1,957,337	1.40	Unable to obtain data				Fu, Yiyuan	Father and Son	-
							Chen Liqing	Mother and son	
Fu, Peiming	1,384,177	0.99	Unable to obtain data				Fu, Yiyuan	Father and Son	-
							Chen Liqing	Mother and son	-
Hsueh Nairen	1,156,000	0.83	Unable to obtain data						-
Lee, Shotone	1,119,000	0.80	Unable to obtain data						-

3.9. Aggregate shareholding percentage of the company, its directors, supervisors, managerial officers, and other businesses controlled directly or indirectly by the company, in the same invested enterprise, and calculated and combined as the comprehensive shareholding percentage

March 31, 2024; Unit: shares

Re-invested businesses (Note1)	Investment by the Company		Investment by the Directors, Supervisors, Managerial Officers and Directly or Indirectly Controlled Entities of the Company		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
FORWARD DEVELOPMENT CO., LTD. and subsidiaries	19,298,479	100.00%	-	-	19,298,479	100.00%
Tungyuan Energy Technology Co., Ltd. (Note 1)	5,398,269	14.59%	-	-	5,398,269	14.59%
Forward Intelligent Energy Co., Ltd. (Note 2)	29,000,000	100.00%	-	-	29,000,000	100.00%

Note1: This is an investment accounted for using the equity method adopted by the company.

As Green Energy Technology Inc. announced its dissolution in September 2019 and Tongyu Energy Technology Inc. recognized impairment loss on its receivables from Green Energy Technology Inc. in the

third quarter of 2019, resulting in negative equity, the company recognized an investment loss of TWD 18,158 thousand in 2019 and the investment accounted for using the equity method was reduced to zero.

Note2: On July 12, 2023, Forward Intelligent Energy Co., Ltd. was established as an investment company in Taiwan.

VI. Fundraising Status

4.1 Capital and Shares

(1) Source of Share Capital

1. Formation of Share Capital

March 29, 2024 ; Unit: Shares ; New Taiwan Dollars

Month/ Year	Issued price	Approved Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital paid in by assets other than cash	Other
1998.06 Before	100	4,000,000	400,000,000	4,000,000	400,000,000	Capital increase Capital Increase through Retained Earnings	None	
2000.07	10	64,000,000	640,000,000	64,000,000	640,000,000	Capital increase Capital Increase through Retained Earnings	None	Note 1
2003.07	10	138,000,000	1,380,000,000	82,500,000	825,000,000	Cash Capital Increase Capital reserve Retained Earnings	None	Note 2
2004.07	10	138,000,000	1,380,000,000	86,175,000	861,750,000	Cash Capital Increase Capital reserve Retained Earnings	None	Note 3
2005.08	10	138,000,000	1,380,000,000	90,235,562	902,355,620	Cash Capital Increase Capital reserve Retained Earnings	None	Note 4
2006.08	10	200,000,000	2,000,000,000	95,044,984	950,449,840	Cash Capital Increase Capital reserve Retained Earnings	None	Note 5
2006.09	10	200,000,000	2,000,000,000	130,044,984	1,300,449,840	Capital increase	None	Note 6
2007.03	10	200,000,000	2,000,000,000	130,216,552	1,302,165,520	Conversion of Corporate Bond	None	Note 7
2007.08	10	200,000,000	2,000,000,000	150,068,196	1,500,681,960	Conversion of Corporate Bond Capital reserve Retained Earnings Capital Surplus Employee Bonus	None	Note 8
2007.11	10	200,000,000	2,000,000,000	151,851,691	1,518,516,910	Conversion of Corporate Bond	None	Note 9
2008.09	10	200,000,000	2,000,000,000	157,257,242	1,572,572,420	Capital reserve Retained Earnings Capital Surplus Employee Bonus	None	Note 10
2021.12	10	200,000,000	2,000,000,000	139,983,060	1,399,830,600	Reduction of Capital to Offset Losses	None	Note 11

Note 1: Approved by letter No. 089124650 from the Ministry of Economic Affairs on July 20, 2000.

Note 2: Approved by letter No. 0920121365 from the Taiwan Financial Supervisory Commission on May 16, 2003.

Note 3: Approved by letter No. 0930128198 from the Taiwan Financial Supervisory Commission on June 25, 2004.

Note 4: Approved by letter No. 0930134266 from the Taiwan Financial Supervisory Commission on August 9, 2004;

Approved by letter No. 0940125915 from the Taiwan Financial Supervisory Commission on June 28, 2005.

Note 5: Approved by letter No. 0950126045 from the Taiwan Financial Supervisory Commission on June 23, 2006.

Note 6: Approved by letter No. 0950126046 from the Taiwan Financial Supervisory Commission on June 30, 2006.

Note 7: Approved by letter No. 09601081460 from the Ministry of Economic Affairs on April 19, 2007.

Note 8: Approved by letter No. 0960032540 from the Taiwan Financial Supervisory Commission on June 27, 2007;

Approved by letter No. 09601178000 from the Ministry of Economic Affairs on August 7, 2007.

Note 9: Approved by letter No. 09601280240 from the Ministry of Economic Affairs on November 15, 2007.

Note 10: Approved by letter No. 0970034697 from the Taiwan Financial Supervisory Commission on July 10, 2008;

Approved by letter No. 09701225440 from the Ministry of Economic Affairs on September 10, 2008.

Note 11: Approved by letter No. 1100011595 from the Taiwan Emerging Stock Market on October 27, 2021; Approved by letter No. 110012160600 from the Ministry of Economic Affairs on November 23, 2021.

2. Type of stock

March 29, 2024

Type of stock	Authorized Capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	139,983,060 stock	60,016,940 stock	200,000,000 stock	1.Approved for OTC stock exchange trading on March 1, 2004. 2.Approved for capital reduction and registration change on November 23, 2021.

(2) Status of Shareholders

March 29, 2024 ; Unit: Shares

Shareholder composition Quantity	Government agencies	Financial institutions	Other legal entities	Individuals	Foreign institutions and foreign individuals	Total
No. of shareholders	—	—	179	27	18,302	18,508
No. of shares held	—	—	43,432,639	3,409,574	93,140,847	139,983,060
Shareholding ratio	—	—	31.03%	2.43%	66.54%	100.00%

(3) Shareholding Distribution Status

1. Common shares

Face value of ten Dollars per share

March 29, 2024 ; Unit: Shares

Range of no. of shares held	No. of shareholders	Shareholding (shares)	Shareholding (%)
1-999	11,461	878,976	0.63%
1,000-5,000	5,401	10,887,692	7.78%
5,001-10,000	806	6,439,372	4.60%
10,001-15,000	230	2,963,148	2.12%
15,001-20,000	162	2,988,471	2.14%
20,001-30,000	145	3,774,870	2.70%
30,001-40,000	74	2,707,177	1.93%
40,001-50,000	46	2,180,520	1.56%
50,001-100,000	97	6,859,160	4.90%
100,001-200,000	38	5,470,974	3.91%
200,001-400,000	19	5,444,064	3.89%
400,001-600,000	10	4,852,309	3.46%
600,001-800,000	5	3,627,854	2.59%
800,001-1,000,000	4	3,852,785	2.75%
Above 1,000,001	10	77,055,688	55.04%
Total	18,508	139,983,060	100.00%

2. Preferred shares: The Company has not issued any preferred shares

(4) Major Shareholders

March 29, 2024 ; Unit: Shares

Names of major shareholders	Shares	Shareholding (shares)	Shareholding (%)
Tatung Company		31,635,411	22.60%
Yu Jin bang		14,170,428	10.12%
Fu, Yiyuan		9,731,156	6.95%
Chunghwa Electronic Development CO., LTD.		9,003,678	6.43%
Chen, Liching		4,185,501	2.99%
Kuo, Liling		2,700,000	1.94%
Fu Weiming		1,957,337	1.40%
Fu, Peiming		1,384,177	0.99%
Hsueh Nairen		1,156,000	0.83%
Lee, Shotone		1,119,000	0.80%

Note: The above shareholding information is recorded until the date of the suspension of shareholder registry changes for the company's shareholders' meeting.

(5) Recent two-year per share market price, net asset value, earnings, dividends, and related information

Unit: New Taiwan Dollars

Fiscal year		Year 2022	Year 2023
Item			
Market price per share	Highest	24.35	61.50
	Lowest	15.80	19.70
	Average	19.15	35.28
Net worth per share (Note 2)	Before distribution	12.07	11.97
	After distribution	11.97	Undistributed
Earnings per share (Note 3)	Weighted average shares		139,983,060
	Earnings per share (Note 3)	Before adjustment	1.23
		After adjustment	1.23
Dividends per share (Note 4)	Cash dividends		0.10
	Stock dividends	Dividends from retained earnings	-
		Dividends from capital reserve	-
	Accumulated undistributed dividends		-
Return on investment analysis	Price/earnings ratio (Note 5)		15.57
	Price/dividend ratio (Note 6)		191.50
	Cash dividend yield (Note 7)		0.005

Note 1: The highest and lowest market prices of common shares for each year are listed, and the average market price for each year is calculated based on the trading value and volume for the year.

Note 2: The number of issued shares at the end of each year is based on the resolution of the shareholders' meeting for the following year's distribution. The Company's capital reduction to offset losses was approved at the 2021 shareholders' meeting, and the capital reduction registration was completed in November 2021, resulting in a total of 139,983,060 issued shares.

Note 3: If adjustments need to be made due to situations such as free stock distributions, the earnings per share before and after adjustment should be listed.

Note 4: If the conditions for issuing equity securities require that dividends not paid in the current year be accumulated and distributed in a year with profits, the accumulated unpaid dividends

up to the end of the year should be disclosed separately.

The Company's 2023 earnings distribution plan has not yet been approved by the shareholders' meeting.

Note 5: P/E ratio = Average closing price per share for the year / Earnings per share.

Note 6: P/B ratio = Average closing price per share for the year / Cash dividend per share.

Note 7: Dividend yield = Cash dividend per share for the year / Average closing price per share for the year.

(6) Company's dividend policy and implementation status.

1. Dividend Policy as Stipulated in the Company's Articles of Incorporation

The dividend policy of the Company, as stipulated in Article 27 of Incorporation, states that if the Company has profits for the year, it shall set aside no less than 1% for employee compensation and no more than 2% for director compensation, unless the Company has accumulated losses, in which case it shall reserve an amount for offsetting such losses in advance. When employee compensation is distributed in the form of stocks or cash, it shall be resolved by the board of directors with the affirmative votes of at least two-thirds of the directors present, and reported to the shareholders' meeting. Employees eligible for stock or cash compensation shall include employees of subsidiary companies who meet certain conditions.

When the Company has profits in its annual financial statements, it shall first pay taxes in accordance with the law, offset accumulated losses from previous years, and then set aside 10% as legal reserve until the legal reserve reaches the total capital amount, without exceeding this limit. Special surplus reserve shall be provided or reversed in accordance with regulations, and the remaining undistributed profits at the beginning of the period shall be accumulated distributable profits for shareholders. The board of directors shall propose a profit distribution plan to the resolution of shareholders' meeting. The total amount of dividends distributed shall not be less than 60% of the accumulated distributable profits. The ratio of stock dividends to cash dividends shall be determined based on the actual profits for the year and the Company's capital planning, but the ratio of cash dividends shall not be less than 10% of the current year's profit distribution.

2. The proposed dividend distribution for the current shareholders' meeting is as follows

The company proposed the profit distribution plan for the fiscal year 2023 at the board meeting held on March 4, 2024. Due to losses incurred in the fiscal year 2023, no dividends were distributed. As of the date of the annual report printing, the aforementioned profit distribution plan for the fiscal year 2023 has not been resolved by the shareholders' meeting.

(7) Impact of Proposed bonus shares on Company's Operating Performance and Earnings per Share:

Absence of Proposed bonus shares e in Current Shareholders' Meeting

(8) Employee and Director Remuneration

1. Percentage or Range of Employee and Director Remuneration as Stated in the Company's Articles of Incorporation :

According to Article 27 of Incorporation, if the Company generates profit in any fiscal year, it should allocate no less than 1% for employee remuneration and no more than 2% for director remuneration, unless there is accumulated loss that needs to be offset. The distribution of employee remuneration in the form of stock or cash should be approved by a resolution of the board of directors with at least two-thirds of the directors present and a majority of attending directors, and reported to the shareholders' meeting. Eligible recipients of employee remuneration in the form of stock or cash may include employees of subsidiary companies who meet certain conditions. In the event of surplus in the annual financial statements, the Company should first pay taxes according to the law, offset accumulated losses from previous years, and then allocate 10% as legal reserve until the legal reserve reaches the total amount of capital. However, there is no specified percentage or range for director remuneration in the Article of Incorporation.

2. The estimated basis for recording the employee and director remuneration in the current

period, the basis for calculating the stock-based employee remuneration in terms of shares, and the accounting treatment for any differences between the actual distribution amount and the estimated amount are as follows:

The company's payable employee and director remuneration for the fiscal year 2023 amounted to 0 thousand dollars. Due to losses incurred in the fiscal year 2023, no provision was made for payable employee and director remuneration, and no stock dividends were distributed.

3. The remuneration distribution for directors is approved by the Board of Directors :

(1) If there is a difference between the actual amount of remuneration distributed to employees and directors in the form of cash or stock, and the estimated amount accrued as expense for the fiscal year, the discrepancy, reasons, and treatment should be disclosed :

On March 4, 2023, the board of directors of the company resolved not to distribute any remuneration to employees and directors.

(2) The amount of employee remuneration paid in the form of stock options and the proportion of such amount to the total net income after tax and the total amount of employee remuneration in the current period is as follows: : None

4. The actual distribution of employee and director remuneration for the previous fiscal year (including the number of shares distributed, the amount, and the stock price), any differences with the recognized employee and director remuneration should be disclosed, along with the reasons for the differences and the handling measures:

The company's board of directors resolved on March 8, 2023 to distribute employee remuneration of NTD 2,942,190 and director remuneration of NTD 588,438 for the year 2022, which is consistent with the estimated amounts recorded for the year.

(9) Company's Share Buyback Status: None

4.2 Issuance and Status of Corporate Bond, Preferred Shares, Overseas Depositary Receipts, Employee Stock Options, New Share Issuance for Mergers or Acquisitions, and Restrictions on Employee Rights for New Shares.

(1) Issuance and Status of Corporate Bond: None.

(2) Issuance and Status of Preferred Shares: None.

(3) Issuance and Status of Depositary Receipts for Overseas Listings: None.

(4) Status of Employee Stock Option Certificates Issuance and Implementation : None.

(5) Status of New Share Issuance for Mergers or Acquisitions of Other Companies: None.

(6) Status of Restricted Stock Issuance for Employee Benefits : None.

4.3 Financing Plans and Implementation (for previously issued or privately placed securities that are not yet completed or completed within the past three years and whose planned benefits have not yet materialized)

(1) Planned Projects, Utilization Progress, and Actual Fund Utilization for the First Quarter of 2024

Units: Thousand New Taiwan Dollars

Project	Implementation Status		First Quarter of Fiscal Year 2024	Year-to-Date as of the First Quarter of 2024
Developing New Products	Funding Amount Utilized	Planned (Note1)	—	354,875
		Actual	—	215,622 (Note2)
	Implementation Status	Planned (Note1)	—	100.00%
		Actual	—	60.76%
Repayment of bank loans	Funding Amount Utilized	Planned (Note1)	-	350,000
		Actual	-	350,000
	Implementation Status	Planned (Note1)	-	100.00%
		Actual	-	100.00%
Replenishment of working capital	Funding Amount Utilized	Planned (Note1)	-	120,000
		Actual	-	120,000
	Implementation Status	Planned (Note1)	-	100.00%
		Actual	-	100.00%
Project	Implementation Status		First Quarter of Fiscal Year 2024	Year-to-Date as of the First Quarter of 2024
Total	Funding Amount Utilized	Planned (Note1)	-	824,875
		Actual	-	685,622
	Implementation Status	Planned (Note1)	-	100.00%
		Actual	-	83.12%

Note 1: The projects of this fundraising and issuance plan were originally scheduled to be completed in the fourth quarter of 2009.

Note 2: Prior to the fundraising plan conducted in August 2007, the company had already started implementing a new product development plan and incurred expenses of NT\$22,984 thousand for development costs and research and development equipment.

(2) The reasonableness of the actual progress of fund utilization and whether it involves any changes to the plan should be assessed.

The original plan of the Company was to complete all the projects in the current fundraising and issuance plan by the fourth quarter of 2009. The plans for repayment of bank loans and replenishment of working capital were both completed in the fourth quarter of 2007. However, due to the changing global economic environment, the Company has adjusted its capital expenditure plans for the development of new products, deferring some equipment procurement plans. As a result, the total amount actually utilized for this project (including the portion already funded by own funds to the fundraising plan) as of the end of 1998 was 147,965 thousand NT dollars, with an individual project progress rate of 41.69%. The total amount of all projects implemented was 617,965 thousand NT dollars, accounting for 74.92% of the overall progress, which is behind the original plan.

However, the Company has conducted ongoing internal evaluations and plans to continue purchasing the necessary machinery and equipment from suppliers after adjusting the progress of production line establishment. As of the fourth quarter of 2024, the Company has not yet made any investments. The total expenditure for all projects until the fourth quarter of 2024 was 685,622 thousand NT dollars, with an execution progress rate of 83.12%.

In summary, as of the first quarter of 2024, the utilization progress of the funds raised in the Company's current fundraising plan is as follows: the development of new products project is ongoing, while the repayment of bank loans and replenishment of working capital projects have been completed according to schedule. The overall execution progress has reached 83.12% of the total plan. The Company will continue to implement the remaining

project items, and there have been no changes to the plan.

(3) The reasonable assessment of unutilized fund usage

The total amount raised in the current fundraising of the company was NT\$550,000,000. As of the end of December 2009, all of these funds have been fully utilized in the planned project items, and therefore, the assessment of unutilized fund usage is no longer applicable. In the future, the company will continue to use its own funds to support the progress of the ongoing project items in this fundraising plan.

V. Operations Profile

5.1 Business Scope :

1. Business Scope

Primary Business Activities or Core Business Operations of the Company :

The Company's core business is centered on the production of optoelectronic products and electronic components, with the following main business activities:

- (1) Backlight modules: Development, manufacturing, and sales of backlight modules and components for various applications such as automotive, industrial control, aviation, medical, and gaming, including material development.
- (2) LED lighting: Development, manufacturing, and sales of LED lighting products for general or specialized purposes, landscape and facade lighting, smart lighting, etc.
- (3) Switches: Development, manufacturing, and sales of various types of switches, including push-button, rotary, slide, detectable, LED-illuminated, and touch switches.
- (4) Variable resistors: Development, manufacturing, and sales of rotary, slide, motorized/LED variable resistors, and digital potentiometers.
- (5) Sensors: Development, manufacturing, and sales of position sensors.

2. The main merchandise and their respective business proportion:

Unit: NT\$ thousands ; %

Merchandise	Year 2022		Year 2023	
	Operating expenses	Percentage of Operating	Operating expenses	Percentage of Operation
Optoelectronic products	320,119	35.82%	226,192	31.30%
Information Appliances and Peripherals products	122,674	13.72%	168,124	23.27%
Electronic Components products	407,135	45.55%	255,476	35.36%
Lighting products	43,879	4.91%	72,786	10.07%
Total	893,807	100.00%	722,577	100.00%

3. The current merchandise and services of the company include

Main products	Product Categories
Optoelectronic products	Backlight modules and materials, LCD modules, LED lighting
Electronic Components products	Switches, Variable resistors, Sensors, Encoders

4.New product and service development projects

Backlight module and products	1. Industrial LED backlight module 2. Automotive LED backlight module 3. Medical LED backlight module 4. Commercial display LED backlight module 5. Materials such as plastic frames, light bars, light guide plates, reflector films, etc.
Switches	1. Waterproof switch with light for kitchen equipment. 2. Vertical long-stroke switch with LED 3. RGB programmable control switch
Variable resistors	1.Encoder and variable resistor with programmable ARGB LED. 2. High-life sliding variable resistor with LED and motor. 3. High-life magnetic induction non-contact joystick. 4. High-life motor-attached non-contact position sensor.

(2) Industry overview

1. Current Situation and Development of the Industry

(1) Optoelectronics Industry

The products produced by our company are backlight modules for automotive, industrial control, and medical LCD displays. With the continuous development of automotive technologies such as smart cars, autonomous driving, and new energy vehicles, as well as the increasing demand for breadth and depth of human-vehicle interaction, automotive displays have become the third largest terminal application for small and medium-sized LCD displays, following smartphones and tablets. Currently, LCD display panels are mainly used in various applications in automotive displays, including car GPS navigation, central control units, instrument clusters, rearview mirrors with LCD displays, and rear seat entertainment screens, among others. The diversified applications and increasing importance of display screens in vehicles have led to a continuous increase in demand for automotive displays. In the future, with the further development of car networking and automotive intelligence technologies, the number of display screens inside vehicles will continue to increase, thereby driving the market demand for LCD display modules and their associated backlight modules. In addition, the rapid growth of new energy vehicles and smart cars will further expand the market space for automotive displays.

Medical Display Devices

Compared to regular displays, medical display devices have higher maximum brightness, contrast ratio, and resolution, as well as higher stability and consistency. Medical display devices are crucial for accurate diagnosis by healthcare professionals, and they present both challenges and opportunities for the LCD display and backlight module industries. Medical display devices generally include health monitoring devices and medical imaging diagnostic displays. Due to the enormous potential of the medical display market, global LCD panel manufacturers such as AU Optronics, Innolux, Samsung, LG, Sony, Sharp, BOE, CSOT, Tianma, and Xinli, are actively competing for market share in this field. As the penetration rate of LCD displays in the medical display

market continues to increase and technology continues to advance, medical displays are becoming an emerging demand growth point in the professional display industry, driving further demand for backlight display modules.

Industrial Control Display

Industrial control, also known as industrial automation control, is a comprehensive technology that applies control theory, instruments and meters, computers, and information technology to achieve detection, control, optimization, scheduling, management, and decision-making in the industrial production process. The goal is to increase production, improve quality, reduce consumption, and ensure safety, involving multiple fields such as electricity, electronics, computers, artificial intelligence, communication, and electromechanical. Industrial automation control systems generally consist of programmable logic controllers (PLCs), human-machine interface (HMI), and variable frequency drives (VFDs), servo systems, machine vision, and other components, among which the HMI involves display components. Compared to ordinary displays, industrial control displays also require environmental stability and anti-interference capabilities to ensure stable operation in harsh industrial environments. In the future, with the upgrading of China's industrial structure, the acceleration of traditional industrial technology transformation, factory automation, and enterprise informatization, as well as the further implementation of Industry 4.0, the demand for industrial automation systems in China will continue to grow. Industrial control displays, as well as related LCD display modules and backlight display modules, will have great development opportunities.

(2) Electronic Components Products (Switches, Variable resistors, Encoders, Sensors)

Our company manufactures electronic components, including power switches, signal switches, touch switches, variable resistors, bit generators, and position sensors.

Our switches are primarily used in various electronic products, including monitors, LCD TVs, in-vehicle devices, handheld devices, mobile phones, PDA, notebooks, audio and mixers, servers, gaming consoles, medical equipment, and other popular consumer goods. As market demands evolve, our company keeps up with the market trends and develops products that are suitable for long travel, high durability, and compact size with excellent tactile feedback for in-vehicle applications. We strive to meet our customers' needs by leveraging our solid R&D capabilities and adapting to industry changes in a timely manner.

Variable resistors, also known as potentiometers, are electronic components that have a variable resistance value. They consist of a fixed resistor and a movable precision part that can be adjusted to change the resistance value. Unlike fixed resistors, variable resistors can directly affect the circuit by changing the resistance value. They are widely used in various applications such as mixers, DJ controls, lighting controls, digital audio equipment, industrial control equipment, automotive electronics, medical devices, and gaming consoles.

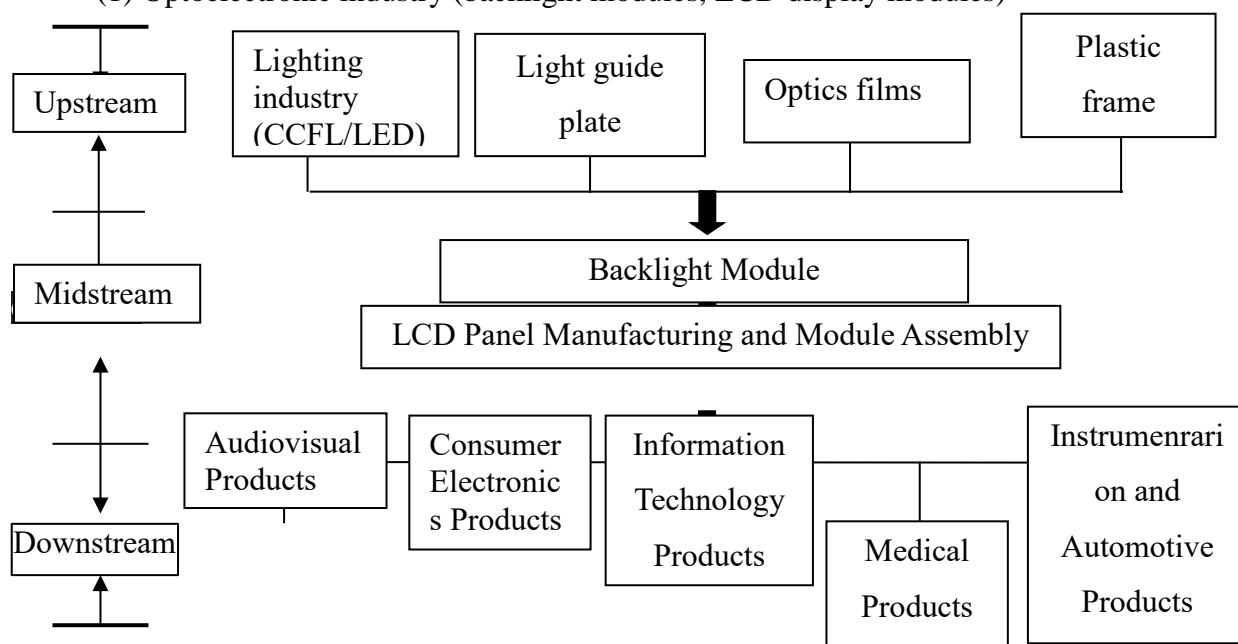
The digital potentiometer, also known as a digital rheostat or digital variable resistor, has replaced traditional variable resistors in many electronic products due to the digitization of electronic devices. It has become a versatile control component widely used in audio and video equipment, instruments, automotive electronics, various electronic control devices, and medical equipment.

As one of the major producers of electronic components globally, our country has a high market share in information technology, communication, home appliances, and audio/video components. The stable growth of the consumer electronics

market in our country has contributed to the steady growth of the electronic component industry. In recent years, electronic component manufacturers in our country have been actively exploring new application markets, particularly in consumer electronics and automotive electronics, which have shown significant growth. This year, our company is focusing on the development of high-value electronic components, such as thin switches, switches with LED indicators, variable resistors with LED indicators, digital potentiometers with LED indicators, long-stroke switches, mini stick VR for gaming consoles, magnetic position sensors, inductive position sensors, variable resistors with motors, high-life variable resistors, high-life digital potentiometers, waterproof switches, and waterproof digital potentiometers, to capture new market opportunities.

2. The interrelationship between upstream, midstream, and downstream industries.

(1) Optoelectronic industry (backlight modules, LCD display modules)



(2) Electronic Components Products (Switches, Variable resistors, Encoders, Sensors)

Switches		
Upstream	Midstream	Downstream
Raw Materials and Semi-finished goods	Finished goods	Application Products
Metal Materials- Phosphor Bronze、Brass、 Beryllium Copper、Titanium Copper、Stainless Steel、Tin-plated Brass Electroplating Materials - Gold-plating、Silver- plating、Tin-plating、Tin-lead plating Plastic Materials - Halogen-free	Switches	Information appliances Audio and video products Consumer electronics products Computer multimedia products Communication products Servers game console

Other Materials - Ceramic for switches、Rubber 、PCB、LED		
Variable resistors、Bit generators、Sensors		
Upstream	Midstream	Downstream
Metal molds Printed circuit boards Stamped products Terminals Resistors Plastic injection molding IC	Semi-fixed variable resistors Rotary variable resistors Slide variable resistors Position sensors Bit generators Non-contact position sensors	Audio equipment Lighting control equipment Computer multimedia products Industrial control equipment Information home appliances Automotive market Medical equipment products

3.Prospects for Industry Growth and Development Trends

(1) Outlook for Application Markets

A. Outlook for Optoelectronic Products

With the increasing electrification of automobiles, the application of in-vehicle displays is expanding beyond traditional automotive instrument clusters, infotainment screens, and rearview mirrors, to areas such as rearview camera displays, co-driver multimedia displays, head-up displays, headrest multimedia displays, seating posture status displays, environmental status displays, electrical expansion status displays, and passenger interaction displays. The total number of displays per vehicle is expected to increase from two to three to around ten to fifteen. As a result, the overall demand for in-vehicle displays is projected to continue to grow.

B. commercial display Market

The high growth rate of the commercial display market is closely linked to the demand from various terminal applications such as smart transportation, smart cities, smart security, smart offices, and smart retail. Based on current trends, the demand for commercial display devices in these industries is expected to continue to increase significantly in the foreseeable future. Emerging technologies such as e-paper, digital signage, advertising displays, and Mini LED displays are expected to become new growth drivers in the industry. It is projected that the size of the traditional commercial display market in Mainland China will reach approximately 171.2 billion RMB in 2022 and nearly 250 billion RMB in 2025.

C. Electronic Components Markets

Due to the ongoing trend towards slim, small, and multifunctional communication and consumer electronic products worldwide, key electronic components such as switches and variable resistors still have significant growth potential. Leveraging our solid foundation in precision electronic component technology, our company has been able to innovate and rapidly develop products such as LED chip generators, LED variable resistors, LED touch switches, motorized variable resistors, and non-contact position sensors, which provide complete application and solution offerings for audiovisual equipment, mixers, LCD TVs, MP4 players, handheld devices, servers, game pads, medical equipment, digital cameras, notebooks, and automotive electronics, among others.

Our expansion efforts this year will be focused on sales and applications in markets such as audiovisual equipment (mixers), cloud computing, handheld products, Lighting control equipment, automotive electronics, health and medical care, as well as white goods appliances. This strategic approach is aimed at maximizing our market presence and capturing opportunities in these key sectors.

(2) Product Technology Development Trends

A. Backlight Module:

As the automotive industry undergoes technological updates and consumer experiences are upgraded, the market for high-end automotive panels, including curved, shaped, and large-sized panels, is expected to continue to grow. This will drive demand for customized and specialized requirements, while also focusing on the development of mini LED backlighting technology, which is currently a key area of research and development in the backlight module industry

The commercial display market, primarily focused on LCD display technologies, consists of five main categories: interactive electronic whiteboards, digital signage, video wall displays, commercial televisions, and standalone displays. Among these, electronic whiteboards are mainly required in sizes of 65 inches, 75 inches, and 86 inches, which together account for nearly 70% of the market share. Other categories have varying sizes, with a trend towards narrow bezels, high brightness, and low energy consumption in their designs. As panel manufacturers increasingly focus on meeting the demands of the commercial market by developing larger-sized and specialized panels, the corresponding backlight modules have become a key product focus for our company's future development.

B. Switches 、 Variable Resistors :

The future development of electronic components is closely tied to the development of end products, such as gaming consoles, automotive electronics, and mobile communications devices including smartphones, MP4 players, laptops, and tablets. These end products place a premium on being small, lightweight, and compact. The challenge for electronic components is to create competitive products while meeting the requirements for miniaturization and weight reduction. Furthermore, taking the perspective of end products, it is important to consider how electronic components can be integrated with other functionalities to increase the added value of the products. This consideration should be a key focus in the research and development of new product technologies.

(3) New Product Development

- A. High-life sliding variable resistor with LED and motor.
- B. Dual independent circuit stereo micro variable resistor.
- C. High-life magnetic induction non-contact encoder.
- D. High-life magnetic induction non-contact joystick.
- E. High-life motor-attached non-contact position sensor.

4.Product Competitive

(1)Optoelectronic products

Manufacturers in the Domestic Backlight Module Market

Manufacturers	Items	Operating Items
Can Yeu Technology Co., Ltd.	Backlight Module	Backlight Module 、liquid crystal display
Radiant Opto-Electronics Corporation	Backlight Module	Backlight Module 、 Precision Optoelectronic Product
Darwin Precisions Corporation	Backlight Module	Backlight Module 、 liquid crystal display

(2) Electronic Component Product

Consumer electronics, communication, and information products continue to move towards being lightweight, compact, and multifunctional. Electronic components such as switches, variable resistors, and bit generators are essential in these products. Our company adheres to the spirit of continuous improvement in technology and innovation, actively developing new products such as Game Pad with Stick VR, aperture, absolute encoders, position sensors, slim touch switches with LED, touch switches with LED and variable resistors with LED, bit generators with LED, motor-driven variable resistors with LED, magnetic position sensors, and high-life waterproof bit generators to fully meet market demands.Facing market competition, in addition to establishing differentiated product designs and enhancing product added value, we are also actively developing new methods of product automation assembly, high-speed automatic punching, and INSERT/OUTSERT forming processing to effectively improve costs and enhance market competitiveness.

(3)Technology and Research & Development Overview :

1. The annual research and development (R&D) expenditure in the most recent year

Unit: Thousand New Taiwan Dollars ; %

Year	Year 2022	Year 2023
Research and development expenditure	17,958	16,888
Operating revenues	893,807	722,577
The proportion of research and development expenses to net revenue (%)	2.01	2.34

2. The recent year's successful technology or product development

Items	Research and Development Achievements
Optoelectronic products (Backlight Module、liquid crystal display)	1.Development completed for a 37-inch commercial-grade LCD module. 2.Development completed for a 12.3-inch automotive backlight module. 3.Development completed for a 15-inch industrial control backlight module.

Items	Research and Development Achievements
Electronic Components products (Switches, Variable Resistors, Bit Generators, Sensors)	1.Sliding variable resistor with LED and motor attachment. 2. Micro variable resistor for dual independent stereo circuits. 3. Magnetic induction non-contact encoder with a lifespan of 10 million cycles.

(4)Long-term 、 Short-term business development plan

1. Short-term plan

(1) Marketing strategy

- A. Professional development, on-the-job training, and case sharing for marketing personnel to enhance their product expertise and other relevant marketing knowledge.
- B.Targeting key customers in the global optoelectronics, consumer electronics peripherals, and electronic components application fields, actively seeking to become their primary supplier through referrals from EMS factories and self-marketing efforts.
- C. Through the collaborative efforts of various departments such as sales, R&D, manufacturing, and quality control, ensuring product quality and delivery schedules, establishing customer trust, and expanding individual customer transaction volumes through the introduction of new products, thereby increasing company revenue and profitability.
- D. Participating in overseas exhibitions regularly to enhance interaction with customers, stay abreast of market trends, develop products that meet customer needs, increase brand visibility, and generate business opportunities.

(2) Production Strategy

- A. Continuous improvement of process technology to enhance production yield and reduce production costs, in order to maintain a competitive advantage in production technology.
- B. Leveraging the company's over 40 years of manufacturing experience and its advantage of being certified with quality management systems such as ISO 9001, ISO 14001, ISO/TS 16949, and OHSAS 18001, to ensure excellent manufacturing quality.
- C. Accelerating the integration of upstream materials to reduce material costs, improve production efficiency, and enhance manufacturing competitiveness through increased flexibility and responsiveness.

(3) Product Development Direction

- A. In response to the increasing demand for electronic products, the trend towards higher precision and lower costs, we have leveraged our proprietary technologies extensively in the development and mass production of new models. This strategic approach enables us to adapt to the ever-expanding applications of electronic products and achieve higher levels of precision, while optimizing cost efficiency.
- B.In response to the trends of diversification, light weighting, miniaturization, and high-quality development in the fields of information peripherals, digital multimedia, and LCD applications, as well as the increasing digitization of most mechanical components, we are committed to providing lightweight, thin, short, small, versatile, and high-quality electronic products to meet the demands of downstream applications of electronic components and LCDs.

(4) Alignment of Operational Scale with Financial Management

- A. The implementation and promotion of the "Profit Center System" has been carried out, including organizational restructuring, clarification of responsibilities and obligations, revision of management systems, team consensus building, and enhancement of company competitiveness, with the ultimate goal of creating profit returns for investors and achieving sustainable business operations.◦
 - B. By establishing an Enterprise Resource Planning (ERP) system and an e-Enterprise Information Portal (EIP) management system, as well as a B2B system, the company aims to enhance communication and information sharing among its various departments. Furthermore, these systems will serve as channels for future implementation of electronic commerce with upstream suppliers.
 - C. The company aims to establish diversified fundraising channels in order to reduce the cost of capital procurement. Additionally, efforts will be made to enhance the company's brand awareness and attract top talent to join its management team.
2. Long-term plan
- (1) Marketing strategy
 - A. The company is actively engaged in training sales personnel with international and professional expertise to enhance marketing capabilities. Efforts will be made to secure orders from world-class manufacturers and establish long-term strategic alliances with customers.
 - B. The company plans to establish marketing agency offices in key overseas markets to better serve existing customers and proactively engage with potential customers in those regions. This will enable the company to have timely and frequent contact with local customers, allowing for a better understanding of market dynamics and customer needs.
 - C. The company aims to leverage the advantages of globalization by expanding into markets such as the United States, Japan, Mainland China, Southeast Asia, and Europe. By fully utilizing local resources and markets, the company aims to diversify its business operations and mitigate risks, thereby establishing a sustainable foundation for long-term business success.
 - (2) Production Strategy
 - A. The company will focus on continuous integration and improvement of automation production technologies to enhance production efficiency.
 - B. The company will establish long-term cooperative relationships with key component suppliers or engage in technology collaborations to secure the supply of materials and meet the demand for production capacity expansion.
 - C. In response to the trend of local sourcing, the company will establish new production sites outside of Taiwan to achieve a global presence and become a world-class manufacturer.
 - (3) Product Development Direction
 - A. In response to the trend of local sourcing, the company will establish new production sites outside of Taiwan to achieve a global presence and become a world-class manufacturer.
 - B. The company's future R&D plans will focus on developing products with long lifespan, waterproof features, and digitalization. The goal is to surpass Japanese manufacturers by developing optical technologies and ultra-high precision products. The company will also differentiate itself from low-end, low-priced products in the Chinese market.
 - (4) Alignment of Operational Scale with Financial Management
 - A. Continued investment in research and development will be made to maintain a leading position in product development and process technology, in order to enhance competitive advantages.
 - B. Efforts will be made to strengthen product production and marketing

capabilities, expand business scale, increase production capacity, and reduce unit costs, in order to consolidate market position and enhance market share.

- C. The company will adhere to a long-term and prudent financial strategy that aligns with the company's long-term business development goals. Ample financial support and flexible capital allocation will be provided to maximize the efficiency of financial operations.

5.2 Market and Sales Overview

(1) Market analysis

1. Sales regions and sales performance of major products

Unit: Thousand New Taiwan Dollars

Region	Year	Year 2022		Year 2023	
		Amount	Percent	Amount	Percent
Taiwan		263,626	29.49%	197,195	27.30%
China		365,246	40.86%	351,857	48.69%
Other regions		364,935	40.83%	173,525	24.01%
Total		893,807	100.00%	722,577	100.00%

2. Market share

The products sold by our company can be categorized into two main types: optoelectronic products, such as backlight modules, and electronic component products, including switches, potentiometers, encoders, and sensors.

The Company's photonic products face competition from companies such as Ruiyi, Zhongliang Electronics, Fu Xiang, and Maolin. Since its mass production in 2000, this product has become the largest contributor to the Company's sales revenue, with a market share of approximately 10% in Taiwan. The Company now plans to target the automotive, industrial control, and medical markets by offering high-performance, cost-effective, and high-specification products to meet the needs of domestic and international customers.

In the field of electronic components, the Company faces competition from numerous domestic and international competitors. In Taiwan, there are well-known brands and specialized manufacturers such as Huashuai, Xieyi, Wuyi, Fuge, Kunying, Qunguang, Yuanguang, Aihua, Xiongmei, Meiqi, Huajie, and Yuanda, among others. In addition to competition from traditional manufacturers in countries such as Japan, South Korea, the United States, and Europe, in recent years, competitors from mainland China have been catching up rapidly and their strength cannot be ignored. With the increasing demand for automotive applications in mainland China due to the growth of automobile sales in recent years, the Company has been gradually expanding its production lines in mainland China, aiming to further increase sales volume and competitiveness under the conditions of effective cost reduction. In addition, new products and new customers will be introduced with a comprehensive plan to strengthen the Company's capabilities in expanding its business performance and gradually increasing market share.

3. The future supply and demand situation and growth potential in the market

(1) Optoelectronics industry

A. Growth prospects for the future :

Previously, automotive displays pursued integrated designs with longer lifecycle, but now there is a trend towards separated screen designs with shorter lifecycle, similar to consumer electronics displays. This trend exhibits

five major development trends.

The trend of "bigger screens" - becoming a major trend in in-vehicle displays. With the continuous development of smart driving technologies, cars will evolve from "four wheels + four sofas" to "four wheels + a mobile phone." By then, the size of in-vehicle displays will become larger, similar to mobile phone screens. In addition, in-vehicle screens can expand horizontally and vertically, providing display space for larger screens.

The trend of "high definition" - consumers demand higher resolution for in-vehicle displays. LTPS LCD (Low-Temperature Poly-Silicon) technology has higher electron mobility compared to a-Si LCD (Amorphous Silicon) technology, which can meet the demand for higher resolution displays. Additionally, LTPS displays have advantages such as narrow bezels, high brightness, and in-cell (touch panel embedded in the LCD pixels) functionality. As a result, LTPS technology is being increasingly adopted by automotive manufacturers.

Interactivity - Touchscreen technology may become a standard feature for in-vehicle displays, similar to smartphones. In-vehicle displays require higher sensitivity and lighter touch compared to traditional displays. Currently, capacitive touchscreens are widely adopted in automotive displays, with a penetration rate of 22% in 2017, and it is projected to reach 58% by 2020.

Multi-screen display - In-vehicle displays have the potential for further expansion beyond instrument clusters and infotainment displays. Multi-screen display can be viewed from two perspectives. Firstly, from 0 to 1, displays can be incorporated in areas where there were no screens before, such as rear-seat control displays, key fob displays, etc. Secondly, from 1 to n, head-up displays (HUDs) and electronic rear-view mirrors, which were previously limited to high-end vehicles, are becoming more common. This trend is driven by the need for safety and the integration of augmented reality (AR) technology. HUDs and electronic rear-view mirrors are expected to continue their development and wider adoption in automotive displays.

Multi-form display - Unlike traditional flat displays, flexible displays with various forms such as curved, flexible, and transparent screens are becoming more diverse, opening up new possibilities for interior design in vehicles. These advancements in display technology offer greater flexibility in the layout and design of in-vehicle spaces, providing users with a heightened sense of technology and innovation in the automotive experience.

In addition to automotive displays, the panel industry has significant growth potential in other areas such as smart interactive displays and commercial displays. Currently, approximately 39.9% of digital signage panels are used in the retail market, and the commercial retail industry is experiencing rapid growth. In the recent year of 2022, the shipment of LCD digital signage reached nearly 1.22 million units, with a slight year-on-year increase of 5.7%. This indicates the increasing demand for digital signage in various commercial applications.

B. The future supply and demand situation :

To cope with the trend of decreasing production costs in the panel industry, backlight module manufacturers have been focusing on increasing the in-house production of backlight modules or investing in material suppliers to ensure a stable supply and competitive pricing advantages. Additionally, panel manufacturers have achieved a high level of material selection and

cost control for backlight modules, which has put significant pressure on backlight module manufacturers to improve their operational efficiency. Our company has been dedicating efforts to increase in-house production rates of materials and reduce costs to adapt to the development trend of the industry. Furthermore, backlight module design needs to meet the requirements of panel manufacturers for local supply, which can further enhance efficiency and reduce labor costs. This approach ensures that we provide the best quality and delivery services to maintain product competitiveness in the market.

(2) Electronic components industry

A. Growth prospects for the future :

- (a) The electronic components market in our country is primarily applied in markets such as LCD TVs, smartphones, industrial control products, computer components, home appliances, gaming consoles, etc. However, due to the introduction of substitute products and intensified market competition, the growth of electronic components products has slowed down.
- (b) Our company possesses core technologies in precision machining and automated production for key electronic components used in audiovisual equipment and digital multimedia products, such as switches, variable resistors, bit generators, position sensors, etc. In addition, our advantage of having distributors in mainland China to provide local customer service ensures the achievement of sales and profits.
- (c) Our company is also engaged in the development of new products, such as miniature Stick VR for gaming console products, leveraging our technological advantages. The outlook for this development is promising.

B. The future supply and demand situation :

Switches and resistors are important components in the electronic components industry and are indispensable in downstream system products. Therefore, the growth of switches and resistors is closely related to the growth of the electronic components industry. As electronic components continue to improve in performance and new products become more mature and stable with better functionality, switches and resistors are widely used in various electronic products. According to various data, the future development of computer multimedia, communication, and consumer electronics products is expected to be robust, which indicates that the market demand for switches and resistors in the electronic components industry is expected to continue to grow steadily.

Furthermore, the trend towards electrification in the automotive industry is gaining momentum, and currently, the proportion of automotive electronic components in the overall cost of automobiles is increasing. Cloud-based and connected products are also future development trends. Our company has been actively engaged in product research and development in this field, and we anticipate significant growth in our performance as a result.

4. Competitive Advantage in Public Competition

(1) Our company has a long-standing history, with a track record of stable quality and outstanding reputation

Our company has been established for over 40 years, and has a well-established brand reputation and image. We have adhered to a high-quality policy and are committed to improving customer satisfaction over the years. We have obtained ISO 9001, ISO 14001, ISO/ATF 16949, and OHSAS 18001 certifications, which

demonstrate our strict requirements for product reliability and safety. In addition, our rich manufacturing experience accumulated over the years ensures that high quality becomes a powerful tool for expanding our business, as the market continues to grow steadily.

(2) International leading manufacturers

Our company adheres to the principle of customer first and service foremost, and has established a reputation for excellent product development and manufacturing experience, which has garnered us a strong customer base including internationally renowned companies. Through long-term partnerships with these customers, we continuously enhance our international competitiveness to attract more customers.

(3) The division of labor between Taiwan and mainland China is well-coordinated, resulting in mutual benefits in terms of economies of scale

In consideration of labor costs and proximity to the market, our company has gradually established production bases in mainland China. Traditional labor-intensive products have been relocated to mainland China for production, while our domestic operations focus on product research and development and prototyping. This division of labor across the Taiwan Strait has resulted in increased efficiency and profitability for our company.

The current backlight module manufacturing industry is highly competitive, with declining gross margins. Improving production efficiency and cost control to reduce production costs has become a crucial task for industry players. Our company has achieved economies of scale in terms of production quantities, which not only improves production efficiency but also provides greater bargaining power in raw material procurement. This allows us to obtain lower prices or better payment terms for raw materials, resulting in reduced production costs. This economy of scale advantage is crucial in a price-competitive market.

(4) Core technical capabilities and product integration

The company is committed to relentless research and development of key technologies for its products, and has achieved significant patents and achievements. In recent years, through industry-academia collaboration, we have focused on the development of new products and technologies to strengthen our core technical capabilities. In addition, the Business Planning Department pays great attention to market trends, and when collaborating with customers in product development, we emphasize the integration of technology and market to increase the practicality of research and development outcomes. We also strive to build close partnerships with customers to create long-term competitive advantages in a highly competitive market.

(5) Constructing an integrated information platform among manufacturing sites

Constructing an integrated information platform among manufacturing sites to streamline information flow, including integrating back-end ERP information systems, establishing web-based cross-site approval process management and messaging capabilities, efficient approval and process control through WebEIP enterprise portal, web-based ISO document management and approval management, resource sharing, etc., to facilitate faster and more transparent information exchange within the company. Additionally, the platform provides access to employee corporate information, departmental information, personal information, lifestyle information, resource sharing, and knowledge management, enabling more efficient operations and collaboration among employees.

5. Favorable factors for future development vision and unfavorable factors

(1) Favorable Factors

A. The market outlook for the optoelectronics industry is optimistic, with

significant growth potential in optoelectronic products such as LED-type backlight modules, LED lighting, and others.

- B. Both production bases on both sides of the Taiwan Strait possess economies of scale and flexibility in responding to market demands.
- C. Having obtained international quality management system certifications such as ISO 9001, ISO 14001, ISO/TS 16949, and OHSAS 18001, as well as a proven track record of long-term transactions with renowned international manufacturers, the company possesses strong competitiveness.
- D. With expertise in precision components, information peripherals, optoelectronics, and other product technologies, as well as strong research and development capabilities, the company continuously launches new products in line with market trends.

(2) Unfavorable Factors and Countermeasures

A. The rising cost of labor

- Countermeasures :
- (a) Developing new automated production machines
 - (b) Increasing the production proportion of factories in mainland China.
 - (c) Strengthening employee education and training to cultivate multi-skilled workers with flexible adaptability.

B. The market is highly competitive, and product innovation is fast-paced.

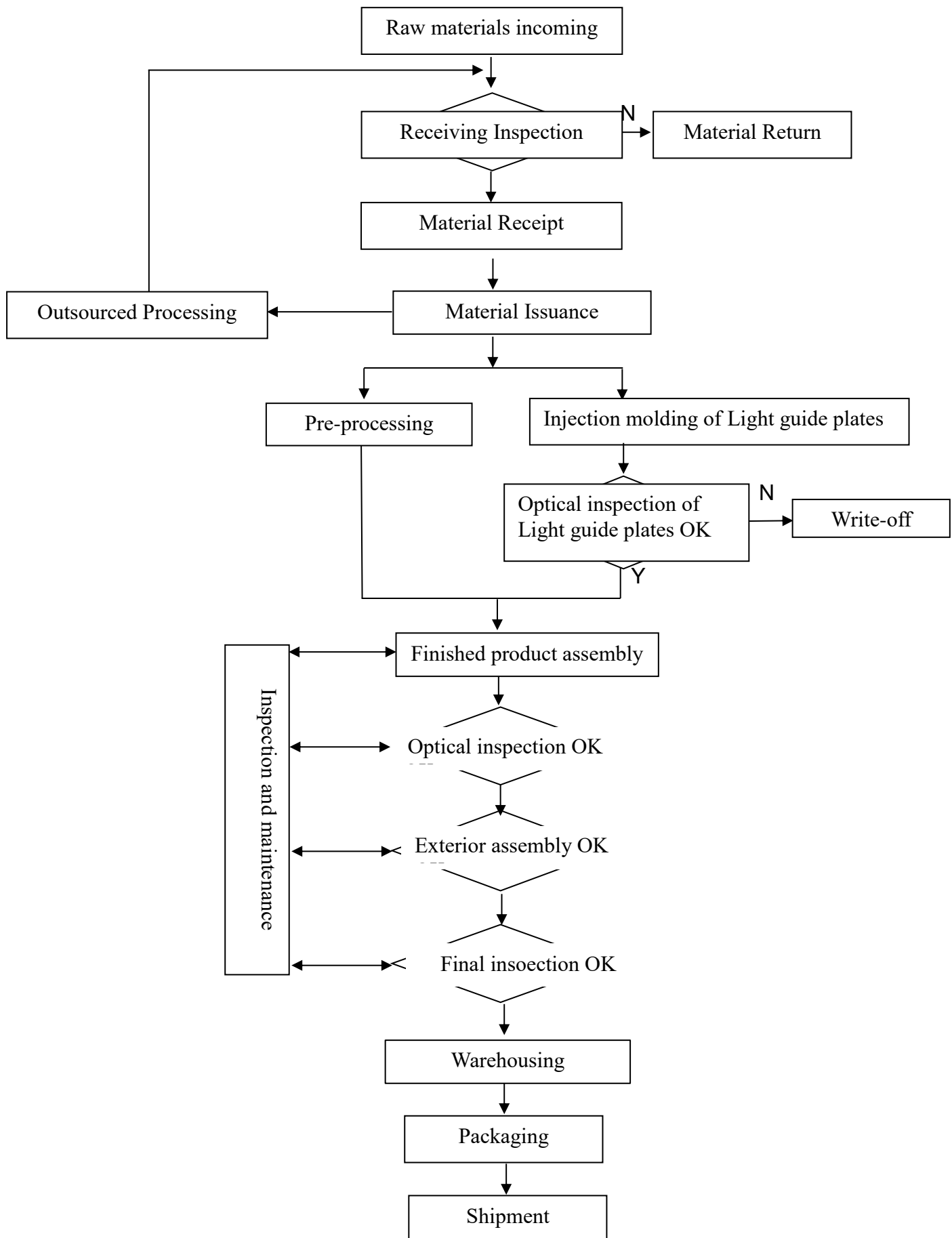
- Countermeasures :
- (a) Enhancing our research and development capabilities, with an emphasis on developing niche products.
 - (b) Expanding our production scale to enhance our competitiveness.
 - (c) Increase our in-house interest rate of components, reduce material costs, and improve profitability

(2) The significant applications and production processes of our main products

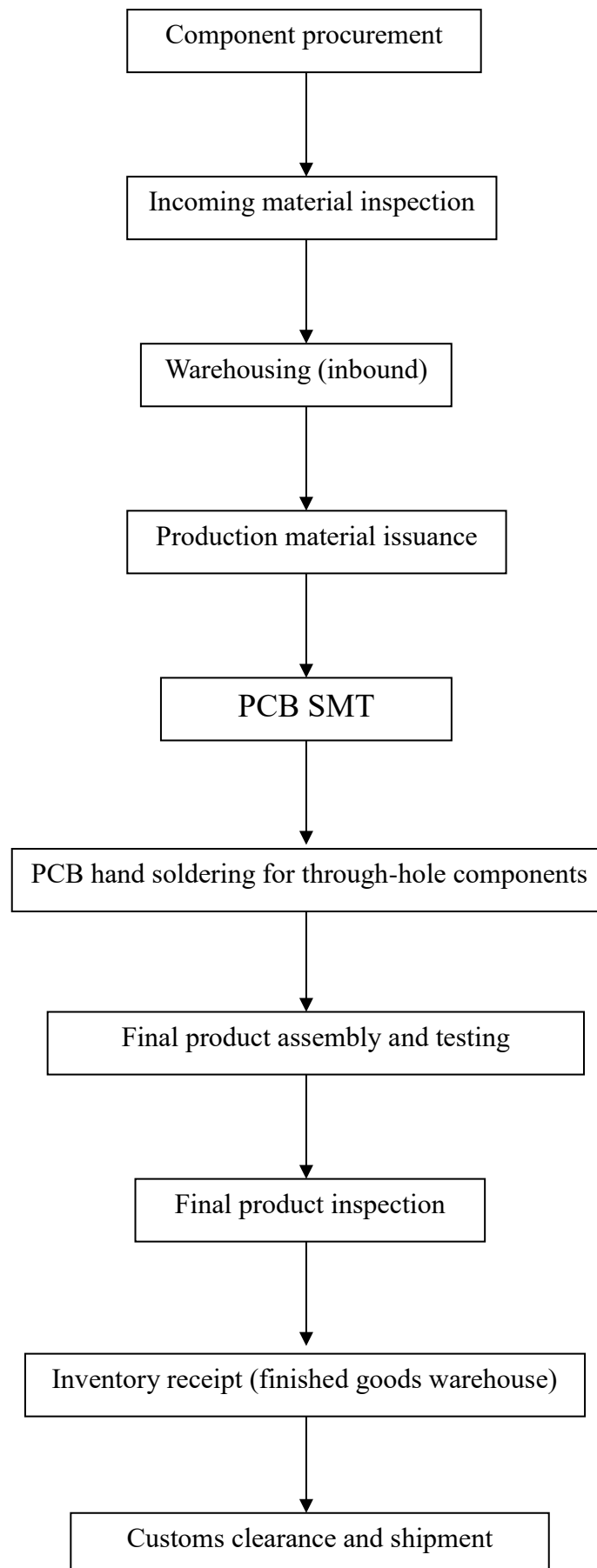
1. The applications of our main products

Products	Primary applications or functions
Optoelectronic products (such as backlight modules and LCD display modules)	The main functions of the products are to project, display, and provide uniform and sufficient light source for transmissive LCD panels, which are used in mobile terminals, personal computers, laptops, LCD displays, LCD TVs, and other products.
Electronic Components products (Switches, variable resistors, bit generators, and sensors)	The main functions of the products are bit generation, signal transmission, power switching, and signal sensing, which are used in applications such as audio/video equipment, lighting control, automotive electronics, medical devices, smartphones, TVs, audio systems, radios, digital cameras, power supplies, set-top boxes (STBs), servers, and gaming consoles, as well as information, communication, and electronic products.

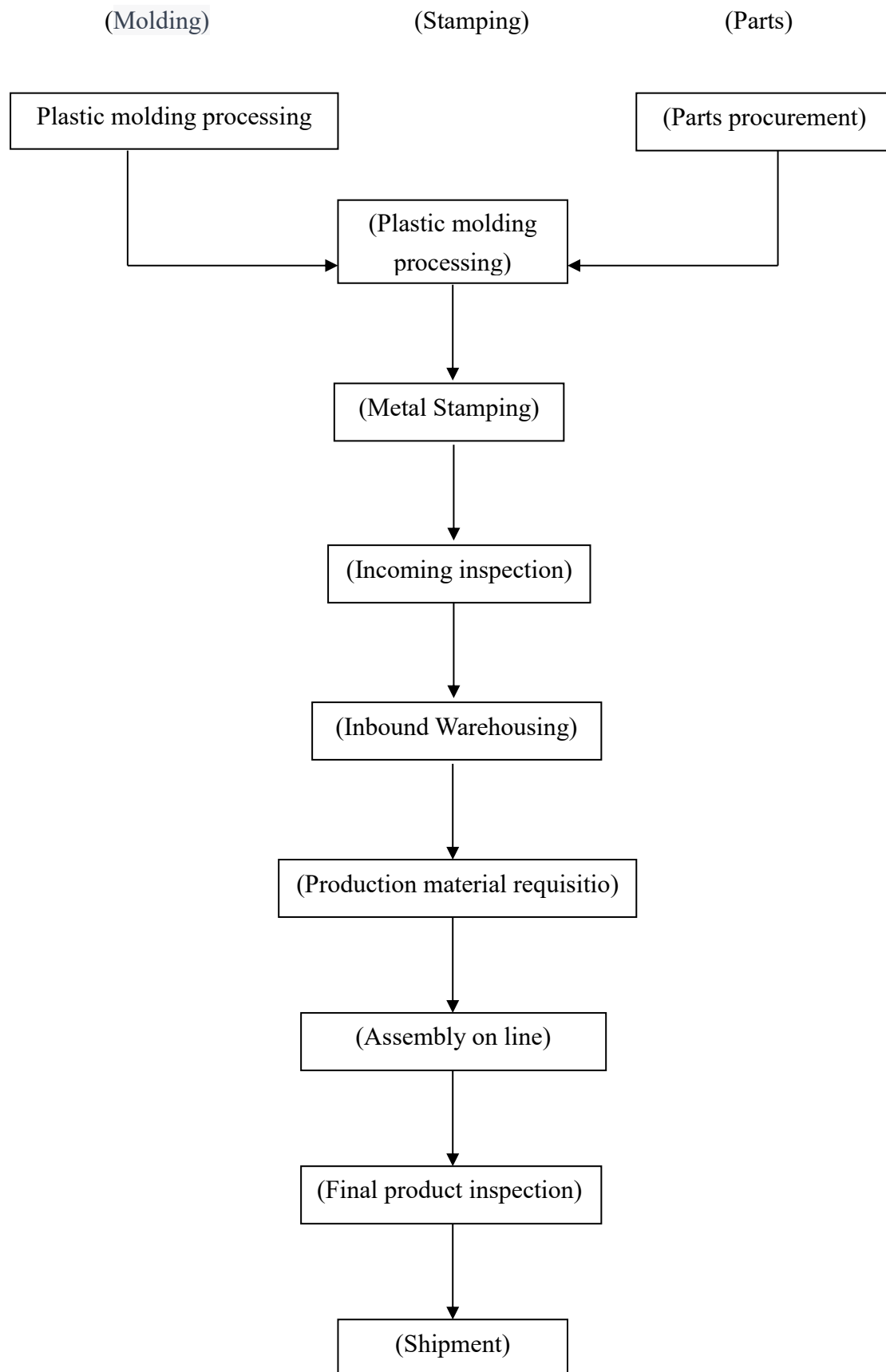
2. The manufacturing process of the main products
 (1) The manufacturing process of optoelectronic products



(2) Peripheral products for information appliances



(3) Manufacturing process of electronic components



(3) Status of supply of main raw materials

The main raw materials of our company include stamping parts, LEDs, light guide plates, frames, optical films, audiovisual ICs, etc. Except for special materials, we maintain relationships with at least two suppliers for each raw material to avoid dependence on a single source and to have negotiation leverage on raw material prices. So far, we have maintained good relationships with all our suppliers, and the supply situation is ample and stable. In addition, for higher-cost and tight-supply items such as light guide plates, frames, film cutting, and LED Light Bars, our company invests in R&D and equipment for in-house production, effectively mitigating supply constraints and reducing production costs.

(4) List of suppliers whose purchases (sales) accounted for more than 10% of total sales (purchases) in any of the past two fiscal years, along with the purchase (sales) amount and percentage, and explanation for the changes in their purchases (sales).

1. List of major suppliers for the past two fiscal years:

Unit: New Taiwan Dollars (NTD) per thousand units

Items	Year 2022				Year 2023			
	Name	Amount	Percentage of net purchases for the entire fiscal year (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases for the entire fiscal year (%)	Relationship with the issuer
1	Supplier A	42,457	9.06%	—	Supplier A	59,133	14.54%	—
2	Other	426,101	90.94%	—	Other	347,577	85.46%	—
3	Purchases net amount	468,558	100.00%	—	Purchases net amount	406,690	100.00%	—

Our company considers not only the price, but also the technical capabilities, product quality, production capacity, and delivery lead time when selecting our suppliers. We aim for diversified sourcing to reduce production costs and procurement risks.

2. List of major sales customers in the past two years:

Unit: New Taiwan Dollars (NTD) per thousand units

Items	Year 2022				Year 2023			
	Name	Amount	Percentage of net purchases for the entire fiscal year (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases for the entire fiscal year (%)	Relationship with the issuer
1	Customers A	196,008	21.93%	—	Customers A	163,201	22.59%	—
2	Other	697,799	78.07%	—	Other	559,376	77.41%	—
3								
4	Purchases net amount	893,807	100.00%		Purchases net amount	722,577	100.00%	

Our company has a diversified and stable customer base, and maintains good cooperative relationships with our customers. We also strive to deepen our core technologies, develop new products and explore new markets in order to reduce customer concentration risk.

(5) Production volume values for the past two years;

Unit: New Taiwan Dollars per thousand units

Year	Year 2022			Year 2023		
Production volume Main products	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Optoelectronic products	4,531	4,637	422,397	556	561	211,795
Peripheral products	170	165	1,410	0	0	0
Electronic components products	110,493	89,188	390,201	66,531	60,439	249,179
Lighting products	0	0	0	0	0	0
Total	115,194	93,990	814,008	67,087	61,000	460,974

(6) Sales volume values for the past two years :

Unit: New Taiwan Dollars per thousand units

Year	Year 2022				Year 2023			
Production volume Main products	Domestic sales		Export sales		Domestic sales		Export sales	
	volume	value	volume	value	volume	value	volume	value
Optoelectronic products	-	-	4,525	320,119	-	-	983	226,192
Peripheral products	779	16,609	351	106,503	-	3,689	385	164,435
Electronic components products	38,142	205,122	72,832	202,136	15,199	121,176	66,729	134,300
Lighting products	557	40,070	21	2,248	787	69,883	162	2,903
Total	39,478	262,801	77,729	631,006	15,986	194,748	68,259	527,830

5.3. Employee data for the past two years and as of the date of printing of the annual report

Unit: Persons

Year		Year 2022	Year 2023	2024.3.31
Number of Employees	Staff	82	49	50
	Technicians	160	178	168
	Total	242	227	218
Average age per year		46.07	46.78	46.78
Average years of service		8.98	9.46	10.1
Educational attainment distribution ratio	PhD	0%	0.4%	0.0%
	Master's degree	2%	1.3%	1.4%
	Bachelor's degree	26%	25.1%	26.1%
	Senior high school	60%	55.5%	55.0%
	Below senior high school	12%	17.6%	17.4%

5.4 Environmental Expenditure Information

Our company is committed to implementing pollution prevention and environmental protection measures in our factory in response to international environmental trends and government environmental regulations. We strive to enhance the quality of the working environment for our employees and create a better living environment for the general public, fulfilling our responsibility as global citizens.

(1) As of the fiscal year 2023 and up to the printing date of the annual report, our company has not incurred any losses (including compensation) or disposals due to environmental pollution.

(2) Future Countermeasures and potential expenses:

Company's current emissions of waste gases and wastewater, as well as the removal and treatment of waste, comply with regulatory requirements. It is estimated that the company's environmental expenses as a percentage of its operating income will remain low in the next three years, which will not affect its operational effectiveness and competitive position. However, it will have a positive impact on reducing the environmental pollution impact.

Projected environmental expenditure information for the next three years :

Unit: New Taiwan Dollars per thousand units

Equipment name	Projected annual acquisition			Purpose
	Year 2024	Year 2025	Year 2026	
Air pollution control equipment	128	128	128	Compliance with regulations for waste gas treatment
Air pollution control fee	60	90	60	
Operating expenses for air pollution control equipment	500	900	500	Compliance with regulations for waste gas treatment
Waste disposal fee	308	308	308	Compliance with regulations for waste gas treatment
XRF Analyzer for Hazardous Substances Analysis	15	15	15	Testing for hazardous substances regulated by the EU RoHS Directive

(3) According to the EU RoHS Directive, the following information is provided by our company:

Since 2004, our company has been committed to meeting the requirements of customers' green procurement and the EU RoHS directive to ensure smooth domestic and international sales. Starting from the product design, procurement, and manufacturing processes, we have avoided the use of hazardous substances to become a comprehensive green supply enterprise. Currently, we regularly update relevant regulations in response to the EU environmental directive to ensure that our products comply with RoHS and REACH regulations.

(4) Company's environmental performance is as follows:

1. Our company continues to implement ISO 14001 environmental management system and maintains the validity of the verification certificate.
2. We collaborate with our parent company, Tatung, in implementing the "Pollution Prevention Pays" (3P) program, which incorporates the concept of clean production into our company culture, allowing for simultaneous development and environmental protection.

5.5 Labor Relations

(1) Employee welfare measures

Our company established the "Forward Electronics Co., Ltd. Employee Welfare Committee" in August 1972, responsible for implementing all employee welfare measures.

Employee welfare measures	Status of implementation
1. Employees shares	Since the establishment of the Employee Stock Ownership Committee in December 2005, we have encouraged employees to accumulate small amounts of savings on a continuous basis, aiming for long-term savings, wealth accumulation, and ensuring a stable future for employees' livelihoods.
2. Subsidy	We provide education subsidies for high school and university education of employees' children, funeral subsidies for employees or their spouses and immediate family members, wedding subsidies for employees or their children, as well as childbirth subsidies and funeral subsidies for employees.
3. Social activities	Upbringing, recreation, hiking, and travel, etc.
4. Employee safety and security measures	Labor insurance, health insurance, group insurance, and free health check-ups.

(2) Training, and Development programs

We have a team of professional instructors and collaborate with external professional organizations to offer various in-service training courses, foreign language courses, computer courses, and second specialty development programs to enhance the professional competence of our employees. The company also encourages employees to participate in external professional education and training programs, and provides full subsidies. In addition, employees can utilize the company's library and online databases for self-study and personal growth.

Training, and development programs	Status of implementation
1. Management Training Programs	Total training hours for the year 2023 amounted to 72 hours, with a total of 15 participants.
2. Occupational Health and Safety Training	Total training hours for the year 2023 amounted to 298 hours, with a total of 152 participants.
3. Quality Management Training	Total training hours for the year 2023 amounted to 18 hours, with a total of 27 participants.
4. Other Professional Skills Training	Total training hours for the year 2023 amounted to 139 hours, with a total of 568 participants.

(3) Retirement system

Our company has established an employee retirement system, which has been in effect since May of 1999, in accordance with the provisions of the "Labor Standards Act". Each month, 15% of the total salary of employees is allocated as retirement reserve fund, which is deposited and utilized in a special account supervised by the Labor Retirement Reserve Fund Supervisory Committee.

The "Labor Pension Act" was implemented on July 1, 2005, and adopts a defined contribution system. After the implementation, employees may choose to apply either the retirement pension provisions under the "Labor Standards Act" or the retirement pension system under the "Labor Pension Act" while retaining their accumulated years of service under the original "Labor Standards Act". For employees subject to the "Labor Pension Act", our company contributes 6% of their monthly salary as the retirement pension reserve fund, and recognizes the retirement pension allocated for each period as an expense based on the obligation and responsibility incurred.

(4) Agreements between labor and management and the status of measures to protect employees' rights and benefits

Since its establishment, our company has adhered to the concept of sustainable management and is committed to enhancing employee well-being. We have set up physical and online suggestion boxes to provide channels for employees to voice their opinions, and hold regular labor-management meetings for communication and collaboration. We have also established an Employee Welfare Committee to safeguard and promote employee rights,

fostering harmonious labor-management relations.

- (5) The company has not incurred any losses due to labor-management disputes in the recent fiscal year and up to the date of printing of the annual report. There are no estimated amounts or measures to disclose regarding current or future potential losses related to labor-management disputes. If there are no reasonable estimations, the fact of being unable to make reasonable estimations shall be disclosed: None.

5.6 Cyber security management:

- (1) The company established the "Forward Electronics Cyber security management" on September 12, 2019, which clearly stipulates the organizational structure and responsibilities of the company's information security risk management, information security policies, procedures for software and hardware access control, information operations management, network communication management, and other related operational standards for compliance and control.
- (2) The company has not incurred any losses due to information security incidents in the most recent fiscal year up to the date of printing of the annual report.

5.7 Important Contracts: None

VI. Financial Profile

6.1. The recent five-year summarized balance sheets and comprehensive income statements

(1) Individual Balance Sheet -IFRS- Consolidated

Unit: New Taiwan
Dollars (NTD) in thousands

Year		Financial analysis for the past five years (Note 2)				
		Year 2019	Year 2020	Year 2021	Year 2022	Year 2023
Items						
Current assets		1,938,983	1,956,794	1,732,367	1,322,781	1,442,674
Property, plant and equipment		664,155	626,676	612,408	600,629	557,869
Intangible assets		8,473	832	597	405	427
Other assets		261,120	233,673	481,825	1,021,268	1,129,635
Total assets		2,872,731	2,817,975	2,827,197	2,945,083	3,130,605
Current liabilities	Before distribution	288,827	323,810	280,669	280,363	247,146
	After distribution	288,827	323,810	308,666	294,361	247,146
Non-Current liabilities		349,662	1,122,222	1,061,737	1,055,853	975,301
Non-current liabilities	Before distribution	1,411,049	1,385,547	1,336,522	1,255,664	1,455,445
	After distribution	1,411,049	1,385,547	1,364,519	1,269,662	1,455,445
Interests attributable to parent company owner		1,461,682	1,432,428	1,490,675	1,689,419	1,675,160
Capital		1,572,572	1,572,572	1,399,830	1,399,830	1,399,830
Capital reserve		48,716	48,716	48,716	48,716	48,716
Retained earnings	Before distribution	(96,391)	(172,742)	41,029	189,998	35,674
	After distribution	(96,391)	(172,742)	13,032	176,000	35,674
Other interests		(63,215)	(16,118)	1,100	50,875	190,940
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	1,461,682	1,432,428	1,490,675	1,689,419	1,675,160
	After distribution	1,461,682	1,432,428	1,462,478	1,675,421	1,675,160

Note: Annual audit certification by CPAs

(2)Individual Balance Sheet -IFRS- Concise

Unit: New Taiwan Dollars (NTD) in thousands

Year		Financial analysis for the past five years (Note)				
		Year 2019	Year 2020	Year 2021	Year 2022	Year 2023
Items						
Current assets		620,861	512,341	548,242	743,236	528,033
Property, plant and equipment		636,478	601,505	566,099	561,386	543,162
Intangible assets		8,288	724	466	207	358
Other assets		1,430,313	1,516,254	1,578,967	1,573,264	2,006,100
Total assets		2,695,940	2,630,824	2,693,774	2,878,093	3,077,653
Current liabilities	Before distribution	189,432	191,826	189,387	230,878	207,444
	After distribution	189,432	191,826	217,384	244,876	207,444
Non-Current liabilities		1,044,826	1,006,570	1,013,712	957,796	1,195,049
Non-current liabilities	Before distribution	1,234,258	1,198,396	1,203,099	1,188,674	1,402,493
	After distribution	1,234,258	1,198,396	1,231,096	1,202,672	1,402,493
Interests attributable to parent company owner		1,461,682	1,432,428	1,490,675	1,689,419	1,675,160
Capital		1,572,572	1,572,572	1,399,830	1,399,830	1,399,830
Capital reserve		48,716	48,716	48,716	48,716	48,716
Retained earnings	Before distribution	(96,391)	(172,742)	41,029	189,998	35,674
	After distribution	(96,391)	(172,742)	13,032	176,000	35,674
Other interests		(63,215)	(16,118)	1,100	50,875	190,940
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	1,461,682	1,432,428	1,490,675	1,689,419	1,675,160
	After distribution	1,461,682	1,432,428	1,462,478	1,675,421	1,675,160
Note: Annual audit certification by CPAs						

(3)Individual Balance Sheet -IFRS- Consolidated

Unit: New Taiwan Dollars (NTD) in thousands

Year	Financial analysis for the past five years				
	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023
Items					
Operating Revenue	989,445	810,938	914,524	893,807	722,577
Operating margin (loss)	18,801	(3,620)	96,171	82,127	586
Operating Loss	(155,191)	(139,566)	(21,619)	(29,129)	(154,001)
Non-operating income and expenses	23,713	64,948	59,530	100,759	13,328
Income from continuing operations before income tax (loss)	(131,478)	(74,618)	37,911	71,630	(140,673)
Net income of continuing business units (loss)	(141,948)	(74,356)	33,396	172,029	(140,283)
Loss of suspended business unit	-	-	-	-	-
Net income (loss)	(141,948)	(74,356)	33,396	172,029	(140,283)
Other comprehensive income, net of tax	(76,835)	45,102	24,851	54,712	140,022
Total comprehensive income	(218,783)	(29,254)	58,247	226,741	(261)
Net income attributable to stockholders of the parent	(141,948)	(74,356)	33,396	172,029	(140,283)
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to stockholders of the parent	(218,783)	(29,254)	58,247	226,741	(261)
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	(0.90)	(0.53)	0.24	1.23	(1.00)

Note: Annual audit certification by CPAs

(4) Individual Balance Sheet - IFRS- Concise

Unit: New Taiwan Dollars (NTD) in thousands

Year	Financial analysis for the past five years (Note)				
	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023
Operating Revenue	591,572	557,628	605,632	564,181	485,756
Operating margin (loss)	(3,299)	(24,236)	72,049	60,754	(11,564)
Operating Loss	(122,624)	(117,373)	4,485	2,593	(71,525)
Non-operating income and expenses	(19,324)	43,017	29,715	52,721	(69,818)
Income from continuing operations before income tax(loss)	(141,948)	(74,356)	34,200	55,314	(141,343)
Net income of continuing business units	(141,948)	(74,356)	33,396	172,029	(140,283)
Loss of suspended business unit	-	-	-	-	-
Net income (loss)	(141,948)	(74,356)	33,396	172,029	(140,283)
Other comprehensive income, net of tax	(76,835)	45,102	24,851	54,712	140,022
Total comprehensive income	(218,783)	(29,254)	58,247	226,741	(261)
Net income attributable to stockholders of the parent	(141,948)	(74,356)	33,396	172,029	(140,283)
Net income attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to stockholders of the parent	(218,783)	(29,254)	58,247	226,741	140,022
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	(0.90)	(0.53)	0.24	1.23	(1.00)

Note: Annual audit certification by CPAs

(5) Accounts and Audit opinion in the Past Five Years

Year	Accounting firm	CPA name	Audit opinion
2019	Ernst & Young	Yang Chih-Hui, Hsiao Tsui-Hui	Unreserved opinions
2020 (Note 1.)	Ernst & Young	Yang Chih-Hui, Wang Yan-Jun	Unreserved opinions
2021	Ernst & Young	Yang Chih-Hui, Wang Yan-Jun	Unreserved opinions
2022 (Note 2.)	KPMG International Limited	Yin Yuan-Sheng, Wang Yong-Sheng	Unreserved opinions
2023	KPMG International Limited	Yin Yuan-Sheng, Wang Yong-Sheng	Unreserved opinions

- Note: 1. In accordance with the internal reassignment of responsibilities at Ernst & Young Accountants, starting from the 2019 fiscal year, the financial statements will be audited and certified by Accountant Yang Zhi-Hui and Accountant Wang Yan-Jun, respectively.
2. On December 28, 2020, the Board of Directors passed a resolution to change the audit firm for the fiscal year 2021 Q1 onwards. Ernst & Young Accountants will be replaced by Accountants from PricewaterhouseCoopers, with Accountant Yin Yuan-Sheng and Accountant Wang Yong-Sheng appointed to audit and certify the financial statements, respectively.

6.2. Financial analysis for the past five years

(1) Financial Analysis-IFRS- Consolidated

Year		Financial analysis for the past five years (Note 2)				
		Year 2019	Year 2020	Year 2021	Year 2022	Year 2023
Items						
Financial structure (%)	Debt to asset ratio	49.12	49.17	47.27	42.64	46.49
	Long term capital to property, plant and equipment ratio	389.05	398.00	415.82	443.65	516.87
Solvency %	Current ratio	671.33	604.30	617.23	471.81	583.73
	Quick ratio	622.47	556.87	546.65	415.14	545.36
	Interest coverage ratio	(5.49)	(2.77)	3.73	6.51	(7.87)
Operating capacity	Receivable turnover rate (times)	2.87	3.10	3.31	3.02	2.57
	Average cash recovery day	127.18	117.74	110.27	120.86	142.02
	Inventory turnover rate (times)	5.80	5.96	4.90	4.83	6.03
	Payable turnover rate(times)	4.62	5.04	4.76	5.90	6.57
	Days sales outstanding	62.93	61.24	74.49	75.57	60.53
	Property, plant and equipment turnover rate (times)	1.51	1.26	1.48	1.47	1.25
	Total asset turnover rate (times)	0.30	0.29	0.32	0.31	0.24
Profitability	Return on assets (%)	(3.80)	(2.06)	1.58	6.32	(4.20)
	Return on equity (%)	(9.04)	(5.14)	2.28	10.82	(8.34)
	Pre-tax net profit to paid-in capital ratio (%)	(8.36)	(4.74)	2.71	5.12	(10.05)
	Net profit rate (%)	(14.35)	(9.17)	3.65	19.25	(19.41)
	Earnings per share(NT\$)	(0.90)	(0.53)	0.24	1.23	(1.00)
Cash flow	Cash flow ratio (%)	(11.06)	(18.43)	(5.17)	33.38	11.06
	Cash flow adequacy ratio (%)	(124.42)	(226.66)	(65.30)	(10.66)	5.71
	Cash reinvestment ratio (%)	(1.09)	(2.06)	(0.54)	2.79	0.55
Leverage	Operating leverage	0.42	0.42	(1.89)	(0.95)	(0.65)
	Financial leverage	0.88	0.88	0.61	0.69	(0.91)

1. The quick ratio and current ratio increased, primarily due to the increase in cash and cash equivalents held at the end of 2023.
2. The interest coverage ratio is negative, mainly due to the net loss incurred in 2023.
3. Inventory turnover increased, and the average days of inventory decreased, primarily due to the decrease in inventory value at the end of 2023.
4. The total asset turnover ratio decreased, mainly due to the decrease in sales revenue in 2023, while cash and cash equivalents increased.
5. Profitability indicators such as return on assets, return on equity, pre-tax net income to paid-up capital ratio, net profit margin, and earnings per share all decreased compared to the previous year, mainly due to the net loss incurred in 2023.
6. The cash flow ratio and cash reinvestment ratio decreased, primarily due to the reduction in cash inflows from operating activities in 2023.
7. The cash flow solvency ratio turned positive, mainly due to the net cash inflows from operating activities

over the past five years.

8. Operating leverage and financial leverage increased, primarily due to the increase in operating losses in 2023.

Note: Annual audit certification by CPAs .Calculation formulas for analysis items : Please refer to page 109.

(2) Financial Analysis -IFRS- Individual

Items	Year	Financial analysis for the past five years (Note 1)				
		Year 2019	Year 2020	Year 2021	Year 2022	Year 2023
Financial structure (%)	Debt to asset ratio	45.78	45.55	44.66	41.30	45.57
	Long term capital to property, plant and equipment ratio	393.81	405.48	442.39	471.55	528.43
Solvency%	Current ratio	327.75	267.09	289.48	321.92	254.54
	Quick ratio	272.89	218.30	228.32	285.35	224.00
	Interest coverage ratio	(7.38)	(3.38)	3.91	5.81	(8.34)
Operating capacity	Receivable turnover rate (times)	2.87	3.13	3.35	3.11	3.19
	Average cash recovery day	127.18	116.61	108.96	117.36	114.42
	Inventory turnover rate (times)	5.57	6.37	5.34	5.18	6.93
	Payable turnover rate(times)	5.07	5.89	4.74	4.30	4.54
	Days sales outstanding	65.53	57.30	68.35	70.46	52.67
	Property, plant and equipment turnover rate (times)	0.96	0.90	1.04	1.00	0.88
	Total asset turnover rate (times)	0.19	0.21	0.23	0.20	0.16
Profitability	Return on assets (%)	(4.10)	(2.28)	1.61	6.50	(4.30)
	Return on equity (%)	(9.04)	(5.14)	2.28	10.82	(8.34)
	Pre-tax net profit to paid-in capital ratio (%)	(9.03)	(4.73)	2.44	3.95	(10.10)
	Net profit rate (%)	(24.00)	(13.33)	5.51	30.49	(28.87)
	Earnings per share(NT\$)	(0.90)	(0.53)	0.24	1.23	(1.00)
Cash flow	Cash flow ratio (%)	(71.48)	(52.38)	(18.96)	70.09	(22.19)
	Cash flow adequacy ratio (%)	(244.94)	(292.96)	(197.36)	(84.06)	(84.83)
	Cash reinvestment ratio (%)	(4.84)	(3.67)	(1.30)	5.54	(2.50)
Leverage	Operating leverage	0.60	0.62	7.72	10.08	(0.65)
	Financial leverage	0.88	0.87	(0.62)	(0.29)	(0.83)

The explanations for financial ratio changes exceeding 20% over the past two fiscal years are as follows:

- 1.The decrease in quick ratio and current ratio is primarily due to the allocation of cash into non-current financial assets measured at fair value through other comprehensive income.
2. The negative interest coverage ratio is mainly attributable to the net loss incurred in 2023.
3. The increase in inventory turnover ratio and decrease in average days of inventory are primarily due to the reduction in inventory levels by the end of 2023.
4. The decrease in total asset turnover ratio is mainly attributed to the decrease in revenue in 2023, coupled with an increase in investments accounted for using the equity method.
5. The decline in profitability metrics such as return on assets, return on equity, ratio of pre-tax income to paid-in capital, net profit margin, and earnings per share is mainly due to the net loss incurred in 2023.
6. The decrease in cash flow ratio and cash reinvestment ratio is primarily due to the outflow of cash from operating activities in 2023.
7. The reduction in operating leverage and financial leverage is mainly attributed to the shift from operating profit to operating loss in 2023.

Note: Annual audit certification by CPAs .Calculation formulas for analysis items : Please refer to page 109.

1. Financial structure

(1) Debt to asset ratio = $\text{Non-current liabilities} / \text{Total assets}$

(2) Long term capital

Fixed asset ratio = $(\text{Shareholders total equity} + \text{Non-Current liabilities}) / \text{Property, plant and equipment receivable}$

2. Solvency

(1) Current ratio = $\text{Current assets} / \text{Current liabilities}$

(2) Quick ratio = $(\text{Current assets} - \text{Inventories} - \text{prepaid expenses}) / \text{Current liabilities}$

(3) Times interest earned ratio = $\text{net income before tax and interest expense} / \text{interest expense}$

3. Operating capacity

(1) Account receivable turnover (including accounts receivable and notes receivable resulted from business operation) = $\text{net sales} / \text{average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)}$

(2) Average cash recovery day = $365 / \text{Receivable turnover rate}$

(3) Inventory turnover rate = $\text{cost of sales} / \text{average inventory}$

(4) Account payable turnover (including accounts payable and notes payable resulted from business operation) = $\text{operating costs} / \text{average balance of account payable (including accounts payable and notes payable resulted from business operation)}$

(5) Days sales outstanding = $365 / \text{Inventory turnover rate}$

(6) Fixed property and equipment turnover = $\text{net sales} / \text{net fixed assets}$

(7) Total assets turnover = $\text{net sales} / \text{average total assets}$

4. Profitability

(1) Ratio or return on total assets = $[\text{net income} + \text{interest expense} \times (1 - \text{tax rate})] / \text{average total assets}$

(2) Ratio or return on shareholder's equity = $\text{net income} / \text{average net shareholder's equity}$

(3) Pre-tax Net Income to Paid-in Capital Ratio = $\text{Pre-tax net profit} / (\text{Common shares} + \text{Preferred shares})$

(4) Net profit ratio = $\text{net income} / \text{net sales}$

(5) Earnings per share = $(\text{Equity Attributable to Owners of Parent Company} - \text{Preferred shares dividend}) / \text{weighted average stock shares issued}$

5. Cash flow

(1) Cash flow ratio = $\text{net cash flow from operating activities} / \text{Current liabilities}$

(2) Cash flow adequacy ratio = $(\text{net cash flow from operating activities within five year} / (\text{capital expenditure} + \text{inventory increase} + \text{cash dividend})) \text{ within five year}$

(3) Cash re-investment ratio = $(\text{net cash flow from operating activity} - \text{cash dividend}) / (\text{total fixed assets} + \text{long-term investment} + \text{other assets} + \text{working capital})$

6. Leverage :

(1) Operation balance = $(\text{net operating income} - \text{operating variable cost and expense}) / \text{operating income}$

(2) Financial balance = $\text{operating income} / (\text{operating income} - \text{interest expense})$

6.3.Audit Committee Report on the the Latest Financial Report

FORWARD ELECTRONICS CO., LTD. Audit committee's review reports

The Board of Directors of the Company has submitted the 2023 annual business report, financial statements (including consolidated financial statements), and profit distribution proposal, which have been audited and accompanied by an audit report issued by PricewaterhouseCoopers, Certified Public Accountants, Mr. Yen Yuan-Sheng and Mr. Wang Yong-Sheng. The Audit Committee has reviewed the audit opinions of the aforementioned accounting firm and has found no material discrepancies in the audited business report. Therefore, in accordance with Article 14-4 of the Securities Exchange Act and Article 219 of the Company Act, the above information is hereby reported for your review.

To

Forward Electronics Co. Ltd.

Chairperson of the Audit Committee: Wang Jia-Nan

March 04, 2024

6.4. Individual Financial Statements audited and certified by accountants for the most recent fiscal year.

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Forward Electronics Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

For the accounting policy of revenue recognition, please refer to Note 4(n) of the financial statements; for the description of revenue recognition, please refer to Note 6(s) of the financial statements.

Description of key audit matter:

The Company's revenue is recognized when the performance obligations is satisfied, which depends on the various trade terms agreed with customers. Therefore, the accuracy of revenue recognition is considered to be one of the most significance in the audit.

How the matter was addressed in our audit:

- Understand and test the internal control design and implementation of the sales cycle.
- Sample the original orders or contracts and review the transaction terms in order to evaluate whether the timing of revenue recognition is correct.
- Perform the cut-off point test during the periods before and after the balance sheet date, and assess that sales revenue is recognized in an appropriate period.
- Perform sales analysis procedures, and check whether there are major sales returns and discounts after the period, so as to confirm the rationality of revenue recognition.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2024

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
FORWARD ELECTRONICS CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2023</u>		<u>December 31, 2022</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets					
Current assets:					
1100	Cash and cash equivalents (Note 6(a))	\$ 334,142	12	97,613	4
1110	Current financial assets at fair value through profit or loss (Note 6(b))	5,670	-	7,746	-
1136	Current financial assets at amortized cost (Notes 6(d) and 8)	2,488	-	403,380	14
1150	Notes receivable, net (Note 6(e))	5,511	-	5,527	-
1170	Accounts receivable, net (Note 6(e))	106,668	3	128,765	5
1180	Accounts receivable—related parties, net (Notes 6(e) and 7)	3,773	-	10,059	-
1200	Other receivables (Notes 6(f) and 7)	3,520	-	4,226	-
1220	Current tax assets	1,427	-	-	-
130X	Inventories (Note 6(g))	61,689	2	81,804	3
1410	Prepayments	1,665	-	2,619	-
1470	Other current assets	1,480	-	1,497	-
	Total current assets	<u>528,033</u>	<u>17</u>	<u>743,236</u>	<u>26</u>
Non-current assets:					
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	836,346	27	583,913	20
1550	Investments accounted for using equity method (Note 6(h))	1,058,825	35	865,226	30
1600	Property, plant and equipment (Notes 6(i) and 8)	543,162	18	561,386	20
1755	Right-of-use assets (Note 6(j))	7,507	-	5,260	-
1780	Intangible assets	358	-	207	-
1840	Deferred tax assets (Note 6(p))	68,685	2	86,048	3
1920	Refundable deposits (Note 8)	2,605	-	1,821	-
1975	Non-current net defined benefit assets (Note 6(o))	32,132	1	30,996	1
	Total non-current assets	<u>2,549,620</u>	<u>83</u>	<u>2,134,857</u>	<u>74</u>
	Total assets	<u>\$ 3,077,653</u>	<u>100</u>	<u>2,878,093</u>	<u>100</u>
		<u>December 31, 2023</u>	<u>December 31, 2022</u>		
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Liabilities and Equity					
Current liabilities:					
2100	Short-term borrowings	\$ 18,000	-	-	-
2130	Current contract liabilities (Notes 6(s) and 7)	18,369	1	6,824	-
2170	Accounts payable	61,567	2	58,183	2
2180	Accounts payable to related parties (Note 7)	50,138	2	48,960	2
2200	Other payables (Note 6(k))	24,974	1	96,074	3
2220	Other payables—related parties (Note 7)	1,198	-	338	-
2230	Current tax liabilities	-	-	478	-

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
FORWARD ELECTRONICS CO., LTD.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

2250	Current provisions	-	-	1,670	-
2280	Current lease liabilities (Note 6(m))	6,324	-	3,397	-
2322	Long-term borrowings, current portion (Notes 6(l) and 8)	24,000	1	12,000	-
2399	Other current liabilities	2,874	-	2,954	-
	Total current liabilities	<u>207,444</u>	<u>7</u>	<u>230,878</u>	<u>7</u>
	Non-Current liabilities:				
2540	Long-term borrowings (Notes 6(l) and 8)	975,000	32	719,000	25
2570	Deferred tax liabilities (Note 6(p))	215,066	7	233,042	8
2580	Non-current lease liabilities (Note 6(m))	1,236	-	1,920	-
2645	Guarantee deposits received	2,268	-	2,355	-
2670	Other non-current liabilities	1,479	-	1,479	-
	Total non-current liabilities	<u>1,195,049</u>	<u>39</u>	<u>957,796</u>	<u>33</u>
	Total liabilities	<u>1,402,493</u>	<u>46</u>	<u>1,188,674</u>	<u>40</u>
	Equity (Note 6(q)):				
3100	Share capital	1,399,830	45	1,399,830	49
3200	Capital surplus	48,716	2	48,716	2
3300	Retained earnings	35,674	1	189,998	7
3400	Other equity	190,940	6	50,875	2
	Total equity	<u>1,675,160</u>	<u>54</u>	<u>1,689,419</u>	<u>60</u>
	Total liabilities and equity	<u><u>\$ 3,077,653</u></u>	<u><u>100</u></u>	<u><u>2,878,093</u></u>	<u><u>100</u></u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

FORWARD ELECTRONICS CO., LTD.**Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(s) and 7)	\$ 485,756	100	564,181	100
5000	Operating costs (Notes 6(g), (i), (j), (o), (t) and 7)	497,997	102	502,969	89
5910	Unrealized profit (loss) from sales	(135)	-	(812)	-
5920	Realized profit (loss) from sales	812	-	354	-
	Gross (loss) profit from operations	(11,564)	(2)	60,754	11
	Operating expenses (Notes 6(e), (i), (j), (o) and (t)):				
6100	Selling expenses	22,204	5	20,104	4
6200	Administrative expenses	28,820	6	31,193	-
6300	Research and development expenses	10,176	2	9,155	2
6450	Expected credit gains	(1,239)	-	(2,291)	-
	Total operating expenses	59,961	13	58,161	6
	Net operating (loss) income	(71,525)	(15)	2,593	5
	Non-operating income and expenses (Notes 6(f), (h), (i), (m), (u) and 7):				
7100	Interest income	13,044	3	10,321	2
7010	Other income	14,641	3	15,174	3
7020	Other gains and losses	1,015	-	17,560	3
7050	Finance costs	(15,125)	(3)	(11,488)	(2)
7070	Share of (loss) profit of subsidiaries and associates accounted for using equity method, net	(83,393)	(17)	14,648	3
7055	Expected credit gains	-	-	6,506	1
	Total non-operating income and expenses	(69,818)	(14)	52,721	10
	(Loss) profit before tax	(141,343)	(29)	55,314	15
7950	Income tax benefit (Note 6(p))	(1,060)	-	(116,715)	(21)
	Net (Loss) Income	(140,283)	(29)	172,029	36
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	(Losses) gains on remeasurements of defined benefit plans	(1,241)	-	4,937	1
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	154,720	32	30,854	5
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 that will not be reclassified to profit or loss	153,479	32	35,791	6
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	-	-	-	-
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(13,457)	(3)	18,921	4
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	(13,457)	(3)	18,921	4
8300	Other comprehensive income (after tax)	140,022	29	54,712	10
	Total comprehensive income	\$ (261)	-	226,741	46
	(Losses) earnings per share (NT dollars) (Note 6(r))				
9750	Basic (losses) earnings per share	\$ (1.00)		1.23	
9850	Diluted (losses) earnings per share	\$ (1.00)		1.23	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

FORWARD ELECTRONICS CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

						Other equity			
	Share capital		Retained earnings			Exchange differences on translation of foreign financial statements	Unrealized gains on financial assets measured at fair value through other comprehensive income	Total	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total				
Balance on January 1, 2022	\$ 1,399,830	48,716	-	41,029	41,029	(113,941)	115,041	1,100	1,490,675
Net income	-	-	-	172,029	172,029	-	-	-	172,029
Other comprehensive income	-	-	-	4,937	4,937	18,921	30,854	49,775	54,712
Total comprehensive income	-	-	-	176,966	176,966	18,921	30,854	49,775	226,741
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	4,103	(4,103)	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	(27,997)	(27,997)	-	-	-	(27,997)
Balance on December 31, 2022	1,399,830	48,716	4,103	185,895	189,998	(95,020)	145,895	50,875	1,689,419
Net loss	-	-	-	(140,283)	(140,283)	-	-	-	(140,283)
Other comprehensive income	-	-	-	(1,241)	(1,241)	(13,457)	154,720	141,263	140,022
Total comprehensive income	-	-	-	(141,524)	(141,524)	(13,457)	154,720	141,263	(261)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	17,697	(17,697)	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	(13,998)	(13,998)	-	-	-	(13,998)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	1,198	1,198	-	(1,198)	(1,198)	-
Balance on December 31, 2023	\$ 1,399,830	48,716	21,800	13,874	35,674	(108,477)	299,417	190,940	1,675,160

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

FORWARD ELECTRONICS CO., LTD.**Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
Cash flows from (used in) operating activities:		
(Loss) profit before tax	\$ (141,343)	55,314
Adjustments:		
Adjustments to reconcile (loss) profit		
Depreciation expense	24,669	22,818
Amortization expense	217	259
Expected credit impairment gains	(1,239)	(8,797)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(3,020)	1,901
Interest expense	15,125	11,488
Interest income	(13,044)	(10,321)
Dividend income	(258)	(210)
Share of loss (profit) of subsidiaries and associates accounted for using equity method	83,393	(14,648)
Losses on disposal of property, plant and equipment	1,073	999
Impairment loss (gain) on non-financial assets	1,441	(2,388)
Unrealized profit from sales	135	812
Realized profit on from sales	(812)	(354)
Provisions	-	3,270
Total adjustments to reconcile (loss) profit	<u>107,680</u>	<u>4,829</u>
Changes in operating assets and liabilities:		
Notes receivable	16	6,569
Accounts receivable	23,336	20,752
Accounts receivable—related parties	6,286	(97)
Other receivables	677	17,053
Inventories	17,688	22,511
Prepayments	954	(441)
Other current assets	17	(93)
Net defined benefit asset	(2,377)	(1,812)
Contract liabilities	11,545	4,708
Accounts payable	3,384	(34,897)
Accounts payable—related parties	1,178	15,219
Other payables	(71,629)	54,967
Other payables—related parties	860	278
Provisions	(1,670)	-
Other current liabilities	(80)	210
Total adjustments	<u>97,865</u>	<u>109,756</u>
Cash flows (used in) from operations	(43,478)	165,070
Interest received	13,073	9,387
Dividends received	258	210
Interest paid	(14,419)	(11,258)
Income taxes paid	(1,458)	(1,582)
Net cash flows (used in) from operating activities	<u>(46,024)</u>	<u>161,827</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(103,239)	(407,174)
Proceeds from disposal of financial assets at fair value through other comprehensive income	5,526	-
Acquisition of financial assets at amortized cost	(211,954)	(482,117)
Proceeds from disposal of financial assets at amortized cost	44,782	89,969
Proceeds from maturity of financial assets at amortized cost	559,263	97,475
Acquisition of financial assets at fair value through profit or loss	-	(3,812)
Proceeds from disposal of financial assets at fair value through profit or loss	5,096	7,032
Acquisition of investments accounted for using equity method	(290,000)	-
Acquisition of property, plant and equipment	(2,489)	(6,518)
Increase in refundable deposits	(784)	-
Acquisition of intangible assets	(368)	-
Dividends received	-	557,335
Net cash flows from (used in) investing activities	<u>5,833</u>	<u>(147,810)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	18,000	-
Increase in long-term borrowings	280,000	-
Repayments of long-term borrowings	(12,000)	(12,000)
Increase in guarantee deposits received	-	436
Decrease in guarantee deposits received	(87)	-
Payment of lease liabilities	(4,394)	(3,346)
Cash dividends paid	(13,998)	(27,997)
Net cash flows from (used in) financing activities	<u>267,521</u>	<u>(42,907)</u>
Effect of exchange rate changes on cash and cash equivalents	9,199	(9,396)
Net increase (decrease) in cash and cash equivalents	236,529	(38,286)
Cash and cash equivalents at beginning of period	97,613	135,899
Cash and cash equivalents at end of period	<u><u>\$ 334,142</u></u>	<u><u>97,613</u></u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

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

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issue by the Board of Directors on March 4, 2024.

(3) New standards, amendments and interpretations adopted

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

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

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

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

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

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies

The material accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

- (a) Statement of compliance

These financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The net defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation.

- (ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment the Company operates. The financial statements are presented in New Taiwan Dollar (NTD), which is the Company’ s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivables and refundable deposits), debt investments measured at FVOCI and contract assets.

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

1) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company' s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate' s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company' s interests in the associate.

When the Company' s share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings and structures	2~40 years
Machineries and equipment	5~10 years
Transportation equipment	5 years
Fixtures and fittings	5 years
Leasehold improvements	3 years
Other equipment	2~5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Patents:	Amortized over the period of authorized use
Computer software:	3 ~ - years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, and deferred tax assets, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales of electronic components are made with an average credit term of 30 to 150 days, which is consistent with the market practice. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

(r) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The accounting policies in the Company financial statements do not involve significant judgements.

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period. The information is as follows:

(a) Measurement of defined benefit obligation

Accrued pension liabilities and resulting pension expenses under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability. Refer to note 6(o) for further description of the actuarial assumptions and sensitivity analysis.

(b) Impairment of non-financial assets

During the asset impairment assessment process, the Company must rely on subjective judgments and use asset usage patterns to determine the fair value, independent cash flows, the useful life of assets, and possible future income and expenses of a specific asset group. Estimated changes brought by economic environment or corporate strategies may result in impairment or reversal of recognized impairment losses in the future.

(c) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Changes in the economic environment, industry trends, and relevant laws and regulations may result in adjustments to the deferred tax assets. Refer to note 6(p) for further description of the recognition of deferred tax assets.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 237	333
Demand deposits and checking deposits	92,871	97,280
Time deposits	241,034	-
Total	\$ 334,142	97,613

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

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Stocks listed on domestic markets	\$ 5,670	7,746
Current	\$ 5,670	7,746
Non-current	-	-
Total	<u>\$ 5,670</u>	<u>7,746</u>

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

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

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

	December 31, 2023	December 31, 2022
Equity instruments measured at fair value through other comprehensive income — non-current		
Stock of domestic listed companies	\$ 825,972	583,913
Stock of domestic non-listed company	10,374	-
Total	<u>\$ 836,346</u>	<u>583,913</u>

(i) The Company 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 year ended December 31, 2023. The fair value of Tatung Corporation at the time of disposal was \$5,526 thousand and the cumulative gain on disposal was \$1,198 thousand, therefore, the aforementioned cumulative gain on disposal was transferred from other equity to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the year ended December 31, 2022.

(iii) The Company's financial assets measured at fair value through other comprehensive income have not been pledged as collateral.

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

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(d) Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
Time deposit (including pledged)	<u>\$ 2,488</u>	<u>403,380</u>
Current	\$ 2,488	403,380
Non-current	-	-
Total	<u>\$ 2,488</u>	<u>403,380</u>

(i) For the above-mentioned pledge of financial assets measured at amortized cost, please refer to Note 8.

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

(e) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable from operating activities	\$ 5,539	5,555
Less: loss allowance	(28)	(28)
Subtotal	5,511	5,527
Accounts receivable	127,978	151,755
Less: loss allowance	(21,310)	(22,990)
Subtotal	106,668	128,765
Accounts receivable — related parties	3,773	10,059
Less: loss allowance	-	-
Subtotal	3,773	10,059
Total	<u>\$ 115,952</u>	<u>144,351</u>

(i) Credit loss

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

(Continued)

FORWARD ELECTRONICS CO., LTD.**Notes to the Financial Statements**December 31, 2023

Notes receivable

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

Accounts receivable — assessed in group

	Gross carrying amount	Weighted- aver age loss rate	Loss allowance provision
Current	\$ 107,957	-%	-
Less than 120 days past due	2,484	-%	-
121~180 days past due	-	-%	-
181~270 days past due	24	100%	24
More than 271 days past due	-	-%	-
Total	<u>\$ 110,465</u>		<u>24</u>

Accounts receivable — assessed in individual

	Gross carrying amount	Weighted- aver age loss rate	Loss allowance provision
Current	\$ -	-%	-
Less than 120 days past due	-	-%	-
121~180 days past due	-	-%	-
181~270 days past due	-	-%	-
More than 271 days past due	21,286	100%	21,286
Total	<u>\$ 21,286</u>		<u>21,286</u>

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

December 31, 2022

Notes receivable

	Gross carrying amount	Weighted- aver age loss rate	Loss allowance provision
Current	\$ 5,555	0.5%	28
Less than 120 days past due	-	-%	-
121~180 days past due	-	-%	-
181~270 days past due	-	-%	-
More than 271 days past due	-	-%	-
Total	<u><u>\$ 5,555</u></u>		<u><u>28</u></u>

Accounts receivable — assessed in group

	Gross carrying amount	Weighted- aver age loss rate	Loss allowance provision
Current	\$ 132,271	-%	-
Less than 120 days past due	6,554	0.01%	1
121~180 days past due	-	-%	-
181~270 days past due	-	-%	-
More than 271 days past due	-	-%	-
Total	<u><u>\$ 138,825</u></u>		<u><u>1</u></u>

Accounts receivable — assessed in individual

	Gross carrying amount	Weighted- aver age loss rate	Loss allowance provision
Current	\$ -	-%	-
Less than 120 days past due	-	-%	-
121~180 days past due	-	-%	-
181~270 days past due	-	-%	-
More than 271 days past due	22,989	100%	22,989
Total	<u><u>\$ 22,989</u></u>		<u><u>22,989</u></u>

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

The movement in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31,	
	2023	2022
Balance at January 1	\$ 23,018	25,309
Impairment losses reversed	(1,239)	(2,291)
Amounts written off	(441)	-
Balance at December 31	<u>\$ 21,338</u>	<u>23,018</u>

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

(f) Other receivables

	December 31, 2023	December 31, 2022
Tax refund receivable	\$ 291	481
Earned revenue receivable	909	935
Other receivables—related parties	2,210	2,810
Other receivables—others	5,473	5,363
Subtotal	8,883	9,589
Less: Loss allowance	(5,363)	(5,363)
Total	<u>\$ 3,520</u>	<u>4,226</u>

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

(g) Inventories

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

	December 31, 2023	December 31, 2022
Raw materials	\$ 29,831	43,893
Work in process	15,357	19,917
Finished goods	16,428	15,606
Merchandise	73	2,388
Total	<u>\$ 61,689</u>	<u>81,804</u>

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

	For the years ended December 31,	
	2023	2022
Cost of goods sold	\$ 500,931	504,015
Write-down of inventories (reversal of inventory write-downs)	198	(4,078)
Scrap of inventories	2,446	9,456
Revenue from sale of scraps	(5,578)	(6,424)
Total	<u>\$ 497,997</u>	<u>502,969</u>

For the year ended December 31, 2023, the Company recognized a loss of \$198 thousand on inventory write-downs due to the write-down of inventories to realizable value; which was recognized as cost of goods sold.

For the year ended December 31, 2022, the Company recognized a gain of \$4,078 thousand on reversal of inventory write-downs due to destocking; which was recognized as a deduction in cost of goods sold.

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

- (h) Investment accounted for using the equity method

Investment accounted for using the equity method were follows:

Invested company	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
<u>Subsidiaries</u>				
Forward Development Co., Ltd.	\$ 773,316	100.00	865,226	100.00
Forward Intelligent Energy Co., Ltd. (note 1)	<u>285,509</u>	100.00	-	-
Subtotal	<u>1,058,825</u>		<u>865,226</u>	
<u>Associates</u>				
Gintung Energy Co., Ltd. (note 2)	\$ -	14.59	-	14.59
Subtotal	<u>-</u>		<u>-</u>	
Total	<u>\$ 1,058,825</u>		<u>865,226</u>	

Note 1: Established and registered in July, 2023.

Note 2: Since the third quarter of 2019, Gintung Energy Co., Ltd. has had negative equity. As a result, the Company recognized an investment loss in 2019 and consequently reduced the investment accounted for using the equity method to zero. As of December 31, 2023, Gintung Energy Co., Ltd. still maintains a negative net equity.

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2023.

(ii) Associates

The Company's associates using the equity method are individually insignificant.

(iii) The Company's investment accounted for using the equity method has not been pledged as collateral as of December 31, 2023 and 2022.

(i) Property, plant and equipment

(i) The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Company 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, 2023	\$	463,378	186,569	178,123	21,483	1,845	1,570	150,241	1,003,209
Additions		-	630	360	862	-	-	460	2,312
Disposal		-	(4,418)	(12,348)	-	-	-	(4,371)	(21,137)
Reclassification		-	-	73	-	-	-	2,354	2,427
Balance on December 31, 2023	\$	463,378	182,781	166,208	22,345	1,845	1,570	148,684	986,811
Balance on January 1, 2022	\$	463,378	186,190	169,900	21,462	1,845	1,570	149,498	993,843
Additions		-	379	6,286	121	-	-	136	6,922
Disposal		-	-	(3,674)	(100)	-	-	(669)	(4,443)
Reclassification		-	-	5,611	-	-	-	1,276	6,887
Balance on December 31, 2022	\$	463,378	186,569	178,123	21,483	1,845	1,570	150,241	1,003,209
Depreciation and impairment losses:									
Balance on January 1, 2023	\$	-	121,256	155,520	19,664	1,565	1,570	142,248	441,823
Depreciation		-	9,149	4,502	1,001	308	-	5,319	20,279
Impairment losses recognized (reversal)		-	2,763	(2,232)	(363)	(260)	-	1,533	1,441
Disposal		-	(3,175)	(12,348)	-	-	-	(4,371)	(19,894)
Balance on December 31, 2023	\$	-	129,993	145,442	20,302	1,613	1,570	144,729	443,649
Balance on January 1, 2022	\$	-	112,399	152,200	18,389	996	1,570	142,190	427,744
Depreciation		-	9,158	4,417	1,012	309	-	4,548	19,444
Impairment losses recognized (reversal)		-	(301)	1,096	363	260	-	(3,806)	(2,388)
Disposal		-	-	(2,175)	(100)	-	-	(669)	(2,944)
Others		-	-	(18)	-	-	-	(15)	(33)
Balance on December 31, 2022	\$	-	121,256	155,520	19,664	1,565	1,570	142,248	441,823
Carrying value :									
Balance on December 31, 2023	\$	463,378	52,788	20,766	2,043	232	-	3,955	543,162
Balance on January 1, 2022	\$	463,378	73,791	17,700	3,073	849	-	7,308	566,099
Balance on December 31, 2022	\$	463,378	65,313	22,603	1,819	280	-	7,993	561,386

(i) For the years ended December 31, 2023 and 2022, the Company disposed of certain property, plant and equipment, and therefore reversed the impairment loss previously recognized.

(ii) For the years ended December 31, 2023 and 2022, the Company recognized impairment loss

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

resulting from the recoverable amount of certain property, plant and equipment of the Company is higher than the book value.

(iii) For the years ended December 31, 2023 and 2022, the Company recognized impairment loss resulting from the write-down of certain property, plant and equipment to the recoverable amount.

(iv) As of December 31, 2023 and 2022, the property, plant and equipment of the Company had been pledged as collateral; please refer to Note 8.

(j) Right-of-use assets

The cost, depreciation, and impairment of leased buildings and structures, and transportation equipment of the Company were as follows:

	<u>Buildings and structures</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost			
Balance on January 1, 2023	\$ 8,630	1,493	10,123
Additions	6,637	-	6,637
Balance on December 31, 2023	<u>\$ 15,267</u>	<u>1,493</u>	<u>16,760</u>
Balance on January 1, 2022	\$ 16,057	1,493	17,550
Decrease	(7,427)	-	(7,427)
Balance on December 31, 2022	<u>\$ 8,630</u>	<u>1,493</u>	<u>10,123</u>
Depreciation and impairment:			
Balance on January 1, 2023	\$ 4,075	788	4,863
Depreciation	3,892	498	4,390
Balance on December 31, 2023	<u>\$ 7,967</u>	<u>1,286</u>	<u>9,253</u>
Balance on January 1, 2022	\$ 8,626	290	8,916
Depreciation	2,876	498	3,374
Decrease	(7,427)	-	(7,427)
Balance on December 31, 2022	<u>\$ 4,075</u>	<u>788</u>	<u>4,863</u>
Carrying value:			
Balance on December 31, 2023	<u>\$ 7,300</u>	<u>207</u>	<u>7,507</u>
Balance on January 1, 2022	<u>\$ 7,431</u>	<u>1,203</u>	<u>8,634</u>
Balance on December 31, 2022	<u>\$ 4,555</u>	<u>705</u>	<u>5,260</u>

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(k) Other payables

	December 31, 2023	December 31, 2022
Accrued payroll	\$ 8,377	12,277
Accrued processing expense	5,519	7,951
Severance payable	2,357	-
Labor and health insurance payable	2,078	2,334
Accrued professional service fees	1,760	1,310
Interest payable	1,527	879
Payables on equipment	848	1,026
Settlements payable	-	68,566
Others	2,508	1,731
	\$ 24,974	96,074

(l) Long-term borrowings

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

Creditor	December 31, 2023	December 31, 2022	Interest rate(%)	Repayment term and method
Secured bank loans from Sunny Bank	\$ 719,000	731,000	1.30~2.04	From May 6, 2021 to May 6, 2028, each monthly installment is \$1,000 thousand, with the 84th installment of \$667,000 thousand, and interest is charged monthly.
	280,000	-	2.25	From December 1, 2023 to December 1, 2028, each monthly installment is \$1,000 thousand, with the 60th installment of \$221,000 thousand, and interest is charged monthly.
Less: current portion	(24,000)	(12,000)		
Total	\$ 975,000	719,000		
Unused credit lines	\$ -	-		

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

(m) Lease liabilities

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

	December 31, 2023	December 31, 2022
Current	\$ 6,324	3,397
Non-current	1,236	1,920
Total	\$ 7,560	5,317

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Interests on lease liabilities	\$ 94	103

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

	For the years ended December 31,	
	2023	2022
Total cash outflow for leases	\$ 4,488	3,449

(i) The Company as the lessee

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

Some of the Company's property lease agreements contain extension and termination options. The Company 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 Company. After the commencement date, the Company 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 Company is reasonably certain to exercise an option not previously included in the determination of the lease term, or not to exercise an option previously included in the determination of the lease term.

(n) Operating lease

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2023	December 31, 2022
Less than one year	\$ 5,602	6,145
One to two years	360	-
Two to three years	240	-
Total undiscounted lease payments	\$ 6,202	6,145

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(o) Employee benefits

(i) Defined contribution plans

Reconciliations of defined benefit obligations at present value and plan assets at fair value are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 54,805	53,746
Fair value of plan assets	(86,937)	(84,742)
Net defined benefit liabilities	<u>\$ (32,132)</u>	<u>(30,996)</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$86,937 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in the present value of defined benefit obligations

The movements in the present value of defined benefit obligations of the Company were as follows:

	2023	2022
Defined benefit obligations at January 1	\$ 53,746	54,643
Current service costs and interest cost	1,244	1,088
Remeasurements of defined benefit assets		
— Actuarial gains and losses arising from changes in demographic assumptions	(79)	(130)
— Actuarial gains and losses arising from financial assumptions	3,759	(1,246)
— Actuarial gains and losses arising from experience adjustments	(1,979)	2,544
Benefits paid	(1,886)	(3,153)
Defined benefit obligations at December 31	<u>\$ 54,805</u>	<u>53,746</u>

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

3) Movements in fair value of plan asset

The movements in the fair value of plan assets of the defined benefit the Company were as follows:

	2023	2022
Fair value of plan assets at January 1	\$ 84,742	78,890
Interests income	991	552
Remeasurements of defined benefit assets		
— Return on plan assets (excluding interest income)	460	6,105
Contributions	2,630	2,348
Benefits paid	(1,886)	(3,153)
Fair value of plan assets at December 31	<u>\$ 86,937</u>	<u>84,742</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Company were as follows:

	For the years ended December 31,	
	2023	2022
Current service costs	\$ 616	706
Net interest on defined benefit assets	(363)	(170)
	<u>\$ 253</u>	<u>536</u>

5) Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period were as follows:

	December 31,	December 31,
	2023	2022
Discount rate	1.25%	1.17%
Future salary increase rate	2.00%	1.00%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$2,112 thousand.

The weighted-average lifetime of the defined benefit plans is 12 years.

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations shall be as follows:

	Influence of defined benefit obligation	
	Increase	Decrease
December 31, 2023		
Discount rate (changed by 0.5%)	\$ 3,615	2,729
Future salary increase rate (changed by 0.5%)	3,569	2,726
December 31, 2022		
Discount rate (changed by 0.5%)	\$ 1,317	1,186
Future salary increase rate (changed by 0.5%)	1,313	1,194

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

The calculation and assumptions used in the sensitivity analysis during the year were consistent with prior year.

(ii) Defined benefit plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$5,376 thousand and \$6,103 thousand for the years ended December 31, 2023 and 2022, respectively.

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(p) Income tax

(i) Income tax benefit

	For the years ended December 31,	
	2023	2022
Current tax expenses (benefit)		
Current period	\$ -	1,261
Adjustment for prior periods	(447)	-
	<u>(447)</u>	<u>1,261</u>
Deferred income tax expense (benefit)		
Origination and reversal of temporary difference	(613)	13,038
Changes in unrecognized deductible temporary differences	-	65,972
Recognition of previously unrecognized tax losses	-	(196,986)
	<u>(613)</u>	<u>(117,976)</u>
Income tax benefit	<u>\$ (1,060)</u>	<u>(116,715)</u>

Reconciliation of income tax expense (benefit) and profit before tax is as follows:

	2023	2022
(Loss) profit before tax	<u>\$ (141,343)</u>	<u>55,314</u>
Income tax using the Company's domestic tax rate	(28,269)	11,063
Non-deductible expenses	934	3,492
Tax-exempt (income) loss	(656)	338
Income tax effects of deferred tax assets/liabilities	27,942	64,860
Recognition of previously unrecognized tax losses	-	(196,986)
Adjustment for prior periods	(447)	-
5% on undistributed earnings	-	446
Others	(564)	72
Income tax benefit	<u>\$ (1,060)</u>	<u>(116,715)</u>

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

Unrecognized deferred income tax assets for 2023 and 2022 is as follows:

	December 31, 2023	December 31, 2022
Temporary differences can be deducted	\$ 11,557	11,467
Tax losses	111,228	82,361
	<u>\$ 122,785</u>	<u>93,828</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As of December 31, 2023, the information of the Company's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax losses	Expiry date
2016	\$ 1,606	2026
2017	38,642	2027
2018	15,362	2028
2019	16,226	2029
2020	28,213	2030
2021	187	2031
2023	10,992	2033
	<u>\$ 111,228</u>	

In 2022, previously unrecognized tax losses of \$393,110 were recognized as deferred tax assets, as management determined that it is probable that there will be sufficient taxable gains or the profit distribution of subsidiaries in the future.

2) Deferred income tax assets and liabilities recognized

The changes in deferred income tax assets and liabilities in 2023 and 2022 are as follows:

Deferred tax assets:

	Unrealized exchange loss	Loss allowance	Loss carry forward	Others	Total
January 1, 2023	\$ -	5,331	80,199	518	86,048
Recognized in profit or loss	-	(276)	(16,799)	(288)	(17,363)
December 31, 2023	<u>\$ -</u>	<u>5,055</u>	<u>63,400</u>	<u>230</u>	<u>68,685</u>
January 1, 2022	\$ 212	7,035	1,577	203	9,027
Recognized in profit or loss	(212)	(1,704)	78,622	315	77,021
December 31, 2022	<u>\$ -</u>	<u>5,331</u>	<u>80,199</u>	<u>518</u>	<u>86,048</u>

Deferred tax liabilities:

	Unrealized exchange gains	Investments using the equity method	Provision of land value increment tax	Total
January 1, 2023	\$ 1,490	67,874	163,678	233,042
Recognized in profit or loss	(1,177)	(16,799)	-	(17,976)
December 31, 2023	<u>\$ 313</u>	<u>51,075</u>	<u>163,678</u>	<u>215,066</u>
January 1, 2022	\$ -	110,319	163,678	273,997

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

	Unrealized exchange gains	Investments using the equity method	Provision of land value increment tax	Total
Recognized in profit or loss	1,490	(42,445)	-	(40,955)
December 31, 2022	\$ 1,490	67,874	163,678	233,042

(iii) Assessment of income tax returns

As of December 31, 2023, the assessment of the Company's income tax returns is as follows:

Year of Assessment	Company name
2021	The Company

(q) Capital and other equity

As of December 31, 2023 and 2022, the number of authorized ordinary shares were both 200,000 thousand with part value of \$10 per share. The total value of authorized ordinary shares were both amounted to \$2,000,000 thousand. As of December 31, 2023 and 2022, the total value of issued ordinary shares were both amounted to \$1,399,830 thousand. Each share is entitled to one voting right and the right to received the dividends.

(i) Capital surplus

The balances of capital surplus of the Company were as follows:

	December 31, 2023	December 31, 2022
Organizational restructuring adjustment	\$ 21,665	21,665
Changes in equity of investments in associates using the equity method	8,900	8,900
Lapsed employee stock options	18,151	18,151
Total	\$ 48,716	48,716

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(ii) Retained earnings

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

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

1) Earnings distribution

On June 13, 2023, the shareholders' meetings resolved to distribute the 2022 earnings. The earning was appropriated as follows:

	For the year ended December 31, 2022	
	Amount per share	Amount
Dividends distributed to ordinary shareholders		
Cash	\$ 0.10	<u>\$ 13,998</u>

(iii) Other equity, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (loss)	Total
Balance at January 1, 2023	\$ (95,020)	145,895	50,875
Exchange differences on foreign operations	(13,457)	-	(13,457)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	154,720	154,720
Disposal of equity instrument measured at fair value through other comprehensive income	-	(1,198)	(1,198)
Balance on December 31, 2023	<u>\$ (108,477)</u>	<u>299,417</u>	<u>190,940</u>

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (loss)	Total
Balance on January 1, 2022	\$ (113,941)	115,041	1,100
Exchange differences on foreign operations	18,921	-	18,921
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	30,854	30,854
Balance on December 31, 2022	<u>\$ (95,020)</u>	<u>145,895</u>	<u>50,875</u>

(r) Earnings per share

The Company's earnings per share were calculated as follows:

(i) Basic earnings per share

	For the years ended December 31,	
	2023	2022
Profit attributable to ordinary shareholders of the Company	<u>\$ (140,283)</u>	<u>172,029</u>
Weighted average number of ordinary shares outstanding (thousand shares)	<u>139,983</u>	<u>139,983</u>
Basic earnings per share (NTD)	<u>\$ (1.00)</u>	<u>1.23</u>

(ii) Diluted earnings per share

	For the years ended December 31,	
	2023	2022
Profit attributable to ordinary shareholders of the Company	<u>\$ (140,283)</u>	<u>172,029</u>
Weighted average number of ordinary shares outstanding (thousand shares)	<u>\$ 139,983</u>	<u>139,983</u>
Effect of dilutive potential ordinary shares Employee stock	<u>-</u>	<u>191</u>
Weighted average number of ordinary shares outstanding (diluted)	<u>139,983</u>	<u>140,174</u>
Diluted earnings per share (NTD)	<u>\$ (1.00)</u>	<u>1.23</u>

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(s) Revenue from contracts with customers

	For the years ended December 31,	
	2023	2022
Sale of goods revenue	\$ 482,595	561,288
Other operating revenue	3,161	2,893
Total	\$ 485,756	564,181

Pertinent information on the Company's revenue from contracts with customers for the years ended 2023 and 2022 was as follows:

(i) Disaggregation of revenue

	2023		
	Electronics component products segment	Electronics appliance segment	Total
Sale of goods revenue	\$ 240,543	242,052	482,595
Other operating revenue	3,161	-	3,161
Total	\$ 243,704	242,052	485,756
Timing of revenue recognition:			
At a point in time	\$ 243,704	242,052	485,756

	2022		
	Electronics component products segment	Electronics appliance segment	Total
Sale of goods revenue	\$ 393,151	168,137	561,288
Other operating revenue	2,837	56	2,893
Total	\$ 395,988	168,193	564,181
Timing of revenue recognition:			
At a point in time	\$ 395,988	168,193	564,181

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(ii) Contract balances

A) Contract liabilities

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities — Sale of goods	\$ 18,369	6,824	2,116

Material movements in the balance of the Company's contract liabilities for the years ended December 31, 2023 and 2022, are detailed as follows:

	For the years ended December 31,	
	2023	2022
Opening balances are transferred to income for the current period	\$ (6,778)	(2,116)
Increase in advances received in the period (excluding the amount incurred and transferred to revenue in the period)	18,323	6,824
Net movement for the period	\$ 11,545	4,708

(t) Remunerations to employees and directors

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

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.

For the year ended December 31, 2023, the Company incurred net loss after tax and thus did not recognized remuneration to employees and directors.

The remunerations to employees and directors for the year ended December 31, 2022, were amounted to \$2,942 thousand and \$588 thousand, respectively. These remunerations were expensed under the salary expense. The remunerations to employees and directors were resolved by the Board of Directors to be distributed in cash on March 7, 2023. There was no difference between the amount recognized and approved by the Board of Directors.

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(u) Non-operating income and expenses

(i) Interest income

Details of interest income of the Company were as follow:

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 6,924	407
Interest income from financial assets measured at amortized cost	6,096	8,303
Others	24	1,611
	\$ 13,044	10,321

(ii) Other income

	For the years ended December 31,	
	2023	2022
Rental income	\$ 6,697	7,704
Dividend income	258	210
Other income	7,686	7,260
	\$ 14,641	15,174

(iii) Other gains and losses

	For the years ended December 31,	
	2023	2022
Net losses on disposals of property, plant and equipment	\$ (1,073)	(999)
Foreign exchange gains, net	1,768	26,424
(Losses) gains on financial assets measured at fair value through profit or loss	3,020	(1,901)
Impairment (reversal) on assets	(1,441)	2,388
Compensation losses	-	(6,885)
Others	(1,259)	(1,467)
	\$ 1,015	17,560

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(iv) Finance costs

	For the years ended December 31,	
	2023	2022
Bank borrowings	\$ 14,973	11,378
Interest expense of lease liabilities	94	103
Others	58	7
	\$ 15,125	11,488

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration of credit risk

As of December 31, 2023 and 2022, the Company assessed the concentrations of credit risk arising from the major top three customers, at percentages of 60% and 48%, respectively, of the total notes and accounts receivable. The concentrations of credit risk of the remaining accounts receivable are relatively small.

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

For credit risk exposure of notes and accounts receivable, please refer to Note 6(e); and of other receivables, please refer to Note 6(f). Other financial assets 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
December 31, 2023				
Gross carrying amounts	\$ 3,189	40	5,363	8,592
Loss allowance	-	-	(5,363)	(5,363)
Carrying amount	\$ 3,189	40	-	3,229

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

	12—month ECL	Lifetime ECL— not credit impaired	Lifetime ECL— credit impaired	Total
December 31, 2022				
Gross carrying amounts	\$ 3,745	-	5,363	9,108
Loss allowance	-	-	(5,363)	(5,363)
Carrying amount	<u>\$ 3,745</u>	<u>-</u>	<u>-</u>	<u>3,745</u>

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

	For the year ended December 31, 2023			
	12—month ECL	Lifetime ECL— not credit impaired	Lifetime ECL— credit impaired	Total
Balance at December 31, 2023 (Balance at January 1, 2023)	<u>\$ -</u>	<u>-</u>	<u>5,363</u>	<u>5,363</u>

	For the year ended December 31, 2022			
	12—month ECL	Lifetime ECL— not credit impaired	Lifetime ECL— credit impaired	Total
Balance at January 1, 2022	\$ -	-	11,869	11,869
Reversal of impairment loss	-	-	(6,506)	(6,506)
Balance at December 31, 2022	<u>\$ -</u>	<u>-</u>	<u>5,363</u>	<u>5,363</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
December 31, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 18,000	18,405	18,405	-	-	-
Long-term borrowing	999,000	1,089,621	44,732	87,919	956,970	-
Accounts payable (including related parties)	111,705	111,705	111,705	-	-	-
Other payables (including related parties)	26,172	26,172	26,172	-	-	-
Guarantee deposit received	2,268	2,268	2,268	-	-	-
Lease liabilities	7,560	7,645	6,396	1,249	-	-
	<u>\$ 1,164,705</u>	<u>1,255,816</u>	<u>209,678</u>	<u>89,168</u>	<u>956,970</u>	<u>-</u>

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

	Carrying amount	Contractual cash flow	Within 1 year	2-3 years	4-5 years	Over 5 years
December 31, 2022						
Non-derivative financial liabilities						
Long-term borrowings	\$ 731,000	798,774	24,986	49,329	48,469	675,990
Accounts payable (including related parties)	107,143	107,143	107,143	-	-	-
Other payables (including related parties)	96,412	96,412	96,412	-	-	-
Guarantee deposit received	2,355	2,355	2,355	-	-	-
Lease liabilities	5,317	5,376	3,449	1,927	-	-
	\$ 942,227	1,010,060	234,345	51,256	48,469	675,990

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

(iii) Market risk

1) Currency risk

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

Foreign currency thousand

December 31, 2023				
	Foreign currency	Exchange rate	TWD	
Financial assets				
Monetary items				
USD	\$	11,858	30.7050	364,100
HKD		2,730	3.9290	10,726
CNY		900	4.3350	3,902
JPY		29,626	0.2172	6,435
Financial liabilities				
Monetary items				
USD		1,840	30.7050	56,497
December 31, 2022				
	Foreign currency	Exchange rate	TWD	
Financial assets				
Monetary items				
USD	\$	14,423	30.7100	442,942
HKD		2,065	3.9380	8,132
CNY		25,519	4.4090	112,511
JPY		20,084	0.2324	4,668
Financial liabilities				
Monetary items				
USD		1,941	30.7100	59,606

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

2) Sensitivity analysis

The Company'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 December 31, 2023 and 2022, a strengthening (weakening) of 1% of the exchange rate of the functional currency of the Company against the main foreign currencies would have increased (decreased) profit (loss) before tax by \$3,287 thousand and \$5,086 thousand for the years ended December 31, 2023 and 2022, 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 Company has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2023 and 2022, net foreign exchange gains (including realized and unrealized portions) amounted to \$1,768 thousand, and \$26,424 thousand, respectively.

4) Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Company'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 assets 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 Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 10 basis points, the Company's net income (loss) would have increased / decreased by \$1,017 thousand and \$731 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variable factors remaining constant. This is mainly due to the Company'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 years ended December 31,			
	2023		2022	
			Other comprehensive income after tax	Net income
Prices of securities at the reporting date	Other comprehensive income after tax	Net income (loss)	Other comprehensive income after tax	Net income (loss)
Increase by 1%	\$ 8,363	57	5,839	77

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

Decrease by 1%	\$	(8,363)	(57)	(5,839)	(77)
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(iv) Fair value information

1) Types and fair value of financial instruments

Financial assets and liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company'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:

	December 31, 2023				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Stocks	\$ 5,670	5,670	-	-	5,670
Financial assets at fair value through other comprehensive income					
Stocks	836,346	825,972	-	10,374	836,346
Financial assets at amortized cost					
Cash and cash equivalents	334,142	-	-	-	-
Financial assets at amortized cost	2,488	-	-	-	-
Notes and accounts receivable (including related parties)	115,952	-	-	-	-
Other receivables	3,229	-	-	-	-
Refundable deposits	2,605	-	-	-	-
Subtotal	458,416	-	-	-	-
Total	<u>\$ 1,300,432</u>	<u>831,642</u>	<u>-</u>	<u>10,374</u>	<u>842,016</u>

(Continued)

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

December 31, 2023					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Short-term borrowings	\$ 18,000	-	-	-	-
Long-term borrowings	999,000	-	-	-	-
Accounts payable (including related parties)	111,705	-	-	-	-
Other payables (including related parties)	26,172	-	-	-	-
Guarantee deposits received	2,268	-	-	-	-
Lease liabilities	7,560	-	-	-	-
Total	\$ 1,164,705	-	-	-	-
December 31, 2022					
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Stocks	\$ 7,746	7,746	-	-	7,746
Financial assets at fair value through other comprehensive income					
Stocks	583,913	583,913	-	-	583,913
Financial assets at amortized cost					
Cash and cash equivalents	97,613	-	-	-	-
Financial assets at amortized cost	403,380	-	-	-	-
Notes and accounts receivable (including related parties)	144,351	-	-	-	-
Other receivables	3,745	-	-	-	-
Refundable deposits	1,821	-	-	-	-
Subtotal	650,910	-	-	-	-
Total	\$ 1,242,569	591,659	-	-	591,659

(Continued)

FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

		December 31, 2022				
		Amount	Fair value			Total
			Level 1	Level 2	Level 3	
Financial liabilities at amortized cost						
Long-term borrowings	\$	731,000	-	-	-	-
Accounts payable (including related parties)		107,143	-	-	-	-
Other payables (including related parties)		96,412	-	-	-	-
Guarantee deposits received		2,355	-	-	-	-
Lease liabilities		5,317	-	-	-	-
Total	\$	942,227	-	-	-	-

- 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 a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable 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 years ended December 31, 2023 and 2022.

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Opening balance January 1, 2023	\$ -
Total gains and losses recognized	
In other comprehensive income	5,374
Purchased	5,000
Ending balance December 31, 2023	\$ 10,374

The aforementioned gains and losses were recognized as "unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income".

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

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through comprehensive income".

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 at fair value through other comprehensive income—equity instruments without an active market	Market approach	• Market liquidity discount rate (15.7% as of December 31, 2023))	• The higher the market liquidity discount rate, the lower the fair value.

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

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

The Company'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
Decebmer 31, 2023				
Financial assets measured at fair value through other comprehensive income				
The fair value of equity instruments without an active market—market approach	Market liquidity discount	1%	121	(121)
	Price to book ratio	1%	110	(99)

The management of the Company is responsible for the fair value verification. With independent source data, 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 Company and are analyzed on each reporting date to ensure that the evaluation results are reasonable.

(w) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Company' s risk management objectives are to manage market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures, and manages the aforementioned risks based on the Company' s policies and risk preferences.

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

The Company has established appropriate policies, procedures, and internal controls, for its financial risk management. Significant financial activities shall be reviewed by the Board of Directors and Audit Committee based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(iii) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivable and other receivables) and financing activities (primarily for bank deposits and financial instruments).

Credit risk is managed by each business unit subject to the policy, procedures and control relating to credit risk management. Credit limits are established for all counterparties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counterparties' credit risk will also be managed by taking credit enhancing instruments, such as advance receipts and insurance to reduce the credit risk of specific counterparties.

Credit risk from bank deposits and other financial instruments is managed by the Group's finance department in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and investment-grade financial institutions, companies and government entities with good credit ratings. Consequently, there is no significant credit risk for these counterparties.

The Company adopted IFRS 9 to assess the expected credit losses.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(iv) Liquidity risk

The Company maintains financial flexibility through contracts such as cash and cash equivalents, highly liquid securities and bank loans.

(v) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise of currency risk, interest rate risk, and other price risks (such as equity instrument price risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually connections between risk variables. However, the sensitivity analysis disclosed below does not consider the interdependencies between risk variables.

1) Currency risk

The Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries are the main sources of foreign exchange rate risk.

The Company's certain foreign currency receivables are denominated in the same

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

currency as the foreign currency payables, in which case a significant portion of the receivables will have a natural hedge effect. Based on the aforementioned natural hedge to manage the exchange rate risk does not meet the requirements of hedge accounting, therefore, hedge accounting is not applied; in addition, the net investment in foreign subsidiaries is a strategic investment, therefore, the Company does not hedge it.

2) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from floating-rate borrowings.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rates. Hedge accounting does not apply because the Group does not meet the requirements for hedge accounting.

3) Other market price risk

The domestic listed equity securities that the Company holds are susceptible to market price risk arising from uncertainties about future values of the investment securities. The domestic listed equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

(x) Capital management

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

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

For the year ended December 31, 2023, the right-of-use assets that the Company acquired by leasing were \$6,637 thousand. For the year ended December 31, 2022, the Company did not occur non-cash investing activities.

Reconciliation of liabilities arising from non-cash financing activities for the year ended December 31, 2023, was as follows:

	January 1, 2023	Cash flows	Non-cash changes Other	December 31, 2023
Lease liabilities	\$ 5,317	(4,394)	6,637	7,560

For the year ended December 31, 2022, the Company did not occur non-cash financing activities.

(7) Related-party transactions

(a) Parent company and ultimate controlling party

Tatung Co. is both the parent company and the ultimate controlling party of the Company. It owns 29.03 percent of all shares outstanding of the Company, and has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Company
Tatung Corporation	The parent company
Suzhou Forward Electronics Technology Co., Ltd.	Subsidiary
Forward Electronics Equipment (Dong Guan) Co., Ltd.	Subsidiary
Forward Intelligent Energy Co., Ltd.	Subsidiary
Tatung System Technologies Inc.	Other related party
Tatung Consumer Products (Taiwan) Co., Ltd.	Other related party
Tatung Co. of Japan, Inc.	Other related party
The Joint Welfare Committee of Tatung	Other related party
Elitegroup Computer System Co., Ltd.	Other related party
Chyun Huei Business Technology Inc.	Other related party
Employee Welfare Committee of Forward Electronics Corporation	Other related party
Shan-Chih Asset Development Co., Ltd.	Other related party

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(c) Significant transactions with related parties

(i) Sales

	For the years ended December 31,	
	2023	2022
The parent company	\$ 1	1,331
Subsidiary		
Suzhou Forward Electronics Technology Co., Ltd.	11,289	19,189
Other related parties		
Tatung Consumer Products (Taiwan) Co., Ltd.	2,214	1,850
	\$ 13,504	22,370

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 years ended December 31,			
	2023		2022	
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) Purchases

	For the years ended December 31,	
	2023	2022
Subsidiary		
Suzhou Forward Electronics Technology Co., Ltd.	\$ 170,052	113,371
Other related parties		
Tatung Consumer Products (Taiwan) Co., Ltd.	9	1,039
	\$ 170,061	114,410

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

	For the years ended December 31 ,			
	2023		2022	
Location	Related party	Arm' s length suppliers	Related party	Arm' s length suppliers
Foreign	T/T 30-150 days or DA 120 days after acceptance	T/T 30-150 days or L/C after acceptance	T/T 30-150days or DA 120 days after acceptance	T/T 30-150 days or L/C after acceptance
Domestic	30-120 days after acceptance	30-120 days after acceptance	30-120 days after acceptance	30-120 days after acceptance

(iii) Receivables from related parties

Account	Relationship	December 31, 2023	December 31, 2022
Accounts receivables — related parties	The parent company	\$ -	-
	Subsidiary		
	Suzhou Forward Electronics Technology Co., Ltd.	3,667	8,704
	Other related parties		
	Tatung System Technologies Inc.	106	1,355
		3,773	10,059
	Less: loss allowance	-	-
	Total	<u>\$ 3,773</u>	<u>10,059</u>
Other receivables — related parties	The parent company	\$ 2,136	2,810
	Subsidiary		
	Forward Intelligent Energy Co., Ltd.	74	-
	Subtotal	2,210	2,810
	Less: loss allowance	-	-
	Total	<u>\$ 2,210</u>	<u>2,810</u>

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(iv) Payables to related parties

Account	Relationship	December 31, 2023	December 31, 2022
Accounts payable — related parties	Subsidiary		
	Suzhou Forward Electronics Technology Co., Ltd.	\$ 50,083	48,646
"	Other related parties		
	Tatung Co. of Japan, Inc.	-	-
	Tatung System Technologies Inc.	8	285
	Tatung Consumer Products (Taiwan) Co., Ltd.	47	29
	Total	<u>\$ 50,138</u>	<u>48,960</u>
Other payables — related parties	The parent company	\$ 1,159	293
"	Other related parties		
	Employee Welfare Committee of Forward Electronics Corporation	13	16
	Chyun Huei Business Technology Inc.	13	13
	The Joint Welfare Committee of Tatung	13	16
	Total	<u>\$ 1,198</u>	<u>338</u>

(v) Rental income

	For the years ended December 31,
	2023 2022
The parent company	<u>\$ 5,678 5,678</u>

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

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(vi) Non-operating income

		For the years ended December 31,	
		2023	2022
System support services			
Suzhou Forward Electronics Technology Co., Ltd.	\$	2,009	2,673
Forward Electronics Equipment (Dong Guan) Co., Ltd.		3,621	-
Subtotal		5,630	2,673
Operating services			
Forward Intelligent Energy Co., Ltd.		280	-
	\$	5,910	2,673

(vii) Operating service fee

For the years ended December 31, 2023 and 2022, an expense incurred from the parent company of the Company providing administrative support services to the Company amounted to \$3,000 thousand, which were recorded under management expenses.

(viii) Lease

In December 2023, the Company rented an office building from Shan-Chih Asset Development Co., Ltd., to be used as its headquarter. A thirteen-month lease contract was signed, in which the rental fee is determined based on nearby office rental rates. The total value of the contract was \$3,946 thousand. For the year ended December 31, 2023, the Company recognized the amount of \$6 thousand as interest expense. As of December 31, 2023, the balance of lease liabilities amounted to \$3,434 thousand.

(d) Key management personnel compensation

		For the years ended December 31,	
		2023	2022
Short-term employee benefits	\$	7,170	7,654
Post-employment benefits		251	280
	\$	7,421	7,934

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

(8) Assets pledged as security

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Land	Long-term and short-term bank borrowings guarantee	\$ 463,378	463,378
Buildings and structures	Long-term and short-term bank borrowings guarantee	52,788	65,313
Financial assets at amortized cost — current	Customs guarantee	2,488	2,455
Other non-current assets — refundable deposits	Security deposits for court	1,331	1,331
Total		<u>\$ 519,985</u>	<u>532,477</u>

(9) Commitments and contingencies: None

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other

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

By item	By function	For the years ended December 31					
		2023			2022		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		93,490	25,260	118,750	112,394	27,286	139,680
Labor and health insurance		10,432	2,362	12,794	11,882	2,476	14,358
Pension		4,498	1,131	5,629	5,367	1,272	6,639
Remuneration of directors		-	4,612	4,612	-	4,780	4,780
Others		5,296	76	5,372	5,139	74	5,213
Depreciation		21,769	2,900	24,669	20,922	1,896	22,818
Amortization		217	-	217	259	-	259

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FORWARD ELECTRONICS CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022, the information on the number of employees and employee benefit expense of the Company is as follows:

	<u>2023</u>	<u>2022</u>
Number of employees	<u>233</u>	<u>270</u>
Number of Directors (non-employee)	<u>7</u>	<u>7</u>
Average employee benefits expense	<u>\$ 631</u>	<u>631</u>
Average employee salary expense	<u>\$ 525</u>	<u>531</u>
Percentage of average employee salary expense	<u>(1.13)%</u>	<u>(6.35)%</u>
Remuneration of supervisors	<u>\$ -</u>	<u>-</u>

Information regarding the Company's remuneration policy (including directors, supervisors, managers, employees) is shown below:

The remuneration of directors is determined in accordance with the remuneration plan for independent directors and the remuneration plan for directors approved by the Remuneration Committee and the Board of Directors of the Company, and is based on their participation in and contribution to the operations of the Company at the same level as their peers. The remuneration of the manager is based on the position, contribution to the Company, and in accordance with Article 24 of the Company's Articles of Incorporation and the Personnel Regulations. The procedure for determining remuneration is based on the overall operational performance of the Company, future operational risks and development trends of the industry, as well as the individual's performance achievement rate and contribution to the Company, with a view to providing reasonable remuneration and minimizing the possibility of future operational risks. The remuneration system is reviewed from time to time in light of actual operating conditions and relevant laws and regulations, in order to strike a balance between sustainable operation and risk control.

Please refer to Note 6(t) for the policy, estimation and distribution of employee and director remuneration.

(Continued)

(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 December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): Please refer to attachment 1.
 - (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to attachment 2.
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
 - (ix) Trading in derivative instruments: None.
- (b) Information on investees: Please refer to attachment 3.
- (c) Information on investment in mainland China: Please refer to attachment 4.
- (d) Major shareholders: Please refer to attachment 5.

(14) Segment information

The Company has provided the operating segments disclosure in the consolidated financial statements.

FORWARD ELECTRONICS CO., LTD. FINANCIAL STATEMENTS (CONTINUED)

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

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

Company holding securities	Security type and name (Note 1)	Relationship with the Company (Note 2)	Account	Ending balance				Remark
				Units/shares	Carrying value (Note 3)	Percentage of ownership (%)	Market value (or net value)	
Forward Electronics Co., Ltd.	Stock—Elitegroup Computer Systems Co., Ltd.	Affiliated company	Current financial assets at fair value through profit or loss	180,000	5,670	0.03	5,670	
	Stock—Tatung Co., Ltd	Parent-subsidiary	Non-current financial assets at fair value through other comprehensive income	19,666,000	825,972	0.84	825,972	
	Stock—GaN Power Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	500,000	10,374	1.10	10,374	
Suzhou Forward Electronics Technology Co., Ltd.	Stock—Nanjing Global Display Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	-	-	17.29	-	
	Financial products	-	Non-current financial assets at fair value through profit or loss	-	108,375 (RMB 25,000)	-	108,375 (RMB 25,000)	

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

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

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

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

ATTACHMENT 2: Related party transactions for purchases and sales amounts exceeding \$100 million or 20% of capital stock

Purchaser (seller)	Related party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount (Note 1)	Percentage of total purchases (sales) (%)	Credit Term	Unit price	Credit Term	Balance	Percentage of total (%)	
Forward Electronics Co., Ltd.	Suzhou Forward Electronics Technology Co., Ltd.	Parent-subsidiary	Purchases	\$170,052	56.07%	90-120	-	-	\$50,083	44.84%	Note

Note 1: The transactions among the consolidated entities were eliminated in the consolidated financial statements.

FORWARD ELECTRONICS CO., LTD. FINANCIAL STATEMENTS (CONTINUED)

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

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

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Ending balance			Net income (loss) of the investee	Investment income (loss) recognized by the Company	Remark
				December 31, 2023	December 31, 2022	Shares	Percentage (%)	Carrying value			
Forward Electronics Co., Ltd.	Forward Development Co., Ltd.	British Virgin Islands	Investment in production business, etc.	592,560 (USD 19,298) (Note 1)	592,560 (USD 19,298) (Note 1)	-	100.00	773,316	(78,812)	(78,902)	(Note 2)
	Forward Intelligent Energy Co., Ltd.	Taiwan	Carbon reduction, energy conservation, and energy storage related business	290,000		29,000,000	100.00	285,509	(4,491)	(4,491)	
	Gintung Energy Co., Ltd.	Taoyuan City	The manufacturing and sale of solar module and related component	355,296	355,296	5,398,269	14.59	-	9,535	-	(Note 3)

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

Note 2 : The difference, amounting to \$90 thousand, between net income of Forward Development Co., Ltd. and the investment income recognized is the unrealized loss on downstream transactions between Forward Electronics Co., Ltd. and Forward Development Co., Ltd..

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

FORWARD ELECTRONICS CO., LTD. FINANCIAL STATEMENTS (CONTINUED)
(Amounts in Thousands of New Taiwan Dollars/ Foreign Currencies, Unless Specified Otherwise)

ATTACHMENT 4: Information on Investment in Mainland China

Investor company	Name of investee	Main businesses	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (loss) of the investee company	Percentage of ownership	Investment income (loss) recognized (Note 2 and 3)	Carrying Value as of December 31, 2023 (Note 3)	Accumulated inward remittance of earnings as of December 31, 2023
						Outflow	Inflow						
Forward Development	Forward Electronics Equipment (Dong Guan) Co., Ltd	Factory leasing business	USD 4,600	(2) (Note 4)	141,226	-	-	141,226	11,023	100.00%	11,023	197,758	24,994 USD 814
	Suzhou Forward Electronics Technology Co., Ltd.	The manufacturing and sale of backlight unit for TFT-LCD, driving board, tuner, keyboard, mouse, switch, socket and connector	USD 12,200	(2) (Note 4)	-	-	-	-	(89,829)	100.00%	(89,829)	576,168	711,005 USD 23,156

Accumulated investment in Mainland China as of December 31, 2023	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 5)
\$141,266	\$692,858 (USD 22,565)	\$1,005,096

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

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

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

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

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

US dollars exchange rate on December 31, 2023 : 30.705

RMB exchange rate on December 31, 2023 : 4.335

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

Note 5 : In accordance with the regulations of the Investment Review Committee of the Ministry of Economic Affairs, the calculation is based on the higher of net value or combined net value.

FORWARD ELECTRONICS CO., LTD. FINANCIAL STATEMENTS (CONTINUED)

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

ATTACHMENT 5: Information on major shareholders

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

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

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

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

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

6.5. Consolidated Financial Statements audited and certified by accountants for the most recent fiscal year.

Representation Letter

The entities that are required to be included in the combined financial statements of Forward Electronics Co., Ltd. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Forward Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Forward Electronics Co., Ltd.
Chairman: Hung, Chi-Chang
Date: March 4, 2024.

Independent Auditors’ Report

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

Opinion

We have audited the consolidated financial statements of Forward Electronics Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

For the accounting policy of revenue recognition, please refer to Note 4(p) of the consolidated financial statements; for the description of revenue recognition, please refer to Note 6(u) of the consolidated financial statements.

Description of key audit matter:

The Group's revenue is recognized when the performance obligations is satisfied, which depends on the various trade terms agreed with customers. Therefore, the accuracy of revenue recognition is considered to be one of the most significance in the audit.

How the matter was addressed in our audit:

- Understand and test the internal control design and implementation of the sales cycle.
- Sample the original orders or contracts and review the transaction terms in order to evaluate whether the timing of revenue recognition is correct.
- Perform the cut-off point test during the periods before and after the balance sheet date, and assess that sales revenue is recognized in an appropriate period.
- Perform sales analysis procedures, and check whether there are major sales returns and discounts after the period, so as to confirm the rationality of revenue recognition.

2. Impairment of non-financial assets

For the accounting policy of non-financial assets impairment, please refer to Note 4(n) of the consolidated financial statements; for the description of impairment assessment of real estate, plant and equipment, please refer to Note 6(h) of the consolidated financial statement.

Description of key audit matter:

The prosperity of the industry where the Group is located is affected by market environment factors and economic influences, resulting in unfavorable changes to the Group. Therefore, the assessment of non-financial asset impairment is important. Since the evaluation process of impairment depends on the subjective judgment and estimation of the management, it is with a high degree of estimation uncertainty. Therefore, the impairment of non-financial assets is considered to be one of the most significance in the audit.

How the matter was addressed in our audit:

- Understand the relevant policies of the Group on impairment assessment.
- Evaluate the professional competence, competency and objectivity of management experts of the Group.
- For the recoverable amount determined by the management based on the independent evaluation report issued by a third party, we reviewed the reasonableness of the relevant assumptions, evaluated the qualification and independence of the appraiser.
- Inspect whether the book value of the Group's non-financial assets is consistent with the results of the evaluation report.

Other Matter

Forward Electronics Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 4, 2024

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit 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****December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
Assets					
Current assets:					
1100	Cash and cash equivalents (Note 6(a))	\$ 1,132,328	36	461,594	16
1110	Current financial assets at fair value through profit or loss (Note 6(b))	5,670	-	7,746	-
1136	Current financial assets at amortized cost (Notes 6(d) and 8)	2,488	-	403,380	14
1150	Notes receivable, net (Note 6(e))	5,511	-	9,770	-
1170	Accounts receivable, net (Note 6(e))	192,109	7	272,876	10
1180	Accounts receivable—related parties, net (Notes 6(e) and 7)	106	-	1,355	-
1200	Other receivables (Notes 6(f) and 7)	6,592	-	5,679	-
1220	Current tax assets	1,478	-	-	-
130X	Inventories (Note 6(g))	92,297	3	147,141	5
1410	Prepayments	2,545	-	11,743	-
1470	Other current assets	1,550	-	1,497	-
	Total current assets	1,442,674	46	1,322,781	45
Non-current assets:					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	108,375	3	220,450	7
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	836,346	28	583,913	21
1600	Property, plant and equipment (Notes 6(h) and 8)	557,869	18	600,629	20
1755	Right-of-use assets (Note 6(i))	15,424	-	32,823	1
1760	Investment property, net (Note 6(j))	10,719	-	16,873	1
1780	Intangible assets	427	-	405	-
1840	Deferred tax assets (Note 6(r))	68,941	2	86,394	3
1920	Refundable deposits (Note 8)	6,700	-	5,986	-
1930	Long-term receivables (Notes 6(e) and (k))	50,998	2	43,833	1
1975	Non-current net defined benefit assets (Note 6(q))	32,132	1	30,996	1
		1,687,931	54	1,622,302	55
Total assets		\$ 3,130,605	100	2,945,083	100
		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term borrowings (Notes 6(l) and 8)	\$ 18,000	-	-	-
2130	Current contract liabilities (Notes 6(u) and 7)	20,358	1	9,621	-
2170	Accounts payable	111,745	4	107,505	4
2180	Accounts payable—related parties (Note 7)	55	-	314	-
2200	Other payables (Note 6(m))	45,941	1	110,834	4
2220	Other payables—related parties (Note 7)	1,198	-	338	-

See accompanying notes to consolidated financial statements.

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

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

2230	Current tax liabilities	-	-	5,099	-
2250	Current provisions	7,108	-	3,351	-
2280	Current lease liabilities (Note 6(o))	15,779	1	28,347	1
2322	Long-term borrowings, current portion (Notes 6(n) and 8)	24,000	1	12,000	1
2399	Other current liabilities	2,962	-	2,954	-
	Total current liabilities	<u>247,146</u>	<u>8</u>	<u>280,363</u>	<u>10</u>
	Non-Current liabilities:				
2540	Long-term borrowings (Notes 6(n) and 8)	975,000	32	719,000	24
2570	Deferred tax liabilities (Note 6(r))	215,066	7	233,042	8
2580	Non-current lease liabilities (Note 6(o))	10,999	-	14,686	1
2645	Guarantee deposits received	5,755	-	7,094	-
2670	Other non-current liabilities	1,479	-	1,479	-
	Total non-current liabilities	<u>1,208,299</u>	<u>39</u>	<u>975,301</u>	<u>33</u>
	Total liabilities	<u>1,455,445</u>	<u>47</u>	<u>1,255,664</u>	<u>43</u>
	Equity (Note 6(s)):				
3100	Share capital	1,399,830	45	1,399,830	48
3200	Capital surplus	48,716	1	48,716	1
3300	Retained earnings	35,674	1	189,998	6
3400	Other equity	190,940	6	50,875	2
	Total equity	<u>1,675,160</u>	<u>53</u>	<u>1,689,419</u>	<u>57</u>
	Total liabilities and equity	<u><u>\$ 3,130,605</u></u>	<u><u>100</u></u>	<u><u>2,945,083</u></u>	<u><u>100</u></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 years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(u) and 7)	\$ 722,577	100	893,807	100
5000	Operating costs (Notes 6(g), (h), (i), (j), (q), (v) and 7)	721,991	100	811,680	91
	Gross profit from operations	586	-	82,127	9
	Operating expenses (Notes 6(e), (h), (q), (v) and 7):				
6100	Selling expenses	33,199	5	34,876	4
6200	Administrative expenses	71,076	10	54,139	6
6300	Research and development expenses	16,888	2	17,958	2
6450	Expected credit impairment loss	33,424	5	4,283	1
	Total operating expenses	154,587	22	111,256	13
	Net operating loss	(154,001)	(22)	(29,129)	(4)
	Non-operating income and expenses (Notes (f), (h), (j), (k), (o), (p), (w) and 7):				
7100	Interest income	27,740	4	33,689	3
7010	Other income	33,530	5	49,711	6
7020	Other gains and losses	(30,630)	(4)	23,845	3
7050	Finance costs	(15,868)	(2)	(12,992)	(1)
7055	Expected credit impairment (loss) gain	(1,444)	-	6,506	1
	Total non-operating income and expenses	13,328	3	100,759	12
	(Loss) profit before tax	(140,673)	(19)	71,630	8
7950	Income tax benefit (Note 6(r))	(390)	-	(100,399)	(11)
	Net (loss) income	(140,283)	(19)	172,029	19
8300	Other comprehensive income (loss):				
8310	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311	(Losses) gains on remeasurements of defined benefit plans	(1,241)	-	4,937	1
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	154,720	21	30,854	3
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive (loss) income that will not be reclassified to profit or loss	153,479	21	35,791	4
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(13,457)	(2)	18,921	2
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	(13,457)	(2)	18,921	2
8300	Other comprehensive income (after tax)	140,022	19	54,712	6
	Total comprehensive income	<u>\$ (261)</u>	<u>-</u>	<u>226,741</u>	<u>25</u>
	(Losses) earnings per share (NT dollars) (Note 6(t))				
9750	Basic (losses) earnings per share	<u>\$ (1.00)</u>		<u>1.23</u>	
9850	Diluted (losses) earnings per share	<u>\$ (1.00)</u>		<u>1.23</u>	

See accompanying notes to consolidated financial statements.

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

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	<u>Share capital</u>		<u>Retained earnings</u>			<u>Exchange differences on translation of foreign financial statements</u>	<u>Other equity</u> <u>Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income</u>	<u>Total</u>	<u>Total equity</u>
	<u>Ordinary shares</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Unappropriated retained earnings</u>	<u>Total</u>				
Balance on January 1, 2022	\$ 1,399,830	48,716	-	41,029	41,029	(113,941)	115,041	1,100	1,490,675
Net income	-	-	-	172,029	172,029	-	-	-	172,029
Other comprehensive income	-	-	-	4,937	4,937	18,921	30,854	49,775	54,712
Total comprehensive income	-	-	-	176,966	176,966	18,921	30,854	49,775	226,741
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	4,103	(4,103)	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	(27,997)	(27,997)	-	-	-	(27,997)
Balance on December 31, 2022	1,399,830	48,716	4,103	185,895	189,998	(95,020)	145,895	50,875	1,689,419
Net loss	-	-	-	(140,283)	(140,283)	-	-	-	(140,283)
Other comprehensive income	-	-	-	(1,241)	(1,241)	(13,457)	154,720	141,263	140,022
Total comprehensive income	-	-	-	(141,524)	(141,524)	(13,457)	154,720	141,263	(261)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	17,697	(17,697)	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	(13,998)	(13,998)	-	-	-	(13,998)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	1,198	1,198	-	(1,198)	(1,198)	-
Balance on December 31, 2023	\$ 1,399,830	48,716	21,800	13,874	35,674	(108,477)	299,417	190,940	1,675,160

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 years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
Cash flows from (used in) operating activities:		
(Loss) profit before tax	\$ (140,673)	71,630
Adjustments:		
Adjustments to reconcile (loss) profit		
Depreciation expense	53,366	56,586
Amortization expense	275	311
Expected credit impairment loss (gain)	34,868	(2,223)
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(3,020)	1,901
Interest expense	15,868	12,992
Interest income	(27,740)	(33,689)
Dividend income	(258)	(210)
Loss on disposal of property, plant and equipment	4,328	1,515
Impairment loss (gain) on non-financial assets	28,279	(1,481)
Gain on lease modification	(629)	-
Expense transferred from property, plant and equipment	49	-
Provisions	5,455	3,270
Total adjustments to reconcile (loss) profit	<u>110,841</u>	<u>38,972</u>
Changes in operating assets and liabilities:		
Notes receivable	4,259	8,936
Accounts receivable	61,909	(44,420)
Accounts receivable—related parties	1,249	(111)
Other receivables	(2,949)	12,962
Inventories	51,295	33,757
Prepayments	9,198	(2,490)
Other current assets	(53)	(1,497)
Long-term receivables	(19,976)	(28,571)
Net defined benefit assets	(2,377)	(1,812)
Contract liabilities	10,774	3,613
Accounts payable	4,241	(59,337)
Accounts payable—related parties	(259)	(402)
Other payables	(65,422)	55,745
Other payables—related parties	860	278
Other current liabilities	8	210
Total adjustments	<u>163,598</u>	<u>15,833</u>
Cash inflow generated from operations	22,925	87,463
Interest received	26,028	29,289
Dividends received	258	210
Interest paid	(15,162)	(12,762)
Income taxes paid	(6,710)	(10,616)
Net cash flows from operating activities	<u>27,339</u>	<u>93,584</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(103,239)	(407,174)
Proceeds from disposal of financial assets at fair value through other comprehensive income	5,526	-
Acquisition of financial assets at amortized cost	(211,954)	(482,117)
Proceeds from disposal of financial assets at amortized cost	44,782	89,969
Proceeds from maturity of financial assets at amortized cost	559,263	97,475
Acquisition of financial assets at fair value through profit or loss	-	(432,734)
Proceeds from disposal of financial assets at fair value through profit or loss	114,980	1,302,641
Acquisition of property, plant and equipment	(5,101)	(13,313)
Proceeds from disposal of property, plant and equipment	594	33
Increase in refundable deposits	(784)	(62)
Net cash flows from investing activities	<u>404,067</u>	<u>154,718</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	18,000	-
Decrease from long-term borrowings	280,000	-
Repayments of long-term borrowings	(12,000)	(12,000)
Increase in guarantee deposits received	-	437
Decrease in guarantee deposits received	(1,188)	-
Payment of lease liabilities	(30,103)	(27,613)
Cash dividends paid	(13,998)	(27,997)
Net cash flows from (used in) financing activities	<u>240,711</u>	<u>(67,173)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,383)	(8,601)
Net increase in cash and cash equivalents	670,734	172,528
Cash and cash equivalents at beginning of period	461,594	289,066
Cash and cash equivalents at end of period	<u><u>\$ 1,132,328</u></u>	<u><u>461,594</u></u>

See accompanying notes to consolidated financial statements.

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

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 4, 2024..

(3) New standards, amendments and interpretations adopted

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

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

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

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (b) The impact of IFRS issued 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, 2024, would not have a significant impact on its consolidated financial statements:

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

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (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”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation.

- (ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group.

The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) 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 (%)	
			December 31, 2023	December 31, 2022
The Company	Forward Development Co., Ltd.	Investment in production business, etc.	100%	100%
The Company	Forward Intelligent Energy Co., Ltd. (Note 1)	Carbon reduction, energy conservation, and energy storage related business	100%	- %
Forward Development Co., Ltd.	Forward Electronics Equipment (Dong Guan) Co., Ltd	Factory leasing business	100%	100%
Forward Development Co., Ltd.	Suzhou Forward Electronics Technology Co., Ltd.	Manufacture and sale of TFT LCD backlight modules, switches and electronic labels, etc.	100%	100%

Note 1: Established and registered in July, 2023.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are generally recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to noncontrolling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as noncurrent.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group' s right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mis match that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, leases receivable, other receivable, refundable deposits and other financial assets) and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

1) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

2) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate' s equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group' s interests in the associate.

When the Group' s share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) **Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(k) **Property, plant and equipment**

(i) **Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) **Subsequent expenditure**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) **Depreciation**

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings and structures	2~40 years
Machineries and equipment	5~10 years
Transportation equipment	5 years
Fixtures and fittings	5 years
Leasehold improvements	3 years
Other equipment	2~5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(l) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(m) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Patents:	Amortized over the period of authorized use
Computer software:	3~5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(p) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales of electronic components are made with an average credit term of 30 to 150 days, which is consistent with the market practice. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The accounting policies in the consolidated financial statements do not involve significant judgements.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period. The information is as follows:

(a) Measurement of defined benefit obligation

Accrued pension liabilities and resulting pension expenses under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability. Refer to note 6(q) for further description of the actuarial assumptions and sensitivity analysis.

(b) Impairment of non-financial assets

During the asset impairment assessment process, the Group must rely on subjective judgments and asset usage patterns to determine the fair value, independent cash flows, the useful life of assets, and possible future income and expenses of a specific asset group. Estimated changes brought by economic environment or corporate strategies may result in impairment or reversal of recognized impairment losses in the future.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Recognition of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Changes in the economic environment, industry trends, and relevant laws and regulations may result in adjustments to the deferred tax assets. Refer to note 6(r) for further description of the recognition of deferred tax assets.

(d) The loss allowance for accounts receivable

The Group has estimated the loss allowance for trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(e).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 263	352
Demand deposits and checking deposits	681,152	342,199
Call deposits	130,050	119,043
Time deposits	320,863	-
Total	\$ 1,132,328	461,594

Please refer to Note 6(x) 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

	December 31, 2023	December 31, 2022
Mandatorily measured at fair value through profit or loss:		
Stocks listed on domestic markets	\$ 5,670	7,746
Financial products	108,375	220,450
Total	\$ 114,045	228,196
Current	\$ 5,670	7,746
Non-current	108,375	220,450
Total	\$ 114,045	228,196

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

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

	December 31, 2023	December 31, 2022
Equity instruments measured at fair value through other comprehensive income—non-current		
Stock of domestic listed companies	\$ 825,972	583,913
Stock of domestic non-listed company	10,374	-
Total	<u>\$ 836,346</u>	<u>583,913</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 year ended December 31, 2023. The fair value of Tatung Corporation at the time of disposal was \$5,526 thousand and the cumulative gain on disposal was \$1,198 thousand, therefore, the aforementioned cumulative gain on disposal was transferred from other equity to retained earnings. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments for the year ended December 31, 2022

(iii) The Group's financial assets measured at fair value through other comprehensive income have not been pledged as collateral.

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

(d) Financial assets measured at amortized cost

	December 31, 2023	December 31, 2022
Time deposit (including pledged)	<u>\$ 2,488</u>	<u>403,380</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(x).

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(e) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable from operating activities	\$ 5,539	9,798
Less: loss allowance	(28)	(28)
Subtotal	5,511	9,770
Accounts receivable	181,340	284,471
Installment accounts receivable	63,712	20,825
Less: unrealized interest revenue, installment accounts receivable	(3,083)	(2,737)
Subtotal	241,969	302,559
Less: loss allowance	(49,860)	(29,683)
Subtotal	192,109	272,876
Accounts receivable — related parties	106	1,355
Less: loss allowance	-	-
Subtotal	106	1,355
Total	<u>\$ 197,726</u>	<u>284,001</u>

(i) Credit loss

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

December 31, 2023

Notes receivable

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

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

December 31, 2022

Notes receivable

	Gross carrying amount	Weighted- aver age loss rate	Loss allowance provision
Current	\$ 9,798	0.29%	28
Less than 120 days past due	-	-%	-
121~180 days past due	-	-%	-
181~270 days past due	-	-%	-
More than 271 days past due	-	-%	-
Total	\$ 9,798		28

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Accounts receivable — assessed in group

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

Accounts receivable — assessed in individual

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

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

	For the years ended December 31,	
	2023	2022
Balance at January 1	\$ 29,711	25,445
Impairment losses recognized	33,424	4,283
Amounts written off	(441)	-
Effect of exchnage rate change	(590)	(17)
Balance at December 31	<u>\$ 62,104</u>	<u>29,711</u>

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

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(f) Other receivables

	December 31, 2023	December 31, 2022
Tax refund receivable	\$ 291	481
Earned revenue receivable	1,186	2,202
Other receivables — related parties	2,136	2,810
Other receivables — other	21,835	20,388
Other installments receivable	2,133	-
Less: unrealized interest revenue — other installments receivable	(30)	-
Subtotal	27,551	25,881
Less: loss allowance	(20,959)	(20,202)
Total	<u>\$ 6,592</u>	<u>5,679</u>

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

(g) Inventories

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

	December 31, 2023	December 31, 2022
Raw materials	\$ 46,120	77,887
Work in process	18,216	26,034
Finished goods	26,620	40,832
Merchandise	1,341	2,388
Total	<u>\$ 92,297</u>	<u>147,141</u>

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

	For the years ended December 31,	
	2023	2022
Cost of goods sold	727,506	810,494
Reversal of inventory write-downs	(2,280)	(2,399)
Scrap of inventories	4,810	11,614
Revenue from sale of scraps	(8,045)	(8,029)
Total	<u>721,991</u>	<u>811,680</u>

For the years ended December 31, 2023 and 2022, the Group recognized a loss on inventory write-downs due to the write-down of inventories to realizable value; which was recognized as cost of goods sold.

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

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Property, plant and equipment

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

		Land and improvements	Buildings and structures	Machinery	Office equipment	Transportation equipment	Leasehold improvements	Other equipment and construction in progress	Total
Cost:									
Balance on January 1, 2023	\$	463,378	186,569	286,938	27,393	4,857	43,142	211,297	1,223,574
Additions		-	630	360	1,009	29	-	2,896	4,924
Disposal		-	(4,418)	(59,399)	(1,291)	(944)	-	(32,426)	(98,478)
Reclassification		-	-	73	-	-	-	2,354	2,427
Effect of movements in exchange rates		-	-	(1,425)	(83)	(38)	(698)	(721)	(2,965)
Balance on December 31, 2023	\$	463,378	182,781	226,547	27,028	3,904	42,444	183,400	1,129,482
Balance on January 1, 2022	\$	463,378	186,190	275,499	27,129	4,843	42,529	209,507	1,209,075
Additions		-	379	8,452	382	-	-	671	9,884
Disposal		-	-	(3,674)	(203)	(31)	-	(1,018)	(4,926)
Reclassification		-	-	5,611	-	-	-	1,276	6,887
Effect of movements in exchange rates		-	-	1,050	85	45	613	861	2,654
Balance on December 31, 2022	\$	463,378	186,569	286,938	27,393	4,857	43,142	211,297	1,223,574
Depreciation and impairment losses:									
Balance on January 1, 2023	\$	-	121,256	234,139	25,071	3,850	43,142	195,487	622,945
Depreciation		-	9,149	8,094	1,132	589	-	8,350	27,314
Impairment losses recognized (reversal)		-	2,763	10,059	(107)	(73)	-	4,439	17,081
Disposal		-	(3,175)	(57,013)	(1,291)	(850)	-	(31,227)	(93,556)
Effect of movements in exchange rates		-	-	(756)	(79)	(32)	(698)	(606)	(2,171)
Balance on December 31, 2023	\$	-	129,993	194,523	24,726	3,484	42,444	176,443	571,613
Balance on January 1, 2022	\$	-	112,399	229,274	23,206	2,971	42,529	186,288	596,667
Depreciation		-	9,158	8,832	1,160	618	-	8,433	28,201
Impairment losses recognized (reversal)		-	(301)	(3,381)	825	260	-	1,116	(1,481)
Disposal		-	-	(2,174)	(192)	(28)	-	(984)	(3,378)
Effect of movement in exchange rates		-	-	1,588	72	29	613	634	2,936
Balance on December 31, 2022	\$	-	121,256	234,139	25,071	3,850	43,142	195,487	622,945
Carrying value :									
Balance on December 31, 2023	\$	463,378	52,788	32,024	2,302	420	-	6,957	557,869
Balance on January 1, 2022	\$	463,378	73,791	46,225	3,923	1,872	-	23,219	612,408
Balance on December 31, 2022	\$	463,378	65,313	52,799	2,322	1,007	-	15,810	600,629

(i) For the years ended December 31, 2023 and 2022, the Group disposed of certain property, plant and equipment, and therefore reversed the impairment loss previously recognized.

(ii) For the years ended December 31, 2023 and 2022, the Group reversed impairment loss resulting from the recoverable amount of certain property, plant and equipment of the Group is higher than the book value.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) For the years ended December 31, 2023 and 2022, the Group recognized impairment loss resulting from the write-down of certain property, plant and equipment and equipment to the recoverable amount. The estimate value in use as of December 31, 2023, was determined using a discount rate of 15%.

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

(i) Right-of-use assets

The movements in the cost, depreciation, and impairment of the leased buildings and structures and transportation equipment of the Group were as follows:

	Buildings and structures	Transportation equipment	Total
Cost:			
Balance on January 1, 2023	\$ 101,070	1,493	102,563
Additions	6,637	-	6,637
Lease modification	(51,066)	-	(51,066)
Effect of movements in exchange rate	(851)	-	(851)
Balance on December 31, 2023	<u><u>\$ 55,790</u></u>	<u><u>1,493</u></u>	<u><u>57,283</u></u>
Balance on January 1, 2022	\$ 107,133	1,493	108,626
Decrease	(7,427)	-	(7,427)
Effect of movements in exchange rate	1,364	-	1,364
Balance on December 31, 2022	<u><u>\$ 101,070</u></u>	<u><u>1,493</u></u>	<u><u>102,563</u></u>
Depreciation and impairment losses:			
Balance on January 1, 2023	\$ 68,952	788	69,740
Depreciation	22,210	498	22,708
Impairment losses recognized	7,842	-	7,842
Lease modification	(57,777)	-	(57,777)
Effect of movements in exchange rates	(654)	-	(654)
Balance on December 31, 2023	<u><u>\$ 40,573</u></u>	<u><u>1,286</u></u>	<u><u>41,859</u></u>
Balance on January 1, 2022	\$ 54,441	290	54,731
Depreciation	21,306	498	21,804
Decrease	(7,427)	-	(7,427)
Effect of movements in exchange rates	632	-	632
Balance on December 31, 2022	<u><u>\$ 68,952</u></u>	<u><u>788</u></u>	<u><u>69,740</u></u>
Carrying value:			
Balance on December 31, 2023	<u><u>\$ 15,217</u></u>	<u><u>207</u></u>	<u><u>15,424</u></u>
Balance on January 1, 2022	<u><u>\$ 52,692</u></u>	<u><u>1,203</u></u>	<u><u>53,895</u></u>
Balance on December 31, 2022	<u><u>\$ 32,118</u></u>	<u><u>705</u></u>	<u><u>32,823</u></u>

The Group's right-of-use assets had not been pledged as collateral as of December 31, 2023 and 2022.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) Investment property

The movement in the investment property were as follows:

	Owned property	Right-of-use assets	
	Buildings and structures	Buildings and structures	Total
Balance on January 1, 2023	\$ 64,693	29,009	93,702
Lease modification	-	(18,331)	(18,331)
Effect on movements in exchange rates	(1,085)	(235)	(1,320)
Balance on December 31, 2023	\$ 63,608	10,443	74,051
Balance on January 1, 2022	\$ 63,740	28,581	92,321
Effect on movements in exchange rates	953	428	1,381
Balance on December 31, 2022	\$ 64,693	29,009	93,702
Accumulated depreciation:			
Balance on January 1, 2023	\$ 55,910	20,919	76,829
Depreciation	1,255	2,089	3,344
Impairment loss	-	3,287	3,287
Lease modification	-	(19,009)	(19,009)
Effect on movements in exchange rates	(956)	(163)	(1,119)
Balance on December 31, 2023	\$ 56,209	7,123	63,332
Balance on January 1, 2022	\$ 53,971	15,261	69,232
Depreciation	1,135	5,446	6,581
Effect on movements in exchange rates	804	212	1,016
Balance on December 31, 2022	\$ 55,910	20,919	76,829
Carrying value:			
Balance on December 31, 2023	\$ 7,399	3,320	10,719
Balance on January 1, January 1, 2022	\$ 9,769	13,320	23,089
Balance on December 31, 2022	\$ 8,783	8,090	16,873
Fair value:			
Balance on December 31, 2023		\$ 127,687	
Balance on January 1, 2022		\$ 135,307	
Balance on December 31, 2022		\$ 134,550	

The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Fair value was measured using the income approach—Discounted Cash Flow. The input value and quantified information was as follow:

	2023	2022
Discount rate	9.50%~12.15%	3.35%~9.50%

Rental income and direct operating expense from investment property refer to note 6(p).

The Group' s investment property had not been pledged as collateral as of December 31, 2023 and 2022.

(k) Long-term receivables

	December 31, 2023	December 31, 2022
Long-term receivable	\$ 11,119	15,262
Long-term installment receivable	52,814	30,207
Other long-term installment receivable	976	-
Less: unrealized interest revenue — long-term installment receivable	(1,265)	-
unrealized interest revenue — other long-term installment receivable	(12)	(1,636)
Subtotal	63,632	43,833
Less: loss allowance — long-term installment receivable	(12,216)	-
loss allowance — other long-term installment receivable	(418)	-
Total	<u>\$ 50,998</u>	<u>43,833</u>

(l) Short-term borrowings

	December 31, 2023
Secured bank loans	<u>\$ 18,000</u>
Unused short-term credit lines	<u>\$ 82,000</u>
Range of interest rate	<u>2.25%</u>

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

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(m) Other payables

	December 31, 2023	December 31, 2022
Accrued payroll	\$ 17,778	13,845
Expense payable	14,795	22,347
Settlements payable	-	68,566
Interest payable	1,527	879
Payables on equipment	848	1,025
Other payables — others	10,993	4,172
	\$ 45,941	110,834

(n) Long-term borrowings

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

Creditor	December 31, 2023	December 31, 2022	Interest rate(%)	Repayment term and method
Secured bank loans from Sunny Bank	\$ 719,000	731,000	1.30~2.04	From May 6, 2021 to May 6, 2028, each monthly installment is \$1,000, with the 84th installment of \$667,000, and interest is charged monthly.
Secured bank loans from Sunny Bank	280,000	-	2.25	From December 1, 2023 to December 1, 2028, each monthly installment is \$1,000 thousand, with the 60th installment of \$221,000 thousand, and interest is charged monthly.
Less: current portion	(24,000)	(12,000)		
Total	\$ 975,000	719,000		
Unused credit lines	\$ -	-		

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

(o) Lease liabilities

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

	December 31, 2023	December 31, 2022
Current	\$ 15,779	28,347
Non-current	10,999	14,686
Total	\$ 26,778	43,033

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

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2023	2022
Interest on lease liabilities	\$ 836	1,606
Income from sub-leasing right-of-use assets	\$ (2,241)	(5,761)

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

	For the years ended December 31,	
	2023	2022
Total cash outflow for leases	\$ 30,939	29,219

(i) The Group as the lessee

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

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

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

(p) Operating lease

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2023	December 31, 2022
Less than one year	\$ 21,252	23,938
One to two years	2,837	4,466
Two to three years	240	-
Total undiscounted lease payments	\$ 24,329	28,404

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Rental income from investment properties was \$21,510 (2022: \$26,042). The direct expenses including repairs and maintenance arising from investment properties (reported under other gains and losses) were as follows:

	2023	2022
Rental income-generating property	<u>\$ 226</u>	<u>256</u>

(q) Employee benefits

(i) Defined contribution plans

Reconciliations of defined benefit obligations at present value and plan assets at fair value are as follows:

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$ 54,805	53,746
Fair value of plan assets	<u>(86,937)</u>	<u>(84,742)</u>
Net defined benefit assets	<u>\$ (32,132)</u>	<u>(30,996)</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$86,937 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Movements in the present value of defined benefit obligations

The movements in the present value of defined benefit obligations of the Group were as follows:

	2023	2022
Defined benefit obligations at January 1	\$ 53,746	54,643
Current service costs and interest cost	1,244	1,088
Remeasurements of defined benefit assets		
— Actuarial gains and losses arising from changes in demographic assumptions	(79)	(130)
— Actuarial gains and losses arising from financial assumptions	3,759	(1,246)
— Actuarial gains and losses arising from experience adjustments	(1,979)	2,544
Benefits paid	(1,886)	(3,153)
Defined benefit obligations at December 31	<u>\$ 54,805</u>	<u>53,746</u>

3) Movements in fair value of plan assets

The movements in the fair value of plan assets of the defined benefit the Group were as follows:

	2023	2022
Fair value of plan assets at January 1	\$ 84,742	78,890
Interests income	991	552
Remeasurements of defined benefit assets		
— Return on plan assets (excluding interest income)	460	6,105
Contributions	2,630	2,348
Benefits paid	(1,886)	(3,153)
Fair value of plan assets at December 31	<u>\$ 86,937</u>	<u>84,742</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss of the Group were as follows:

	For years ended December 31,	
	2023	2022
Current service costs	\$ 616	706
Net interest on net defined benefit assets	(363)	(170)
	<u>\$ 253</u>	<u>536</u>

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5) Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period were as follows:

	2023.12.31	2022.12.31
Discount rate	1.25%	1.17%
Future salary increase rate	2.00%	1.00%

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$2,112 thousand.

The weighted-average lifetime of the defined benefit plans is 12 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations shall be as follows:

	Influence of defined benefit obligation	
	Increase	Decrease
December 31, 2023		
Discount rate (changed by 0.5%)	\$ 3,615	2,729
Future salary increase rate (changed by 0.5%)	3,569	2,726
December 31, 2022		
Discount rate (changed by 0.5%)	\$ 1,317	1,186
Future salary increase rate (changed by 0.5%)	1,313	1,194

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

The calculation and assumptions used in the sensitivity analysis during the year were consistent with prior year.

(ii) Defined benefit plans

The Group allocates at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act or the relevant laws and regulations of the operating environment. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$11,116 thousand and \$12,015 thousand for the years ended December 31, 2023 and 2022, respectively.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Income tax

(i) Income tax expense (benefit)

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

	For the years ended December 31,	
	2023	2022
Current tax expenses		
Current period	\$ 580	1,261
Adjustment for prior periods	(447)	15,547
	133	16,808
Deferred income tax expense (benefit)		
Origination and reversal of temporary difference	(523)	13,807
Changes in unrecognized deductible temporary differences	-	65,972
Recognition of previously unrecognized tax losses	-	(196,986)
	(523)	(117,207)
Income tax benefit	<u>\$ (390)</u>	<u>(100,399)</u>

Reconciliation of income tax expense (benefit) and profit before tax is as follows:

	2023	2022
Loss (profit) before tax	<u>\$ (140,673)</u>	<u>71,630</u>
Income tax using the Company' s domestic tax rate	(28,057)	14,326
Impact of foreign jurisdiction tax rate differences	(12,511)	12,284
Non-deductible expenses	934	3,492
Tax-exempt income	(656)	380
Dividend income	-	(42)
Effects of deferred tax assets/liabilities	40,821	64,860
Recognition of previously unrecognized tax losses	-	(196,986)
Adjustment for prior period	(447)	-
10% on undistributed earnings	-	446
Others	(474)	841
Income tax benefit	<u>\$ (390)</u>	<u>(100,399)</u>

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

Unrecognized deferred income tax assets for 2023 and 2022 is as follows:

	December 31, 2023	December 31, 2022
Temporary differences can be deducted	\$ 23,538	11,467
Tax losses	112,126	82,361
	<u>\$ 135,664</u>	<u>93,828</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2023, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax loss	Expiry date
2016	\$ 1,606	2026
2017	38,642	2027
2018	15,362	2028
2019	16,226	2029
2020	28,213	2030
2021	187	2031
2023	11,890	2033
	<u>\$ 112,126</u>	

In 2022, previously unrecognized tax losses of \$393,110 were recognized as deferred tax assets, as management determined that it is probable that there will be sufficient taxable gains or the profit distribution of subsidiaries in the future.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Deferred income tax assets and liabilities recognized

The changes in deferred income tax assets and liabilities in 2023 and 2022 are as follows:

Deferred tax assets:

	Unrealized exchange loss	Loss allowance	Loss carry forward	Others	Total
January 1, 2023	\$ -	5,331	80,199	864	86,394
Recognized in profit or loss	-	(276)	(16,799)	(378)	(17,453)
December 31, 2023	\$ -	5,055	63,400	486	68,941
January 1, 2022	\$ 212	7,035	1,577	1,318	10,142
Recognized in profit or loss	(212)	(1,704)	78,622	(454)	76,252
December 31, 2022	\$ -	5,331	80,199	864	86,394

Deferred tax liabilities:

	Unrealized exchange gains	Investments using the equity method	Provision of land value increment tax	Total
January 1, 2023	\$ 1,490	67,874	163,678	233,042
Recognized in profit or loss	(1,177)	(16,799)	-	(17,976)
December 31, 2023	\$ 313	51,075	163,678	215,066
January 1, 2022	\$ -	110,319	163,678	273,997
Recognized in profit or loss	1,490	(42,445)	-	(40,955)
December 31, 2022	\$ 1,490	67,874	163,678	233,042

(iii) Assessment of income tax returns

As of December 31, 2023, the assessment of the Group's income tax returns is as follows:

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

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

(s) Capital and other equity

As of December 31, 2023 and 2022, the number of authorized ordinary shares were both 200,000 thousand with par value of \$10 per share. The total value of authorized ordinary shares were both amounted to \$2,000,000 thousand. As of December 31, 2023 and 2022, the total value of issued ordinary shares were both amounted to \$1,399,830 thousand. Each share is entitled to one voting right and the right to received the dividends.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Capital surplus

The balances of capital surplus of the Company were as follows:

	December 31, 2023	December 31, 2022
Organizational restructuring adjustment	\$ 21,665	21,665
Changes in equity of investments in associates using equity method	8,900	8,900
Lapsed employee stock options	18,151	18,151
Total	<u>\$ 48,716</u>	<u>48,716</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

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

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

1) Earnings distribution

On June 13, 2023, the shareholders' meeting resolved to distribute the earnings for 2022. The earning was appropriated as follows:

	For the year ended December 31, 2022
	Amount per share
Dividends distributed to ordinary shareholders	
Cash	\$ 0.10 <u>\$ 13,998</u>

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Other equity, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income (loss)	Total
Balance at January 1, 2023	\$ (95,020)	145,895	50,875
Exchange differences on foreign operations	(13,457)	-	(13,457)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	154,720	154,720
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(1,198)	(1,198)
Balance on December 31, 2023	<u>\$ (108,477)</u>	<u>299,417</u>	<u>190,940</u>
Balance on January 1, 2022	\$ (113,941)	115,041	1,100
Exchange differences on foreign operations	18,921	-	18,921
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	30,854	30,854
Balance on December 31, 2022	<u>\$ (95,020)</u>	<u>145,895</u>	<u>50,875</u>

(t) Earnings per share

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

(i) Basic earnings per share

	For the years ended December 31,	
	2023	2022
(Loss) profit attributable to ordinary shareholders of the Company	<u>\$ (140,283)</u>	<u>172,029</u>
Weighted average number of ordinary shares outstanding (thousand shares)	139,983	139,983
Basic earnings per share (NTD)	<u>\$ (1.00)</u>	<u>1.23</u>

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Diluted earnings per share

	For the years ended December 31,	
	2023	2022
(Loss) profit attributable to ordinary shareholders of the Company	<u>(140,283)</u>	<u>172,029</u>
Weighted average number of ordinary shares outstanding (thousand shares)	139,983	139,983
Effect of dilutive potential ordinary shares		
Employee remuneration in stock	-	191
Weighted average number of ordinary shares outstanding (diluted)	<u>139,983</u>	<u>140,174</u>
Diluted earnings per share (NTD)	<u>\$ (1.00)</u>	<u>1.23</u>

(u) Revenue from contracts with customers

	For the years ended December 31,	
	2023	2022
Sale of goods revenue	\$ 719,416	888,609
Other operating revenue	3,161	5,198
Total	<u>\$ 722,577</u>	<u>893,807</u>

Pertinent information on the Group' s revenue from contracts with customers for the years ended 2023 and 2022, was as follows:

(i) Disaggregation of revenue

	2023			
	Optoelectronics segment	Electronics component products segment	Electronics appliance segment	Adjustments and eliminations
Sale of goods revenue	\$ 392,147	266,557	242,052	(181,340)
Other operating revenue	-	3,161	-	-
Total	<u>\$ 392,147</u>	<u>269,718</u>	<u>242,052</u>	<u>(181,340)</u>
Timing of revenue recognition:				
At a point in time	<u>\$ 392,147</u>	<u>269,718</u>	<u>242,052</u>	<u>(181,340)</u>

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2022				
	Optoelectronics segment	Electronics component products segment	Electronics appliance segment	Adjustments and eliminations	Total
Sale of goods revenue	\$ 425,355	427,387	168,427	(132,560)	888,609
Other operating revenue	2,305	2,837	56	-	5,198
Total	<u>\$ 427,660</u>	<u>430,224</u>	<u>168,483</u>	<u>(132,560)</u>	<u>893,807</u>
Timing of revenue recognition:					
At a point in time	<u>\$ 427,660</u>	<u>430,224</u>	<u>168,483</u>	<u>(132,560)</u>	<u>893,807</u>

(ii) Contract balances

A) Contract liabilities

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities — Sale of goods	<u>\$ 20,358</u>	<u>9,621</u>	<u>6,104</u>

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

	For the years ended December 31,	
	2023	2022
Opening balances transferred to income for the current period	\$ (7,743)	(3,831)
Increase in advances received in the period (excluding the amount incurred and transferred to revenue in the period)	18,517	7,444
Reclassification	-	(158)
Effect of movement in exchange rates	(37)	62
Net movement for the period	<u>\$ 10,737</u>	<u>3,517</u>

(v) Remunerations to employees and directors

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

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

For the year ended December 31, 2023, the Company incurred net loss after tax and thus did not recognized remuneration to employees and directors.

The remunerations to employees and directors for the year ended December 31, 2022, were amounted to \$2,942 thousand and \$588 thousand, respectively. These remunerations were expensed under the salary expense. The remunerations to employees and directors were resolved by the Board of Directors to be distributed in cash on March 7, 2023. There was no difference between the amount recognized and approved by the Board of Directors.

(w) Non-operating income and expenses

(i) Interest income

	For the years ended December 31,	
	2023	2022
Interest income from bank deposits	\$ 10,709	2,102
Interest income from financial assets measured at fair value through profit or loss	7,597	17,861
Interest income from financial assets measured at amortized cost	6,096	8,304
Others	3,338	5,422
	<u>\$ 27,740</u>	<u>33,689</u>

(ii) Other income

	For the years ended December 31,	
	2023	2022
Rental income	\$ 28,208	33,746
Dividend income	258	210
Other income	5,064	15,755
	<u>\$ 33,530</u>	<u>49,711</u>

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Other gains and losses

	For the years ended December 31,	
	2023	2022
Net losses on disposals of property, plant and equipment	\$ (4,328)	(1,515)
Gains on lease modification	629	-
Foreign exchange gains, net	1,749	41,986
Gains (losses) on financial assets measured at fair value through profit or loss	3,020	(1,901)
Impairment (reversal) on assets	(28,279)	1,481
Compensation losses	-	(6,885)
Others	(3,421)	(9,321)
	\$ (30,630)	23,845

(iv) Finance costs

	For the years ended December 31,	
	2023	2022
Bank borrowings	\$ 14,973	11,386
Interest expense of lease liabilities	836	1,606
Others	59	-
	\$ 15,868	12,992

(x) 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 December 31, 2023 and 2022, the Group assessed the concentrations of credit risk arising from the major top three customers, at percentages of 45% and 33%, respectively, of the total notes and accounts receivable (including long-term installment receivable).

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

For credit risk exposure of notes receivable, accounts receivable and long-term installment receivable, please refer to Note 6(e); and of other and long-term receivables, please refer to Note 6(f) and Note 6(k). Long-term receivables (excluding long-term installment receivable) and borrowings guarantee 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
December 31, 2023				
Gross carrying amounts	\$ 15,349	975	23,019	39,343
Loss allowance	-	(94)	(21,283)	(21,377)
Carrying amounts	\$ 15,349	881	1,736	17,966
	12—month ECL	Lifetime ECL—not credit impaired	Lifetime ECL—credit impaired	Total
December 31, 2022				
Gross carrying amounts	\$ 20,460	-	20,202	40,662
Loss allowance	-	-	(20,202)	(20,202)
Carrying amounts	\$ 20,460	-	-	20,460

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

	For the year ended December 31, 2023			
	12—month ECL	Lifetime ECL—not credit impaired	Lifetime ECL—credit impaired	Total
Balance at January 1, 2023	\$ -	-	20,202	20,202
Impairment loss recognized	-	95	1,349	1,444
Effect of movement in exchange rate	-	(1)	(268)	(269)
Balance at December 31, 2023	\$ -	94	21,283	21,377

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the year ended December 31, 2022			Total
	12—month ECL	Lifetime ECL—not credit impaired	Lifetime ECL—credit impaired	
Balance at January 1, 2022	\$ -	-	26,489	26,489
Reversal of impairment loss	-	-	(6,506)	(6,506)
Effect of movement in exchange rate	-	-	219	219
Balance at December 31, 2022	<u>\$ -</u>	<u>-</u>	<u>20,202</u>	<u>20,202</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
December 31, 2023						
Non-derivative financial liabilities						
Short-term borrowings	\$ 18,000	18,405	18,405	-	-	-
Long-term borrowings	999,000	1,089,621	44,732	87,919	956,970	-
Accounts payable (including related parties)	111,801	111,801	111,801	-	-	-
Other payables (including related parties)	47,139	47,139	47,139	-	-	-
Guarantee deposit received	5,755	5,755	5,755	-	-	-
Lease liabilities	26,778	27,462	16,304	11,158	-	-
	<u>\$ 1,208,473</u>	<u>1,300,183</u>	<u>244,136</u>	<u>99,077</u>	<u>956,970</u>	<u>-</u>
December 31, 2022						
Non-derivative financial liabilities						
Long-term borrowings	\$ 731,000	798,774	24,986	49,329	48,469	675,990
Accounts payable (including related parties)	107,819	107,819	107,819	-	-	-
Other payables (including related parties)	111,172	111,172	111,172	-	-	-
Guarantee deposit received	7,094	7,094	7,006	88	-	-
Lease liabilities	43,033	43,918	29,144	14,774	-	-
	<u>\$ 1,000,118</u>	<u>1,068,777</u>	<u>280,127</u>	<u>64,191</u>	<u>48,469</u>	<u>675,990</u>

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

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Market risk

1) Currency risk

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

December 31, 2023				
	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	17,870	30.7050	548,698
HKD		3,302	3.9290	4,313
CNY		995	4.3350	12,974
JPY		29,626	0.2172	6,435
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		2,952	30.7050	90,641

December 31, 2022				
	Foreign currency	Exchange rate	TWD	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$	18,474	30.7100	567,337
HKD		2,416	3.9380	9,514
CNY		25,614	4.4090	112,932
JPY		20,084	0.2324	4,668
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		3,087	30.7100	94,802

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 2023 and 2022, a strengthening (weakening) of 1% of the exchange rate of the functional currency of the Group against the main foreign currencies would have increased (decreased) profit (loss) before tax by \$4,818 thousand and \$5,996 thousand for the years ended December 31, 2023 and 2022, respectively, assuming all other variables held constant. The analysis of the two periods was conducted using the same basis.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 years ended December 31, 2023 and 2022, net foreign exchange gains (including realized and unrealized portions) were amounted to \$1,749 thousand and \$41,986 thousand, respectively.

4) Interest rate risk

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

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

If the interest rate had increased / decreased by 10 basis points, the Group's net income (loss) before tax would have increased / decreased by \$1,017 thousand and \$731 thousand for the years ended December 31, 2023 and 2022, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at variable rate.

5) Other market price risk

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

	For the years ended December 31,			
	2023		2022	
	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%	\$ 8,363	57	5,839	77
Decrease by 1%	\$ (8,363)	(57)	(5,839)	(77)

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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:

	December 31, 2023				
	Amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Stocks	\$ 5,670	5,670	-	-	5,670
Financial products	108,375	-	-	108,375	108,375
Subtotal	114,045	5,670	-	108,375	114,045
Financial assets at fair value through other comprehensive income					
Stocks	836,346	825,972	-	10,374	836,346
Financial assets at amortized cost					
Cash and cash equivalents	1,132,328	-	-	-	-
Financial assets at amortized cost	2,488	-	-	-	-
Notes and accounts receivable (including related parties)	197,726	-	-	-	-
Other receivables	6,301	-	-	-	-
Refundable deposits	6,700	-	-	-	-
Long-term receivables	50,999	-	-	-	-
Subtotal	1,396,542	-	-	-	-
Total	\$ 2,346,933	831,642	-	118,749	950,391
Financial liabilities at amortized cost					
Short-term borrowings	\$ 18,000	-	-	-	-
Long-term borrowings	999,000	-	-	-	-
Accounts payable (including related parties)	111,801	-	-	-	-
Other payables (including related parties)	47,139	-	-	-	-
Guarantee deposits received	5,755	-	-	-	-
Lease liabilities	26,778	-	-	-	-
Total	\$ 1,208,473	-	-	-	-

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

- 3) Transfers between Level 1 and Level 2

No transfers have occurred between the fair value levels in the hierarchy for the years ended December 31, 2023 and 2022.

- 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, 2023	\$ 220,450	-	220,450
Total gains and losses recognized:			
In other comprehensive income	-	5,374	5,374
Purchased	-	5,000	5,000
Disposed	(109,884)	-	(109,884)
Effect of movements in exchange rates	(2,191)	-	(2,191)
Balance on December 31, 2023	\$ 108,375	10,374	118,749
Balance on January 1, 2022	\$ 1,068,624	-	1,068,624
Purchased	428,922	-	428,922
Disposed	(1,295,609)	-	(1,295,609)
Effect of movements in exchange rates	18,513	-	18,513
Balance on December 31, 2022	\$ 220,450	-	220,450

The aforementioned gains and losses were recognized as "unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income".

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Interrelationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through profit or loss – financial products	Discounted cash flow method /Market approach	• Pricing of financial products	None
Financial assets measured at fair value through other comprehensive income – equity instruments without an active market	Market approach	• Market liquidity discount rate (15.7% as of December 31, 2023)	• The higher the market liquidity discount rate, the lower 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:

	Inputs	Upwards or downwards movement	The effect on other comprehensive income due to change of fair value	
			Favorable	Unfavorable
Decemger 31, 2023				
Financial assets measured at fair value through other comprehensive income				
The fair value of equity instruments without an active market—market aproach	Market liquidity discount	1%	121	(121)
	Price to book ratio	1%	110	(99)

(Continued)

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.

(y) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Group' s objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group' s risk management objectives are to manage market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on the Group' s policies and risk preferences.

The Group has established appropriate policies, procedures, and internal controls, for its financial risk management. Significant financial activities shall be reviewed by the Board of Directors and Audit Committee based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(iii) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable, other receivables and long-term receivables) and financing activities (primarily for bank deposits and financial instruments).

Credit risk is managed by each business unit subject to the policy, procedure and control relating to credit risk management. Credit limits are established for all counterparties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group' s internal rating criteria etc. Certain counterparties' credit risk will also be managed by taking credit enhancing instruments, such as advance receipts and insurance to reduce the credit risk of specific counterparties.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Credit risk from bank deposits and other financial instruments is managed by the Group's finance department in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and investment-grade financial institutions, companies and government entities with good credit ratings. Consequently, there is no significant credit risk for these counterparties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for accounts receivable, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Group makes an assessment at each balance sheet date as to whether the debt instrument investments are still considered low credit risk and then further determines the method of measuring the loss allowance and the loss rates.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(iv) **Liquidity risk**

The Group maintains financial flexibility through contracts such as cash and cash equivalents, highly liquid securities and bank loans.

(v) **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise of currency risk, interest rate risk, and other price risks (such as equity instrument price risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually connections between risk variables. However, the sensitivity analysis disclosed below does not consider the interdependencies between risk variables.

1) **Currency risk**

The Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries are the main sources of foreign exchange rate risk.

The Group's certain foreign currency receivables are denominated in the same currency as the foreign currency payables, in which case a significant portion of the receivables will have a natural hedge effect. Based on the aforementioned natural hedge to manage the exchange rate risk does not meet the requirements of hedge accounting, therefore, hedge accounting is not applied; in addition, the net investment in foreign subsidiaries is a strategic investment, therefore, the Group does not hedge it.

2) **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from floating-rate borrowings.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rates. Hedge accounting does not apply because the Group does not meet the requirements for hedge accounting.

3) Other market price risk

The domestic listed equity securities that the Group holds are susceptible to market price risk arising from uncertainties about future values of the investment securities. The domestic listed equity securities are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

(z) 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.

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

For the year ended December 31, 2023, the right-of-use assets that the group acquired by leasing were \$6,637 thousand, and the right-of-use assets decreased by \$6,711 thousand because of lease modification. For the year ended December 31, 2022, the Company did not occur non-cash investing activities.

Reconciliation of liabilities arising from non-cash financing activities for the years ended December 31, 2023 and 2022, was as follows:

	Non-cash changes					2023.12.31
	2023.1.1	Cash flows	Additions	Lease modification	Foreign exchange movement	
Lease liabilities	\$ 43,033	(30,103)	6,637	6,760	451	26,778
Guarantee deposits received	7,094	(1,188)	-	-	(151)	5,755
Total liabilities from financing activities	<u>\$ 50,127</u>	<u>(31,291)</u>	<u>6,637</u>	<u>6,760</u>	<u>300</u>	<u>32,533</u>

	Non-cash changes			2022.12.31
	2022.1.1	Cash flows	Foreign exchange movement	
Lease liabilities	\$ 69,662	(27,613)	984	43,033
Guarantee deposits received	6,900	437	(243)	7,094
Total liabilities from financing activities	<u>\$ 76,562</u>	<u>(27,176)</u>	<u>741</u>	<u>50,127</u>

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(7) Related-party transactions

(a) Names and relationship with related parties

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

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

(b) Significant transactions with related parties

(i) Sales

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
The parent company	\$ 1	1,331
Other related parties		
Tatung Consumer Products (Taiwan) Co., Ltd.	2,214	1,850
	<u>\$ 2,215</u>	<u>3,181</u>

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

<u>For the years ended December 31,</u>				
<u>Location</u>	<u>Related party</u>	<u>Arm's length customer</u>		
		<u>2023</u>	<u>2022</u>	<u>Arm's length customer</u>
Foreign	O/A 30-150 days	O/A 60-150 days or Sight L/C	O/A 30-150 days	O/A 60-150 days or Sight L/C
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

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Purchases

	For the years ended December 31,	
	2023	2022
Other related parties		
Tatung Co. of Japan, Inc.	\$ 9	1,039

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

For the years ended December 31,				
	2023		2022	
Location	Related party	Arm's length suppliers	Related party	Arm's length suppliers
Foreign	T/T 30-150 days or DA 120 days after acceptance	T/T 30-150 days or L/C after acceptance	T/T 30-150 days or DA 120 days after acceptance	T/T 30-150 days or L/C after acceptance
Domestic	30-120 days after acceptance	30-120 days after acceptance	30~120 days after acceptance	30-120 days after acceptance

(iii) Receivables from related parties

Account	Relationship	December 31, 2023	December 31, 2022
Accounts receivables — related parties	Other related parties		
	Tatung Consumer Products (Taiwan) Co., Ltd.	\$ 106	1,355
	Less: loss allowance	-	-
	Total	\$ 106	1,355
Other receivables — related parties	The parent company	\$ 2,136	2,810
	Less: loss allowance	-	-
		\$ 2,136	2,810

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Payables to related parties

Account	Relationship	December 31, 2023	December 31, 2022
Accounts payable — related parties	Other related parties		
	Tatung System Technologies Inc.	\$ 8	285
	Tatung Consumer Products (Taiwan) Co., Ltd.	47	29
	Total	\$ 55	314
Other payables — related parties	The parent company	\$ 1,159	293
"	Other related parties		
	Employee Welfare Committee of Forward Electronics Corporation	13	16
	Chyun Huei Business Technology Inc.	13	13
	The Joint Welfare Committee of Tatung	13	16
	Total	\$ 1,198	338

(v) Rental income

	For the years ended December 31	
	2023	2022
The parent company	\$ 5,678	5,678

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

(vi) Service fee

For the year ended December 31, 2023, an expense incurred from the parent company of the Group providing administrative support services to the Group amounted to \$3,000 thousand, which was recorded under the management expense.

(vii) Lease

In December 2023, the Group rented an office building from Shan-Chih Asset Development Co., Ltd., to be used as its headquarter. A thirteen-month lease contract was signed, in which the rental fee is determined based on nearby office rental rates. The total value of the contract was \$3,946 thousand. For the year ended December 31, 2023, the Company recognized the amount of \$6 thousand as interest expense. As of December 31, 2023, the balance of lease liabilities amounted to \$3,434 thousand.

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FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Key management personnel compensation

	For the years ended December 31,	
	2023	2022
Short-term employee benefits	\$ 10,261	10,116
Post-employment benefits	251	280
	\$ 10,512	10,396

(8) Assets pledged as security

The carrying amounts of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Land	Long-term and short-term bank borrowings guarantee	\$ 463,378	463,378
Buildings and structures	Long-term and short-term bank borrowings guarantee	52,788	65,313
Financial assets at amortized cost — current	Customs guarantee	2,488	2,455
Other non-current assets — refundable deposits	Security deposits for court	1,331	1,331
Total		\$ 519,985	532,477

(9) Commitments and contingencies

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

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other

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

	For the years ended December 31,					
	2023			2022		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
By item						
Employee benefits						
Salary	134,088	58,643	192,731	164,052	48,698	212,750
Labor and health insurance	12,309	3,326	15,635	13,945	3,512	17,457
Pension	8,396	2,973	11,369	9,302	3,249	12,551
Others	6,515	761	7,276	6,721	1,595	8,316
Depreciation	44,970	8,396	53,366	47,024	9,562	56,586
Amortization	218	57	275	258	53	311

(Continued)

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

(13) Other disclosures

- (a) Information on significant transactions: None.
 - (i) Loans to other parties: None.
 - (ii) Guarantees and endorsements for other parties: None.
 - (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): Please refer to attachment 1.
 - (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to attachment 2.
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
 - (ix) Trading in derivative instruments: None.
 - (x) Business relationships and significant intercompany transactions: Please refer to attachment 3.
- (b) Information on investees: Please refer to attachment 4.
- (c) Information on investment in mainland China: Please refer to attachment 5.
- (d) Major shareholders: Please refer to attachment 6.

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information

(a) General information

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

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

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

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

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

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

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

	Optoelectronics segment	Electronics components products segment	Electronics applications products segment	Other segments	Adjustments and eliminations	Total
2023						
Revenue:						
Revenue from external customers	\$ 226,237	255,430	240,910	-	-	722,577
Inter-segment revenue	165,910	14,288	1,142	-	(181,340)	-
Total revenue	\$ 392,147	269,718	242,052	-	(181,340)	722,577
Profit (loss) of reportable segments	\$ (62,045)	(61,431)	(8,236)	(8,961)	-	(140,673)
2022						
Revenue:						
Revenue from external customers	\$ 320,119	407,135	166,553	-	-	893,807
Inter-segment revenue	107,541	23,088	1,931	-	(132,560)	-
Total revenue	\$ 427,660	430,223	168,484	-	(132,560)	893,807
Profit (loss) of reportable segments	\$ (11,381)	14,747	19,146	49,118	-	71,630

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

(Continued)

FORWARD ELECTRONICS CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Geographical information	2023	2022
Revenue from external customers:		
Taiwan	\$ 197,195	263,626
Minland China	351,857	365,246
Other countries	173,525	264,935
Total	\$ 722,577	893,807

Revenue is based on the country or multiple countries of customers.

Geographical information	2023	2022
Non-current assets:		
Taiwan	\$ 552,969	565,946
Other countries	33,414	84,784
Total	\$ 586,383	650,730

The Group's geographic revenue is calculated based on the location where the revenue is collected. Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets, and other non-current assets.

(d) Major customers

	2023	
	Sales	Net operating income %
Customer A	\$ 163,201	23
Customer B	\$ 110,023	15
Customer C	\$ 62,506	9
	2022	
	Sales	Net operating income %
Customer B	\$ 196,008	22
Customer A	\$ 104,439	12
Customer D	\$ 70,186	8

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

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

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

Company holding securities	Security type and name (Note 1)	Relationship with the Company (Note 2)	Account	Ending balance				Remark
				Shares	Carrying value (Note 3)	Percentage of ownership (%)	Market value	
Forward Electronics Co., Ltd.	Stock—Elitegroup Computer Systems Co., Ltd.	Affiliated company	Current financial assets at fair value through profit or loss	180,000	5,670	0.03	5,670	
	Stock—Tatung Co., Ltd	Parent-subsiidiary	Non-current financial assets at fair value through other comprehensive income	19,666,000	825,972	0.84	825,972	
	Stock—GaN Power Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	500,000	10,374	1.10	10,374	
Suzhou Forward Electronics Technology Co., Ltd.	Stock—Nanjing Global Display Technology Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	-	-	17.29	-	
	Financial products	-	Non-current financial assets at fair value through profit or loss	-	108,375 (RMB 25,000)	-	108,375 (RMB 25,000)	

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

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

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

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

ATTACHMENT 2: Related party transactions for purchases and sales amounts exceeding \$100 million or 20% of capital stock

Purchaser (seller)	Related party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount (Note 1)	Percentage of total purchases (sales)	Credit Term	Unit price	Credit Term	Balance (Note 1)	Percentage of total receivables (payable)	
Forward Electronics Co., Ltd.	Suzhou Forward Electronics Technology Co., Ltd.	Parent-subsiidiary	Purchases	\$170,052	56.07%	90~120	-	-	\$50,083	44.84%	Note

Note: The transactions among the consolidated entities were eliminated in the consolidated financial statements.

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

ATTACHMENT 3: Significant transactions and business relationship between the parent company and its subsidiaries

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Intercompany Transactions			
				Account	Amount	Terms	Percentage of total consolidated net revenue or assets (Note 3)
0	Forward Electronics Co., Ltd.	Suzhou Forward Electronics Technology Co., Ltd.	1	Accounts receivable	\$ 3,667	As general	0.12%
0	"	"	"	Accounts payable	50,083	"	1.60%
0	"	"	"	Sales revenue	11,289	"	1.56%
0	"	"	"	Cost of goods sold	170,052	"	23.53%
0	"	"	"	Non-operating income	2,009	"	0.28%
0	"	"	"	Unrealized gross profit	(135)	"	-0.02%
0	"	"	"	Realized gross profit	812	"	0.11%
0	"	Forward Electronics Equipment (Dong Guan) Co., Ltd.	"	Non-operating income	3,621	"	0.50%
0	"	Forward Intelligent Energy Co., Ltd.	"	Non-operating income	280	"	0.04%

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

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

Note 2: Transactions are categorized as follows:

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

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

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

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

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

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

ATTACHMENT 4: Information on investments (excluding investments in Mainland China)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Ending balance			Net income (loss) of the investee	Investment income (loss) recognized by the Company (Note 1)	Remark
				December 31, 2023	December 31, 2022	Shares	Percentage (%)	Carrying value			
Forward Electronics Co., Ltd.	Forward Development Co., Ltd.	British Virgin Islands	Investment in production business, etc.	592,560 (USD 19,298) (Note 1)	592,560 (USD 19,298) (Note 1)	-	100.00	773,316	(78,812)	(78,902)	(Note 2)
	Forward Intelligent Energy Co., Ltd.	Taiwan	Carbon reduction, energy conservation, and energy storage related business	290,000		29,000,000	100.00	285,509	(4,491)	(4,491)	
	Gintung Energy Co., Ltd.	Taoyuan City	The manufacturing and sale of solar module and related component	355,296	355,296	5,398,269	14.59	-	9,535	-	(Note 3)

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

Note 2 : The difference, amounting to \$90 thousand, between net income of Forward Development Co., Ltd. and the investment income recognized is the unrealized loss on downstream transactions between Forward Electronics Co., Ltd. and Forward Development Co., Ltd..

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

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

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

ATTACHMENT 5: Information on Investment in Mainland China

Investor company	Name of investee	Main businesses	Total amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (loss) of the investee company	Percentage of ownership	Investment income (loss) recognized (Note 2 and 3)	Carrying Value as of December 31, 2023 (Note 3)	Accumulated inward remittance of earnings as of December 31, 2023
						Outflow	Inflow						
Forward Development	Forward Electronics Equipment (Dong Guan) Co., Ltd	Factory leasing business	USD 4,600	(2) (Note 4)	141,266	-	-	141,266	11,023	100.00%	11,023	197,758	24,994 USD 814
	Suzhou Forward Electronics Technology Co., Ltd.	The manufacturing and sale of backlight unit for TFT-LCD, driving board, tuner, keyboard, mouse, switch, socket and connector	USD 12,200	(2) (Note 4)	-	-	-	-	(89,829)	100.00%	(89,829)	576,168	711,005 USD 23,156

Accumulated investment in Mainland China as of December 31, 2023	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note5)
\$141,266	\$692,858 (USD 22,565)	\$1,005,096

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

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

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

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

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

US dollars exchange rate on December 31, 2023 : 30.705

RMB exchange rate on December 31, 2023 : 4.335

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

Note 5 : In accordance with the regulations of the Investment Review Committee of the Ministry of Economic Affairs, the calculation is based on the higher of net value or combined net value.

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

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

ATTACHMENT 6: Information on major shareholders

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

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

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

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

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

6.6. If there were any financial difficulties in the company and its affiliated enterprises during the most recent fiscal year or until the printing deadline of the annual report, it shall be stated, and its impact on the financial status of the company shall be disclosed: None.

VII. Review and analysis of financial condition and performance, and identification of risk factors

7.1. Financial Status

Unit: NTD thousand

Item	Fiscal year	Fiscal year 2023 ①	Fiscal year 2022 ②	Difference	
				Amount (① — ②)	% (① — ②)/②
Current assets		1,442,674	1,322,781	119,893	9.06%
Fixed assets		557,869	600,629	(42,760)	-7.12%
Other assets (including investments in equity method)		1,130,062	1,021,673	108,389	10.61%
Total assets		3,130,605	2,945,083	185,522	6.30%
Current liabilities		247,146	280,363	(33,217)	-11.85%
Long-term liabilities		1,208,299	975,301	232,998	23.89%
Total liabilities		1,455,445	1,255,664	199,781	15.91%
Capital		1,399,830	1,399,830	0	0.00%
Capital reserve		48,716	48,716	0	0.00%
Retained earnings		35,674	189,998	(154,324)	-81.22%
Total shareholders' equity		1,675,160	1,689,419	(14,259)	-0.84%

Explanation of Significant Changes in Percentage:

1. The increase in long-term liabilities is primarily attributable to the additional long-term borrowings for investment in subsidiary companies.
2. The decrease in retained earnings is mainly due to the net loss incurred in 2023.

7.2. Financial Performance

Unit: NTD thousand

Item	Fiscal year	Fiscal year 2023	Fiscal year 2022	Increase (decrease) amount	Variable %
Net operating income		722,577	893,807	(171,230)	-19.16%
Operating costs		721,991	811,680	(89,689)	-11.05%
Operating margin (loss)		586	82,127	(81,541)	-99.29%
Operating expenses		154,587	111,256	43,331	38.95%
Operating income (loss)		(154,001)	(29,129)	(124,872)	428.69%
Non-operating income and expenses		13,328	100,759	(87,431)	-86.77%
Income from continuing operations before income tax(loss)		(140,673)	71,630	(212,303)	-296.39%
Income tax expense (benefit)		(390)	(100,399)	100,009	-99.61%
Net (loss) profit for the period		(140,283)	172,029	(312,312)	-181.55%
Other comprehensive income		140,022	54,712	85,310	155.93%
Other comprehensive income for the period		(261)	226,741	(227,002)	-100.12%

(1) Explanation of significant changes in proportion:

1. The decrease in gross profit, increase in operating expenses, rise in operating loss, reduction in non-operating income, increase in pre-tax net loss, higher net loss for the period, and decreased total comprehensive income:

These are mainly attributed to the competitive sales environment in the electronics component market due to inflation resistance, customer digestion of inventory accumulated during the pandemic, affecting revenue and gross profit. The decrease in non-operating income is primarily due to reduced net income from foreign exchange.

2. The decrease in income tax benefit is mainly due to the absence of profit distribution from overseas subsidiaries in 2023.
3. The increase in other comprehensive income for the period is primarily due to the recognition of valuation gains on non-current financial assets measured at fair value through other comprehensive income.

(2) Expected sales volume and its basis, possible impact on the company's future financial business, and response plan: No significant impact.

7.3. Cash Flow

Unit: NTD thousand

Beginning balance of prepaid rent ①	Annual net cash flows from operating activities ②	The net cash flows from investing and financing activities for the entire year ③	The impact of exchange rate fluctuations on cash and cash equivalents ④	Cash surplus (deficiency) amount ①+②+③+④	Measures to remedy the cash deficiency	
					Investment Plan	Financial Plan
461,594	27,339	644,778	(1,383)	1,132,328	-	-

(1) Analysis of Changes in Cash Flows for the Year 2023

1. Operating Activities: The net cash inflow from operating activities was 93,584 million units in 2022 and 27,339 million units in 2023. The decrease in 2023 was mainly due to a slowdown in operational activities, resulting in no pre-tax net profit, which caused the cash inflow from operations to decrease compared to 2022.
2. Investing Activities: The net cash inflow from investing activities was 154,718 million units in 2022 and 404,067 million units in 2023. The increase in 2023 was primarily due to the disposal of financial assets measured at amortized cost, resulting in maturity proceeds.
3. Financing Activities: The net cash inflow from financing activities was (67,173) million units in 2022 and 240,711 million units in 2023. The increase in 2023 was mainly due to the increase in long-term bank borrowings.

(2) Measures to remedy expected cash deficits and liquidity analysis: None.

(3) Analysis of Future Cash Liquidity for the Coming Year

Unit: NTD thousand

Beginning balance of prepaid rent ①	Annual net cash flows from operating activities ②	The net cash flows from investing and financing activities for the entire year ③	The impact of exchange rate fluctuations on cash and cash equivalents ④	Cash surplus (deficiency) amount ①+②+③+④	Measures to remedy the cash deficiency	
					Investment Plan	Financial Plan
1,132,328	28,315	(504,200)	-	656,443	-	-

7.4 The impact of significant capital expenditures on financial operations in the recent year: The primary focus of Forward Corporation's operations in 2024 is to expand the manufacturing of niche products, particularly precision components. Capital expenditures will be allocated towards the autonomous development of automation equipment and process optimization. Additionally, the company will continue to invest in green carbon development in response to the burgeoning global opportunities for net-zero carbon initiatives.

7.5. Re-investment Policy in the Past Year, the Main Reason for Its Profit or Loss, the Improvement Plan and Investment Plan in the Next Year:

(1) Re-investment Policy in the Past Year

To meet the demands of customers in electronic components and backlight modules, we have established local production facilities through our subsidiary, FORWARD DEVELOPMENT CO., LTD, and indirectly invested in two subsidiary companies, Suzhou Forward Electronics

Technology Co., Ltd. and Forward Electronics Equipment (Dongguan) Co., Ltd., with the main purpose of integrating the establishment of production bases in Taiwan and mainland China to achieve the optimal integration and utilization of resources across the Taiwan Strait. In addition, in order to invest in the manufacturing and production of solar cell modules, as well as the production of LED chips and components, our company invested in a related enterprise, Sun Well Solar Energy Corporation, to expand our business operations. However, due to the dissolution of Green Energy Technology, Inc. in September 2019, Sun Well Solar Energy Corporation recognized impairment losses on its receivables in the third quarter of 2019, resulting in negative equity. Therefore, our company recognized an investment loss of 18,158 thousand in 2019, and the investment using equity method was 0 thousand dollars.

Subsidiary Suzhou Forward Electronic Technology Co., Ltd. also made a subsidiary investment in Donghua Yuan (Wujiang) Technology Co., Ltd. The main purpose was to acquire components required for the production of backlight modules. Donghua Yuan (Wujiang) Technology Co., Ltd. was resolved for liquidation by the board of directors in August 2019. Therefore, in June 2020, the original investment amount of NTD 28,016 thousand was returned, and the remaining profits of NTD 4,739 thousand were distributed. The legal liquidation process was completed in July 2020.

(2) The main reasons for Re-investment profit or loss and improvement plans

As of the end of 2023, the book value of Suzhou Forward Electronic Technology Co., Ltd. was NTD 576,168 thousand. The revenue and profit performance of Suzhou Forward Electronic Technology Co., Ltd. were affected by the COVID-19 pandemic. However, by accelerating the transformation to focus on the sales of backlight modules for automotive, industrial control, and medical products, and strengthening the sales of key components, the company was able to maintain profitability. The investment losses for 2023 was NTD 89,829 thousand. The book value of Forward Electronic Equipment (Dongguan) Co., Ltd. was NTD 197,758 thousand as of the end of 2023. Due to a decrease in local customers in Dongguan, production has been relocated back to Taiwan, and the factory building is being leased out to activate assets. The investment income for 2023 was NTD 11,023 thousand.

(3) Investment Plan for the Next Year

Our company continuously evaluates future market conditions and corporate demands concerning our existing precision component products. We allocate resources towards expanding production capacity and enhancing the automation level of production assembly. Additionally, we will explore opportunities to expand our contract manufacturing business, taking into account industry cyclicalities and market positioning.

Regarding our investment in subsidiary Forward Intelligent Energy Co., Ltd., we will focus on the following projects:

1. Carbon Credit Development Projects: Investment in projects aimed at reducing carbon emissions, such as renewable energy projects (wind, solar, hydroelectric power, etc.), energy efficiency improvement initiatives (building energy conservation renovations, industrial production process optimization, etc.), forest conservation, and afforestation projects. The goal is to reduce greenhouse gas emissions while providing carbon credits.
2. Carbon Market Trading: Participation in carbon market trading, including buying and selling carbon credits. This involves engaging in carbon credit trading on public markets or engaging in bilateral transactions with other companies to realize profits.
3. Carbon Quota Management: Providing carbon quota management services to clients, including carbon emission monitoring, carbon quota purchase and management, carbon market analysis, and risk management.
4. Innovation in Carbon Financial Products: Participating in the innovation of carbon financial products such as carbon futures, carbon options, carbon trading funds, etc., to meet investors' demand for the carbon market.

Carbon Emission Capital and Technology Investment: Investment in the development of carbon emission measurement and monitoring technologies, as well as the development of low-carbon or zero-carbon technologies, will help companies reduce carbon emissions.

7.6 Risk Analysis and Evaluation

(1) Impact of interest rate, exchange rate fluctuations, and inflation on the company's income statement and future response measures

1. Explain the impact of recent year's exchange gains/losses and interest income/expense on the company's profit and loss statement:

(1) Description of the company's foreign exchange gains or losses and interest income and expenses in the recent year

Unit: NTD thousand

Fiscal year 2022	Operating Revenue①	Interest income (expense) ②	②/①	Exchange loss, net③	③/①
Amount	722,577	11,872	1.64%	1,749	0.24%

2. Interest rate fluctuations

After the company's transformation and reorganization plan, the operational and financial structure has continued to improve, and the company has also obtained more favorable borrowing rates from banks.

3. Exchange rate

The company primarily adopts natural hedging in foreign exchange operations related to import and export. We utilize various hedging tools according to the net positions of foreign currency assets and liabilities to mitigate the risks that may arise from exchange rate fluctuations.

The company also keeps a close eye on the trends of major world currencies and takes the following measures in response to exchange rate fluctuations:

- (1) The finance staff refers to the daily exchange rate fluctuations and professional advice from banks to keep track of the trend of exchange rates.
- (2) Opening foreign exchange accounts and adjusting the position of foreign currency holdings in a timely manner to mitigate the impact of exchange rate fluctuations on the company.
- (3) Sales and purchases denominated in foreign currencies are settled directly in the respective foreign currency to reduce the risk of currency conversion and exchange rate fluctuations.
- (4) The company has established a "derivative trading processing program", and currently has not applied for forward foreign exchange transaction quotas from banks. In the event of significant changes in exchange rates in the future, relevant hedging tools will be planned accordingly.

4. Inflation

The stable inflation rate in recent years has had no significant impact on the operations and profitability of the company. The company will continue to carefully evaluate the trend of raw material prices and adjust procurement and sales strategies as needed to meet operational demands.

(2) Policy, main reasons for profit or loss, and future response measures regarding high-risk, high-leverage investments, lending funds to others, endorsement guarantees, and derivative commodity trading:

1. In 2023, the company did not engage in high-risk, high-leverage investments, lending to others, or derivative transactions (forward foreign exchange contracts).
2. The company did not provide any guarantees for subsidiary companies in 2023.
3. Subsidiary companies did not provide any guarantees for our company in 2023.
4. The company has established "Lending to Others Operation Procedures" and "Guarantee Endorsement Operation Measures" as the guidelines for such activities.
5. The purpose of our company's forward foreign exchange contracts is mainly to hedge against the risks associated with foreign currency debts and liabilities caused by exchange rate fluctuations. The primary hedging strategy is aimed at achieving the ability to avoid most market price risks.

(3) Future research and development projects and the expected R&D expenses to be invested

R&D project items	Current Status	Investment in R&D	Expected completion time	R&D content
With programmable RGB LED encoder and potentiometer	Proceeding according to plan	1.5 million	Expected to be completed in Q4 of 2024	1. Precision mechanism R&D design. 2. Program-controlled RGB LED detection and control technology R&D design. 3. Expected to be completed in Q3 2024.
Long-life slide potentiometer with LED and motor	Proceeding according to plan	3 million	Expected to be completed in Q4 of 2024	1. Precision mechanism R&D design. 2. LED light guide structure R&D design. 3. Expected to be completed in Q4 2024.

- (4) Impact of important domestic and foreign policies and legal changes on the company's financial business and corresponding measures: The company has taken appropriate measures to cope with recent important policy and legal changes both domestically and internationally during the past fiscal year, and they have not had a significant impact on the company's financial business.
- (5) Impact of technological changes and industry transformations on the company's financial operations and corresponding measures: There have been no significant changes in the technology used in our product sales. However, to cope with intense market competition, our primary response measures will be to enhance product functionality and reduce product costs.
- (6) Impact of corporate image changes on corporate crisis management and response measures: The company has always adhered to the spirit of "integrity, diligence, thrift," serving customers, shareholders, creditors, and the general public, and moving towards sustainable growth. Adhering to "integrity, diligence, and thrift" is the highest standard of our company's operations.
- (7) Expected benefits, potential risks, and corresponding measures for the merger and acquisition: None.
- (8) Expected benefits, potential risks, and coping measures for the expansion of factory building: The expansion and construction of our company's plant are subject to feasibility assessments conducted by the relevant teams, and appropriate benefit evaluations and risk management will be carried out in accordance with the company's internal control procedures.
- (9) Risks and mitigation measures for concentrated procurement or sales: None.
- (10) The impact, risks, and response measures of a significant transfer or replacement of shares by directors, supervisors, major shareholders holding more than ten percent of the shares on the company will be evaluated and addressed in accordance with the company's internal control procedures: None.
- (11) Impact, risks, and response measures regarding the change in management control of the company: None.
- (12) Litigation or non-litigation events:
1. The company is currently involved in significant litigation, non-litigation, or administrative disputes that are pending: None.
 2. The major litigations, non-litigation, or administrative disputes involving the current directors, supervisors, and major shareholders owning ten percent or more of the shares of the Company are pending and their outcomes may significantly affect the Company's operations or shareholder interests: None.
- (13) Other significant risks and corresponding measures: None.

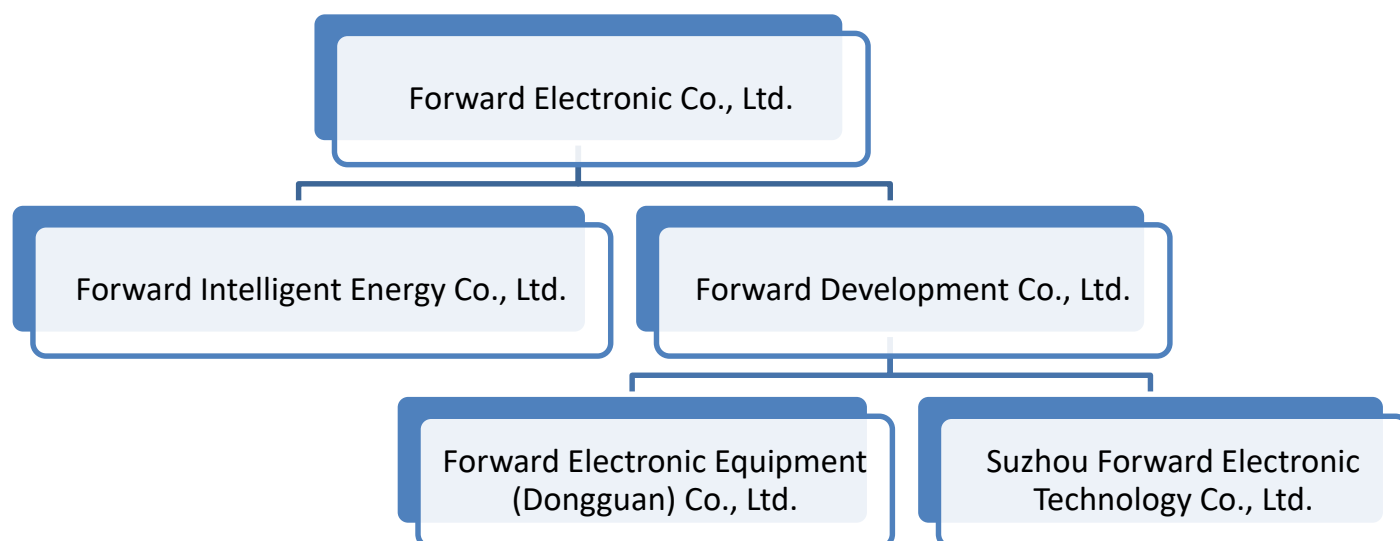
7.7. Other important matters: None.

VIII. Special notes

8.1. Information about the company's affiliates

(1) Organizational Chart and Shareholding Structure of company's affiliates

As of December 31, 2023, the main equity investment and shareholding ratio of the company is shown in the following table:



(2) Basic information of company's affiliates

Expressed in thousands of New Taiwan Dollars, foreign currency is expressed in yuan

Company name	Date of Establishment	Address	Paid-in capital (Note)	Main business or production items
FORWARD DEVELOPMENT CO., LTD.	1998.11.10	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.	US 19,298,479	Invested businesses.
Forward Electronic Equipment (Dongguan) Co., Ltd.	1999.2.3	Yangkengtang Village, Dalang Town, Dongguan City	US 4,600,000	Lease of factory buildings business.
Suzhou Forward Electronic Technology Co., Ltd.	2002.6.5	Economic Development Zone, Wujiang City, Jiangsu Province	US 12,200,000	Production and sales of TFT LCD backlight modules, driver boards, tuners, keyboards, mice, switches, socket connectors, etc.
Forward Intelligent Energy Co., Ltd.	2023.7.12	393, Section 1, Zhongzheng Road, Sanxia District, New Taipei City	NT290,000	Domestic and international carbon trading, carbon asset management services, carbon credit development projects, and green energy industry development.

(3) Assumed to have control and subsidiary relationships, same shareholder information:
None.

(4)Operation Relationship Description:

1.The industries covered by the overall business operations of company's affiliates:

Company name	Main business and production items
FORWARD DEVELOPMENT CO., LTD.	Development, manufacturing and sales of switches, variable resistors, sensors, encoders, and other related products, as well as sales of information appliances, peripheral products, and lighting products.
FORWARD DEVELOPMENT CO., LTD.	Investment business.
Forward Electronic Equipment (Dongguan) Co., Ltd.	No production, revitalization through factory rental business.
Suzhou Forward Electronic Technology Co., Ltd.	Development, manufacturing, and sales of backlight modules and materials, LCD display modules, and related products.
Forward Intelligent Energy Co., Ltd.	domestic and international carbon trading, carbon asset management services, carbon credit development projects, and green energy industry development.

2. Each related company operates interrelated businesses and has a division of labor in their transactions:

Forward Electronic Equipment (Dongguan) Co., Ltd. and Suzhou Forward Electronic Technology Co., Ltd. are companies indirectly invested by Forward Electronics Co., Ltd. through the investment company FORWARD DEVELOPMENT CO., LTD. They mainly aim to comply with our company's sales policy, that is, to produce on-site close to the market, and to integrate the layout of production bases in Taiwan and mainland China, with JIT delivery to meet customer needs.

(5) Information of Directors, Supervisors, and General Managers of company's affiliates

Company name	Job title	Name or Representative Person	No. of shares held	
			No. of shares	Shareholding ratio
FORWARD DEVELOPMENT CO., LTD.	Chairmen	The representative person of Fu Hwa Electronic (Co.) Ltd: Sui, Feng-zhi	19,298,479	100%
Forward Electronic Equipment (Dongguan) Co., Ltd.	Chairman and General Manager Director Director Director Supervisor	The representative person FORWARD DEVELOPMENT CO., LTD. : Sui, Feng-zhi Sui Feng-zhi Huang Xiu-hua Lin Qing-feng Zeng Zhen-rong Sung Cheng-Xi	—	100%
Suzhou Forward Electronic Technology Co., Ltd.	Chairman and General Manager Director Director Director Director Supervisor	The representative person FORWARD DEVELOPMENT CO., LTD. : Sui, Feng-zhi Sui Feng-zhi Huang Xiu-hua Lin Qing-feng Zeng Zhen-rong Sung Cheng-Xi	—	100%
Forward Intelligent Energy Co., Ltd.	Chairman General Manager Director Director Director Supervisor	The representative person Forward Electronic Technology : Hong Chi-Chang Hong Chi-Chang Ma Jin-Yao Wang Guang-Xiang Shen Ying-Yi Ma Jin-Yao Zhang Guo-Cheng	29,000,000	100%

(6) Overview of the business operations of each related company

Unit: NTD thousand

Company name	Capital	Total assets	Total Liabilities	Net worth	Operations revenue	Operating income (loss)	Net Income (After Tax) for the Current Period	Earnings per share (EPS) (after tax)
FORWARD DEVELOPMENT CO., LTD. and subsidiaries (Note 1)	592,560	879,992	105,650	774,343	418,162	(83,962)	(78,812)	(0.13)
Forward Intelligent Energy Co., Ltd. (Note 2)	290,000	286,594	1,086	285,509	0	(4,594)	(4,491)	(0.15)

Note: (1) The financial statements for the fiscal year 2023 have been audited and certified by accountants.

(2) On July 12, 2023, the subsidiary company, Forward Intelligent Energy Co., Ltd., was established in Taiwan. The financial statements for the fiscal year 2023 of this subsidiary have also been audited and certified by accountants.

Declaration Letter

The relationship report of our company for the year 2023 (from January 1, 2023 to December 31, 2023) is prepared in accordance with the "Guidelines for the Preparation of Related Party Merger Business Reports, Related Party Merger Financial Statements, and Related Party Reports" and the information disclosed therein is not materially inconsistent with the relevant information disclosed in the financial statement footnotes for the aforementioned period.

Hereby declared

Company Name: Forward Electronics Co., Ltd.

Representative: Hong Chi-Chang

March 4, 2024

(8) Overview of the relationship between subsidiary and controlling companies

Unit: Shares; %

Name of the controlling company	Reasons for Control	Shareholding and pledge status of the controlling company			Involvement of representatives from the controlling company as directors, supervisors, or managers	
		No. of shares held	Shareholding ratio	Pledged shares	Job title	Name
Tatung Company	More than half of the seats on our company's board of directors are held by representatives appointed by the controlling company	31,635,411	22.60%	-	Chairman Director Director Director Director	The representative person of Tatung Company : Hong Chi-Chang Wang Guang-Xiang Sui Feng-zhi Yu Chin-bang Fu Yi-yuan

(9) Transaction and business dealings

1. Purchase and Sales Transactions

2022

Terms and conditions of transactions with the controlling company				Terms and conditions of transactions with the controlling company		General trading terms and conditions		Reasons for the difference	Accounts receivable/payable and notes receivable/payable		Overdue accounts receivable		
Purchase (Sales)	Amount	The percentage of total purchases (sales)	Gross profit on sales	Unit price (NTD)	Payment Terms	Unit price (NTD)	Payment Terms		Balance	The ratio of the balance of accounts receivable (payable) and bills to the total amount of accounts receivable (payable) and bills	Amount	Processing method	Allowance for doubtful accounts
(Sales)	7	0.0014 %	-	-	Payment terms of 30-150 days from month-end	-	Payment terms of 30-150 days from month-end	-	0	0	0	-	0
(Purchases)	-	-	-	-	-	-	-	-	-	-	-	-	-

2. Property transaction situation: None.

3. Capital financing situation: None.

4. Asset leasing status: None.

5. Other significant transactions and business relationships: None.

(10) Endorsement and guarantee situations: None.

- 8.2. Private Securities in the Past Year and as of the Date of Publication of the Annual Report: None.
- 8.3. Holding or Disposal of the Company's Shares by Affiliates in the Past Year: None.
- 8.4. Other Necessary Supplementary Notes
- Failure of Over-the-Counter (OTC) listed company to fulfill the promises made during its application process to list on the OTC market, and incomplete commitments as of the printing date of the latest annual report: None.

IX Matters in the Past Year and as of the Date of Publication of the Annual Report Which Have a Substantial Impact on Owner's Equity as Stipulated in Item 2, Paragraph 2 of Article 36 of the Securities Exchange Law: None.

FORWARD ELECTRONICS CO., LTD



Chairman Hong Chi-Chang



