Stock Code: 8163

DARFON Annual Report is available at:

www.Darfon.com.tw

mops.twse.com.tw

DARFON ELECTRONICS CORP.

2021 Annual Report

Printed on March 25, 2022

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

1. Spokesperson and Deputy Spokesperson

Spokesperson
Name: Jery Lin
Title: Vice President of Finance
Tel: 886-3-2508800
E-mail: Investor@Darfon.com.tw

Deputy Spokesperson
Name: Gavin Lin, Frank Su
Title: Senior Director of Finance,Director of Chairman office
Tel: 886-3-2508800
E-mail: Investor@Darfon.com.tw

2. Headquarters, Branches and Plant

Headquarters: No.167-1, Shanying Road., Guishan District, Taoyuan City, 333 Taiwan (R.O.C.).
Tel: 886-3-2508800
Taoyuan Plant: No.167, Shanying Road., Guishan District, Taoyuan City, 333 Taiwan (R.O.C.).
Tel: 886-3-2508800
Tainan Plant: No. 21, Gongye 2nd Road, Annan District, Tainan City 709Taiwan (R.O.C.).
Tel: 886-6- 5108800

3. Stock Transfer Agent

Name : Stock Affairs Department of Taishin Securities Co.,Ltd
Address : B1 No.96, Section 1, Jianguo North Road, Zhongshan District, Taipei City, 104 Taiwan (R.O.C.).
Website: www.tssco.com.tw
Tel: 886-2-25048125

4. Auditors

Auditors: Huei-Chen Chang, Wei-Ming Shih
Name : KPMG International Accounting Firm
Address: Taipei 101 Tower, 68F, No.7, Sec. 5, Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)
Website: www.kpmg.com.tw
Tel.: 886-2-81016666

5. Overseas Securities Exchange: None

6. Corporate Website

www.Darfon.com.tw

Contents

I. Letter to Shareholders

The COVID-19 pandemic continues to pose a threat and the US-China trade war still rages in 2021; these all caused structural impacts on global politics, economies and societies. However, the transformation of industries and lifestyles under the pandemic brought strong demand for notebook computers, bicycles and pedelec bicycles (eBike), which increased both the Company's revenue and profits. The Company's consolidated revenue for 2021 was NTD $28 billion, which increased by 26% compared to the same period the previous year. There was also significant growth in net profit after tax; the net profit after tax attributable to the shareholders of the parent Company for the year was NTD $1.15 billion, and the earnings per share after tax was $4.09.

In terms of operation and sales, the demand for global notebook computers in the education, gaming and commercial fields increased even faced with unfavorable factors, including lack of components and increased shipping costs; the overall shipment of notebook computers still reached a historical high. Darfon's IT peripherals business is committed to grasping the urgent demand from commercial enterprise orders and consumer Chromebooks and increasing production efficiency; it focused on value customers and continually optimized the product portfolio to increase the profits and maintain the leading position in market shares. Darfon actively invested resources to enhance technological innovation, shorten product development schedules, and strengthen the core competitiveness of notebook and high-end desktop keyboard technologies while launching various high-quality gaming peripheral application products, becoming a top global manufacturer of input devices. The performance of Darfon's green energy business centers on the development of pedelec bicycles (eBike) grew rapidly under the development of strategic alliances. Its proportion of revenue contribution has exceeded 30%. With the joining of Astro Tech last year, the green energy business was able to fully grasp the four major core technologies for pedelec bicycles (eBike): electronics, batteries, frames and assembly. The integrated component business focused on deepening the improvement of technologies, developing niche products, and expanding diverse channels. The subsidiary Company, Unictron Technologies Corp., which focuses on piezoelectric and antenna components, was successfully listed in the 4th quarter of 2021, successfully reaching an important milestone in the strategic layout of the component business.

In terms of management, faced with the restructuring of global supply chains and the changing of new business operation models, Darfon's global layout strategy now focuses on consolidating China, expanding Vietnam, strengthening Taiwan, deploying diverse manufacturing in Europe and developing local services. The emphasis is on regional complementarity, and supply chain management, exerting economies of scale by integrating platforms across businesses. In terms of human resources, in response to the new generation of talent management models, recruit efficiencies were strengthened to satisfy the group's talent needs, cultivate industry leaders for the group, and create valuable teams together. In addition, Darfon continues to develop through innovation and technology to maintain competitive advantages; an average of 3% of the turnover was invested each year in product innovation and technological R&D, and now Darfon has accumulated almost a thousand patents in different countries around the world.

Darfon adheres to the core concept of sustainable operation and environmental protection, social responsibility and corporate governance; it communicates and cooperates with stakeholders to create shared values. In 2021, Darfon won the 17th CSR Corporate Social Responsibility Award from Global Views Monthly, the Asia HR "HR Asia Best Companies to Work for in Asia" award, and the "WeCare Most Caring Companies Award", fully affirming the Company's achievements in caring for employees and fulfilling corporate social responsibilities. The Company will continue to implement energy-saving and carbon reduction green processes, care and bear the social responsibilities, and keep the corporate governance in pace with the times.

Even though there is no clear ending to the COVID-19 pandemic in 2022, the digital transformation and changes in lifestyles are now confirmed trends. Even though the overall economy's uncertainty still exists, Darfon will continue to strengthen its fundamentals and further expand the differentiation of its technologies and products. Integrate through consolidation to make the Company bigger and better, and use strategic alliances and complementary advantages to show the synergy of the group's active deployment of IT and green energy industry in recent years, adding energy to the sustainable operation of the Company.

Thank you to the shareholders for your long-term support and encouragement to the Company; the management team and all employees will continue to put in all our efforts to maximize benefits for the shareholders and the Company.

Sincerely yours,

Andy Su	**Josh Tsai**	**Jery Lin**
Chairman & CEO	General Manager	CFO

II. Company Profile

2.1 Date of Incorporation: May 8th, 1997

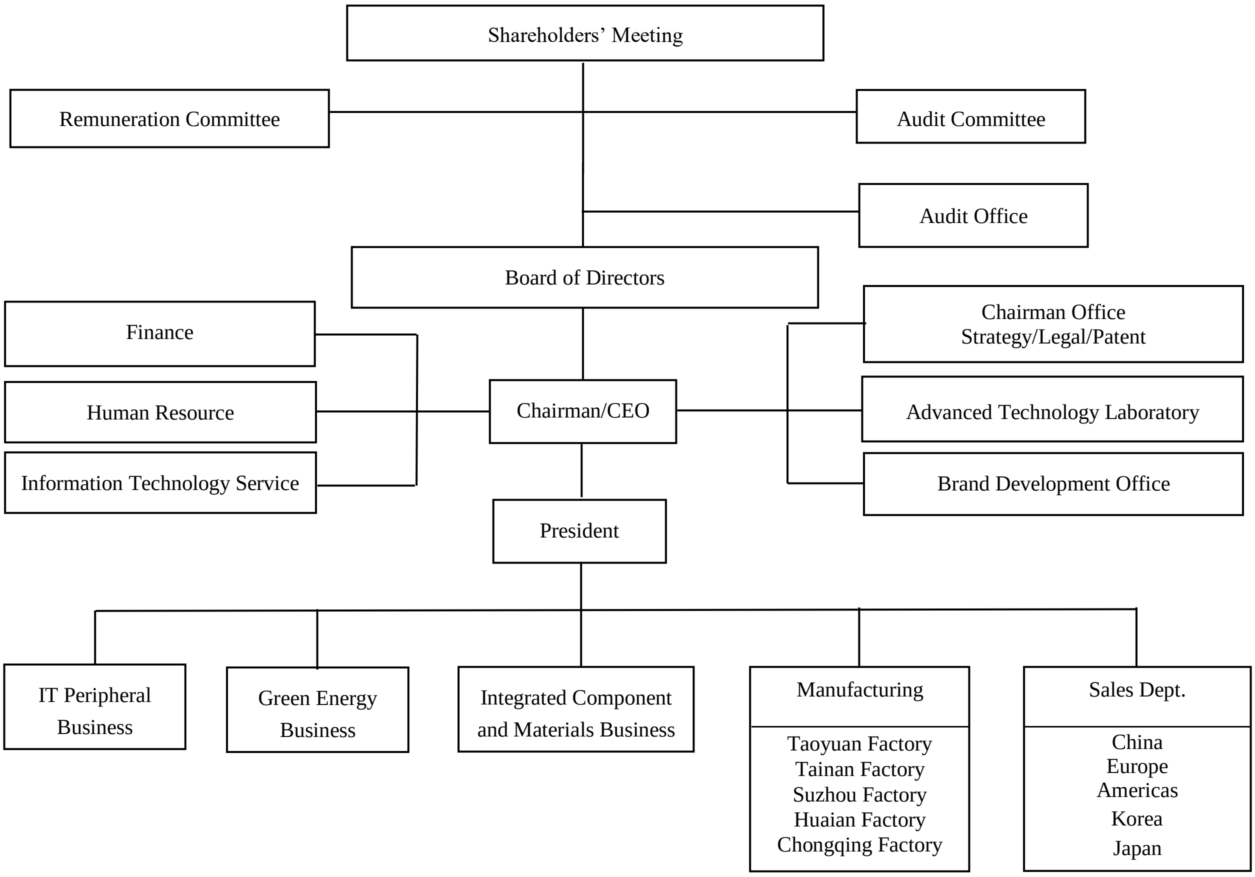
2.2 Company History

May 1997	Company established with a registered capital at NT$0.6 billion, the paid in capital was NT$150 million.
March 1998	FSC approved to be a public Company.
June 1999	Established Darfon Electronics (Suzhou) Co., Ltd.
September 1999	Darfon Tainan Factory officially activated for production.
May 2005	Established Darfon Optronics Technology (Suzhou) Co., Ltd.
December 2005	Taipei OTC center (TPEx) approved to log in as a counter stock.
April 2006	Established Darfon Electronics Czech s.r.o
June 2006	Established Darfon America Corp.
March 2007	Established Huaian Darfon Electronics Co., Ltd.
July 2007	Established Darfon Korea Co, Ltd.
October 2007	Acquired 100% of DARFON Precisions (Suzhou) Co., Ltd.
November 2007	Listed on Taiwan Stock Exchange.
February 2010	Taoyuan Guishan headquarters activated for operation.
October 2011	The Board of Directors approved the proposal of establishing the Remuneration Committee.
February 2012	Established Darfon Electronics (Chongqing) Co., Ltd.
September 2013	Darfon Electronics (Suzhou) Co., Ltd. merged with Darfon Optronics Technology (Suzhou) Co., Ltd.
November 2014	Established Darfon Europe B.V.
September 2017	Published CSR and acquired AA-1000AS certificate
November 2018	Acquired 45.77% of Unictron Technologies Corporation. (as of December 2021)
April 2019	Acquired 60% of Kenstone Metal Co., Ltd.
November 2019	Received Taiwan Corporate Sustainability Awards, organized by Taiwan Institute for Sustainable Energy (TAISE);
August 2020	Acquired 62.75% of TD HiTech Energy Inc.
November 2020	Established Darfon Vietnam Co., Ltd.
April 2021	Acquired 51% of Astro Tech Co., Ltd.
December 2021	Established Darfon Energy Technology Corp.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Departments Functions

Department	Functions
Chairman Office	Strategic planning, management, investment and operational analysis, public relations, corporal legal affairs, and relevant affairs about intellectual property rights such as domestic and international patent.
IT Peripheral Business Dept.	Development and deployment of domestic and international marketing of IT products. Execution of marketing plans, product R&D, new launch and improvement of new technology.
Green Energy Business Dept.	Product development of battery and energy storage equipment. New launch and improvement of new technology.
Integrated Component and Materials Business Dept.	Passive components, R&D for ceramic capacitor materials and product manufacturing Development of domestic and international marketing and project execution.
Finance Dept.	Edition and implementation of Company finance regulations. Management and operation of funds, reinvestment, stock affairs, taxation, and accounting affairs.
Human Resource Dept.	Planning and management of compensation system, business travel and expatriate, insurance, welfare.Planning, establishment and implementation of system of education training and talent cultivation.Planning and promotion of corporate culture and employee interactions. Planning and management of Environment, Health, Safety(EHS)
Information Technology Service Dept.	Strategy of IT system and implementation of structure. Support and integration of Company IT affairs.
Brand Development Office	Plan and development of product branding strategy.
Advanced Technology Laboratory	R&D and assessment of Company advanced technology.

3.2 Information of Directors, Independent Directors, President, Vice President, Associated Managers and Management Team of Each Department and Divisions

3.2.1 Directors and Independent Directors:

3.2.1.1 Information of Directors and Independent Directors

April 18, 2022 (Unit: Shares, %)

Title	Nationality / Place of Registration	Name	Gender/age	Date Effective	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C	Andy Su	Male 61~70	August 24, 2021	3	August 26, 1999	4,058,447	1.45	4,058,447	1.45	729,939	0.26	0	0.00	EMBA, National Cheng Chi University Assistant Vice President of BenQ Corp.	CEO, Darfon Electronics Corp. Chairman, Unictron Technologies Corp. Chairman, Darad Innovation Corp. Chairman, Darfon Materials Corp. Chairman, Darfon Gemmy Corp. Director, BenQ Foundation Chairman, Kenstone Metal Co., Ltd. Chairman, TD HiTech Energy Inc. Chairman, Kenlight Sport Marketing Co., Ltd. Chairman, Iron Ore Company Limited Chairman, Astro Tech Co., Ltd. Chairman, Darfon Energy Technology Corp.	None	None	None	-
Director	R.O.C	K.Y. Lee	Male 61~70	August 24, 2021	3	April 30, 1997	1,525,729	0.54	1,525,729	0.54	0	0.00	0	0.00	MBA, Switzerland IMD B.S., Electrical Engineering, National Taiwan University Chairman, Qisda Corp. Chairman, AU Optronics Corp.	Director, Qisda Corporation Director, AU Optronics Corp. Director, BenQ Materials Corp. Chairman, BenQ Corp. Chairman, BenQ Foundation	None	None	None	-
Director	R.O.C	Qisda Corp.	Male 61~70	August 24, 2021	3	April 30, 1997	58,004,667	20.72	58,004,667	20.72	0	0.00	0	0.00	M.D.,Technology Mangement, National Cheng Chi University EMBA, Thunderbird School of Global Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center EVP, BenQ Corp.	Chairman and CEO, Qisda Corp. Chairman, DFI Inc. Vice Chairman, Alpha Networks Inc. Director, Hitron Technologies Inc. Chairman, BenQ Medical Tech. Corp. Chairman, Partner Tech Corp. Director, BenQ Materials Corp. Director, BenQ Corp. Director, BenQ Foundation	None	None	None	-
		Peter Chen				March8, 2001	294,693	0.11	294,693	0.11	0	0.00	0	0.00			None	None	None	-
Director	R.O.C	Qisda Corp.	Female 51~60	August 24, 2021	3	April 30, 1997.	58,004,667	20.72	58,004,667	20.72	0	0.00	0	0.00	MBA, California State University, Fullerton Financial Assistant Vice President of Finance, Qisda corp. CFO, Daxon Technology Inc.	CFO, Qisda Corp. group. Director, Alpha Networks Inc. Director, Sysage Technology Co., Ltd. Director, Data Image Corp. Director, Simula Technology Inc. Director, K2 International Medical Inc. Director, BenQ Corp.	None	None	None	-
		Jasmin Hung				August 30, 2019	26,637	0.01	26,637	0.01	0	0.00	0	0.00			None	None	None	-
Director	R.O.C	Josh Tsai	Male 51~60	August 24, 2021	3	June 24, 2015	519,271	0.19	519,271	0.19	0	0.00	0	0.00	Ph D, Mechanical Engineering, National Chiao Tung University	President, Darfon Electronics Corp. Director, Darad Innovation Corp. Director, Darfon Materials Corp. Director, Darfon Gemmy Corp. Director, Kenstone Metal Co., Ltd. Director,Kenlight Sport Marketing Co., Ltd. Director, Astro Tech Co., Ltd. Director,Darfon Energy Technology Corp.	None	None	None	-

Title	Nationality / Place of Registration	Name	Gender/age	Date Effective	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C	Neng-Pai Lin	Male 61~70	August 24, 2021	3	May 11, 2006	0	0.00	0	0.00	0	0.00	0	0.00	Ph D., Business, Ohio State University Chairman of Taiwan Sugar Corp. Chairman of Taiwan Power Company Minister, Public Construction Commission, Executive Yuan Dean, Management Dept. National Taiwan University	Chairman, Taishin Securities Investment Advisory Co., Ltd. Independent Director, Wistron NeWeb Corporation Independent Director, AcBel Polytech Inc.	None	None	None	-
Independent Director	R.O.C	Kelvin Lee	Male 61~70	August 24, 2021	3	August 24, 2021	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D., Electrical Engineering, National Taiwan University Vice president of Acer Inc. Vice president of Qisda Corp.	Executive director of Taiwan R&D Manager Association Director of Cheng-Dian Cultural & Educational Foundation	None	None	None	-
Independent Director	R.O.C	Nelson Lee	Male 61~70	August 24, 2021	3	June 24, 2015	0	0.00	0	0.00	0	0.00	0	0.00	PhD Candidate, Department of Horticulture, National Taiwan University MBA, Wharton School of the University of Pennsylvania M.D., The Moore School of Electrical Engineering and Computer Science, Pennsylvania State University BBA, National Taiwan University Independent Director, Easy Field Corp. Chairman, Optoma Corp. President, Coretronic Corp. EVP, Universal Furniture Ltd. CEO, Asia Pacific of Formica Corp. Chairman, Taiwan Arboriculture Society Chairman, Taiwan Green Roof & Green Wall Association	Chairman, Treegarden Corporation Chairman ,Taiwan Biochar Industry Organization	None	None	None	-
Independent Director	R.O.C	Stan Hu	Male 61~70	August 24, 2021	3	June 24, 2015	0	0.00	0	0.00	0	0.00	0	0.00	M.D., Accounting, New York State University. Manager, Solomon & Co., CPAs Director, Forhouse Corp.	Partner Accountant, YZ CPA. Supervisor, Donpon Precision Inc. Supervisor, Favite Inc.	None	None	None	-

Note:Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a Company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measure adopted in response thereto must be disclosed. (such as addition of independent directors’ number, and actions when more than half of directors are not concurrently serving as employees or managers, etc.):The chairman of the Company concurrently serves the position of CEO, because of his working and corporate governance experience in fields, such as industry knowledge, operational judgement, and corporate management. Chairman shows obvious benefit to Company by corporate governance implementation and management, ability to improve decision-making and to strengthen Company operation. By such competence, chairman can timely provide professional advice to board of directors. Audit committee was implemented in 2007 in order to strengthen independence of the board, and number of the directors who are also Company employees is less than one-third of the board members. Moreover, all board members are required to take professional courses by external institutions in order to maintain board operations. The Company re-elected directors at the 2021 regular shareholders' meeting and added an independent director.

3.2.1.2 Major shareholders of the Corporate Shareholders

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholders	
	Name	Percentage (%)
Qisda Corporation	AU Optronics Corp.	17.04
	Acer Incorporated	4.15
	Konly Venture Corp.	2.55
	Taishin International Bank entrusted with the Qisda Corporation Employee Stock Ownership Trust Account	2.08
	Darfon Electronics Corp.	2.03
	Polunin Developing Countries Fund, LLC	1.03
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	1.03
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	0.96
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.93
	CREO VENTURE CORP	0.87

Note: Qisda Corp. is major shareholder, and it's based on shareholder name list as of the book closure date on April 1, 2022.

3.2.1.3 Major shareholders of the Company's major Corporate Shareholders

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholders	
	Name	Percentage (%)
AU Optronics Corp. (Note1)	Qisda Corporation	6.90
	Trust Holding for Employees of AU Optronics Corp.	4.88
	Quanta Computer Inc.	4.61
	ADR of AU Optronics Corp.	2.63
	Yuanta Taiwan Dividend Plus ETF	1.40
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.05
	New Labor Pension Fund	0.91
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.79
	GOLDMAN SACHS INTERNATIONAL	0.77
	Fubon Life Insurance Co., Ltd	0.62
ACER Inc. (Note2)	Hung Rouan Investment Corp.	2.42
	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF Fund under the custody of Taishin Bank	1.87
	Fubon Taiwan high dividend 30 ETF	1.43
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.32
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.23
	Stan Shih	1.15
	Yo-Juang Investment Corp.	1.10
	iShares ESG Aware MSCI EM ETF	0.95
	Acer GDR	0.94
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Universities Superannuation Scheme Limited	0.81
Konly Venture Corp. (Note 3)	AU Optronics Corp.	100

Note 1: Source of information for AU Optronics Corp.is recorded as of the book closure date of AU Optronics Corp. on June 28, 2021.

Note 2: Source of information for ACER Inc.is recorded as of the book closure date of ACER Inc. on April 12, 2022

Note 3: Source of information for Department of Commerce, MOEA.

3.2.1.4 Professional qualifications and independence condition of directors and independent directors

Condition / Name	Professional qalification and work experience	Independence condition	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Andy Su	Andy, taking over as president since 1999 and then serving as CEO up to now, has led the Company for 20 years. He is great at innovative research and development and integration technology, and leading the goup generate profit and improving business sustainable competitiveness by product diversification strategy. When Company, that started to engage in laptop keyboard, MLCC integrated components and Inverter, went through the vicissitudes of keyboard industry.Andy headed the Company transforming to build the new brand BESV (E-bilke). When facing the highly competitive market from two bike companies in Taiwan, under his leadership, Company has still persisitently positioned high-end brand to snatch global e-bike market, then been successful in penetrating Netherland, Germany, janpan, and other overseas markets.	Incumbent CEO, Darfon Electronics Corp.	None
K.Y. Lee	K.Y.is the Honorary Chairman of Qisda Corp.He was president of BenQ Corp.that initially engaged in computer peripherals and successfully transferred to the area ofcomputer, communication, and consumer electronics under his strategy. K.Y. orchestrated the separation of BenQ’s branded operations from its OEM/EMS business. Under his “dual core competency strategy”, both businesses are expected to develop and grow independently by focusing on their respective competencies.	Incumbent Chairman, BenQ Corp.	None
Representative of Qisda Corporation：Peter Chen	Peter was president of BenQ Corp. and Qisda Corp. When being BG Head in Digital Media Business Group, he took over the product of digital cameras, and redefined product as well as market position. After that, he succeeded as the surperviser in Technology Product Center and was responsible for research, purchasing, marketing, after-sales service and logistic management.He has devoted himself to different prduct lines in years, and gained diverse management experience.	Incumbent Chairman and President, Qisda Corp.	None
Representative of Qisda Corporation：Jasmin Hung	Jasmin ,graduating from California State University, Fullerton MBA, is currently Group CFO of Qisda Corp. she is adept at leadership and decision-making, operational judgement, corporate management, risk management, industry knowledge and view of global market,	Incumbent CFO, Qisda Corp. group.	None

<table>
<tr><th>Condition
Name</th><th>Professional qalification and work experience</th><th>Independence condition</th><th>Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director</th></tr>
<tr><td>Josh Tsai</td><td>Josh has a PhD in Mechanical Engineering,
National Chiao Tung University.
He joined Darfon in 1998.In recent years, he not only adopts at mechanism design, but also possesses extensive experience in electronic products marketing.Morover, Josh enhances the business attractiveness for Company. Thus, he plays an important role in long-term development of Company.</td><td>Incumbent President, Darfon Electronics Corp.</td><td>None</td></tr>
<tr><td>Independent Director
Neng-Pai Lin</td><td>Professor Lin was previously a chairman of Taiwan Sugar Corp. and Taiwan Power, and former Dean of Management Dept. National Taiwan University.He possesses financial, business management as well as corporate governance experience.Futhermore, he is a Professor in a department of finance, accounting, or other academic department or the business sector of the Company in a public or private junior college, college or university, and possesses five or more years of work experience required for the Company's business.</td><td rowspan="3">1. Not an employee, a director or supervisor of the Company or any of its affiliates of the Company; including independent director himself/herself, spouses or second degree of kinship.
2. Not holding shares of the Company including independent director himself/herself, spouses, second degree of kinship or held by the person under others' names.
3. During the two years before being elected or during the term of office, an independent director of a public Company may not have been or be any of the following:
(1) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act.。
(2) If a majority of the Company's director seats or voting shares and those of any other Company are controlled by the same person: a director, supervisor, or employee of that other Company.
(3) If the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.</td><td>2</td></tr>
<tr><td>Independent Director
Kelvin Lee</td><td>As Executive director of Taiwan R&D Manager Association, Kelvin has a Certificate of Professional Engineer Certificate from Ministry of Economic Affairs. He was Vice President of R&D, CTR in Qisda.He succeessfully established Acer Display Technology, Inc, and worked as Vice President of R&D in Acer Display.after Acer Display merged with Unipac Optoelectronics and became AU Optronics Corp., he worked as CTO in Qisda. He has a great deal of experience in optoelectronics industry,is familiar with the industry and market trend, and possesses five or more years of work experience required for the Company's business.</td><td>None</td></tr>
<tr><td>Independent Director
Nelson Lee</td><td>Nelson is present chairman of Treegarden Corp.and Taiwan Biochar Industry Organization.As a manager in multinational Company, and president and chairman in tenology Company, he took charge of international business in the past.Currently, he dedicates to tree industry, introduces foreign practices and arborist system, and helps to enact and implement Tree Protection Chapter of Forestry Act. Moreover, he possesses five or more years of work experience required for the Company's business.</td><td>None</td></tr>
</table>

Condition / Name	Professional qalification and work experience	Independence condition	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director Stan Hu	Stan is CPA in Yangtze CPAs and director in NACVA Taiwan. Stan, an instructor in Chaoyang University of Technology and Tunghai University, has both CPA Certifications in Republic of China and the USA, and possesses five or more years of work experience required for the Company's business.	(4)A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company. 4.A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that,do not provide any commercial, legal,financial, accounting or related services to theCompany or any affiliate of the Company inrecent 2 years.	None

Note：All dirctors of Company are not under conditions defined in Article 30 of the Company Act.

3.2.1.5 Diversity and independence of the Board of Directors:

3.2.1.5.1 Diversity of the Board of Directors:

Member diversification is considered by the Board members according to Company's "Corporate Governance Principles. The Board objectively chooses candidates to meet the goal of member diversification, composed of experts in different areas of expertise, by considering the structure of operation, business development and future development, as well as focusing diversity. Among all Board members, including 4 independent directors, we have directors good at leadership and decision-making, operational judgement, corporate management, risk management, industry knowledge and view of global market, Andy Su, K.Y. Lee, Peter Chen, Jasmin Hung, Josh Tsai, Neng-Pai Lin, Kelvin Lee, Nelson Lee, and Stan Hu. We have directors with contribution in public welfare, K.Y. Lee, Andy Su, and Peter Chen. We have K.Y. Lee, Neng-Pai Lin and Stan Hu good at legal affairs, and while the other four independent directors are expertise in individual field. Neng-Pai Lin was Taiwan Sugar Corp. and Taiwan Power Co., chairman and Dean of Management department in NTU, Kelvin Lee works as Executive director of Taiwan R&D Manager Association, Stan Hu is Chairman of China Intangible Assets and Enterprise Evaluation Association, and Nelson Lee is the Chairman of Taiwan Biochar Industry Organization. The percentage of directors who serve managerial role in the Company is 22.2%, independent directors of 44.4%, female directors of 11.1%. Total 7 seats of the directors' age are above 61 year-old, and 2 directors are aged 51-60 year-old. Please refer to P.22 for other management targets and implementation.

3.2.1.5.2 Independence of the Board of Directors:

The Company re-elected directors at the 2021 regular shareholders' meeting and added an independent director. The Board of Directors of the Company consists of nine directors, of which four are independent directors (44.4% of all directors). The Board of Directors is independent without any spouse or second degree of kinship between directors.

3.2.2 Information of President, Vice President, Associated Manager, and Management Team of each Department and Branches:

April 18, 2022 (Unit: Shares, %)

Title (note1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO	R.O.C.	Andy Su	Male	November, 2018	4,058,447	1.45	729,939	0.26	0	0.00	EMBA, National Cheng Chi University Assistant VP of BenQ Corp.	Chairman, Unictron Technologies Corporation Chairman, Darad Innovation Corporation Chairman, Darfon Materials Corp. Chairman, Darfon Gemmy Corp. Chairman, Kenstone Metal Co., Ltd. Chairman, TD HiTech Energy Inc. Chairman, Kenlight Sport Marketing Co., Ltd. Chairman, Iron Ore Company Limited Director, BenQ Foundation Chairman, Astro Tech Co., Ltd. Chairman,Darfon Energy Technology Corp.	None	None	None	Note2
President	R.O.C.	Josh Tsai	Male	November, 2018	519,271	0.19	0	0.00	0	0.00	Ph D, Mechanical Engineering, National Chiao Tung University	Director, Darad Innovation Corp. Director, Darfon Materials Corp. Director, Darfon Gemmy Corp. Director, Kenstone Metal Co., Ltd. Director, Kenlight Sport Marketing Co., Ltd. Director, Astro Tech Co., Ltd. Director, Darfon Energy Technology Corp.	None	None	None	-
Vice President	R.O.C.	James MH Chiang	Male	August, 2009	16,000	0.01	135,734	0.05	0	0.00	M.D., Business Management, University of Northern Virginia	Director, TD HiTech Energy Inc. Director, Astro Tech Co., Ltd.	None	None	None	-
Vice President	R.O.C.	Milton Lai	Male	November, 2016	10,000	0.00	0	0.00	0	0.00	M.D., Business Management, National Cheng Kung University	Director, Darad Innovation Corp. Director,,Darfon Energy Technology Corp. Director, Kenlight Sport Marketing Co., Ltd. Director, Iron Ore Company Limited	None	None	None	-
Vice President	R.O.C.	Dean Lin	Male	March, 2006	1,403,151	0.50	83,832	0.03	0	0.00	EMBA, National Cheng Chi University V.P., BenQ Material Corp.	Director, Darfon Materials Corp. Director, Darfon Gemmy Corp. Director, TD HiTech Energy Inc. Director, Kenstone Metal Co., Ltd. Director,,Darfon Energy Technology Corp.	None	None	None	-
V.P., Advanced Technology	R.O.C.	ZC Jou	Male	November, 2018	58,927	0.02	879	0.00	0	0.00	Ph D., Material, University of Utah	None	None	None	None	-
V.P, IT Peripheral	R.O.C.	Chris Wang	Male	March, 2021	43,308	0.02	166	0.00	0	0.00	EMBA, Chinese Culture University	None	None	None	None	-
V.P., Finance	R.O.C.	Jery Lin	Male	October, 1999	1,209,429	0.43	0	0.00	0	0.00	M.D.,Technology Mangement of National Chiao Tung University Manager of BenQ Corp..	Director, Unictron Technologies Corporation Director, Iron Ore Company Limited Supervisor Darad Innovation Corporation Supervisor, Darfon Materials Corp. Supervisor Darfon Gemmy Corp. Supervisor, Kenlight Sport Marketing Co., Ltd. Supervisor, Astro Tech Co., Ltd. Supervisor, Darfon Energy Technology Corp.	None	None	None	-

Note1: Those who currently serve in their respective positions on the publication date of the Annual Report.

Note2: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a Company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measure adopted in response thereto must be disclosed. (such as addition of independent directors' number, and actions when more than half of directors are not concurrently serving as employees or managers, etc.) The chairman of this Company concurrently serves the position of CEO, because of his working s and corporate governance experience in fields, such as industry knowledge, operational judgement, and corporate management. Chairman shows obvious benefit to Company by corporate governance implementation and management, ability to improve decision-making and to strengthen Company operation. By such competence, chairman can timely provide professional advice to board of directors. Audit committee was implemented in 2007 in order to strengthen independence of the board, and number of the directors who are also Company employees is less than one-third of the board members. Moreover, all board members are required to take professional courses by external institutions in order to maintain board operations. The Company re-elected directors at the 2021 regular shareholders' meeting and added an independent director.

Note3: Managing officers concurrently serve on affiliates in mainland China, please refer to the section "Directors, supervisors and presidents of affiliates" page 77 in annual report.

3.2.3 Compensation of Directors, Independent Directors, President, and Vice Presidents

3.2.3.1 Compensation of Directors and Independent Directors

Unit: NT$ thousands; %

Title		Name	Remuneration								Amount and ratio of sum of Items (A+B+C+D) to profit (%)		Compensation received by directors who is an employee of the Company								Amount and ratio of sum of items (A+B+C+D+E+F+G) to net income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
			Compensation (A) (Note1)		Pension upon Retirement (B)		Director's Remuneration (C) (Note2)		Business execution Expenses (D) (Note3)				Salary, Bonuses, and special expenses (E) (Note4)		Pension upon Retirement (F)		Employee's Remuneration (G) (Note5)						
			The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																	Cash	Stock	Cash	Stock			
General Directors	Chairman	Andy Su	5,000	6,500	0	0	1,686	1,686	300	500	6,986 0.61%	8,686 0.75%	54,867	77,457	0	0	15,790	0	21,806	0	77,643 6.77%	107,949 9.41%	None
	Director	K.Y. Lee																					
	Director	Josh Tsai																					
	Corporate Director Representative	Qisda Corp., Peter Chen																					
	Corporate Director Representative	Qisda Corp. Jasmin Hung																					
Independent Directors	Independent Director	Neng-Pai Lin	4,335	4,335	0	0	5,659	5,659	190	190	10,184 0.89%	10,184 0.89%	0	0	0	0	0	0	0	0	10,184 0.89%	10,184 0.89%	None
	Independent Directors	Kelvin Lee																					
	Independent Director	Nelson Lee																					
	Independent Director	Stan Hu																					
Corporate Director		Qisda Corp.	2,000	2,000	0	0	3,372	3,372	0	0	5,372 0.47%	5,372 0.47%	0	0	0	0	0	0	0	0	5,372 0.47%	5,372 0.47%	None

Note1: Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: Compensation for Company Directors have been authorized for distribution by the Board of Directors pursuant to the Company's Articles of Incorporation, based on individual Director's level of participation and contributions to Company operations, and have been paid pursuant to the "Compensation Policy to the Directors and Functional Committee Members" which is in reference to domestic and overseas industry standards. When earnings are present, compensation for Company Directors have been authorized for distribution by the Board of Directors pursuant to the Article 19 of Company's Article of Incorporation, no more than 1% of the remaining profit for distribution to directors as remuneration. The remuneration may be approved by the Board of Directors and reported to the shareholders' meeting.

Note2: In addition to the information disclosed in the table above, has any Director of the Company provided services to any of the companies included in the Financial Statements and received compensation for such services (e.g. parent Company/Companies in the consolidated financial statements/ provided consultation services in a non-employee capacity for an Invested Company): None

3.2.3.1.1. Table of compensation ranges

Compensation range for each Director	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Under NT$ 1,000,000	Peter Chen Jasmin Hung Kelvin Lee	Peter Chen Jasmin Hung Kelvin Lee	Peter Chen Jasmin Hung Kelvin Lee	Peter Chen Jasmin Hung Kelvin Lee
NT$ 1,000,000 ~ NT$1,999,999	Josh Tsai	Josh Tsai	-	-
NT$ 2,000,000 ~ NT$3,499,999	Andy Su K.Y. Lee Neng-Pai Lin Nelson Lee Stan Hu	K.Y. Lee Neng-Pai Lin Nelson Lee Stan Hu	K.Y. Lee Neng-Pai Lin Nelson Lee Stan Hu	K.Y. Lee Neng-Pai Lin Nelson Lee Stan Hu
NT$3,500,000 ~ NT$4,999,999	-	Andy Su	-	-
NT$5,000,000 ~ NT$9,999,999	Qisda Corp.	Qisda Corp.	Qisda Corp.	Qisda Corp.
NT$10,000,000 ~ NT$14,999,999	-	-	-	-
NT$15,000,000 ~ NT$29,999,999	-	-	Josh Tsai	Josh Tsai
NT$30,000,000~ NT$49,999,999	-	-	-	-
NT$50,000,000 ~ NT$99,999,999	-	-	Andy Su	Andy Su
Over NT$100,000,000	-	-	-	-
Total	10 (1 Corporate Director included)	10 (1 Corporate Director included)	10 (1 Corporate Director included)	10 (1 Corporate Director included)

Note1: Refers to compensation for Directors in 2021, including salaries, job allowance, severance pay, bonuses, and performance fees.

Note2: Refers to Directors' remunerations, approved by the Board of Directors on March 8, 2022.

Note3: Refers to Directors' business execution expenses in 2021, including transport fees, special expenses, various subsidies, accommodations, or company vehicles and other physical items, etc.

Note4: Refers to compensation for Directors who also served as President, Vice President, other managers or employees in 2021 including salaries, job remuneration, severance pay, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, company vehicles, and other physical items, etc. Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.

Note5: Refers to employees' remuneration, including stock and cash, paid to Directors who also served as President, Vice President, other managers, or employees, according to the Company's board of directors' meeting has approved the distribution of employees' compensation amount on March 8, 2022.

Note6: Refers to net income attributable to parent Company for the year consolidated financial statements of Darfon Electronics Corp.

3.2.3.2 Remuneration of Supervisors：The Company adopts Audit Committee without supervisors.

3.2.3.3 Compensation of the President and Vice Presidents

Unit: NT$ thousands, %

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary(A)
(Note1)</th><th colspan="2">Pension upon retirement
(B)
(Note2)</th><th colspan="2">Bonuses and special expenses etc (C)
(Note3)</th><th colspan="4">Employee’s remuneration (D)
(Note4)</th><th colspan="2">Amount and ratio of sum of items
(A+B+C+D) to net income (%)</th><th rowspan="3">Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company’s Subsidiary</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements</th><th colspan="2">The Company</th><th colspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Note5)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Andy Su</td><td rowspan="9">26,323</td><td rowspan="9">30,058</td><td rowspan="9">6,149</td><td rowspan="9">6,149</td><td rowspan="9">72,787</td><td rowspan="9">91,989</td><td rowspan="9">28,890</td><td rowspan="9">0</td><td rowspan="9">36,168</td><td rowspan="9">0</td><td rowspan="9">134,148
11.70%</td><td rowspan="9">164,363
14.34%</td><td rowspan="9">**None**</td></tr>
<tr><td>President</td><td>Josh Tsai</td></tr>
<tr><td>Vice President</td><td>Charles S Liu (Note6)</td></tr>
<tr><td>Vice President</td><td>Dean Lin</td></tr>
<tr><td>Vice President</td><td>James MH Chiang</td></tr>
<tr><td>Vice President</td><td>Milton Lai</td></tr>
<tr><td>Vice President</td><td>ZC Jou</td></tr>
<tr><td>Vice President</td><td>Chris Wang (Note7)</td></tr>
<tr><td>V.P., Finance</td><td>Jery Lin</td></tr>
</table>

3.2.3.3.1 Table of Compensation Level

Compensation range for each President and Vice President	Name of President and Vice Presidents: The Company	Name of President and Vice Presidents: Companies in the consolidated financial statements
Under NT$ 1,000,000	-	-
NT$ 1,000,000 ~ NT$1,999,999	-	-
NT$ 2,000,000 ~ NT$3,499,999	-	-
NT$3,500,000 ~ NT$4,999,999	-	-
NT$5,000,000 ~ NT$9,999,999	Charles S Liu Dean Lin ZC Jou Jery Lin Chris Wang	Charles S Liu Dean Lin ZC Jou Jery Lin Chris Wang
NT$10,000,000 ~ NT$14,999,999	James MH Chiang Milton Lai	James MH Chiang Milton Lai
NT$15,000,000 ~ NT$29,999,999	Josh Tsai	Josh Tsai
NT$30,000,000~ NT$49,999,999	Andy Su	-
NT$50,000,000 ~ NT$99,999,999	-	Andy Su
Over NT$100,000,000	-	-
Total	9	9

Note1: Refers to compensation for president and vice president in 2021, including salaries, job allowance and severance pay.

Note2: Refers to pension either allocated or paid out per legal requirements in 2021.

Note3: Refers to compensation for president and vice president in 2021, including bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, company vehicles, and other physical items, etc. Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.

Note4: Refers to employees’ remuneration, including stock and cash, according to the Company’s board of directors’ meeting has approved the distribution of employees’ compensation amount on March 8, 2022.

Note5: Refers to net income attributable to parent Company for the year consolidated financial statements of Darfon Electronics Corp.

Note6: V.P., Charles S Liu has retired on February 9, 2021.

Note7: V.P., Chris Wang was assigned new manager on March 15, 2021.

3.2.3.4 Names of managers provided with employee's remunerations and state of payments

Unit: NT$ thousands, %

Item	Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Managers (Note1)	CEO	Andy Su	0	28,890 (Note2)	28,890	2.52 (Note3)
	President	Josh Tsai				
	Vice President	Dean Lin				
	Vice President	Milton Lai				
	Vice President	James MH				
	Vice President	ZC Jou				
	Vice President	Chris Wang				
	V.P., Finance	Jery Lin				

Note1: Managers application accuracy is in accordance with FSC Securities and Futures Commission, Ministry of Finance-3 NO. 0920001301 published on March 27, 2003.

Note2: Refers to employees' remuneration according to the Company's board of directors' meeting has approved the distribution of employees' compensation amount on March 8, 2022, and reference of previous distribution amount.

Note3: Refers to net income attributable to parent Company for the year consolidated financial statements of Darfon Electronics Corp.

3.2.4 Compare and analyze the total compensation as a percentage of net income after taxes stated in the parent Company only or individual financial statements, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's Directors, president and vice president. Describe the policies, standards, and packages for payment of compensation, the procedures for determining compensation, and its linkage to business performance and future risk exposure

3.2.4.1 The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, president and vice presidents of the Company, to the net income.

Item / Year	2020	2021
Net income after taxes on the Company's Parent Company Only Financial Statements (NT$ thousands)	903,785	1,146,533
Ratio of compensation for Directors paid by the Company (%)	2.25	1.97
Ratio of compensation for Directors paid by all Companies listed in the Consolidated Financial Statements (%)	2.36	2.11
Ratio of compensation for Managers such as Vice President or above paid by the Company (%)	13.13	11.70
Ratio of compensation for Managers such as Vice President or above paid by all Companies listed in the Consolidated Financial Statements (%)	15.58	14.34

3.2.4.2 The policies, standards, and packages for payment of compensation, the procedures for determining compensation, and its linkage to business performance and future risk exposure.

(1) Statement of Directors' and Independent Directors' compensation

Compensation for Company Directors have been authorized for distribution by the Board of Directors pursuant to the Company's Articles of Incorporation, based on individual Director's level of participation and contributions to Company operations, and have been pursuant to the "Compensation Policy to the Directors and Functional Committee Members" which is in reference to domestic and overseas industry standards. When earnings are present, Board of Directors will resolve on the amount of Directors' remunerations based on the Company's Articles of Incorporation, which stipulate that: "From the profit earned by the Company as shown through the annual account closing, no more than 1% shall be taken for directors' compensation, and amount is submitted to the Board of Directors for discussion before being sent to the shareholders' meeting for resolution.

(2) Statement of president's and vice president's compensation

The compensation to president's and vice president were determined by the Remuneration Committee of the Company in accordance with Company's Articles of Incorporation and compensation (salary), and the individual performance, Company net income, profit and the market trends.

(3) Compensation for the Company's Directors and managerial officer are handled in accordance with Company's Articles of Association ,compensation (salary) related policies and" Regulations Performance Management" also the Remuneration Committee will review the compensations and submit to the Board's approval.Those fair remuneration is measured based on participation in corporate operations , Company's core values into practice,operational management ability, financial and business performance, continued training and other significant negative event. Compensation also has a positive correlation with the performance of the Company's business, pursuant to the Compensation Policy to the Directors and Functional Committee Members. The Company constantly reviews compensation system according to operation conditions and related regulations, and seeks for balance between sustainable management and risk control. Instead of using short-term profit as the sole indicator for remuneration and performance evaluation, the Company establishes a link to shareholder's long-term value.

3.3 Implementation of Corporate Governance

3.3.1 Operations of the Board of Directors: The number of meetings, the attendance rate of each director, the objective of strengthening the functions of the board of directors in the current year and the most recent year, the evaluation of the implementation status, and other information that should be recorded.

The Company had convened 6 Board of Directors meetings in 2021 with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	**Andy Su**	6	0	100	Re-election on August.24, 2021
Director	**K.Y. Lee**	6	0	100	Re-election on August.24, 2021
Director	**Qisda Corp. Peter Chen**	6	0	100	Re-election on August.24 ,2021
Director	**Qisda Corp. Jasmin Hung**	6	0	100	Re-election on August 24 ,2021
Director	**Josh Tsai**	6	0	100	Re-election on August.24 ,2021
Independent director	**Neng-Pai Lin**	6	0	100	Re-election on August.24 ,2021
Independent director	**Kelvin Lee**	2	0	100	Newly elected on August.24,2021
Independent director	**Nelson Lee**	6	0	100	Re-election on August.24 ,2021
Independent director	**Stan Hu**	5	1	83	Re-election on August.24 ,2021

Other information that should be recorded:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of proposal, all independent directors' opinions and the Company's response should be specified:
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.: Please refer to Major Resolutions of Shareholders' Meeting and Board Meetings pages 40-42; no dissenting or qualified opinion and all approved by all attending independent directors and directors.
   (2) In addition to the aforementioned matters, any other resolutions from the Board of Directors where an independent director expressed a dissenting or qualified opinion that has been recorded or stated by writing: None.
2. If there are directors' avoidance of proposals in conflict of interest, the directors' names, contents of proposals, causes for avoidance and voting should be specified:

Date	Directors'names	Content of proposals	Reasons for conflict of interest	Resolutions
March 15, 2021	Andy Su Josh Tsai	Allocation of remuneration to employees and directors in 2020 Remuneration to directors and bonus allocation of managerial personnel in 2020	Andy Su and Josh Tsai concurrently serve as a manager of the Company.	Except Andy Su and Josh Tsai are in avoidance of voting, all other members presented at the meeting approved the proposal without objection.
	K.Y. Lee Andy Su Peter Chen	Donation to the BenQ Foundation	K.Y. Lee, Andy Su, and Peter Chen are directors of BenQ Foundation.	Except K.Y. Lee, Andy Su and Peter Chen are in avoidance of voting, all other members presented at the meeting approved the proposal without objection.
August 24, 2021	Neng-Pai Lin Kelvin Lee Nelson Lee Stan Hu	Proposal of appointing the remuneration committee members on	Neng-Pai Lin, Kelvin Lee, Nelson Lee, and Stan Hu serve as independent directors.	Except Neng-Pai Lin, Kelvin Lee, Nelson Lee and Stan Hu are in avoidance of voting, all other members presented at the meeting approved the proposal without objection.
March 8, 2022	Andy Su Josh Tsai	Allocation of remuneration to employees and directors in 2020 Remuneration to directors and bonus allocation of managerial personnel in 2021	Andy Su and Josh Tsai concurrently serve as a manager of the Company.	Except Andy Su and Josh Tsai are in avoidance of voting, all other members presented at the meeting approved the proposal without objection.
	K.Y. Lee Andy Su Peter Chen	Donation to the BenQ Foundation	K.Y. Lee, Andy Su, and Peter Chen are directors of BenQ Foundation.	Except K.Y. Lee, Andy Su and Peter Chen are in avoidance of voting, all other members presented at the meeting approved the proposal without objection.

3. Self or peer evaluation of Board of Directors, evaluation period, scope, measures and other information:

   The evaluation of Board of Directors was as follows:

Evaluation Cycle	Evaluation Period	Scope of evaluation	Measures of evaluation	Remarks
Once a year	From January 1, 2021 to December 31, 2021	Board of Directors, Individual directors and Functional Committee (including Audit Committee and Remuneration Committee.)	Internal self-evaluation of Board of Directors, Individual directors and Functional Committee (including Audit Committee and Remuneration Committee.)	Note

Note: content of evaluation includes the following items according to the assessment scope:

(1) The board of directors and its individual members conduct performance evaluations on the "overall board of directors". The evaluation content includes five major aspects, including participation in the Company's operations, improvement of the quality of board decisions, board composition and structure, director selection and continuous education, and internal control.

(2) The performance assessments of individual board members include the following six aspects, such as the grasp of the Company's goals and missions, the recognition of director's duties, the degree of participation in the Company's operations, the management of internal relationships and communication, the professionalism and continuing professional education, and internal controls.

(3) Audit committee members conduct self-evaluation on the "overall audit committee". The content of the evaluation includes the following five aspects, participation in the Company's operations, awareness of the audit committee's responsibilities, improvement of the decision-making quality of the audit committee, audit committee composition and member selection, and internal control.

(4) The members of the remuneration committee conduct self-evaluation on the "Overall remuneration committee". The content of the evaluation includes the following five aspects, the degree of participation in the Company's operations, awareness of the responsibilities of the remuneration committee, improvement of the decision-making quality of the remuneration committee, composition and member selection of the remuneration committee, and internal control.

4. Targets for strengthening the functions of the Board of Directors in the current and the most recent year and evaluation of target implementation:

(1) The board of directors of the Company is responsible for guiding the Company's strategy, supervising the management, various operations and arrangements of the system of corporate governance, being responsible to the Company and the shareholders' meeting, and exercising its functions in accordance with laws & regulations, and the Company's Articles of Incorporation or the resolutions of the shareholders' meeting.

(2) The Company established an audit committee on January 1, 2007 to exercise the functions required by the Securities and Exchange Act, the Company Act and legal regulations. For the operation of the audit committee, please refer to pages 18-20 of the annual report.

(3) The Company sets up a remuneration committee on October 27, 2011, which regularly evaluates and sets the remuneration of directors and managers, regularly reviews the remuneration of policies, systems, standards and structure of directors, and managers' performance evaluation. Please refer to pages 29-30 of the annual report for the operation of the remuneration committee.

(4) The board of directors of the Company passed the "Board Performance Evaluation Method" on March 7, 2019, stipulating that the board of directors shall perform an annual performance evaluation of the board of directors and functional committees (audit committee and remuneration committee). The Company completed the evaluation of the board of directors and functional committees at the end of 2021, and the board of directors reported the results of the evaluation in March 2022. The achievement rate was above 97% and 98% respectively for the board of directors and functional committees, indicating the efficient and good operation by the Board and committees.

(5) The Company engaged KPMG ADVISORY SERVICES CO., LTD., which follows the request for independence, to perform an annual performance evaluation of the board of directors (evaluated year: 2021) by reference to domestic and international tools to carry out an evaluation of best practices,are listed below:

9 Key Aspects:

- Establishing a functional board of directors,
- Effective operation of the Board.
- Professional development and continuing education.
- Vision of the Company.
- Fulfillment of duties.
- Supervision of management.
- The shaping of corporate culture.
- Communications with stakeholders.
- Performance evaluation.

6 Key Aspects for Director Members

- 1. Grasp of Company goals and missions.
- 2. Understanding directors' duties and responsibilities.
- 3. Professional development and continuing education.
- 4. Fulfillment of duties.
- 5. Engagement with Company operations.
- 6. Internal relationship management and communications.

The assessment took three forms: data analysis, questionnaires, and interviews, and the outcome of external evaluation of general Board performance on Novernber 30, 2021 were reported to the Board on March 8, 2022, as following:

①Overall performance was found Excellent through KPMG.

②Recommendations and future improvements from KPMG

- Strengthening Succession Planning for Board Members and Key Management.
- Implementation induction instructions of dirctors to assist in new directors.
- Planning the Professional development and continuing education by evaluating the requirement and advise from directors, and considering industrial characteristics, development of strategy, and alteration of law.

3.3.2 Audit Committee: Operations of Audit Committee, the number of meetings, attendance rate of each independent director and other information that should be recorded.

Since January 1, 2007, the Company has established an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. Its operations and main responsibilities are as follows:

1. Professional qualifications of Members of Audit Committee: please refer to pages 8-10 Professional qualifications and independence condition of directors and independent directors
2. Operations of Audit Committee, the supervision of the following matters shall be the focus of the annual work.
   (1) Appropriate expression of the Company's financial statements.
   (2) The hiring (dismissal) of certified accountants, and their independence and performance.
   (3) Effective implementation of the Company's internal control.
   (4) The Company complies with relevant laws and regulations.
   (5) The management and control of the Company's existing or potential risks.
3. The main responsibilities of the audit committee are as follows.
   (1) Establish or amend the internal control system in accordance with the provisions of Article 14-1 of the Securities and Exchange Act.
   (2) Evaluation of the effectiveness of the internal control system.
   (3) In accordance with the provisions of Article 36-1 of the Securities and Exchange Act, stipulate or amend the procedures for the acquisition or disposal of assets, derivative commodity transactions, capital loans to others and endorsements or guarantees for others.
   (4) Matters involving the director's own interests.
   (5) Significant asset or derivative commodity transactions.
   (6) Significant capital lending, endorsements or guarantees.
   (7) Raising, issuing or private placement of equity securities.
   (8) Review the hiring, dismissal, compensation and service matters concerning CPAs.
   (9) Appointment and removal of financial, accounting or internal audit supervisors.
   (10)Annual financial report signed or stamped by the chairman, manager and accounting supervisor, and the second quarter financial report subject to verification by accountants.
   (11) Other important matters specified by the Company or the competent authority.
4. The Company had convened 5 Audit Committee meetings in 2021 with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent director	**Neng-Pai Lin**	5	0	100	Re-election
Independent director	**Kelvin Lee (Note2)**	1	0	100	Newly elected
Independent director	**Nelson Lee**	5	0	100	Re-election
Independent director	**Stan Hu**	4	1	80	Re-election

Note1: The actual attendance rate (%) is calculated based on the number of meetings of the audit committee during the independent directors' tenure and the actual number of attendance.

Note2: Kelvin Lee was newly elected indenpendent director for our Company on August, 24 2021

Note3: Neng-Pai Lin, Nelson Lee, and Stan Hu were re-election as indenpendent directors, and Kelvin Lee was newly elected as an indenpendent director on August, 24 2021

5. Resolutions of major proposals of the Audit Committee:

Date	Session	Content of proposals	Resolutions and implementation	Company's response
February 1, 2021	1st Audit Committee in 2021	A. Approved acquisition of common stock of Astro Tech Co., Ltd.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 15, 2021	2nd Audit Committee in 2021	A. Statement and self-evaluation report of internal control system, 2020.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		B. Operation report and financial statement, 2020.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		C. Approved the distribution of 2020 earnings.	All Audit Committee Members presented at the meeting agreed on the amount of cash dividend NT$2.5 per share of common stock and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		D. Remuneration of employees and directors, 2020.	All Audit Committee Members presented at the meeting agreed on NT$8,821,057 for directors and NT$117,614,088 for employees, all in cash, and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.

Date	Session	Content of proposals	Resolutions and implementation	Company's response
March 15, 2021	2nd Audit Committee in 2021	E. Donation to BenQ Foundation.	All Audit Committee Members presented at the meeting agreed on the donation NT$3.5 million and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 15, 2021	2nd Audit Committee in 2021	F. Proposal of dismissal of non-competition restrictions on newly elected directors and representative.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
May 12, 2021	3rd Audit Committee in 2021	A. Approved financial statement in Q1, 2021.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
August 6, 2021	4th Audit Committee in 2021	A. Approved financial statement in Q2, 2021.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
August 6, 2021	4th Audit Committee in 2021	B. Assessment of 2021 Professional fee for service of CPA.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
November 9,2021	5th Audit Committee in 2021	A. Approved Internal Audit 2022 proposal.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
November 9,2021	5th Audit Committee in 2021	B. Approved financial statement in Q3, 2021.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
November 9,2021	5th Audit Committee in 2021	C. Proposal of 2022 appointment of CPAs by the Company.	All Audit Committee Members presented at the meeting agreed on CPAs' independence, obtaining the Declaration of Independence from CPA, and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 8,2022	1st Audit Committee in 2022	A. Statement and self-evaluation report of internal control system, 2021.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 8,2022	1st Audit Committee in 2022	B. Remuneration of employees and directors, 2021.	All Audit Committee Members presented at the meeting agreed on NT$10,716,685 for directors and NT$142,889,138 for employees, all in cash, and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 8,2022	1st Audit Committee in 2022	C. Operation report and financial statement, 2021.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 8,2022	1st Audit Committee in 2022	D. Approved the distribution of 2021 earnings.	All Audit Committee Members presented at the meeting agreed on the amount of cash dividend NT$3 per share of common stock and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 8,2022	1st Audit Committee in 2022	E. Approved the spin-off "the Storage B.D."in Taiwan to Darfon Energy Technology Corp.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 8,2022	1st Audit Committee in 2022	F. Approved the amendment to "Articles of Incorporation".	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 8,2022	1st Audit Committee in 2022	G. Approved the amendment to "Procedures for Acquisition or Disposition of Assets" and "Procedures for Engaging in Derivatives Trading".	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 8,2022	1st Audit Committee in 2022	H. Approved the amendment to "Procedures for Lending unds to Other Parties" and"Procedures for Endorsement and Guarantee".	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 8,2022	1st Audit Committee in 2022	I. Donation to BenQ Foundation.	All Audit Committee Members presented at the meeting agreed on the donation NT$3.5 million and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.

Other information that should be recorded:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of proposals,, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act: refers to pages 18-20 of this annual report about Audit Committee's major proposals resolutions, and pages 40-42 about Board of Directors and shareholders' resolutions. All were approved by one-half or more of all members, and again approved by Board of Directors. There was no case which are not approved by the Audit Committee but approved by two-thirds or more of the Directors..

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: none.

2. If there are independent directors' avoidance of proposals in conflict of interest, the directors' names, contents of proposals, causes for avoidance and voting should be specified: None.

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(1) The audit committee holds meetings on a quarterly basis, and accountants, audit supervisors and relevant supervisors are invited to attend the meeting.
(2) The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, Audit Committee conducts auditing to Company periodically about internal control system, internal auditors and audit reports.
(3) Audit Committee have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered, and under independent audit by its service.
(4) The internal audit managers and CPAs directly communicate with independent directors via email, phone, or face-to-face meetings as necessary; periodically review the Corporation's financial and business conditions according to regulations; and directly communicate with management and governance units.
(5) The independent directors communicated well with CPAs; the lists of reported items are summarized below:

Date	Session	Content of proposals	Resolutions and implementation
March 15, 2021	2020 Financial Statements	2020 Financial Audit Report, Significant Accounting Standards and Update of tax laws and regulations. (Individual Meeting)	CPAs explained condition of 2020 financial and gains (losses),and conducted discussions and communications focusing on accounting principles and application of tax regulations, and no objections from independent directors.
	Key Audit matters	2020Key Audit matters in inventory evaluation, business combination, and impairment assessment of goodwill (Individual Meeting)	Based on CPAs' professional judgements, Key Audit matters of 2020 financial statements of the Company are approved without objections from independent directors.
	Matters Of the competent authority	For the reinforcing Audit matters of 2020 financial statement The Company shall reinforce the evaluation of impact on corporation continuity ability, impairment loss of assets and financing risk due to COVID-19, and relevant audit and verification process shall be enhanced. (Individual Meeting)	CPAs reinforced the assessment of Company customer contract revenue, contract assets and loss allowances for accounts receivable, inventory loss, asset impairment, continued operation and financing risk, and no objections from independent directors.
August 6, 2021	The Financial Statement of first half of 2021	Financial Audit Report, Significant Accounting Standards and Update of tax laws and regulations for first half of 2021. (Individual Meeting)	CPAs explained condition of the first half of 2021 financial and gains (losses), and conducted discussions and communications focusing on accounting principles and application of tax regulations, and no objections from independent directors.
	Quarterly Financial Statement and reinforcing audit items	Upon request by competent authority's letter, the Company shall reinforce the evaluation of impact on corporation continuity ability, impairment loss of assets and financing risk due to COVID-19, and relevant audit and verification process shall be enhanced. (Individual Meeting)	CPAs reinforced the assessment of Company customer contract revenue, contract assets and loss allowances for accounts receivable, inventory loss, asset impairment, continued operation and financing risk, and no objections from independent directors.
	Annual Audit Plans	Identification of Key Audit matters and major audit procedures. (Individual Meeting)	Acknowledged by independent directors.

(6) The communication between the independent directors and the internal auditing officer has been functioning well, and major discussions are as below,

Date	Meeting	Discussion	Communication Results and the Company's Response
March15, 2021	Audit Committee	2020 Internal Control System Statement and Report on implementation status of self-evaluation.	No objections from independent directors and submitted for report to the Board of Directors after resolution.
		Audit implementation report in Q4, 2020, and post-term follow-up audit descriptions.	After discussion and communication, no objections from independent directors against audit implementation report.
May 12, 2021	Audit Committee	Audit implementation report in Q1, 2021.	After discussion and communication, no objections from independent directors against audit implementation report.
August 6, 2021	Audit Committee	Audit implementation report in Q2, 2021.	After discussion and communication, no objections from independent directors against audit implementation report.
November 9, 2021	Audit Committee	2022 Audit Plans (Internal audit managers discussed with independent directors prior to the meeting)	No objections from independent directors and submitted for report to the Board of Directors after resolution.
		Audit implementation report in Q3, 2021.	After discussion and communication, no objections from independent directors against audit implementation report.
March 8, 2022	Audit Committee	2021 Internal Control System Statement and Report on implementation status of self-evaluation.	No objections from independent directors and submitted for report to the Board of Directors after resolution.
		Audit implementation report in Q4, 2021, and post-term follow-up audit descriptions.	After discussion and communication, no objections from independent directors against audit implementation report.

3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”

3.3.3.1 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”

<table>
<tr><th rowspan="2" colspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td colspan="2">Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?</td><td>✓</td><td></td><td>The Company has established "Corporate Governance Principles" which aims at protecting the shareholders’ rights, enhancing the functions of the Board of Directors, respecting stakeholders’ rights, and improving information transparency. Company principle expresses rules about the procedures for shareholders meetings, board meetings, remuneration committee and audit committee organization rules. The information has been disclosed on the Company’s website for stakeholders’ review.</td><td>None</td></tr>
<tr><td rowspan="4">Shareholding structure & shareholders’ rights</td><td>Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?</td><td>✓</td><td></td><td>The Company has established an internal operating procedure, and has designated spokesman system in order to ensure that information that may affect shareholders' decision making can be timely and reasonably disclosed. Then, the appropriate departments has set up, such as Investor Relations, Public Relations, Legal Department, to handle shareholders’ suggestions, doubts, disputes and litigation.
The Company sets up investors email (Investor@Darfon.com.tw) and integrity email (integrity@Darfon.com.tw).</td><td>None</td></tr>
<tr><td>Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?</td><td>✓</td><td></td><td>Darfon is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares. Company reports the changes if directors or shareholders’ shareholdings are more than ten present (10%) of the shares of Company and the situation of collateral, and regularly announce and file on the Market Observation Post System (MOPS) on a monthly base.</td><td>None</td></tr>
<tr><td>Does the Company establish and execute the risk management and firewall system between affiliated enterprises?</td><td>✓</td><td></td><td>1. The Company has established and implemented firewalls and risk control mechanisms for associates in the Company's internal control system and “Transaction with related party “and" Management process for the subsidiary " in accordance with laws and regulations.
2. Company’s affiliated enterprises have established the specialized Finance and Sales Departments, as well as the detached factories with data-independent preservation and clear management. The Company conduct an overall risk assessment of major banks, customers and suppliers at least once a year to reduce credit risk.</td><td>None</td></tr>
<tr><td>Does the Company establish internal rules against insiders trading with undisclosed information?</td><td>✓</td><td></td><td>To regulate employees, avoid conflicts of interest related to their duties, and prevent not to use the undisclosed information and leak it to others, the Company has established “Code of Conduct” and “Policy of Operation Integrity.” The internal rules are implemented to forbid insiders trading on undisclosed information to assure the consistency and righteousness of public information, and Company has also established “Operating procedures for Handling Material Information and Preventing Insider Trading ” to prohibit internal personnel from buying orselling securities by using undisclosed information to the public.</td><td>None</td></tr>
<tr><td>Composition and Responsibilities of the Board of Directors</td><td>Does the Board develop and implement a diversified policy for the composition of its members?</td><td>✓</td><td></td><td>Member diversification is considered by the Board members according to Company’s “Corporate Governance Principles.” Aside from the need of operation, governance, and future development, managerial directors are not exceeding one-third of the members. The Board objectively chooses candidates to meet the goal of member diversification, such as but not limited to :
1. Basic qualifications and value, including gender, age, nationality, cultures, etc.
2. Professional knowledge and skills, including professional background, skills, business experience, etc.
<table><tr><th>Management Target</th><th>Achievement</th></tr><tr><td>The director who is also the manager of the Company should not exceed one-third of the number of directors</td><td>Done</td></tr><tr><td>Increase the number of female directors</td><td>Done</td></tr><tr><td>Establish more independent director seats than required by law</td><td>Done</td></tr></table>In order to maintain member diversification, candidates are requested for qualification of professional knowledge and skills, moreover, leading decisions, industry knowledge, so as to improve the operation of the board of directors. By implementing board diversification, Company can deliver supervise and management power, and to strengthen Company corporal and operational performances.</td><td>None</td></tr>
</table>

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td rowspan="2">Composition and Responsibilities of the Board of Directors</td><td>Does the Board develop and implement a diversified policy for the composition of its members?</td><td>✓</td><td></td><td>In consideration of implementation, the members of the Company’s previous board of directors are composed of experts in different areas of expertise. Among all Board members, including 4 independent directors, we have directors good at leadership and decision-making, operational judgement, corporate management, risk management, industry knowledge and view of global market, Andy Su, K.Y. Lee, Peter Chen, Jasmin Hung, Josh Tsai, Neng-Pai Lin, Kelvin Lee, Nelson Lee, and Stan Hu. We have directors with contribution in public welfare, K.Y. Lee, Andy Su, and Peter Chen. We have K.Y. Lee, Neng-Pai Lin and Stan Hu good at legal affairs, and while the other four independent directors are expertise in individual field. Neng-Pai Lin was Taiwan Sugar Corp. and Taiwan Power Co., chairman and Dean of Management department in NTU, Kelvin Lee works as Executive director of Taiwan R&D Manager Association, Stan Hu is Chairman of China Intangible Assets and Enterprise Evaluation Association, and Nelson Lee is the Chairman of Taiwan Biochar Industry Organization. The percentage of directors who serve managerial role in the Company is 22.2%, independent directors of 44.4%, female directors of 11.1%. Total 7 seats of the directors’ age is above 61 year-old, and 2 directors are aged 51-60 year-old.

Diversification of Board members as below：
<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Title</th><th rowspan="2">Gender</th><th colspan="2">Independent Directors term of office</th><th colspan="2">Professional skills and knowledge</th><th colspan="2">Age</th><th rowspan="2">Employee</th></tr>
<tr><th>3-9 years</th><th>More than 9 years</th><th>Industry or technology</th><th>Law, finance or accounting</th><th>51-60</th><th>61-70</th></tr>
<tr><td>Andy Su</td><td>Chairman</td><td>M</td><td></td><td></td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td></tr>
<tr><td>K.Y. Lee</td><td>Director</td><td>M</td><td></td><td></td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td></tr>
<tr><td>Peter Chen</td><td>Director</td><td>M</td><td></td><td></td><td>✓</td><td></td><td></td><td>✓</td><td></td></tr>
<tr><td>Jasmin Hung</td><td>Director</td><td>F</td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>Josh Tsai</td><td>Director</td><td>M</td><td></td><td></td><td>✓</td><td></td><td>✓</td><td></td><td>✓</td></tr>
<tr><td>Neng-Pai Lin</td><td>Independent director</td><td>M</td><td></td><td>✓</td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td></tr>
<tr><td>Kelvin Lee</td><td>Independe nt director</td><td>M</td><td></td><td></td><td>✓</td><td></td><td></td><td>✓</td><td></td></tr>
<tr><td>Nelson Lee</td><td>Independent director</td><td>M</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td>✓</td><td></td></tr>
<tr><td>Stan Hu</td><td>Independent director</td><td>M</td><td>✓</td><td></td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td></tr>
</table></td><td>None</td></tr>
<tr><td>Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</td><td>✓</td><td></td><td>1. Company established the Audit Committee; please refer to pages 18-20 for its operation.
2. Company established the Remuneration Committee; please refer to pages 29-30 for its operation.
3. Company established the Risk Management Committee; please refer to pages 71-74 for its operation.
4. For the sound supervision and reinforcement of management, though Nomination Committee was not established, in practical, nomination of directors, including independent directors, adopts candidate nomination system. Nomination list is proposed by shareholders whose share is more than 1%. Candidates should be enlisted into nominee list, except for Company Act 192-1 by the Board of Directors.</td><td>None</td></tr>
</table>

Evaluation Item		Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Illustration	
Composition and Responsibilities of the Board of Directors	Does the Company formulate the performance evaluation methods for the Board of Directors, conduct performance evaluations annually and regularly, and report the results of the performance evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?	✓		The Company has formulated rules and procedures for evaluating the Board's performance by establishing "Rules for Board Performance Evaluation" on March 7, 2019. The internal board performance evaluation shall be conducted at least once a year as well as be conducted by external independent institutions or panel of external experts and scholars at least once every three years. The Company stipulates that the members of the board directors, the meeting committee, and the functional committee shall conduct internal self-evaluation on the overall board and functional committee on a regular basis each year. This performance evaluation was conducted in the way of internal questionnaire by financial department. Board members fill in the" Self-Assessment Questionnaire for Board Members" at the end of each year and completed in the next year during the Board meeting. To evaluate the performance of each members effectively, the questionnaire contains the following five aspects: A. The degree of participation in the Company's operations; B. Improvement in the quality of decision making by the Board of Directors; C. The composition and structure of the Board of Directors; D. The election of the directors and their continuing professional education. E. Internal controls. The directors evaluate the operation of the board of directors, the degree of participation by the directors and the evaluation of the functional committees, and the evaluation results are reported to the board of directors and suggestions for improvement are made. The evaluation results would use as reference for directors' nomination and continuous employment. In accordance with Article 19 of the Company's Articles of Incorporation, the director's remuneration shall not exceed one percent of the annual profit. The directors' compensation is prescribed based on the Company's operating results and the "Remuneration Guidelines for Directors and Members of Functional Committee" with reference to evaluation results of Board performance by the Remuneration Committee and Board of Directors. The Company has completed performance evaluation report of directors and functional committee in 2021 and published the report in 1st session of Board meeting in 2022. The completion rate of self-evaluation is 97%, report result is "A", and Board of directors is functioning well.The external evaluation of Company has conducted in 2021 by KPMG ADVISORY SERVICES CO., LTD. (KPMG). Overall performance of the Board as a whole and for individual directors is found Excellent through the assessment of KPMG.	None
	Does the Company regularly evaluate and the independency of an attesting CPA?	✓		Audit Committee and Board of Directors evaluate and assess the independence of CPAs annually, and acquire the Declaration of Independence from CPA. Evaluation and assessments process items below, no other financial interests between CPAs and Board, financing guarantees, employment relationship, commercial business relationship, and no relatives with the Company's directors, managers, or persons who have a significant influence on the audit case, except for visa and fiscal and taxation costs. Accountants' family members and accounting firms (certified accountants and their audit team members) do not violate their independence before reviewing the appointment and fees of accountants. Company reviewed and approved the independence of certified accountants in 5th Audit Committee and Board of Directors in 2021 and obtained the Declaration of Independence from CPA.	None

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>Does the Company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited torequired information provided to directors and supervisors performing their duties, assistance provided to directors, legal compliance of supervisors, handling matters related to Board of Directors’ and shareholders' meeting in accordance with the laws, preparation of the minutes of Board of Directors’ and shareholders'meeting, and more.)?</td><td>✓</td><td></td><td>
On August 5, 2020, the Board of Directors appointed CFO, Jery Lin, as the Corporate Governance Officer, for corporate governance supervision and planning; and appointed Financial Manager as Corporate Governance personnel, for execution of relevant matters. Their qualifications for the position meet the provisions regarding Corporate Governance Supervisors set out in Paragraph One of Article 3-1 of Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies.
The official powers performed by the corporate governance supervisors include:
Providing the information required by the directors and Audit Committee and the latest regulations regarding corporate operation, providing assistance in legal Compliance of the directors and Audit Committee, regularly reporting the operations of corporate governance to Corporate Governance Committee and Board of Directors on an annual basis, handling matters related to Board of Directors’ and shareholders' meeting in accordance with the laws, preparation of the minutes of Board of Directors’ and shareholders' meeting, providing assistance in assuming office to directors and Audit Committee members and continuing education.
The operation in 2021 is updated as follows:
1. Company registration and change.
2. in charge of assisting in related affairs, including handling of matters relating to Board, Audit Committee, Compensation Committee and Shareholders’ meetings in compliance with law. In 2021, 6 times of Board and 5 times of Audit Committee meetings were held and attendance rate were all 100%.
3. convention of Board and shareholders’ meetings in accordance with law and keep records of minutes of each meeting.
4. provision of information required for performance of duties by directors, and assistance in directors' compliance of law. Regularly inform the Board members dedicated to the revised regulations regarding corporate operating domain and corporate governance.
5. Independent directors meet the requirement of "it is not suitable to serve as directors (including independent directors) or supervisors of more than five listed companies at the same time."
6. management of related affairs with investor relations, and maintenance of Company website.
7. assistance of the directors and important employees’ application for liability insurance and report to the Board of Directors after renewal of insurance.
8. regular review and amendment of Company’s corporate governance protocols and relative rules.
9. ranking of 6-20 % from the evaluation result of “the 8th Corporate Governance Evaluation”
10. periodical arrangement for Board directors for education, for details please refer to pages 24-25 in the annual report. The re-elected directors have completed at least 6 credits of continuing education, and the newly elected director have completed at least 12 credits.
11. Other matters stipulated in the Company's Articles of Incorporation or contract, and the Market Observation Post System’s announcements.
12. evalutation performance of the Board of directors was found Excellent.
13. completion of 12 credits for Company corporate governance officer and report on the Market Observation Post System (MOPS) as follows:
<table>
<tr><th>Course Name</th><th>Organizer</th><th>Hours</th></tr>
<tr><td>Corporate Governance and Securities Regulations</td><td>Securities and Futures Institute</td><td>3</td></tr>
<tr><td>Discussion on the Reward Strategies and Tools for Employees</td><td>Securities and Futures Institute</td><td>3</td></tr>
<tr><td>2021Substainability Through ESG</td><td>Taipei Exchange</td><td>2</td></tr>
<tr><td>The 13th Taipei Corporate Governance Forum</td><td>Securities and Futures Institute</td><td>6</td></tr>
</table>
</td><td>None</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		In respect of right and interest of stakeholders, identifying the Company's stakeholders, and understanding their reasonable expectations and needs through appropriate communication methods and the participation of stakeholders, and appropriately responding to important corporate social responsibility issues. Stakeholders identified by the Company include "shareholders, employees, customers, suppliers", etc., Complete and comprehensive communication channel for stakeholders is established, and proactive responses related to stakeholders' concerned issues. The Company regularly, at least once a year, reports to Board of Directors about communications with stakeholders. Stakeholders Communication of 2021 was reported to Board on August 6, 2021. 1.Shareholders Concerned issues: economic performance, social economic regulations, customers' privacy, and patent. Communication channel: (1)Contact: IR Officer, Investor@darfon.com.tw (2)A regular meeting of shareholders is held in June every year. Proposals are voted on a case-by-case basis. Shareholders can also exercise their rights electronically. (3)Shareholder's Annual Report is published annually, for investor's reference. (4)Monthly revenue is announced on the Market Observation Post System (MOPS) and Company's website monthly, and financial statement is announced quarterly. (5)Annual legal person briefings are held to enable shareholders to understand the Company's operating conditions. (6)The Company has "specialized personnel" responsible for the collection of Company information, and in accordance with the regulations of the competent authority, regularly disclose the Company-related financial, business and corporate governance operations on the Market Observation Post System (MOPS) for the investment public and stakeholders. Immediate release of important information about events that may have an impact on stakeholders. 2.Employees Concerned issues: Labor-management relations, occupational safety and health, labor-employment relations. Communication channel: (1)Contact: HR, Ms. Liao, my.darfon@darfon.com.tw (2)Hold business briefings quarterly to immediately explain to employees the current operating overview and business results and communicate the Company's overall operating plans and prospects in the near future, so as to motivate employees to achieve operating goals. (3)The welfare committee meetings, labor-management meetings and labor safety and health management committee meetings are held quarterly. Employees can put forward needs and suggestions through the meetings, and discuss and communicate with the Company. (4)The Company has a mailbox for the human resources department so that employees can immediately reflect their opinions and deal with related issues. 3.Customers Concerned issues: Compliance with social and economic laws, customer privacy, and environmental protection laws and regulations. Channel of communication: Conduct annual customer satisfaction surveys, participate in customer meetings and interviews from time to time, and customers come to the factory for audits from time to time to obtain customer feedback information. 4.Suppliers Concerned issues: Compliance with social and economic laws, customer privacy, environmental protection laws and regulations, and Anti-competitive behavior. Communication channel: (1)Contact: Integrity email, integrity@darfon.com.tw (2)Conduct supplier evaluation questionnaires every year, hold supplier meetings, visits, exchange visits and direct telephone communication from time to time, and conduct suppliers evaluation and audit regularly every year to establish a sustainable supply chain. In order to effectively establish communication channels with stakeholders, in addition to implementing the "spokesperson system", the Company has set up an "Investor Service" section (www.Darfon.com.tw) and "Investor Mailbox" (Investor@ Darfon.com.tw), as a window for handling shareholder suggestions or disputes, and setting up a "Stakeholder" area (www.Darfon.com.tw), which includes different communication channels for shareholders, employees, customers and other stakeholders to deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	None

Evaluation Item		Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Illustration	
Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?		✓		The Company has appointed Stock Affairs Department of Taishin Securities Co., Ltd to deal with shareholder affairs.	None
Information Disclosure	Does the Company set up a website containing the information regarding financial or business operations as well as corporate governance?	✓		1. The Company has established the Investor Relations in its website in Chinese and English (www.Darfon.com.tw) (www.Darfon.com.tw) to disclose information regarding the Company's corporate governance status, Board's important resolutions, directors' information and financials and business status. 2. The Company complies with the regulations of the competent authority and discloses various business, financial and corporate governance related information on the Market Observation Post System (MOPS) for interested parties.	None
	Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, display the Company's website during the institutional investor conference, and more)?	✓		1. The Company has assigned an appropriate person to handle information collection and disclosure, on the Market Observation Post System (MOPS) and Company's Chinese/English website, where latest and correct information are released. 2. Methods of information disclosure are: Spokesman system. Financial, business and corporate governance information is published in Company Chinese/English website, (www.Darfon.com.tw). And investor's mailbox (Investor@Darfon.com.tw), holding the institutional investor conference and upload the presentation materials to the Company's website, so as so respond to invertors' questions.	None
	Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the financial reports in Q1, Q2 and Q3, as well as the operating status of each month before the prescribed deadline?	✓		Company did not announce and report the annual financial statements within two months after the end of the fiscal year; however, the annual financial announcements, the financial reports in Q1, Q2 and Q3 as well as the operating status of each month were reported on the Market Observation Post System before the prescribed deadline.	None
Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices?	employee rights employee wellness	✓		Company promotes idea of human right respect and workplace care as operational concept and for employee rights and wellness, Welfare Committee consisting of the Company's colleagues from each department was established. Regular meeting on a quarterly basis was held to implement various welfare plans such as club activities, sales events, family days and sports classes. Please refer to page 59 in this annual report about employee's right and interest.	None
	investor relations	✓		There is investors' service email in Company website (Investor@Darfon.com.tw) and direct landline to respond invertors' questions. We timely release all announcements from Taiwan Stock and Exchange Bureau, including financial statements, Company's corporate governance regulations and rules, etc. We aim for information publicity and transparency in Company's website, to achieve investors' understanding about Company's corporate governance.	None
	supplier relations	✓		The Company's business philosophy is integrity and self-discipline, and we establish supplier's assessment and audit system, which focuses on suppliers' quality, service, green products, EHS risk, ethical standards, and social responsibility. Company regard above mentioned items as main factors for suppliers' selection, and only those who qualified with factors to be Company's business partners. Suppliers are required for "Green Products Assurance," to assure suppliers' products of material, components, assemblies and manufacturing are qualified for green product specifications. Suppliers' green components are certified with "Certificate of Non-use for Hazardous Substances," component ingredient data sheet, MSDS, and test report from 3rd party. In addition, Company has established a stakeholders' zone to enhance efficiency of communication between Company and suppliers.	None
	rights of stakeholders	✓		1. According to Rules and Procedures for Board of Directors Meetings, directors in relation to proposal's interest should apply in avoidance during resolution to avoid conflict of interest, please refer details to page 16 of Annual report. 2. Stakeholders' zone was established in Company website, www.Darfon.com.tw, providing communication channel to stakeholders, such as shareholders, investors, employees, government agencies, suppliers and dealers, etc. for proactive responses to concerned issues. Company releases financial and business-related information to maintain legal right and interest of both party.	None
	directors'continuing education	✓		The Company has undertaken the following training pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" from TWSE. Please see the following table "Continuing Education and Training for the Company Directors in 2021" for details.	None

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td rowspan="3"></td><td>the implementation of risk management policies and risk evaluation measures</td><td>✓</td><td></td><td>1. The Company has established the Risk Management Committee to formulate the risk management policies and regularly evaluate the Company’s risk for risk mitigation every year. For more details, please refer to pages 71-74 of this annual report.
2. The Company maintains Products General Liability Insurance every year, which is functional coverage to global consumers, and adopt appropriate management policies and improvement measures to mitigate corporate risk</td><td>None</td></tr>
<tr><td>the implementation of customer relations policies</td><td>✓</td><td></td><td>3. According to Rules and Procedures for Board of Directors Meetings, directors in relation to proposal’s interest should apply in avoidance during resolution to avoid conflict of interest, please refer details to page 14 of Annual report.
4. Stakeholders’ zone was established in Company website, www.Darfon.com.tw, providing communication channel to stakeholders, such as shareholders, investors, employees, government agencies, suppliers and dealers, etc. for proactive responses to concerned issues. Company releases financial and business-related information to maintain legal right and interest of both party.</td><td>None</td></tr>
<tr><td>purchasing insurance for directors</td><td>✓</td><td></td><td>The Company has undertaken the following training pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" from TWSE. Please see the following table "Continuing Education and Training for the Company Directors in 2020" for details.</td><td>None</td></tr>
<tr><td colspan="6">Please describe the improvement status according to the evaluation results of Corporate Governance Evaluation publicly announced by Governance Center of Taiwan Stock Exchange Corporate (TWSE) in recent years. In addition, the Company shall propose the matters and measures given priority to strengthen:
1. Darfon was ranked in top 6-20% in Corporate Governance Evaluation in 2020 and 2021 and assessed the feasibility of non-scoring items about current year or future strategy.
2. Company strikes for a balance between policy deployment and corporate development nt, promote implementation on improvable projects, and set a project goal for items with difficulty.
3. Corporate Social Responsibility Report was published in Company website to share information about financial, business, EHS issues to investor public and stakeholders. Company Governance zone was established in website to timely release information about Company governance functions and implementation status to the investor public. We continue to enhance improvement on items as following: Protection of shareholders' rights, reinforcement of the Board structure and operations, improvement of information transparency, actual implementation of the corporate social responsibility, etc.
4. The implementation status regarding below non-scoring items from 2020 were accomplished in 2021:
Reinforcement of information disclosure in English：
(1)Upload the english version annual report and annual financial statement 16 days before the date of Annual General Shareholders' Meeting.
(2)Disclose the english version interim financial statements within 2 months after the deadline of the chinese version.
(3)Disclose the Material Information in chinese and English simultaneously to respond the international capital market.
Reinforcement of information transparency：
(1)The Company was invited to attend investor’s conferences three times, and announced Company's operating statement , financial and business information in the conferences .
Promoting corporate social responsibilities：
(1)Corporate Social Responsibility Report was prepared before end of September and disclosed in MOPS and Company’s website.
(2)Corporate Social Responsibility Report of Company obtained assurance statement of Type1 medium assurance level of the AA1000AS v3 Assurance Standard from SGS Taiwan Ltd.</td></tr>
</table>

3.3.3.2. Continuing Education/Training of Directors in 2021

Title	Name	Course Name	Organizer	Hours
Chairman Director	Andy Su	Corporate Governance and Securities Regulations	Securities and Futures Institute	3
		Discussion on the Reward Strategies and Tools for Employees	Securities and Futures Institute	3
		2021 Sustainability Through ESG	Taipei Exchange	2
		The 13th Taipei Corporate Governance Forum	Securities and Futures Institute	3
Director	K.Y. Lee	Discussion on the Reward Strategies and Tools for Employees	Securities and Futures Institute	3
		Corporate Governance and Business Integrity , control of Insider trading	Digital governance association	3
Director	Peter Chen	Discussion on the Reward Strategies and Tools for Employees	Securities and Futures Institute	3
		Corporate Governance and Ethical Corporate Management , and control of Insider trading	Digital governance association	3

Title	Name	Course Name	Organizer	Hours
Director	Jasmin Hung	Discussion on the Reward Strategies and Tools for Employees	Securities and Futures Institute	3
		The 13th Taipei Corporate Governance Forum	Securities and Futures Institute	3
Director	Josh Tsai	Discussion on the Reward Strategies and Tools for Employees	Securities and Futures Institute	3
		2021 Sustainability Through ESG	Taipei Exchange	2
		2021 Sustainability Through ESG	Taipei Exchange	2
Independent Director	Neng-Pai Lin	Discussion on the Reward Strategies and Tools for Employees	Securities and Futures Institute	3
		The 13th Taipei Corporate Governance Forum	Securities and Futures Institute	3
Independent Director	Kelvin Lee	Discussion on the Reward Strategies and Tools for Employees	Securities and Futures Institute	3
		2021 Sustainability Through ESG	Taipei Exchange	2
		The 13th Taipei Corporate Governance Forum	Securities and Futures Institute	6
		2021 the Regulation Compliance Seminar of insider shareholding transaction	Securities and Futures Institute	3
Independent Director	Neng-Pai Lin	Discussion on the Reward Strategies and Tools for Employees	Securities and Futures Institute	3
		The 13th Taipei Corporate Governance Forum	Securities and Futures Institute	3
Independent Director	Nelson Lee	The cloud cell phone and computer	CPA Associations R.O.C.	2
		AML/CFT system and practical application-by business anti corruption	CPA Associations R.O.C.	3
		Evaluation report and the practice of fairness opinion	CPA Associations R.O.C.	6

3.3.3.3. Continuing Education/Training involving Company governance of financial and internal auditors in 2021

Title	Name	Course Name	Organizer	Hours
V.P. Finance/ Accounting Management	Jery Lin	Taxation practice and case analysis of “Cross Border E-Commerce”	Accounting Research and Development Foundation.	3
		Reconnaissance practice and legal liability analysis of “Combating Money Laundering and Financing of Terrorism”	Accounting Research and Development Foundation.	3
		Risk management and Coping practice of the latest “Corporate Governance 3.0-Sustainable Development Blueprint”	Accounting Research and Development Foundation.	3
		Financial accounting and evaluating practice of property, plant and equipment	Accounting Research and Development Foundation.	3
Accounting Management Deputy	Gavin Lin	The practical analysis of “ESG report” under Corporate Governance 3.0	Accounting Research and Development Foundation.	3
		Financial report reviewed by government authority and the practical analysis of material information	Accounting Research and Development Foundation.	3
		The legal liability and the practical case analysis of “The Taxpayer Rights Protection Act” for business	Accounting Research and Development Foundation.	3
		The financial risk and case analysis of Taiwanese company in China diposal of equity of property assets	Accounting Research and Development Foundation.	3
Audit Manager	Sylvia Chang	Business contract management and audit practice	Institute of Internal Auditors-Chinese Taiwan	6
		The essential knowledge of labor law for supervisor : recruitment and interview , original and specific management for labor and performance appraisal	Institute of Internal Auditors-Chinese Taiwan	6

3.3.3.4. Certificates involving financial information transparency.

Item	Certificate acquired	Certified by	Number
1	Certified Internal Auditor	Institute of Internal Auditors	4
2	Certified Information Systems Auditor	Information Systems Audit and Control Association	1
3	Certified Valuation Analyst	National Association of Certified Valuation Analysts	1
4	Certified Intangible Asset Valuator-Associate Level	Industrial Development Bureau, Ministry of Economic Affairs	1
5	Self-evaluator, TIPS	Institute for Information Industry	1
6	Senior Securities Specialist	Securities and Futures Institute	3
7	Securities Specialists	Securities and Futures Institute	1
8	Futures Specialist	Securities and Futures Institute	1
9	Stock Affair Specialist	Securities and Futures Institute	2
10	Enterprise Internal Control Basic Ability	Securities and Futures Institute	1
11	Securities Investment Trust and Consulting Professionals	Securities and Futures Institute	1
12	Financial planner	Taiwan Academy of Banking and Finance	2
13	Proficiency Test for Trust Operations Personnel	Taiwan Academy of Banking and Finance	3
14	Bookkeeper	Ministry of Examination, R.O.C	1
15	Basic Competence Exams for corporate governance	Securities and Futures Institute	1

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

1. On October 27, 2011, the Company’s board of directors approved the establishment of Remuneration Committee and formulated the " Remuneration Committee Organizational Rules." The members, number and term of office of the Remuneration Committee, powers, rules of procedure, and resources to be provided by the Company when exercising powers and other matters shall be in accordance with the provisions of these regulations, unless otherwise provided by laws or the Company's "Articles of Association".
2. Composition: The members of the Remuneration Committee are appointed by resolution of the board of directors. The current Remuneration Committee is composed of four independent directors, and all members elect one independent director as chairman. The term of the committee members is the same as the term of the appointed board of directors
3. Duty: The members of the Remuneration Committee should take the attention of good managers, faithfully perform the following functions and powers, and submit their suggestions to the board of directors for discussion:
   (1) Formulate and regularly review the policies, systems, standards and structures of directors and managers' performance evaluation and remuneration.
   (2) Regularly evaluate and determine the remuneration of directors and managers.
4. Operations of Remuneration Committee
   (1) The Company has a Remuneration Committee composed of four members.
   (2) The term of current Remuneration Committee: August 24, 2021 to August 23, 2024. The most recent year, 2021 and as of the publish date of the annual report, three meetings were convened (A). The Committee members’ attendance status is as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Convener	**Neng-Pai Lin**	3	0	100	**Re-elected**
Committee Member	**Kelvin Lee**	3	0	100	**Newly elected**
Committee Member	**Nelson Lee**	2	0	100	**Re-elected**
Committee Member	**Stan Hu**	2	1	67	**Re-elected**
Other mentionable items: 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the proposal, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion: None. 2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the proposal, all members’ opinions and the response to members’ opinion should be specified: None.					

Note:The board of directors of the Company appointed independent directors Neng-Pai Lin, Nelson Lee, Kelvin Lee, and Stan Hu as members of the remuneration committee on August 24, 2021, and convened Neng-Pai Lin as convener. The terms of reference of the Remuneration Committee of this session have been revealed on section “3.Duty”.

(3) Discussion from the Remuneration Committee, resolutions, and ways the Company handled opinions from committee members:

Date	Session	Content of propsals	Resolutions and implementation	Company's response
March 15, 2021	1st Remuneration Committee in 2021	A. Remuneration of employees and directors, 2020	All Remuneration Committee Members presented at the meeting agreed on NT$8,821,057 for directors and NT$117,614,088 for employees, all in cash, and submitted to Audit Committee for resolution.	The submission to the board of directors is unanimously approved by all present directors and independent directors.
March 15, 2021	1st Remuneration Committee in 2021	B. Discussion and approval of proposal for the bonus distribution of directors' and managers 2020	All Remuneration Committee Members presented at the meeting agreed without objection and submitted to Audit Committee for resolution.	The submission to the board of directors is unanimously approved by all present directors and independent directors.
November 9, 2021	2nd Remuneration Committee in 2021	A. Implementation report of managers' remuneration	All Remuneration Committee Members presented at the meeting agreed without objection.	The submission to the board of directors is unanimously approved by all present directors and independent directors.
March 8, 2022	1st Remuneration Committee in 2022	C. Remuneration of employees and directors, 2021	All Remuneration Committee Members presented at the meeting agreed on NT$10,716,685 for directors and NT$142,889,138 for employees, all in cash, and submitted to Audit Committee for resolution.	The submission to the board of directors is unanimously approved by all present directors and independent directors.
		D. Discussion and approval of proposal for the bonus distribution of directors' and managers 2021	All Remuneration Committee Members presented at the meeting agreed without objection and submitted to Audit Committee for resolution.	The submission to the board of directors is unanimously approved by all present directors and independent directors.

5. Professional qualifications and independence status of the Company's Remuneration Committee members are listed in the table below.

Title	Name / Qualification	Professional knowledge and skills	Independence	Number of other public companies where the Director concurrently serves as an Independent Director
Independent Director (Convener)	Neng-Pai Lin	Professional qualifications and independence status of the Company's Remuneration Committee members please refer to pages 8-10 Professional qualifications and independence condition of directors and independent directors.		2
Independent Director	Kelvin Lee			None
Independent Director	Nelson Lee			None
Independent Director	Stan Hu			None

3.3.5 Implementation of Sustainable Development, and Differences with Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons:

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>Does the Company establish a governance structure to promote sustainable development, established a dedicated (part-time) unit to promote sustainable development; and did the Board of Directors authorize senior management to handle it and report the supervisory status to the Board of Directors?</td><td>✓</td><td></td><td>The Board of Directors approved" Code of Conduct for Business Integrity"," Code of Corporate Governance"and Code of ethical behavior in 2014.Then, the Company founded the Corporate Social Responsibility committee in 2016, renamed as Sustainable Development committee in 2021, and assigned chairman of Company as a chairman, president as a vice chairman in the committee as well as other members in each business and supporting department. The committee is the highest internal sustainable development decision unit in Company,and continuously focuses on economy,environment,society and other issues stakeholders care about to move toward sustainable development goals.

We have set up committees in each global locations to take in charge of complying with local laws, regultions and other related policies, and promoting Corporate Social Responsibility as well as Environmental, Health and Safety Policy.Also, they cooperate with" Risk Management Committee", and hold the review meeting quarterly to evaluate the performance and improvement before reporting to the Board of Directors.The implementation situations in 2021, including the communication with stakeholders and the performance of sustainable development, were reported to the Board of Directors in August, 2021.</td><td>None</td></tr>
<tr><td>Does the Company conduct the risk assessment on environmental, social, and corporate governance issues related to corporate operation according to materiality principle? And any establishment of relevant risk management policy or strategies?</td><td>✓</td><td></td><td>We have established Risk Management Committee, assigning president as chairman, Finance Manager as director general, and Company's first-level unit and each plant supervisor as members. Regular meetings are held for strategic discussions to manage risk controls on relevant issues.

Risk assessment on environmental, social, and corporate governance issues related to corporate operation for our Company,and 100% own subsidiaries in Taiwan and China according to materiality principle is conducted in Risk Management Committee meetings quarterly. In addition, the monthly superior managers' meetings of corporate governance strategy decide resolutions and implementations.

Relevant policy for risk and strategy for implementation are as below,

1.Referring to risk assessment on environmental, social, and corporate governance, here are Company's annual top three risks,
(1)Operational risk: Geopolitics, climate change & environmental protection, and network & information security
(2)Damaging risk: Infectious disease, and the risk of occupational safety and health
(3)Financial risk:The amendment of financial taxation

2. Risk identification: Each unit member identifies possible unit annual risk items based on Company's annual top three risks, then carries out analysis and takes relevant countermeasures. This includes,
(1)Possible worst scenario once that risk happens.
(2)Risk countermeasures, prevention, and the expected results of implementing countermeasures.
(3)Formulation of the mechanism of BCP activation

3. Implementation result:
To control an reduce risk,the Company implements are as follows:
(1)Operational risk: Plan to capacity relocation, install high-performance equipments (Disk Type Rotor, RTO, RCO, etc.), set up Information Security Committee, and evaluate ISO 27001 implementation.
(2)Damaging risk: Modify and excute infectious disease business continuity plan(BCP), target zero accident, assess RBA, control security, check and control, and train employees to respond to emergency.
(3)Financial risk: Education training for taxation, taxation reviews,and taxation audits

4. The management of COVID-19: To respond epidemic and level 3 alert, epidemic prevention meetings were held once every two weeks at beginning and were adjusted to be held twice a week during level 3 alert. The Company reviews rolling wave planning in epidemic measures,adjusts measures in a timely manner, actives staggered shifts,and make sure zero confirmed cases to effectively control possible infection risks under continuous production.</td><td>None</td></tr>
</table>

Evaluation Item		Implementation Status			Deviations from "the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Explanation	
Environmental Issues	Does the Company establish proper environmental management systems based on the characteristics of their industries?	✓		1. All DARFON manufacturing facilities in the world have received ISO 14001 certifications for environmental management systems since 2001. The internal and external audits were regularly implemented on an annual basis in worldwide manufacturing facilities to ensure the PDCA continuous improvement of the system as well as efficiency of each environmental management implementation. All DARFON manufacturing facilities accomplished Carbon Footprint Verification and received ISO 14064-1 certifications. 2. In order to ensure that hazardous substances meet the requirements of customers and laws and regulations, the Company encourages suppliers to jointly establish compliance with environmentally friendly regulations through supply chain management and the organization of supplier conferences to promote and convey environmentally friendly management concepts.	None
	Does the Company dedicate to utilize all resources more efficiently and use renewable materials which have low impact on theeeee environment?	✓		1. According to the types of environmental pollutants produced in the production process, all DARFON manufacturing facilities have full-time management personnel responsible for environmental management related affairs such as air pollution, waste water, waste, etc., and comply with national laws and regulations to properly handle various environmental pollutants to reduce impact of production on the environment. 2. In terms of waste management, the classification and recycling of various waste resources and the commissioning of a legally compliant removal treatment agency for waste removal treatment are carried out to achieve the goal of effective reuse of resources and maintenance of sustainable development of the environment. 3. To fully achieve the effect of resource reuse, the Company has a rainwater recovery system and solar panels in the operating headquarters and each plant. 4. Our products are made from green materials with the import of green and lead-free manufacturing processes to establish a green managemenompanyt system and control of substance limits. 5. The Company actively promotes every energy-efficient measure, acquisition of energy-efficient machine to be a priority.and inpection of the old system equipment's efficiency to evaluate the necessity of renew it. 6. The Company saved NT$1,100 thousand electric expense in 2022, the energy saving rate 13.5% meeting the original target 10%., on the basis of electricity fee NT$8,100 thousand in headquarters and Taoyuan Factory in 2020.Moreover ,the Company plans to renew the air conditioners and lighting equipment ,and is expected to reduce 10% energy consumption.	None
	Does the Company assess the current and future risk and opportunity of climate change, and adopt response measures of climate-related issues?	✓		Climate change is a worldwide significant and urgent matter, and the Company contributes to promote the ESG Sustainable Development management. The Risk Management Committee regularly assesses current and future potential risks, and opportunities of climate change for the Company every year to identify, deal, report and control. The development of green power construction and green energy mobile equipment are the potential opportunities by risk assessment of the year, lack of energy, increases of carbon tax and weather extremes. The Company develops related green energy products and systems, and the promotion of E-Bike is accelerated by the green energy department of the Company to enhance green actions and reduce transportation dependence on fossil fuels. In terms of concerning environmental protection issues, we actively invest considerable funds to set up zeolite runners, RTOs, and RCOs to improve the efficiency of environmental treatment equipment, comply with regulations and emission standards, and achieve emission reduction targets for VOCs emissions to improve the protection of water resource and reduce the greenhouse effect load. 1.potential operational risks (1)Transition Risks: Low carbon emissions, the carbon tax, and energy efficiency are the potential risk on ESG Sustainable Development cost. (2)Physical Risks: Under the weather extremes, businesses face the risk of drought, and lack of water and electronic. (3)Response measures: The Company increases the percent of using green electronic, optimizes energy storage equipment, sets up environmental protection disposal equipment, and decreases the emission of VOCs to reduce Greenhouse effect and environmental load and fulfill environmental sustainability. 2.Opportunity (1)Efficient improvement: The Company improves energy efficiency by green building construction, utililzing recycled water, and operating energy-efficient equipment. (2)Energy source: The Company improves the green energy efficiency by setting up solar panels. (3)Product service: The green energy department of the Company develops related green energy products, including energy storage equipments and complete systems of energy storage assistance, and accelerates development of E-Bike to enhance green actions and reduce transportation dependence on fossil fuels.	None

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>Environmental Issues</td><td>Does the Company tabulate the greenhouse gas emissions, water consumption and total weight of waste over the past two years and formulate policies regarding carbon reduction, greenhouse gas reduction, less water consumption or other waste management?</td><td>✓</td><td></td><td>1.Since 2000, all DARFON manufacturing facilities passed the ISO 14064-1 (greenhouse gas inventory 2006) certification issued by SGS, and procedures have also been established the program of effective reduction emissions in the future. The improvement was reviewed regularly in internal management meetings. Moreover, the Company should disclosure of greenhouse gas emissions and reduction information in CDP (Carbon Disclosure Project) related questionnaires and devote to reducing greenhouse gas emissions at various manufacturing sites around the world. The target reduction of greenhouse gas carbon dioxide is to reduce at least 1% or more of greenhouse gas emissions per unit of revenue compared to the previous year. In terms of greenhouse gas reduction results, compared to the emissions of each manufacturing site around the world in 2014, 97,553 tons, the global greenhouse gas emissions in 2020 was 92, 589 tons (scope 1 and 2 emission 5,467 tons and 87,122 tons respectively, and scope 3 has not been verified yet),and reduced 4,964 tons ,about 5.09%.
2.According to the types of environmental pollutants produced in the production process, all DARFON manufacturing facilities have full-time management personnel responsible for environmental management related affairs such as air pollution, waste water, waste, etc., and comply with national laws and regulations to properly handle various environmental pollutants to reduce impact of production on the environment
3.Waste Management Goal: The waste management goal is to reduce the waste production volume of the current year by more than 1% compared to the previous year. The Company classifies and recycles resources according to various types of waste and commissions a legally compliant removal and treatment agency to remove and treat the waste to achieve the goal of effective reuse of resources and maintenance of the sustainable development of the environment.
4.Water Management Goal: The goal of water resources management is to reduce the total water consumption of the current year by more than 1% compared to that of the previous year, or increase the recycled water by more than 1%. Rainwater recovery systems have been established by the Company in the operating headquarters and each manufacturing plan to fully achieve the effect of resource reuse.
5.DARFON performed annual statistics on total weight of water use and waste disposal in the past two years are as follows:
(1)Water consumption: The total water consumption of the global manufacturing bases in 2020 was 694,760 tons; the total water consumption in 2019 was 608,910 tons. Total water consumption in the global manufacturing bases in 2020 increased by 14.1% compared with that in 2019.
(2)Total weight of waste: The amount of industrial waste generated by each manufacturing site in Taiwan in 2019 was 427.44 tons (the amount of hazardous waste and non-hazardous waste are 231.07 tons 196.37tons, respectively), and it was 703.72 tons in 2020(the amount of hazardous waste and non-hazardous waste are 549.54 tons 154.18 tons, respectively).The main reason for the increases compared with 2019 was due to the increase production capacity in Tainan plant.For other resource usage, water consumption and total waste weight, energy saving and carbon reduction results, greenhouse gas reduction, water reduction or other waste management policy information, please refer to pages 65-75 of "Corporate Social Responsibility Report 2020" from the Company's website.
6.Our products are made from green materials with the import of green and lead-free manufacturing process to establish a green management system and control of substance limits.</td><td>None</td></tr>
</table>

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td rowspan="3">Social Issues</td><td>Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</td><td>✓</td><td></td><td>1.The Company respects and supports internationally recognized human rights principles and standards, including “Universal Declaration of Human Rights”, “UN Global Compact”, and “International Labor Organization's Declaration of Fundamental Principles and Rights at Work”. The Company complies with local laws and regulations where the Company is located, and has devised the Company human rights policy according to the UN Guiding Principles on Business and Human Rights.Human rights policy of the Company is applicable to Group and its invested companies .The Company is committed to respecting, protecting, and remediating employees, suppliers, and partners, who may be subjected to human rights violation.
2.The Company complies with the Responsible Business Alliance (RBA) to protect environment, human right, safety,and health as a principle,and builds the corresponding management and rules. Respecting human rights is the foundational to the sustainable development and operation of a corporation.Thus, the Company adopts RBA as management framework in operation and supply chain, and expects suppliers and contractors to act in accordance to the spirit and basic principles of this policy, including questionnaire survey on suppliers to assess their environmental protection, occupational safety and health management policy, Human Rights Policy, business ethics policy, and other items.
According to the RBA audit process, internal and external audit are performed regularly, and the Company regularly accepts the audit from customers or third party audit by the latest RBA rule.
3.The Company establishes multiple two-way communication channels for employees. In response to complaints or incidents, the personal information of colleagues is carefully kept confidential and handled to attain labor-management harmony. The Company provides appeal channel and “HR mailbox” so that employees can reflect their issues about human right, labor-management, sexual harassment, and others.The Company also sets up supervisory unit to make sure the issues are in process as well as continuously improves the working environment and welfare for employees.</td><td>None</td></tr>
<tr><td>Does the Company formulate and implement reasonable employee welfare measures (including salary, paid leaves, and other benefits, etc.), and appropriately reflect operating performance or results in employee compensation?</td><td>✓</td><td></td><td>The Company’s paid-leaves system complies with the Labor Standards Act and provides market-competitive salaries. By employees’ lives and well-being as a priority, the Company sets up numerous benefits and incentives created as timely response to employees’ credit. To share business achievements with employees and based on annual profitability, the Company allocates compensation according to their performance.
The Company focuses on gender equality; the average percentage of female employees was 44.43%, and the average percentage of female supervisors was 14.88%. Please refer to P.59 for other employee welfare measures.</td><td>None</td></tr>
<tr><td>Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</td><td>✓</td><td></td><td>1.In order to provide employees with a safe and healthy working environment, all factories around the world have obtained the certification of the internationally recognized occupational safety and health management system ISO 45001, and safety inspections are carried out on all factories from time to time. For new and in-service employees, labor safety & health education and training, and employee fire drills are conducted to prevent occupational disasters. In 2021, manufacturing sites in Taiwan have implemented employee safety education and training. Tainan plant has carried out two fire evacuation drills, and completed occupational safety and health education training for production workers. In addition, the headquarters and Taoyuan plant have carried out a fire drill for recruits.
2.The Company’s employment principles, open selection and recruitment based on actual business needs. No discriminations because of race, class, religion, skin color, nationality, gender, family status, horoscope, blood type, etc., and no child worker is allowed
3.The Company provides life insurance, health insurance, illness and disability insurance for all employees, and provides maternity and parental leave, retirement reserves, etc
4.In terms of working hours, it is controlled within the allowable range according to law. Meanwhile, the overtime hour’s reminder and early warning function are set in the attendance management system.
5.The Company's factories hold labor-management meetings irregularly, and major labor conditions are implemented after the resolution of the factory's labor-management representatives to ensure that the rights and opinions of employees are respected.
6.The Company cooperates with professional medical institutions to organize health promotion and lectures, arrange doctors' visits and annual physical examinations for employees, and set up sports venues as well as various health, aerobic and physical fitness courses to maintain the physical and mental health of employees.
7.In 2021, two accidents happened in Taiwan’s manufacturing sites,accounting for 0.2% population of employees in Taiwan.Employees were slightly injured due to distraction during the working hours.After the accidents,the Company has explained dos and don'ts to them.</td><td>None</td></tr>
</table>

Evaluation Item		Implementation Status			Deviations from "the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Explanation	
Social Issues	Does the Company provide its employees with career development and training sessions?	✓		1.The Company offers the complete vocational training for supervisors and employees, including newcomer training, supervisor management ability training, professional function training, etc.The Company introduces business ethics and promotes related trainng to cultivate key kills for employees.In 2021, the numbers of emplyees attending vocational training was 2,747 ,and the total time was 298.5 hours.Moreover, during the annual Performance review, employees would discuss with supervisors and set the personal developing plan to formulate complete training programs by regular review and feedback. The Company formulates a complete career training plan and builds the online learning information platform DLS (Darfon Learning System) to provide employees with diversified course learning information. 2.The succession of the Company's board of directors and important management levels, besides excellent working abilities, personality traits must include integrity, honest and innovation, etc. The Company not only appoints vice president in the chairman's office, but also assigns high-level management in business units, such as V.P., Integrated Components, V.P., IT Peripheral, V.P., Advanced Technology and V.P., Finance to cultivate candidates for board of directors' and presidents' succession. Senior management talent trainings include leadership and management competency training, business lecture courses management, key talent development plans and job rotations, etc. Content covers important areas, including leadership thinking training, strategic planning, innovative development, team motivation and communication, industry trends, new knowledge, marketing management, human resources and financial risk, etc. By annual relevant course modules and regular trainings, we strengthen the leadership, management ability and professional quality of successors. Chris Wang was promoted as V.P. of Green Energy Products Department in March 2021, and we elected Andy Su, President, as Company CEO in November 2018, and meanwhile President was succeeded by Josh Tsai.	None
	For customer health and safety, customer privacy, marketing and labeling regarding the Company's products and services, does the Company follow relevant laws, regulations and international guidelines? And any establishment of policies on consumer rights and interests as well as procedures for accepting consumer complaints?	✓		1.The Company promotes quality management complying with international regulations related quality management by systematic methods, and regulating management procedure and process. Each manufacturing plant in the Group passes the ISO 9001 Quality Management System certification. 2.The Company focuses on the change of international regulations, specifications of industry and customers ,and other aspects related suppliers,including " Restriction of Hazardous Substances Directive -RoHS", "REACH", " Waste Electrical and Electronic Equipment Directive 2002/96/EC- WEEE","Packaging and Packaging Waste-PPW",etc,and complies with the eco-friendly rules ,energy efficiency standards,and products certification from various countries to design and manufacture the products ,and meet the latest environmental requirements. 3.To respond international regulations and products certification from customers, the Company not only meets the WEEE regulations and labels the products ,but also formulates "Darfon Green Product Management Procedure"according to IECQ QC 080000:2017, to meet the requirements of green products. 4.The labeling and marketing of products and services comply with relevant domestic regulations as well as international standards, and meet the international regulations , related management systems and verification requested by customers without violation of product health and safety, product information and labeling regulations.Regarding the privacy of customers, we abide by the confidentiality agreement and personal data protection law. We also set up contact window for each product on the Company's website (www.Darfon.com.tw) to protect consumer rights and provide channels for complaints.	None

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>Social Issues</td><td>Does the Company establish the supplier management policy and request suppliers to follow the corresponding rules for the issues such as environmental protection, occupational safety and health or labor and human rights? And any implementation status?</td><td>✓</td><td></td><td>1. The Company’s supplier management system focuses on green procurement. To fulfill the responsibility of maintaining society and environmental protection, the Company requires suppliers to provide green product assurance letters, green product specifications, test report of quality and material, and MSDA, etc., to comply with international regulations and the hazardous substance management.
2. For products containing gold, tantalum, tin, and tungsten, the supplier must provide a letter of guarantee, stating that the mineral source of the product does not come from People’s Republic of the Congo or illegally developed areas in the neighboring countries in order to protect the sustainability of the environment and ecology.
3.The Company follows the Responsible Business Alliance Code of Conduct (RBA), ISO 14001, OHSAS 18001, RoHS, HSF, PFOs (Control of Hazardous Substances), the prohibition of conflict minerals and other international standards or regulations. For environmental protection, labor human rights, and safety of occupation, and health, we establish corresponding supplier management system and management standards, and arrange supplier audits irregularly to facilitate the supervision of the quality of supplier materials.
4.The Company designs “supplier CSR evaluation form”, including environment and society, for self-evaluation.By the form, the Company could understand the Corporate Social Responsibility of the supplier and use those results as references to manage the suppliers.The Company draws up the audit plan for suppliers and the audit supplier list annual.After the audit, the audit unit would propose the improvement plan focusing on the deficiencies, as well as provide the specific goal and sechedule.The Company regularly reviews the performance of suppliers on sustainable management(RBA and Corporate Social Responsibility),and surveys and evaluates the risk of suppliers from time to time.</td><td>None</td></tr>
<tr><td colspan="2">Does the Company disclose relevant and reliable information regarding its Sustainability Report referring to international guidelines? Does the Company obtain a third-party assurance or verification for the foregoing reports?</td><td>✓</td><td></td><td>The Company published the third edition of the Corporate Social Responsibility Report in 2021, in accordance with GRI Standards, AA 1000 AS 2008, ISO 26000 and global sustainability report standards, and verification of the third-party unit, SGS Taiwan Ltd. It meets the requirements of the AA 1000 Type 1 Moderate Assurance Level and is disclosed on the Market Observation Post System (MOPS) and the Company website (www.Darfon.com.tw). The content structure of the Company’s corporate social responsibility report follows the Global Reporting Initiative’s GRI Standards, AA 1000 Accountability Principle Standards (AA1000APS), and the guidelines and framework from Taiwan Stock Exchange’s “Management Measures for the Preparation and Filing of Corporate Social Responsibility Reports by Listed Companies” It follows the "core options" as the disclosure principles in this report.</td><td>None</td></tr>
<tr><td colspan="6">If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation:
Darfon has established corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies”. All colleagues promote and fulfill corporate social responsibility and set up a corporate sustainable development promotion team. The overall operation situation is in line with the spirit of corporate social responsibility, and there is no major difference.</td></tr>
<tr><td colspan="6">Other important information to facilitate better understanding of the Company’s corporate social responsibility practices：
1. The Company won model award in the Global Views CSR Annual Survey 2021.
2. The global operation headquarters adopts green building construction:
The headquarters of the Company adopts environmentally friendly and low carbon construction methods, such as "green building" and " architectural concrete". Rainwater recycling system, which is processed and filtered and recycled to make use of water resources, has been set up; solar power generation systems are installed in each manufacturing plant to full use of natural resources. In addition, the Company was rewarded by FCFC of the honor as Industrial Zone Greenification Excellence Awards.
3.Community participation, social contribution, social service, social welfare, consumer rights and other social responsibility activities:
(1).Community service:
The Company calls on colleagues and Company associations to increase community participation and local connections with neighboring areas through volunteering activities.The Company participated in delivering lunch box activity for solitary elders, about 460 meals, as well as caring visits for the elderly in 2021.Medical perspective, the Company donated 26,000 c.c.blood and 2000 medical face masks to Taoyuan General Hospital in 2021.
(2).Social welfare:
During the pandemic, the Company held three campaigns and purchased agricultural products to assit in relief unmarketable products, which were 2,100 Kg cabbage in Yunlin, 600 Kg pinapple in Tainan Guanmiao, and the 260Kg packages of fruits and vegetables in New Taipei city in 2021.
(3) Material donation or charity sale:
The Company organized food and material donations for Hualien JIAO-ER AI-SIN foundation, Toayuan Shiangyu nursing center, Eden Social Welfare Foundation, Taiwan fund for children and families, etc; assited Hsinchulun Association in selling in the steet;performed charity shows in Happy Mount Colony and other charities in 2021. In 2021, Company donated NT$3.5 million to the BenQ Foundation to jointly realize the corporate vision of "the truth, goodness and beauty of information life".
(4) Sustainability:
Actively participation in the sustainability of Taoyuan's local environment, such as implementation of green living, and keeping Taoyuan's forest and mountains clean. In 2021, we held the pond ecological experience in Taoyuan Yangmei Long Pond, visited economic and environmental symbiotic plants, and also cooperated with local farmers to plant 2 hectares Hangju. We take practical actions to protect our precious mountains and forests and let residents feel a clean home.
(5) E-co Green Action:
Resource recovery activities have been carried out continuously. We are main focus on the recycling of three types of resourcess, 3C products, second-hand clothing and waste batteries. After sorting out the recycled resources, they will be transferred to the social welfare and environmental groups, such as Green 3C Recycling Network and the Eden Social Welfare Foundation, so that the used materials will become renewable resources and committing an effort to the earth.</td></tr>
</table>

3.3.6 Implementation of Corporate Governance, and Differences with Contents of Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons:

Evaluation Item		Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Illustration	
Establish ethical management policies and plans	Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		The Board of Directors and the management place the greatest importance in adopting the highest standards of integrity and ethics in corporate management and employee work conduct, and thus Code of Conduct for Business Integrity" was formulated. One of Company's missions is to treat customers, suppliers, shareholders, employees and public general by integrity, which is also colleagues' responsibility. Any form of corruption, bribery and deception is strictly forbidden. Promotion on code of conduct is carried out to strengthen colleagues' will of integrity. The Company's Ethical Corporate Management Best-Practice Principles is a guideline to provide high ethical standards for all employees, specifying codes of conduct regarding conflicts of interest, compliance with regulations, trade secrets and Company assets.	None
	Does the Company establish the evaluation mechanism on higher risk of unethical behavior, regularly analyze and evaluate the business activities with higher risk of unethical behavior, as well as adopt appropriate precautions against high-potential unethical conducts or listed activities stated in Paragraph 2, Article 7, of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		Company establishes the internal control mechanism on potential unethical conducts to reduce the possibility of incidents. Audit Committee of the Company regularly assesses the performance of internal control system and gathers suggestions for potential risk from top management of each department, to optimize appropriate audit plans. Company has formulated Code of Conduct for Business and Code of Conduct for Employees, the scope covers, avoidance of conflict of interests, trade secrets, Company assets, political activities, and relevant conducts referring to Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies. For illegal or improper behavior, it is determined after investigation that it does not conform to or violates relevant regulations or laws, or causes damage to the rights of the Company and colleagues, then the relevant departments will be notified immediately, and relevant mechanisms will be activated immediately to prevent subsequent consequences. We analyze and evaluate the norms and standards of integrity conduct to comply with relevant laws and regulations to prevent dishonest behavior from occurring.	None
	Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? And any regular review of the foregoing programs for better implementation?	✓		The Company's Ethical Corporate Management Best-Practice Principles have established operating procedures, behavior guidelines, punishment and appeal systems for violations. Based on principle, Company has established code of integrity of employees as well as reported and appealed administrative measures for all colleagues to abide by unethical conduct hasn't happened before, and relevant regulations will be reviewed and revised regularly to prevent dishonest behavior from occurring.	None
	Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		An ethic-related clause is included in every business contract, conveying our integrity requirements to all our business partners. In addition, Letter of Undertaking of Integrity is compulsory. If there is any breach of the clause, the Company may terminate the partnership at any time without any further obligation or compensation.	None
	Does the Company establish an exclusively dedicated unit supervised by the Board to be in charge of corporate integrity, and responsible for reports to the Board regularly, at least once a year?	✓		Implementation of Company's ethical corporate management include inspections of formulation of regulations, education and publicity, appeal mechanism and integrity risk, whose responsibility falls on following units. Regular reports were submitted to the Board of Directors, at least once a year, about integrity business policy, prevention of unethical conducts and supervision on implementations. No violation occurred since the initiation of units. Implementation of integrity business in 2021 was reported to the Board in August 2021: 1. Formulation, education and promotion of Company's Ethical Corporate Management Best-Practice Principles were organized by human resources department, including "Code of Employee Integrity," "Report and Appeal Administrative Measures," and the "Disciplinary Measures" that regulate various violations of discipline. Human resources mailbox and a stakeholder mailbox were established to provide channels of complaint to internal and external public. Each new employed must participate in the "Integrity Promotion Course" and sign a declaration of integrity when enrollment. Every year, Company posts notice and poster regularly to remind colleagues that the Company attaches great importance to integrity management. 2. Audit unit affiliated to the board of directors takes responsibility of integrity risk assessment and inspection, to strengthen various operating procedures, implement the assignment of accountability, and reduce the occurrence of fraud through system assistance. 3. If there is a breach of integrity, the case is reviewed by the personnel council composed of cross functional senior executives and legal affairs. If it is a major breach of integrity, it will be reported to the audit committee and the board of directors for trial in accordance with relevant laws and operating procedures.	None

Evaluation Item		Implementation Status: Yes	Implementation Status: No	Implementation Status: Abstract Illustration	Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
Establish ethical management policies and plans	Does the Company establish policies to prevent conflicts of interest and provide appropriate channels of communication, and implement it?	✓		The Company upholds an attitude of honest management, provides customers with high-quality products and services, and maintains a sincere and transparent relationship with suppliers. To prevent the occurrence of conflicts of interest, the Company has formulated relevant policies such as the "Code of Integrity Business", "Report and Appeal Administrative Measures" and appropriate channels of complaint for stakeholders .The Company has mailboxes from the Human Resources Department for internal complaint, and investor mailboxes for external, stakeholders' mailboxes, and hotline as channels for complaints.	None
	Has the Company established the Effective accounting system and internal control system for implementing the ethical management, where the relevant audit plans are devised based on evaluation results of the risk of unethical behavior by internal audit unit, or by commissioning the accountant to review the information related to prevention programs of unethical behavior?	✓		1.The Company follows the requirements of laws and regulations, continuously revises the internal control system, and reviews and evaluates the effectiveness of the implementation of the internal control system. The internal audit unit assesses risks in accordance with the internal control system and draws up an annual audit plan. When performing relevant audits according to the plan and the inspection shows whether there is any violation of the Company's code of integrity business. Audit results were reported to the audit committee and the board of directors regularly to let the management levels understand the implementation status of internal control. 2.The Company's accounting system is formulated in accordance with the requirements of laws and regulations. The certified accountant conducts audits or reviews of the Company's financial statements on a quarterly basis, and issues report. Results of the audit or review were submitted to the Audit Committee and the Board of Directors every six months with communicating on corporate governance.	None
	Does the Company regularly hold internal and external educational trainings on operational integrity?	✓		Integrity is Company's core values. The Company carries out regular training for employees by internal and external educational trainings and promotion campaign. For new employees, training on "Integrity Promotion Course" are carried out during their enrollment, and declaration of integrity is signed. In 2021, a total of 313 people completed the training, and the signing rate reached 100%. The Company regularly reminds colleagues of the Company's emphasis on integrity management by Company notice and posters every year. Through corporate culture courses, employees are encouraged to recognize the concept of integrity and strengthen their self-discipline.	None
The operations of corporate whistleblowing system	Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The Company's integrity-related regulations, such as the "Report and Appeal Management Measures" and the "Code of Integrity Management", clearly stipulate that improper business behaviors must be immediately reported in escalation; internal reporting channels include direct supervisors, human resources supervisors, auditors, human resources mailboxes, and president's mailbox, while external reporting channels is stakeholders' mailbox. According to the seriousness of the circumstances and the level of involvement, it will be evaluated whether the case will be further reviewed by the personnel council composed of cross functional supervisors. Once the case is verified as likely to cause major damage to the Company, the council will prepare a report and notify The Audit Committee in writing.	None
	Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The Company has in place SOPs based on Code of Employee Integrity, Employee Complaints Management Measures and Sexual Harassment Prevention and Treatment Measures, and Reporting and Complaint Management Measures which could be applied on any confidential investigations on such cases. Confidentiality of the filed complaint should be kept during the investigation by auditors and investigating personnel. Upon investigation completion, the person in charge of the case will encrypt the file for the identity of the whistleblower and the content of the report.	None
	Does the Company provide proper whistleblower protection?	✓		The Company takes whistleblower protection seriously, abiding by the Company's "Reporting and Appeal Management Measures", and will strictly keep the content of investigation and confidential results as regard of protection from unlawful reprisal for diligent employees who step forward to identify potential wrongdoing.	None
Strengthen information disclosure	Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	✓		The Company's Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company's website (www.Darfon.com.tw) and annual report. Please refer to Company's website or pages 37-38 of this annual report for implementation.	None

If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.

Company establishes "Code of Integrity Management", "Code of Employee Integrity" and "Report and Appeal Management Measures" for employees to abide by. There have been no differences between "Code of Integrity Management" and Company's Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, and details are disclosed in Company's website (www.Darfon.com.tw).

Other important information to facilitate a better understanding of the Company's ethical corporate management policies. 1.For the various operating procedures of daily business activities, the Company designs appropriate internal control mechanisms for operations that may have potential corruption risks to reduce the possibility of corruption and take precautions. The Company's audit unit regularly evaluates the management effect of the internal control mechanism and collects suggestions from the senior executives of various departments on potential risks, draws up an appropriate audit plan, and performs related audits accordingly. Reports of the audit were submitted to the audit committee and the board of directors regularly to convey understanding of current status of corporate governance to achieve of management goals. 2.Based on the core values "Integrity", the Company has formulated a corporate culture of "Practical and fair, pursuing excellence, and caring for the society", emphasizing the spirit of "innovation, initiative, and positive attitude" to care about the society and people in which we live. Please refer to the Company website for the Company's business philosophy (www.Darfon.com.tw).

3.3.7 Please disclose the access to Company's "Corporate Governance Best Practice" and relevant regulations:

The Company's "Corporate Governance Code" has standards for protecting the rights and interests of shareholders, strengthening the functions of the board of directors, respecting the rights and interests of stakeholders, and enhancing information transparency. There is "Corporate Governance" section under "Investor Service" on the Company website for investors to inquire about corporate governance-related regulations and important board resolutions. For corporate governance-related regulations, please visit www.Darfon.com.tw and for corporate governance operation status, please refer to Section three Corporate Governance Operation Status of this Annual Report.

3.3.8 Other Important Information for enhancing understanding of the implementation of corporate governance:

1. To assure the effectiveness of internal information management, Company has established "Operating procedures for Handling Material Information and Preventing Insider Trading", and published in Company's website for all colleagues to abide by to prevent any violations or insider trading.
2. The latest version of the "Directors and Supervisors Handbook" and "Directors and Supervisors Propaganda Materials" compiled by the competent authority were released upon inauguration of directors, independent directors, managers and other insiders. In addition, Company provided latest version of "Company insider equity trading publicity manual" edited by Taiwan Stock Exchange Corp. every year for insiders' adherence.
3. The Company has three independent directors, and the audit committee and remuneration committee are composed of independent directors to strengthen corporate governance operations.
4. Information about the Company's corporate governance is disclosed on the Company's website (www.Darfon.com.tw).

3.3.9 Status of Implementation of Internal Control Systems

3.3.9.1 Statement of internal control system

DARFON ELECTRONICS CORP.

Statement of Internal Control System

March 8, 2022

Based on the findings of a self-assessment, Darfon Electronics Corp. states the following with regard to its internal control system during the year 2021:

1. Board of Directors and management of Darfon Electronics Corp. are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Darfon Electronics Corp. takes immediate remedial actions in response to any identified deficiencies.
3. Darfon Electronics Corp. evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Darfon Electronics Corp. has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Darfon Electronics Corp. believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was passed by the Board of Directors in their meeting held on March 8, 2022, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

DARFON ELECTRONICS CORP.

Chairman: Andy Su

President: Josh Tsai

3.3.9.2 Companies which CPAs to professionally review the internal control system shall disclose the review report provided by the accountants: Not applicable.

3.3.10 The Company and its personnel have been punished by law, the Company has undertaken disincentive measures for its personnel for breaching the internal control system, and any material deficiencies and revisions in the most recent year up to the publication date of the Annual Report: None

3.3.11Major Resolutions of Shareholders' Meeting and Board Meetings

Date	Session	Content of Proposals	Resolutions and implementation
February 1, 2021	1st Board Meeting in 2021	A.Approved acquisition of common stock of Astro Tech Co., Ltd.	All independent directors and directors presented at the meeting agreed without objection.
March 15, 2021	2nd Board Meeting in 2021	A.Statement of Internal Control System and implementation report of self-evaluation 2020.	All independent directors and directors presented at the meeting agreed without objection.
		B.Recognized the 2020 business report and financial statements.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published on March 15, 2021, and recognized in Shareholders Meeting in 2021.
		C.Approved the distribution of 2020 earnings.	All independent directors and directors presented at the meeting agreed on the amount of cash dividend NT$2.5 per share of common stock. The proposal was published by regulations and reported in regular shareholders meeting in 2021.
		D.Approved the 2020 allocation of employees and Directors' remuneration.	Except Andy Su and Josh Tsai are in avoidance of application, all other independent directors presented at the meeting agreed on NT$8,821,057 for directors and NT$117,614,088 for employees, all in cash, without objection. The proposal was published by regulations and reported in Shareholders Meeting in 2021.
		E.Approved election of nine directors, including four independent directors, for the 9th term of directors.	All independent directors and directors presented at the meeting agreed without objection, The proposal was reported for elections in Shareholders Meeting 2021
		F.Approved donation to BenQ Foundation.	Except K.Y. Lee, Andy Su and Peter Chen are in avoidance of application, all other independent directors and directors presented at the meeting agreed on the donation of NT$3.5 million without objection. The proposal was reported in accordance with regulations.
		G.Approved Proposal of releasing non-competition restrictions on newly elected directors and representatives.	All independent directors and directors presented at the meeting agreed without objection, and reported for elections in Shareholders Meeting 2021
		H.Approved schedule and meeting agenda of the 2021 Shareholders' Meeting.	All independent directors and directors presented at the meeting agreed without objection. The proposal was scheduled for June 23, 2021 for the meeting and organized in accordance.
May 12, 2021	3rd Board Meeting in 2021	A.Recognized financial statement in Q1, 2021.	All independent directors and directors presented at the meeting agreed without objection.The proposal was published on May 12, 2021.
		B.Approved the qualification of the nominees and the list of candidates of the directors.	All independent directors and directors presented at the meeting agreed without objection.The proposal was reported in regular shareholders meeting in 2021.
August 6, 2021	4th Board Meeting in 2021	A.Recognized financial statement in Q2, 2020.	All independent directors and directors presented at the meeting agreed without objection.The proposal was published on August 6, 2021.
		B.Approved the proposal of ex-dividend record date of Cash dividends of 2020 Earnings Distribution.	All independent directors and directors presented at the meeting agreed without objection. Ex-dividend record date: on August 29, 2021.
		C.Approved to change of the date and location of convening of 2021 Annual Shareholders' Meeting.	All independent directors and directors presented at the meeting agreed without objection.The date of convening of Annual Shareholders' Meeting: August 24, 2021.
		D.Approved 2021 Professional fee for service of CPA.	All independent directors and directors presented at the meeting agreed without objection.

Date	Session	Content of Proposals	Resolutions and implementation
August 24, 2021	2021 Shareholders' Meeting	A.Re-elect five directors and four independent directors.	The new directors position holder: K.Y. Lee, Andy Su, Josh Tsai, Representative of Qisda Corporation: Peter Chen, Representative of Qisda Corporation: Jasmin Hung The new independent directors position holder: Neng-Pai Lin,Kelvin Lee,Nelson Lee and Stan Hu The term is from August 24, 2021 to August 23, 2024. The Company received the approved register from MOEA on September 9, 2021, and published in Company website.
		B.Recognized the 2019 business report and financial statements.	Consulted by the chairman, all shareholders presented at the meeting agreed without objection.The proposal was published in accordance.
		C.Recognized the distribution of 2020 earnings.	Consulted by the chairman, all shareholders presented at the meeting agreed without objection. The amount of cash dividend NT$2.5per share of common stock was recognized August 29, 2021as base date for distribution and due before September 11, 2021.
		D.Approved to lift non-competition restrictions on newly-elected directors and their representatives	Consulted by the chairman, all shareholders presented at the meeting agreed on lifting non-competition restrictions on directors: K.Y. Lee, Andy Su, Josh Tsai, Representative of Qisda Corporation: Peter Chen, Representative of Qisda Corporation: Jasmin Hung and independent directors: Neng-Pai Lin, Kelvin Lee, Nelson Lee and Stan Hu. The proposal was published in accordance.
August 24, 2021	5th Board Meeting in 2021	A.Approved elected the Chairman of the Board	All independent directors and directors elected Su,Kai-Chien as the Chairman The Company received the approved register from MOEA on September 9, 2021, and published in Company website.
		B.Approved Appointed the members of Remuneration Committee	Except Neng-Pai Lin, Kelvin Lee, Nelson Lee and Stan Hu are in avoidance of application, all other independent directors and directors presented at the meeting agreed on appointed Neng-Pai Lin, Kelvin Lee, Nelson Lee and Stan Hu,four independent directors, as members of the Remuneration Committee.
November 9, 2021	6th Board Meeting in 2021	A.Approved formulation of "Internal control system" and "Internal Audit Implementation Rule".	All independent directors and directors presented at the meeting agreed without objection. The proposal was published in accordance.
		B.Recognized financial statement in Q3, 2021.	All independent directors and directors presented at the meeting agreed without objection.The proposal was published on Novenmber 9, 2021.
		C.Approved appointment of CPAs 2021.	All independent directors and directors presented at the meeting agreed on CPAs' independence without objection, obtaining the Declaration of Independence from CPA.
March 8, 2022	1st Board Meeting in 2022	A.Statement of Internal Control System and implementation report of self-evaluation 2021.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published in accordance.
		B.Approved the 2021 allocation of employees and Directors' remuneration.	Except Andy Su and Josh Tsai are in avoidance of application, all other independent directors presented at the meeting agreed on NT$10,716,685 for directors and NT$142,889,138 for employees, all in cash, without objection. The proposal was published by regulations and reported in Shareholders Meeting in 2022.
		C.Recognized the 2021 business report and financial statements.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published on March 8, 2022, and recognized in Shareholders Meeting in 2022.
		D.Approved the distribution of 2021 earnings.	All independent directors and directors presented at the meeting agreed on the amount of cash dividend NT$3 per share of common stock. The proposal was published by regulations and reported in regular shareholders meeting in 2022.

Date	Session	Content of Proposals	Resolutions and implementation
March 8, 2022	1st Board Meeting in 2022	E.Approved the spin-off"the Energy Storage B.D."in Taiwan to Darfon Energy Technology Corp.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published in accordance.
		F.Approved the amendment to"Articles of Incorporation".	All independent directors and directors presented at the meeting agreed without objection.The proposal was reported in regular shareholders meeting in 2022.
		G.Approved the amendment to"Procedures for Acquisition or Disposition of Assets"and "Procedures for Engaging in Derivatives Trading"	All independent directors and directors presented at the meeting agreed without objection.The proposal was reported in regular shareholders meeting in 2022.
		H.Approved the amendment to "Procedures for Lending Funds to Other Parties"and "Procedures for Endorsement and Guarantee".	All independent directors and directors presented at the meeting agreed without objection.The proposal was reported in regular shareholders meeting in 2022.
		I.Approved donation to BenQ Foundation.	Except K.Y. Lee, Andy Su and Peter Chen are in avoidance of application, all other independent directors and directors presented at the meeting agreed on the donation of NT$3.5 million without objection. The proposal was reported in accordance with regulations.
		J.Approved schedule and meeting agenda of the 2022 Shareholders' Meeting.	All independent directors and directors presented at the meeting agreed without objection. The proposal was scheduled for June 16, 2022 for the meeting and organized in accordance.

3.3.12 In the most recent year up to the publication date of the Annual Report, Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None

3.3.13 In the most recent year up to the publication date of the Annual Report, Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D: None

3.4 Information on CPA fees

Unit: NT$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee (Note)	Total	Remark
KPMG	Huei-Chen Chang	2021.01.01~2021.12.31	5,880	1,030	6,410	-
	Wei-Min Shi	2021.01.01~2021.12.31				

Note: Fees mainly related to tax compliance audit, transfer pricing report, the compensation audit of non-management employees, consultant fee, and PPA.

3.4.1 Replacement of accounting firm and the audit fees in the replacing year is less than that in the previous year: None

3.4.2 Audit fees were reduced by over 10% compared with the previous year: None

3.5 Replacement of CPA

3.5.1 Regarding the former CPA

Replacement Date	January 1, 2019		
Replacement reasons and explanations	Due to internal restructuring of accounting firm.		
Describe whether the Company terminated, or the CPA did not accept the appointment	Parties / Status	CPA	Appointor
	Termination of appointment	NA	NA
	No longer accepted	NA	NA
Audit report opinions other than unqualified opinion over the last two years and reason	2020: None 2021: None		
Did issuer have a different opinion	None		
Other items requiring disclosure (disclosures for Clause 6.1.4~7, Article 10 of these guidelines	None		

3.5.2 Regarding the successor CPA

Name of accounting firm	KPMG
Name of CPA	Huei-Chen Chang and Wei-Min Shi
Date of appointment	January 1, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the Company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.5.3 Former CPA Letters Regarding Clause 6.1 and 6.2.3, Article 10 of these Guidelines:

No disagreement between the former accountant and the Company on Clause 6.1 and 6.2.3, Article 10 of these Guidelines.

3.6 Has any of the Company's Chairman, President, or managers responsible for finance or accounting duties served in the Company's CPA firm or its affiliated Company within the most recent year: None

3.7 The Situation of equity transfer or changes to equity pledge of Directors, managers or shareholders holding more than 10% of Company shares in the most recent year up to the publication date of this report. Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the Company as well as the Company's directors, supervisors, managerial officers, and ten-percent shareholders, and the number of shares transferred or pledged.

3.7.1. Changes in Shareholding of Directors, independent directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2021		As of April 18, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Andy Su	0	0	0	0
Director	K.Y. Lee	0	0	0	0
Director	Qisda Corporation	0	0	0	0
	Representative: Peter Chen	0	0	0	0
Director	Qisda Corporation	0	0	0	0
	Representative: Jasmin Hung	0	0	0	0
Director	Josh Tsai	0	0	0	0
Independent Director	Neng-Pai Lin	0	0	0	0
Independent Director	Kelvin Lee(Note 1)	0	0	0	0
Independent Director	Nelson Lee	0	0	0	0
Independent Director	Stan Hu	0	0	0	0
CEO	Andy Su	0	0	0	0
President	Josh Tsai	0	0	0	0
Vice President	Charles S Liu (Note 2)	0	0	NA	NA
Vice President	Dean Lin	0	0	0	0
Vice President	Milton Lai	0	0	0	0
Vice President	James MH Chiang	0	0	0	0
Vice President	ZC Jou	12,925	0	28,000	0
Vice President	Chris Wang (Note 3)	0	0	0	0
V.P. of Finance	Jery Lin	0	0	0	0
Major Shareholder	Qisda Corporation	0	0	0	0

Note1: Independent Director, Kelvin Lee was new elected on August 24, 2021.

Note2:V.P. Charles S Liu was retired on February 9, 2021.

Note3:V.P. Chris Wang was appointed new management on March 15, 2021.

3.7.2 Equity Transfer with Related Parties: None

3.7.3 Equity Pledge with Related Parties: None

3.8 Relationship among the Top Ten Shareholders are Spouses or Relatives within the second degree of kinship Relationship

As of April 18, 2022; Unit: Shares, %

Name	Current Shareholding		Spouse's/minor's Shareholding		Total sharesheld in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its name and relationships		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Qisda Corporation	58,004,667	20.72	0	0	0	0	Note		—
Qisda Corporation Representative: Peter Chen	294,693	0.11	0	0	0	0	None	None	—
BenQ Corporation	14,016,563	5.01	0	0	0	0	Note		
BenQ Corporation Representative: K.Y. Lee	1,525,729	0.54	0	0	0	0	None	None	—
Taishin International Bank entrusted with the Darfon Electronocs Corp, Employee Stock Ownership Trust Account	5,021,497	1.79	0	0	0	0	None	None	—
Mega International Commercial Bank Co., Ltd.	4,540,285	1.62	0	0	0	0	None	None	—
Mega International Commercial Bank Co., Ltd. Representative: Chao-shun Chang	0	0	0	0	0	0	None	None	—
Andy Su	4,058,447	1.45	729,939	0.26	0	0	None	None	—
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	3,123,000	1.12	0	0	0	0	None	None	—
Chang Hwa Commercial Bank, Ltd.	3,104,000	1.11	0	0	0	0	None	None	—
Chang Hwa Commercial Bank, Ltd. Representative: Joanne Ling	0	0	0	0	0	0	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	2,859,000	1.02	0	0	0	0	None	None	—
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,655,164	0.95	0	0	0	0	None	None	—
MITSUBISHI UFJ MORGAN STANLEY SECURITIES CO., LTD.	2,597,000	0.93	0	0	0	0	None	None	—

Note: Qisda Corp. is the parent Company of BenQ Corp., Peter Chen is the head of Qisda Corp. and K.Y. Lee is the head of BenQ Corp.

3.9 Shareholdings and Combined Joint Shareholdings of Businesses Invested in by the Company, Company Directors, Supervisors or Executive Officers or Directly or Indirectly Controlled by the Company

As of April 18, 2022; Unit: thousand shares, %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/ Independent directors /Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Darfon (BVI) Corporation	34,150	100	0	0	34,150	100
Darfon (Labuan) Corporation	77,989	100	0	0	77,989	100
Darfon Materials Corporation	2,771	100	0	0	2,771	100
Darfon Gemmy Corporation	55,910	100	0	0	55,910	100
Darad Innovation Corporation	26,452	55.69	14,413	30.34	40,865	86.03
Unictron Technologies Corporation	17,551	36.66	5,739	11.99	23,290	48.65
Kenstone Metal Co., Ltd.	24,302	60	0	0	24,302	60
TD HiTech Energy Inc.	26,410	62.75	0	0	26,410	62.75
Astro Tech Co., Ltd.	24,480	51	0	0	24,480	51

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

Unit: NT$ thousands, thousand shares

Month/ Year	Issued price (par value per share)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Shares	Shares	Amount	Sources of Capital	Capital increase by assets other than cash	Other
May 1997	10	60,000	600,000	15,000	150,000	Establishment	-	-
March 1998	18	60,000	600,000	50,000	500,000	Capital increase by cash	-	Note 1
June 1999	20	100,000	1,000,000	70,000	700,000	Capital increase by cash	-	Note 2
April 2000	48	100,000	1,000,000	100,000	1,000,000	Capital increase by cash	-	Note 3
May 2001	10	185,380	1,853,800	105,000	1,050,000	Capital increase by capital surplus	-	Note 4
				121,346	1,213,460	Capital increase by retained earnings		
May 2002	25	185,380	1,853,800	149,346	1,493,460	Capital increase by cash	-	Note 5
June 2006	10	185,380	1,853,800	182,614	1,826,142	Capital increase by retained earnings	-	Note 6
June 2007	10	300,000	3,000,000	222,120	2,221,203	Capital increase by retained earnings	-	Note 7
June 2007	80	300,000	3,000,000	247,120	2,471,203	Capital increase by cash	-	Note 8
November 2007	100	300,000	3,000,000	275,320	2,753,203	Capital increase by cash	-	Note 9
March 2008	-	300,000	3,000,000	265,320	2,653,203	Capital decrease by treasury stocks	-	Note 10
August 2008	10	400,000	4,000,000	299,610	2,996,103	Capital increase by retained earnings	-	Note 11
August 2009	10	400,000	4,000,000	316,755	3,167,558	Capital increase by retained earnings	-	Note 12
August 2010	10	400,000	4,000,000	334,902	3,349,020	Capital increase by retained earnings	-	Note 13
March 2011	-	400,000	4,000,000	318,902	3,189,020	Capital decrease by treasury stocks	-	Note 14
October 2015	-	400,000	4,000,000	297,902	2,979,020	Capital decrease by treasury stocks	-	Note 15
March 2017	-	400,000	4,000,000	280,000	2,800,000	Capital decrease by treasury stocks	-	Note 16
June 2019	-	450,000	4,500,000	280,000	2,800,000	-	-	Note 17

Note1: Approved under (87)Securities and Futures Commission, Ministry of Finance -1-NO. 25012 on March 12, 1998.
Note2: Approved under (88)Securities and Futures Commission, Ministry of Finance -1 NO. 58315 on June 29, 1999.
Note3: Approved under (89)Securities and Futures Commission, Ministry of Finance -1 NO. 34163 on April 27, 2000.
Note4: Approved under (90)Securities and Futures Commission, Ministry of Finance -1 NO. 131015 on May 18, 2001.
Note5: Approved under (91)Securities and Futures Commission, Ministry of Finance -1 NO.126219 on May 16, 2002.
Note6: Approved under (95) Financial Supervisory Securities-1NO. 0950127557 on June 30, 2006.
Note7: Approved under (96) Financial Supervisory Securities-1NO. 0960028167 on June 1, 2007.
Note8: Approved under (96) Financial Supervisory Securities-1NO. 0960027119 on June 1, 2007.
Note9: Approved under (96) Financial Supervisory Securities-1NO. 0960061687 on November 17, 2007.
Note10: Approved under Financial Supervisory Securities-3 NO. 0970013582 on March 25, 2008.
Note11: Approved under Financial Supervisory Securities-1 NO. 0970033934 on July 8, 2008.
Note12: Approved under Financial Supervisory Securities NO. 0980031525 on June 24, 2009.
Note13: Approved under Financial Supervisory Securities NO. 0990033585 on June 29, 2011.
Note14: Approved under Financial Supervisory Securities NO. 0990072913 on December 30, 2011.
Note15: Approved under Financial Supervisory Securities NO. 1040041962 on October 22, 2015.
Note16: Approved under Moeaic NO. 10601035060 on March 23, 2017.
Note17: Approved under Moeaic NO. 10801075280 on June 26, 2019.

4.1.2 Type of Stock

As of April 18, 2022; Unit: Shares

Share Type	Authorized Capital			Remarks
	Outstanding Shares	Un-issued Shares	Total Shares	
Common Stock	280,000,001	169,999,999	450,000,000	Listed Company shares

4.1.3 Shareholder structure

As of April 18, 2022

Shareholder structure / Quantity	Government Institutions	Financial Institutions	Other corporations	Individual	Foreign Institutions and foreigners	Total
Number of Shareholders	1	16	177	51,148	153	51,495
Shareholding (shares)	1,061,000	14,530,451	73,886,996	152,785,597	37,735,957	280,000,001
Percentage (%)	0.38	5.19	26.39	54.56	13.48	100.00

4.1.4 Shareholding Distribution Status

As of April 18, 2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Number of shares held	Percentage
1 ~ 999	24,132	811,376	0.29
1,000 ~ 5,000	22,069	44,151,740	15.77
5,001 ~ 10,000	2,896	23,312,108	8.33
10,001 ~ 15,000	797	10,228,823	3.65
15,001 ~ 20,000	532	9,872,239	3.53
20,001 ~ 30,000	413	10,689,826	3.82
30,001 ~ 40,000	147	5,312,094	1.90
40,001 ~ 50,000	127	5,958,384	2.13
50,001 ~ 100,000	207	14,625,265	5.22
100,001 ~ 200,000	88	11,948,215	4.27
200,001 ~ 400,000	39	11,018,144	3.93
400,001 ~ 600,000	11	5,504,361	1.96
600,001 ~ 800,000	10	6,841,126	2.44
800,001 ~ 1,000,000	5	4,456,551	1.59
1,000,001 or over	22	115,269,749	41.17
Total	51,495	280,000,001	100.00

Note: The par value of common stock is NT$10 Per share.

4.1.5 List of Major Shareholders

Name, holding amount and percentage of shareholders with holding percentage more than 5% or top-ten majority

As of April 18, 2022

Shares / **Major Shareholders**	**Number of shares held**	**Holding percentage (%)**
Qisda Corporation	58,004,667	20.72
BenQ Corporation	14,016,563	5.01
Taishin International Bank entrusted with the Darfon Electronocs Corp, Employee Stock Ownership Trust Account	5,021,497	1.79
Mega International Commercial Bank Co., Ltd.	4,540,285	1.62
Andy Su	4,058,447	1.45
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	3,123,000	1.12
CHANG HWA COMMERCIAL BANK LTD.	3,104,000	1.11
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	2,859,000	1.02
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,655,164	0.95
MITSUBISHI UFJ MORGAN STANLEY SECURITIES CO., LTD.	2,597,000	0.93

4.1.6 Market Price, Net Worth, Earnings Per Share and Dividend in most recent two years

Unit: NT$

Item		Fiscal Year	2020	2021	As of March 25, 2022
Market Price per Share	Highest		48.80	52.90	50.00
	Lowest		25.85	37.85	44.60
	Average		38.44	44.84	48.16
Net Worth per Share	Before Distribution		32.83	35.15	Note 5
	After Distribution		30.33	Note 1	-
Earnings per Share	Weighted Average Shares (thousand shares)		280,000	280,000	280,000
	Earnings Per Share	Before retrospective	3.23	4.09	-
		After retrospective	3.23	Note 1	-
Dividends per Share	Cash Dividends		2.50	3.00	-
	Stock Dividends	Dividends from	-	Note 1	-
		Dividends from	-	Note 1	-
	Cumulative unpaid dividend		-	-	-
Return on Investment	Price / Earnings Ratio (Note 2)		11.90	10.96	Note 5
	Price / Dividend Ratio (Note 3)		15.38	14.95	-
	Cash Dividend Yield Rate (Note 4)		6.50	6.69	-

Note 1: 2021 distribution of retained earnings hasn't been resolute by 2022 Shareholders' meeting.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 5: No availability of information attested or approved by an independent accountant up to the publication date of this annual report

4.1.7 Dividend Policy and Implementation Status

1. Article 19, 19-1, and 20 of the Articles of Incorporation of the Company regulates the dividend policy as follows:

Article 19: If earnings are available for distribution at the end of a fiscal year, 5-20% of earnings shall be set for employees' compensation and no more than 1% for directors' compensation. If there are still accumulated losses, compensation amount shall be reserved in advance. Subjects referring to above mentioned compensation shares or cash should comply with requirements of conditional controls and affiliated Company. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. Where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside 5%-20% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration. The Company may allocate employee's remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of parent Company or subsidiary meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method. The distribution of earnings in the preceding paragraph is distributed in the form of cash, the distribution may be approved by the Board of Directors and reported to the shareholders' meeting

Article 19-1: Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to pay taxes and cover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve and certain amount shall be further allocated as special reserve or the special reserve shall be reversed in accordance with applicable laws and regulation. The balance (if any) together with accumulated unappropriated retained earnings can be distributed after the distribution plan proposed by the Board and approved by the shareholders' meeting. When the legal reserve and capital surplus are to be distributed in cash, the distribution may be approved by the Board of Directors in accordance with the Company Act and reported to the shareholders' meeting The Company may distribute new shares or cash by way of legal reserve or capital reserve in accordance with Article 241 of the Company Act. Where the means of cash is performed in the preceding paragraph, it is proposed the Board of Directors be authorized for resolution. The resolution thereof shall be reported in the Shareholders' Meeting.

Article 20: The Company is in a technology-intensive and capital-intensive technology industry at a developing stage coordinating with long-term capital planning and taking into account the shareholders' cash flow requirement, the Company's dividend policy is to pay dividends from surplus considering factors to improve the growth and sustainable operation of the Company. If there is distributable net profit more than 2% of the paid-in capital, the ratio for cash dividends shall not be less than 10% of total distribution. If it is less than 2%, the Company might not distribute dividends.

2. Dividend payout plans proposed during the most recent shareholders' meeting

Cash dividend: NT$ 840,000,003 (NT$ 3.0 per common share)

4.1.8 The influence of the bonus shares issuance proposed at the current shareholders' meeting on the business performance and EPS of the Company:

Unit: NT$

<table>
<tr><th colspan="3">Item / Fiscal year</th><th>2021（Estimated）</th></tr>
<tr><td colspan="3">The amount of paid-in capital at the beginning of the period</td><td>2,800,000</td></tr>
<tr><td rowspan="3">Dividend distribution of the current year</td><td colspan="2">Cash dividend per share</td><td>NT$ 3.0(Note1)</td></tr>
<tr><td colspan="2">Stock dividends per share (from capitalization of earnings)</td><td>-</td></tr>
<tr><td colspan="2">Stock dividends per share (from capitalization of reserves)</td><td>-</td></tr>
<tr><td rowspan="7">Business performance Changes</td><td colspan="2">Operating profit</td><td rowspan="13">(Note2)</td></tr>
<tr><td colspan="2">Increase (decrease) % of operating profit over the same period last year</td></tr>
<tr><td colspan="2">Net profit after tax</td></tr>
<tr><td colspan="2">Increase (decrease) % of net profit after tax over the same period last year</td></tr>
<tr><td colspan="2">Earnings per share</td></tr>
<tr><td colspan="2">Earnings per share increase (decrease) % ratio over the same period last year</td></tr>
<tr><td colspan="2">Annual average return on investment (the reciprocal of the annual average P/E)</td></tr>
<tr><td rowspan="6">Pro forma EPS and PE ratio</td><td rowspan="2">If capitalized earnings were entirely distributed as cash dividends</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma annual average return on investment</td></tr>
<tr><td rowspan="2">Without capitalization of reserves</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro forma annual average return on investment</td></tr>
<tr><td rowspan="2">If capitalized earnings were entirely distributed as cash dividends without the capitalization of serves</td><td>Proposed earnings per share</td></tr>
<tr><td>Proposed annual average return on investment</td></tr>
</table>

Note1: The estimated dividend distribution of 2021 is NT$ 3.0 per share, which is based on the surplus distribution proposal approved by the board of directors on March 8, 2022.

Note2: In accordance of (89) Securities and Futures Commission, Ministry of Finance -1 NO. 00371 on February 1, 2000, financial statement of 2022 is not published, disclosure of the estimated information for fiscal year 2021 is not applicable.

4.1.9 Remuneration of Employees, Directors and independent directors

1. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

   Article 19 of the Articles of Incorporation stipulates that:

   "Where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside 5%-20% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration. The Company may allocate employee's remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of parent Company or subsidiary meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method."

2. Estimation basis of this annual period for the remuneration and compensation for employees and Directors, and the accounting approach for handling the differences between the calculation basis for the shares of employees' remuneration distributed by stock and the actual distributed amount and the estimated number of shares:

   The remuneration of employees and directors of the Company is estimated in accordance with the Accounting Research and Development Foundation (2007) SVS No. 052 Summary, and listed as appropriate accounting items under operating costs or operating expenses based on the nature of the remuneration of employees and directors. If there is a difference between the actual distribution and the estimated number in the financial statements, it will be regarded as an estimated change and recognized as the current profit and loss.

3. Distribution of Remuneration of Employees, Directors for 2021 Approved in the Board of Directors Meeting on March 8, 2022.

   The information of 2021 distribution by the resolution is as following:

   (1)Recommended Distribution of Compensation of Employees, Directors

   Employee Compensation – in Cash: NT$142,889,138

   Directors' Compensation: NT$ 10,716,685

   No difference between the above amount and the amount recognized on the account

   (2)The proportion of employee remuneration paid by stocks to the total amount of the amount of individual profit (after tax) plus the amount of employee remuneration in the current period: 0%

4. The actual distribution of remunerations for employee, directors and supervisors in the previous year (including the distributed number of shares, amount and share price). If there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor remuneration, please describe the discrepancy, cause, and management:

   (1) The actual distribution of the remuneration of employees and directors in the previous year: NT$117,614,088 for employee remuneration and NT$8,821,057 for directors' remuneration in cash.

(2) The difference between the proposed distribution situation approved by the original board of directors and the actual: the actual distribution situation is the same as the original proposed distribution situation by board of directors.

(3) The Company is an audit committee system without a supervisor.

4.1.10 Repurchase of the Company's Shares by the Company: The Company didn't repurchase its own shares in the most recent year and up to the publication date of this Annual Report.

4.2 Corporate Bonds processing: None

4.3 Handling of Preferred Stock: None

4.4 Overseas Depositary Receipts: None

4.5 Employee stock option handling status: None

4.6 Operations of new restricted employee shares: None

4.7 Issuance of new shares in connection with the merger or acquisition of other Corporations: None

4.8 Implementation of Assets Process and Planning:

Due on the quarter before the publication date of the annual report, the Company has not issued or privately placed securities that have not been completed, or been completed within the past three years but the benefits of the plan have not yet been shown.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1.Main areas of business operations

As the expert and leader of the world-class optoelectronics and precision components, Darfon provides a full range of integrated services, such as R&D, manufacturing, sales, consulting and specialty technologies. The Company strives to provide the best overall value to its customers by supreme quality of products, including computers, smart phone peripheral products, communication-related product components, display components, power supply and energy storage products, core equipment of solar power generation, and electric assisted bicycles, etc. Over the years, we have successfully created many innovative, breakthrough and market-leading products.

2.Revenue distribution

Unit；NT$ thousands, %

Major Divisions	Year 2021	
	Total Revenues	Total Revenues
Peripheral electronic products	15,013,300	54
Green Energy Product and passive component	13,035,436	46
Total	28,048,736	100

3. Main products

(1) Peripheral electronic products:

Laptop and desktop computer keyboards, illuminated keyboards, mice ,gaming keyboards, gaming mice, gaming headsets, portablekeyboards, leather case keyboards, precision modules , notebook computer touch panel modules, etc.

(2) Green energy products and passive components:

eMobility Li-ion battery modules,chargers, Smart IOT modules, Hybrid Storage System ,multilayer ceramic capacitors, power inductors, etc.

(3) E-Bike:

Motor electric control kit, Li-ion battery pack for electric bicycle, electric assisted mountain bike, electric assisted road bike, electric assisted folding bike, electric assisted city bike.

4. Development of New products

The peripheral component product section focuses on the development of high value-added products, including various innovative products such as advanced gaming peripherals (switchable feel gaming mouse and High resolution audio gaming headset,) and innovative notebook keyboards (new mini-LED backlit keyboards, vibration feedback keyboards, vibration feedback touch panels, etc.) to continuiously maintain the industry's leading position in Peripheral electronic products technology innovation. Company integrates the technical advantages of the existing precision mechanism design and button modules, and combines the capabilities of optics, electronics, firmware, software and acoustics, and continues to develop integration, new applications and new products that meet the needs of users, and expand the power of application scope of gaming and mobile devices.

In terms of Green Energy Products , we focus on eMobility batteries , energy storage systems and other green Energy products, and provide multiple functional modes to different applications.In terms of passive components, in response to the booming market of high-speed computing and storage devices such as IoT,cloud,big data and AI, as well we 5G Netcom we develop industrial and automotive products and establish competitive advantages of product differentiation by basing on group cooperation.

In view of the power,charger products becoming mature and competitive, the price competition is fierce.The Company continuously improves R&D technologies and the quality of the product .Additionally,we apply the growth of eMobility Li-ion battery modules, chargers and smart to develop high added value Smart Charger, expand the economies of scale and cost optimization ,and comprehensively deploy eMobility Li-ion batteries, smart chargers ,smart modules and other niche applications.

In terms of power Li-ion battery modules, the Company matches the latest Shimano Motor System and 21700 new-generation batteries; then the most complete compatible battery for a full range of Shimano motors is launched, with various accessories and smart modules from inside and outside of the group. It continues to maintain leading position in the new generation of E-Bike batteries. Additionally, medium-to-large scale eMobility and Industry 4.0 will gradually expand the layout of related Li-ion batteries.

For E-Bike, we continuously expand the product line, including a second generation electronic control system equipped with Shimano city bikes and mountain bikes, compatible with the battery capacity of 418/504/630/720Wh, to offer the varity of products in the European market. Additionally,for the intelligentized E-Bike,we launch second generation electronic control system and apply the IoT technology expanding additional features,as well as introduce electronic locks, electronic automatic transmissions to maintain a leading technology of the product.

5.1.2Industry Overview

1.Current Status and Future Development of Industry

(1) Peripheral electronic products

Peripheral electronic products include desktop and laptop keyboards, keyboards and gaming keyboards for tablets and smartphones, wireless keyboard and mouse sets, peripheral Bluetooth devices, gaming headsets ,notebook touchpad modules, etc.

According to the report of the research institute, thanks to the stay-at-home economy effect derived fro the COVID-19 epidemic,the global shipments of notebook computers exceeded 245 million units in 2021, an annual growth rate nearly 20%. The demand of global notebook market alternated in the first half and the second half of 2021. In the first half of 2021, educational notebooks were the main products, and the shipments continued to grow strongly for six quarters, from the first quarter of 2020 to the second quarter of 2021. In the first half of 2021, the global shipments of notebooks for education increased by 149% compared with the same period in 2020. In the second half of 2021, developed economies in Europe and the United States restarted the real economy, and the returning to office trend brought about the purchasing power of business notebooks, which was a new market growth momentum. Gaming products were also the emerging growth of the global notebook computer market in 2021, mainly because consumers who work remotely or have been isolated from physical stores consumption patterns for a long time due to the severe epidemic. Gaming notebooks can be used not only for PC Gaming and audio-visual entertainment, but also for office schedules such as paperwork and online meetings. Although Gaming notebooks are mid-to-high-end products, they are still a potential purchase for consumers quarantined at home for a long time during the epidemic prevention period. Gaming products are favored by many creators with video, graphics, and modeling needs due because Gaming products are equipped with high-performance GPUs. In 2021, the shipment of gaming notebooks reached approximately 18.02 million units, accounting for approximately 7.3% of the global notebook market shipments.

The source of high value-added product and profit comes from Company's leading advantage in the design and manufacture of high-end keyboards, and the deep cultivation of customers for traditional notebook brand and the continuous development of gaming keyboard technology. The effect of the stay-at-home economy derived from the COVID-19 epidemic brings new buying momentum to the long-silent notebook market. It is estimated that overall demand will have a chance to remain stable in shipments and increase in shipping amount. In addition to strengthening keyboard shipments and market share growth for desktops and notebooks, we actively take advantage of the increasingly blurred boundary between tablets and notebooks to seize the business opportunities of 2 in 1 and external wireless keyboards, so as to respond Market demand for data input of various mobile devices. Moreover, emerging e-sports market is also a potential market for high-end keyboards. It is believed that the complete product line will continue to drive the performance and profit growth of peripheral components.

Global Market Volume change in notebook and tablet

Unit：million，%

Year	2019	2020	2021(e)	2022(f)	2023(f)
Notebook	158,435	200,837	240,929	229,846	228,007
Tablet	155,300	154,700	142,300	145,100	142,300
Notebook (YoY％)	4.06%	26.76%	19.96%	-4.6%	-0.8%
Tablet (YoY％)	-0.48%	-0.39%	-8.04%	1.99%	-1.93%

Source：DIGITIMES

(2) Green Energy Products and Passive Components

The green energy product line includes power and energy storage chargers, consumer and industrial battery modules, electric bicycles and other eMobility Li-ion battery modules, energy storage systems ,smart modules, kits, trainers, etc., which are applied in various power and solar green energy industry.

The growth trend of LEV Smart Charger and medium-to-large industrial Hybrid Storage Systems drives the demand for smart chargers and charging points. We continue to develop high-efficiency, high-power-density Li-ion battery chargers and DC power conversion modules, which are widely used in high-end niche products, such as high-power electrical tools, E-bikes, autonomous mobile robots and Li-ion battery energy storage power backup systems.

Smart energy products: As the electricity consumption in various countries transfers to renewable energy, the importance of energy storage systems will increase again. Bloomberg Energy Finance (BNEF) predicts that in 2050, the cumulative amount of global investment in energy storage systems will reach 548 billion US dollars; two-thirds of investment is for grid-level energy storage systems, and the other is for small energy storage equipments for households and businesses. Taking the United States as an example, compared with the same period in 2020, the number of energy storage system installations in the United States is expected to increase by 240% in 2021. It is optimistic to expect the number of renewable energy installations in the future, and Wood Mackenzie Power & Renewables predicts the market value of energy storage installations in the United States will increase to 115 billion US dollars in 2026.

The integrated component and material product line includes multilayer ceramic capacitors, power inductors, etc. The characteristics of this passive component is small size and high stability, and it is mainly used in information and consumer as well as industrial electronic products, such as PC industry and peripherals, the mobile phone network industry, the panel and display industry, power storage, automotive applications, etc.

According to the forecast of research institutions, the market size of multilayer ceramic capacitors is 9.65 billion US dollars in 2020, and it is expected to be about 14.8 billion US dollars in 2028. CAGR is 5.6% from 2021 to 2028; Power Inductor market scale is US$1.95 billion in 2020 and is expected to reach US$2.49 billion in 2026. A proportion of EV, IoT, Cloud, AI and other new applications are getting higher, CAGR of that is 4.15% from 2020 to 2026,

Under the influence of COVID-19, the output value of the global passive component industry in 2022 would move against the tide and grow slaes due to the stay-at-home economy, long-distance activities, and the increase in the penetration rate of 5G base stations and mobile phones, as well as the rising awareness of environmental protection to promote the trend of automobile electrification. The future applications of IoT, cloud and AI, and the strong market demand momentum will drive the business opportunities of high-speed computing and data storage applications to expand the demand for multilayer ceramic capacitors. In addition, the demand for fossil fuel vehicles (ICE) in the auto market would decline year by year, from 96% in 2017 to 67.5% in 2025, but the demand for pure electric vehicles (BEV) would rise sharply, from 0.8% in 2017 to 10.3% in 2025.A significant increase growth would bring more demand for passive components such as multilayer ceramic capacitors, the estimated output value in 2022 of which increases by 11%, compared with 2021. The Company actively develops towards integration, miniaturization, development of high-capacity, high-voltage, and high-frequency, and enters the high-frequency end communication and industrial electronic markets to grasp key factors, increasing revenue and profit.

Benefiting from the COVID-19 epidemic, the demand for E-Bikes has increased rapidly, especially in German market. According to the statistics of Zweirad-Industrie-Verband, the German Bicycle Association, the market demand expects to reach 2.2 million units in 2022, and the penetration of E-Bike products would even exceed 45%. The overall European market is estimated to exceed 4.5 million vehicles, making it the largest single regional market in the world. In terms of industrial supply chain, the upstream supply of raw material manufacturers is unstable due to the epidemic. Although upstream manufacturers successively expand production and disperse production bases to cope with the epidemic, the shortage of material cannot be alleviated in the short term.

2.Relationship with Up-, Middle- and Downstream Companies

(1) Peripheral electronic products

Upstream Material	Midstream	Downstream applicants
* Integrated circuit chip * Printed circuit board * LED * Membrane switch * Support frame * Light guide plate * keycap * Middle board * Aluminum plate * iron plate * Rubber	* Notebook computer touchpad module * Laptop keyboard * Desktop keyboard * Tablet keyboard * Gaming keyboard * Gaming earphone * Wireless mice	* Notebooks * Desktops * Smart phones * Smart TVs * Tablets * Gaming computer

(2) Green Energy Products and Passive Components - power component

Upstream Material	Midstream	Downstream applicants
* Integrated circuit chip * Printed circuit board * Electrolytic capacitor * Diode * semiconductor * Transformer * Filter * Capacitance * Wire * Resistance * Inductors	* Backlight converter * Power Supplier	* Energy storage device for light electric vehicle * Small and medium uninterruptible power devices * Smart grid energy storage equipment * Computer room and communication base station * Gaming display * Notebooks * LCD TV * Tablet

(3) Green Energy Products and Passive Components - Green Energy component

Upstream Material	Midstream	Downstream applicants
* Semiconductor control chip * Surge absorber * Lightning protector * Printed circuit board * Flash memory * Epoxy resin * Electrolytic capacitor * Metal case * Diode * Transformer * Filter * Inductors * Wire * Resistance	* Hybrid energy storage inverter * Solar Micro Inverter * Network data collector * Solar inverters * Power cord communicator * Energy recovery device * Li-ion battery module	* Factory energy recovery and power saving system * Electric motorcycles and industrial vehicles * Home power generation and energy storage system * Community emergency power supply system * Electric assisted bicycle * Power saving monitoring system * Solar power plant * Electric machine tool

(4) Green Energy Products and Passive Components - integrated component and materials

Upstream Material	Midstream	Downstream applicants
* Ceramic powder * Electrode material * Alloy powder * Iron powder	* Multilayer ceramic capacitors * Multilayer power inductors * Winding power inductor	* Car audio and video system * Car lighting * Digital set-top box * Notebooks * Tablet * Energy storage device * Server * TV/Home Appliances * Industrial Control Products * Wireless network card * Bluetooth device * Storage device * Wearable products * Panel * Cell phone

(5)E-Bike

Upstream Material	Midstream	Downstream applicants
* Frames and other bicycle parts * Torque sensor * Speed sensor * Speed sensor * Li-ion battery cell * Charger * Motor	* Mid-mounted motor electric control system * Electric control system of drum motor * Li-ion battery pack	* Electric assisted bicycle

3. Product Trends

(1) Peripheral electronic products

To meet the notebook demand for thin, light designs and power saving, a backlight module using mini-LED will be launched to achieve the purpose of the demand; the development of thin keyboards will try to replace the physical mechanism stroke with electronic vibration mode, and this touch module of vibration feedback type would become more and more popular.
As for gaming products, as chip technology matures, the wireless keyboards and mice with high transmission rates will become more and more popular. In response to ESG trends and regulations, products with using green and environmentally friendly materials are introduced one after another.

(2) Green Energy Products and Passive Components - charger

With years of rich experience and forward-looking capabilities to developing and designing power supply products, the Company continues to deepen the market of E-bike smart chargers, and expands niche industries such as KW-level high-watt charging power for medium and large eMobility, and high-end waterproof and dustproof product application. We actively deploy the application of high-end niche high-efficiency products such as smart chargers and charging points related to Industry 4.0 smart manufacturing, and become a comprehensive professional manufacturer of smart chargers.

(3) Green Energy Products and Passive Components -Green Energy component

As countries pay attention to global warming, environmental protection and other issues, the Company actively develops and promotes Li-ion battery modules, and combines internal and external resources of the group to launch overall solutions such as smart modules and kits. At the same time, we cooperate with the global trend of green electricity and renewable energy and launch a new generation of hybrid energy storage systems; therefore the main growth momentum is in various types of electric vehicles, E-Bike, AGV/AMR, forklifst, tools and cleaning machines.

(4) Green Energy Products and Passive Components -integrated component and material

Notebook computers, mobile phones, tablets, Netcom products, wearable products and TVs are all designed to be light, thin and multifunctional. The trend of integrated component products is also developing towards miniaturization and thinning, high frequency, high reliability and high integration to meet the needs of end products.

(5) E-Bike

With increasing popularity of E-Bike in the global market, the demand for battery capacity and endurance gradually increases, and the medium motor continues to develop towards miniaturization, lightweight design, high torque and high efficiency. IoT and intelligent functions are also gradually applied to city bike for commuting.

4.Product Competition

Peripheral electronic products：Chicony, Sunrex, Liteon, Primax, etc.

Green Energy Components： Delta, Chicony, Eaton, ,Simplo/AES, Celxpert, etc.

Integrated Components：Yageo, Huashin, Holy Stone, Fenghua, Uct, Viyong, Cyntec, Arlitech, Chilisin, Sunlord, etc.

E-Bike：Giant, Merida, Idea, Panasonic, Yamaha, Bosch, etc.

5.1.3Research and Development

1.Technical level and research development of the business

Peripheral electronic products are developing towards the use of light and thin and environmentally friendly materials, and are designed with precision mechanisms. The focus of technology research and development is on ultra-thin keyboard modules, maglev keyboard modules and gaming keyboard modules. In terms of optical design, a more power-saving mini-LED backlight technology has been developed. For special applications, fully waterproof keyboards are developed, which can be used in industry, national defense or medical treatment. In terms of peripheral component products, the development of gaming peripherals, such as headsets, mice, keyboards.

Green energy products require high-efficiency power conversion efficiency technology in R&D to achieve the lowest noise interference and stable output generated by power parallel mains or independent power supply, and combine the high series and parallel battery modules of the energy storage system to cooperate and manage. The Company has established a complete study of material impedance characteristics, mastered heat dissipation and temperature technology, and continued to verify the reliability of each power supply and energy storage module system. At the same time, integration system has been optimized continuously, including Li-ion battery module management new high-level serial-parallel platform, safe use, and motor control vehicle frame, and smart battery technology. Platform capabilities of inverter and converter power engineering have accumulated to correspond to the Company's E-Bike development strategy and direction. Company integrates the expertise of chargers and batteries to provide more advantageous integrated design and services. Based on the solid research and development foundation, Company is looking forward to further development in the power battery industry of two-wheelers or more in the future.

Integrated component products, as electronic products are becoming more versatile and miniaturized as a market trend. The Company place its focus towards developments of high-reliability, high-capacity and miniaturized passive component products required by computer-related industries such as wireless communication technology, radio frequency modules, notebook computers and servers, and automotive and industrial control-related electronic products used in Netcom. The Company is also actively introducing new powder materials, continuously optimizing the process and reducing costs, and further strengthening the depth and breadth of products

The E-Bike technology focuses on the electronic control system and its integration with the frame. The electronic control system includes power assist calculation logic, which is equipped with various sensors to adjust the motor assist output to optimize, so as to provide the rider with the most immediate and comfortable auxiliary power system. In recent years, in response to the trend of IoT, we have invested in the research and development of GSM/GPS modules, cloud service platforms, and apps, looking forward to strengthening product competitiveness through new technologies to meet the market's demand for intelligent E-Bike.

2.Research and Development Expenses by the Central Research Institute (CRI) in the most recent Years as of publication of annual report

Unit：NT$ thousand

Item	2020	2021	As of March 25 2022
R&D expense	806,796	946,171	186,884
Business Revenue	22,349,528	28,048,736	4,662,829
Percentage (%)	4	4	4

3.Successful Development Overview of Technology and Product

(1) Overview of Product Development

- ●Height-adjustable scissors button device
- ●Ultra-thin RGB Per Key gaming keyboard
- ●Ultra-thin RGB luminous keyboard
- ●Ultra-thin mechanical gaming keyboard
- ●Ultra-thin vibration feedback keyboard
- ●Ultra-thin magnetic keyboard
- ●Colorful LED gaming keyboard
- ●Switchable keyboard
- ●Liftable keyboard
- ●Leather keyboard
- ●Full waterproof keyboard
- ●Optical axis button
- ●Optical axis keyboard
- ●Wireless Stereo Bluetooth Headset
- ●Li-ion battery module for energy storage
- ●Battery Module for Machine Tool/Cleaning Machine
- ●LEV Li-ion battery pack
- ●AMR/AGV Li-ion battery pack
- ●Electric assisted mountain bike
- ●Electric assisted folding bike
- ●Electric assisted city bike
- ●Electric assisted road bike
- ●E-Bike iOS/Android App
- ●Ceramic material formula modulation
- ●Electrode material formula modulation
- ●High-end capacitors/medium and high voltage/car capacitors
- ●01005/0201/0402 high frequency capacitors
- ●high power type power inductors
- ●New filter
- ●New type transformer
- ●Solar Micro Inverter
- ●Hybrid Energy Storage Inverter
- ●Energy Management System
- ●High efficiency energy recovery system
- ●Hybrid solar energy storage system
- ●Solar power generation monitoring system
- ●In-wheel motor electric control system
- ●Mid-mounted motor electric control system
- ●Li-ion battery module for light vehicle
- ●E-Bike battery module
- ●E-Bike man-machine interface system
- ●E-Bike GSM/GPS positioning module
- ●E-Bike bluetooth wireless communication module
- ●E-Bike IoT Communication module
- ●E-Bike 4G Antenna module

(2) Future R&D Scope

The Company owns more than 900 patents, and its products have won many international design awards such as German iF and Red Dot. In 2021, it was ranked 61th in the top 100 corporate patent applications of the Intellectual Property Bureau of the Ministry of Economic Affairs, showing that the Company’s capabilities of product design and R&D innovation are deeply favored by the market and professional institutions. The Company will continue to invest resources in the research and development of new products and technologies to provide customers with higher quality and convenient products to meet the diverse needs of the market. 。

Related parts of the notebook computers, in addition to the development of lightweight models based on the original thin keyboard structure to meet the needs of more portable products, further development a flat vibrating keyboard is also in schedule to increase product diversification.

For E-sports product series, in addition to the characteristic products that have been developed, such as the switchable touch keyboard that can be used for entertainment and paper works at the same time, development of the mechanical keyboard used in the new generation of e-sports notebook computers is to be continued. The same technology of switchable touch button is also planned to be applied to gaming mice.For earphone products, we plan to cooperate with schools as industry-university cooperation to develop optimized acoustic effects for products applications.

Green energy products continue to develop smart chargers for various eMobility, medium and large Li-ion battery modules, smart modules, package integration solutions, and high-volume and high-efficiency energy storage systems.

For integrate component products, continue to develop high-end ceramic powder/metal paste and other key materials and process technologies, and invest resources and equipment to accelerate and continue to strengthen product characteristics and competitiveness.

The R&D schedule of E-Bike continues to focus on development towards intelligence and weight reduction. We develop such lightweight frame materials and lightweight motor battery packs to be applied to high-end road vehicles to achieve the advantages of lightweight vehicles. In addition, intelligence will emphasize on the development of electronic locks, electronic automatic transmissions, IoT modules and 4G antenna modules.

5.1.4Long-term and Short-term Development

1.Long-term Development

(1) Strengthen global business layout, establish diversified sales channels, deepen customer relationships, and expand market share

(2) Grasp future product trends, grasp growth opportunities from the IT and green energy industries, and accelerate the development of innovative products and market launch timeline

(3) Optimize product portfolio and build a vertically integrated system to achieve a one-stop service model, so that customers are satisfied with one-time purchase.

(4) Enhance the three core technical capabilities of institutions, materials and energy. Implement the operational development strategy of "Backward Integration-master core capabilities and technologies, Forward Master-create and expand output"

(5) Strengthen human resource management, refine the allocation of talents, promote a flat organization, and focus on the identification and development of key talents to build a competitive and high-quality team

2.Short-term Development

(1) Strive to achieve annual KPI, improve the proportion of sales of high value-added products, and aim for growth in revenue and profitability

(2) Continue to strengthen thorough quality management, respond promptly to customers' requirements, and satisfy customers' requests in terms of quality, quantity and delivery

(3) Strengthen the global logistics management and establish a cross-business integration platform to achieve economies of scale, and strictly investigate the reasonableness and necessity of various expenses

5.2 Overview of Market and Sales

5.2.1 Market Analysis

1. Sales (Service) Region

Unit, NT$ thousands, %

Year / Region	2020		2021	
	Sales Amount	**percentage (%)**	**Sales Amount**	**percentage (%)**
Local	2,984,740	13	4,456,913	16
Export	19,364,788	87	23,591,823	84
Total	22,349,528	100	28,048,736	100

2. Market Share (%) and KPI of Major Product Categories

The top six global notebook computer brands account for approximately 90% of global shipments. The Company has close relationships with major brand companies in product development and has established a good foundation for cooperation with related OEM/ODM manufacturers. Darfon ranks among the top three in the world in peripheral component products such as notebook computer keyboards, with a market share of more than 30%.

3. Market Analysis of future supply and demand situation and growth

(1) Peripheral electronic products

Due to the impact of WFH (Work From Home) brought by the epidemic, notebook computers have seen a slight increase in personal computer shipments. Innovative products and designs can still bring growth momentum to the Company's revenue and profit. Taiwanese manufacturers play an important role in PC OEMs in the world and notebook PC OEMs are already the world's largest shipments. World-renowned brand manufacturers are all important customers. The Company has a leading position in the supply chain of computer keyboards and continues to strengthen competitiveness with innovative products and processes.

(2) Green Energy Products and Passive Components

The market for green energy and various power applications has become a global development trend. There are rapidly changing applications in various electric eMobility, and electronization, lithium-ionizationand and intelligentization of renewable energy. The Company can provide customers with a complete set of solutions and global services to meet customer needs.

(3) Integrated components and products

The steady demand for passive components in products such as motherboards, laptops, servers, portable personal information products, LCD TVs and smartphones, in addition to big data brought by 5G/IoT/cloud, high-speed computing of AI/VR/AR, development of storage devices as well as development of long-term environmental protection trends for electric vehicles and self-driving cars, all will continue to steadily drive the growth of demand for multilayer ceramic capacitors and inductors.

(4) E-Bike

Due to the epidemic, the market demand for the bicycle industry has increased sharply.However, the supply situation in the upstream supply chain is still seriously insufficient, and the strategic partnership with suppliers is strengthened to cope with the shortage of materials.

4. Competitiveness Scope

The Company has laid a good foundation in the industry through years of experiences in the manufacturing of computer peripheral products. Since its establishment, the scope and depth of each product line has been actively expanded, in addition to the advantage of economics of scale as the main source of growth and profitability. Besides ODM customers, there are also geographical and cultural advantages so to actively explore emerging markets in China and the Asia-Pacific. The Company has successfully developed new products, such as energy storage systems, solar hybrid inverters, E-Bikes, and Li-ion batteries in use of three core technologies, mechanism, energy, and material, in regards of building an advance product portfolio with time.

5. Favorable and Unfavorable Factors in the Long Term and Countermeasures

(1) Favorable

a. The rapid innovation and growth of 3C products such as PC, LCD monitors, TVs, e-sports computers and communications have continued to inject growth momentum into the Company's peripheral, power supply and integrated component products.
b. To maintain procurement flexibility and to avoid risk of excessively concentrated sources of purchases, we closely cooperate with domestic and foreign raw material suppliers to seek for stable material supply and established long-term stable cooperative relations, and we maintain all major raw material suppliers are more than two.
c. Domestic component manufacturers have brought highly automated process improvements in response to the continuous cost reduction trend of major international manufacturers, which will greatly reduce the impact of labor costs.
d. The popularization of environmental protection concepts of energy saving and carbon reduction, and the promotion and subsidies of renewable energy policies in various countries will effectively drive the purchase demand for power management, energy storage equipment, and energy-related products and systems.
e. Benefited from the epidemic, both bicycle and E-Bike market demand has increased.

(2) Unfavorable

a. During the continuation of COVID-19 in 2021, telecommuting, distance teaching and home entertainment were formed; however, they will gradually decline from 2022. The supply chains and sales channels of notebooks have been over-stocked because of order deferral and demand reversal in 2021, resulting in high inventory levels of components and finished products.
Since the third quarter in 2021, the penetration rate of educational notebook products has been nearly saturated. Moreover, with the increase in vaccine coverage, the global shipment of educational notebooks shrank to 6.7 million units in the third quarter and 5.2 million units in the fourth quarter. Therefore, the strong shipping momentum is difficult to continue in the short term. The continued spread of COVID-19 still makes the logistics congestion situation even more severe. Under the influence of three variables: long and short materials, logistics congestion and changes in the epidemic situation, customers tend to be conservative in material preparation.

Countermeasures:

(i) The Company actively strengthens the global operations system and puts emphasis on supplier management, lean production, and material costs management.

(ii) Actively promote the automation of production lines, and constantly review the production process, effectively control costs and expenses, and reduce the dependence on manpower.

(iii) Instead of education notebooks, the Company focuses on business notebooks as the key shipping momentum in the market.

b. Development technology of domestic materials and molds is incompetent to meet the Company's needs of product development.

Countermeasures:

(i) Cultivate good relations with foreign material and component suppliers, and jointly develop materials and equipment to secure source of supply.

(ii) Take advantage of a large number of procurements by both procurement and R&D to create room for negotiation with suppliers to reduce procurement costs. In addition, the Company reduces the use of components and simplifies the production process through research and developmentis. 。

(iii) Self-manufacturing molds to reduce dependence on suppliers.

c. Due to the fierce price competition of electronic products in recent years, the profit margins of manufacturers have been squeezed, and labor costs have been rising year by year, causing the industry to face pressure from cost competition.

Countermeasures:

The Company develops innovative and high value-added products to highlight the uniqueness and competitiveness of products. We actively reduce production costs by accelerating production automation and transferring production centers to manufacturing plants with lower labor cost so as to reduce labor costs, strengthen the vertical integration, take advantage of local orders and offer customers nearby and fast services.

d. Different countries have different power systems, and the formulation of laws and regulations is time-consuming. Except for the major European and American countries that have successively issued relevant inspection specifications, customers are still in a learning stage about their industrial scale and system application familiarity. Regional development is relatively scattered, and standard requirements are inconsistent.

Countermeasures:

Invest resources to strengthen the development and construction of core technologies, master key materials and technology platforms, and launch product modules to quickly respond to demand for different specifications. Select key customers in key development areas to grasp the trends of policies and regulations in various countries, launch innovative and integrated services, and build product brand value.

5.2.2 Production Procedures of Main Products

1. Major Products and Their Main Uses

(1) Peripheral electronic products: input components for computer products and smart phones

(2) Green Energy Products and Passive Components:

a. Power supply: It is used for AC-DC conversion of external power sources such as electric bicycles, medium and large eMobility, machine tools, etc., as the input source of product power.
b. Hybrid Energy Storage Inverter: It is used to convert solar panels into commercial power, which can be used by household loads. The excess power can be stored in batteries or fed back to the mains. When the power fails, it can be used as an uninterrupted power system to achieve power generation and energy saving effects.
c. Multilayer ceramic capacitors: It has the functions of storing charge, reducing electromagnetic interference and bypass coupling.
d. High-frequency capacitors: It is used in high-frequency communication products, such as 5G, Wi-Fi, LTE, etc
e. Power inductors and high-voltage capacitors: It is used in power supply and communication products, such as notebook computers, Panel and Mobile, etc.
f. Li-ion battery: It is used various kinds of power and industrial and commercial products, such as E-Bike, AMR/AGV and forklift, cleaning machine tools, other power vehicles, notebook computers, etc.

(3) E-Bike electronic control system and Li-ion battery pack: It is used in electric assisted bikes.

2. Major Products and Their Production Processes

(1) Desktop computer keyboard and tablet computer keyboard production process

Assembly → plug-in → word key assembly →word key laser → printed circuit board assembly, software circuit board and accessory assembly → cable, base plate assembly →function test →general inspection, packaging

(2) Production process of laptop keyboard

Aluminum plate, support column, software circuit board, etc. assembly → blank character key assembly → character key screen printing, pad printing →character key laser →UV drying, curing →appearance inspection →accessory assembly →function test general inspection, packaging

(3) Backlight module converter production process

Surface-adhesive parts →assembly test →thermal engine test → voltage and current test →test inspection →packaging

(4) Power Supplier

Surface adhesive printing →Automatic plug-in →Assembly test →Heat engine test →Voltage and current test →Test inspection →Packaging

(5) Multilayer ceramic capacitor production process

Ball milling →ingredients →thin strip production →screen printing →stacking pressure equalization →cutting →adhesive burning out →sintering →barrel grinding→ terminal silver →electrode burning →plating →testing →packaging

(6) Power inductor production process

Ingredients →thin strip production →punching →screen printing →stacking →equalizing pressure →cutting →sintering →barrel grinding →terminal silver →electrode burning → plating →testing →packaging

(7) Alloy core production process

Glue adjustment →mixing →whole grain →dividing plate →baking →whole grain→ crushing →dividing plate →baking →whole grain

(8) Li-ion battery

Cell classification →Grouping into bracket →Nickel sheet spot welding →Protective plate soldering →Product into shell lock →Electrical testing →Packaging

(9)E-Bike

Front fork assembly of the frame →head bowl assembly riser assembly →front and rear wheel assembly →electric control parts assembly →transmission system assembly→ seat car handle assembly →testing →packaging

5.2.3 Supply Status of Main Materials

1. The main materials of computer keyboards are rubber, iron, aluminum plates, key caps, etc. The Company maintains a good relationship with customers and actively implements vertical integration. Some keyboards are made of self-made plastic injection, which not only reduces production costs, but also controls plastic materials cost to mitigate the risk of price increase of raw material.
2. The main raw materials of the backlight module converter are iron core, wire frame, enameled copper wire, high voltage capacitor, power chip and printed circuit board. The Company maintains at least two or more suppliers to ensure the stability of the source of purchases。
3. The manufacturing process of multilayer ceramic capacitors has been fully converted to base metal manufacturing. Nickel and copper are used to replace precious metals such as silver and palladium. We are committed to strengthening the development of ceramic powder blending and materials self-production to reduce manufacturing costs and improve product quality.

5.2.4 A list of any suppliers and clients accounting for 10% or more of the Company's total purchases (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total purchases (sales) accounted for by each, and an explanation of the reason for increases or decreases in the below figures

1. Major Suppliers in the Past Two Years

Unit: NT$ thousands; %

2020				2021				2022 (As of previous quarter) (Note2)			
Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
Others	19,797,312	100	-	Others	27,277,392	100	-	Others	-	-	-
Net Total Purchases	19,797,312	100	-	Net Total Purchases	27,277,392	100	-	Net Total Purchases	-	-	-

Note 1: Reason for the increase or decrease: There is no major purchase supplier in the Company’s consolidated financial report.
Note 2: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2021 has been disclosed as of the printing date of this Annual Report.

2. Major Clients in the Past Two Years

Unit: NT$ thousands, %

2020				2021				2022 (As of previous quarter) (Note2)			
Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
A	3,459,900	15	-	A	3,244,131	12	-	-	-	-	-
B	1,763,972	8	-	B	2,348,212	8	-	-	-	-	-
Others	17,125,656	77	-	Others	22,456,393	80	-	Others	-	-	-
Net Sales	22,349,528	100	-	Net Sales	28,048,736	100	-	Net Sales	-	-	-

Note 1: Reason for the increase or decrease: There have been no major changes in the past two years.
Note 2: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2021 has been disclosed as of the printing date of this Annual Report.

5.2.5 Production in the Past Two Years

Unit: NT$ thousands, thousand sets (pcs)

Output / Major Products	2020			2021		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Peripheral electronic products	17,330,000	51,000	13,000,000	20,380,000	64,643	16,548,000
Green Energy Products and Passive Components	11,000,000	196,724,000	8,300,000	15,000,000	200,100,000	14,000,000
Total	28,330,000	196,775,000	21,300,000	35,380,000	200,164,643	30,548,000

5.2.6 Shipments and Sales in the Past Two Years

Unit: NT$ thousands, thousand set (pcs)

Shipments & Sales / Major Products	2020				2021			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Peripheral electronic products	7,682	1,504,158	1,046,260	13,226,932	149	113,176	58,188	14,900,124
Green Energy Products and Passive Components	36,115,131	1,480,582	174,897,177	6,137,856	37,920,888	4,343,737	183,642,036	8,691,699
Total	36,122,813	2,984,740	175,943,437	19,364,788	37,921,037	4,456,913	183,700,224	23,591,823

5.3 Human Resources

Year		December 31, 2019	December 31, 2020	Data as of March 25, 2022
Number of Employees	Direct employee	9,278	8,904	7,732
	Indirect employee	1,307	1,318	1,326
	Total	10,585	10,222	9,058
Average Age		37.2	37.8	37.9
Average Duration of Service		8.6	8.9	9.0
Education Allocation percentage (%)	Ph.D. / Masters	18	17	17
	Bachelor’s Degree/college	80	82	82
	Senior High School and below Senior High School	2	1	1

5.4 Environmental Protection Expenditure

5.4.1 Environmental Protection Expenditure

Losses, including indemnity and if any result violates environmental protection laws and regulations, the punishment date and number, the details of the regulations, the content of the violation and the punishment should be listed, caused by environmental pollution and the total indemnity amount involved in the most recent year up to the date this report is published; accounts of future countermeasure, including improvement actions, and possible expenditures, including loss, disposition, and an estimate of indemnity incurred by a failure to implement countermeasures; if a reasonable estimation cannot be made, the justification shall be provided: None

5.4.2 Management Policy of energy savings

Every year, Company regularly collects statistics on water and electricity consumption and waste recycling information generated in manufacturing plants around the world, and aims to reduce water and solid waste. By reducing water and solid waste unit emissions for more than 1% compared to the previous year's unit revenue or unit man-hours in that year, and building energy management systems and develop cleaner production mechanisms, in line with GHG emissions issues, and gradually complete comprehensive inventory of greenhouse gases in global manufacturing and ISO 14064-1 verification.

Through the improvement and strengthening of product functions, production efficiency, product cost control, and reduction of environmental load, the Company manages and controls operational risks with high efficiency and high capacity utilization. In response to the environmental protection issues, an environmental protection project team has been established to increase investment in environmental protection software and hardware, and replace high-efficiency and environmentally Disk Type Rotor concentration devices, Regenerative Thermal Oxidizer RTO, Regenerative Catalytic Oxidizers RCO and other facilities to achieve a balance between production activities and environmental protection.

According to the greenhouse gas inventory data, most of the greenhouse gas emission sources are Scope 2, i.e. indirect energy and electricity emissions. The Company continues to promote energy saving and consumption reduction measures to achieve the goal of reducing greenhouse gas carbon dioxide emissions, with the goal of reducing more than 1%. Through suppliers' meetings, the Company continues to carry out supply chain organizational carbon inventory programs, calling on manufacturers to work together to protect the earth.

5.5 Labor Relations

5.5.1 List of employee benefits, in-service training, internal training, retirement system, and implementation status, as well as employer-employee agreements, and protection measures for employee entitlements:

1. Employee welfare and implementation:

The Company has always been adhered to the business philosophy as "respecting humanity" and "caring for employees". In order to fully take care of the physical and mental health of staff and their relatives, and to establish a life support so that the staff can be dedicated to their work without unnecessary worries. The Company provides and sponsors various welfare plans, and the Welfare Committee is composed of staff themselves. The main measures for the planning and implementation of welfare are as follows:

(1) Comprehensive insurance plan

In addition to labor and health insurance, the Company also provides comprehensive insurance systems such as life insurance, accident insurance, cancer insurance, medical insurance, and free group insurance, as worry-free all-round insurance.

(2) Thoughtful welfare

a. Each of the Company's factories is equipped with staff restaurants and coffee bars, serving breakfast, lunch and dinner, and providing colleagues dining subsidies. The Company occasionally organizes annual special sales activities to provide healthy and affordable consumption for colleagues' daily needs.

b. In addition to statutory special leave, paternity leave, menstrual leave, etc., the Company provides leaves that are superior to the labor law, such as voluntary leave, engagement leave, and special leave in advance, as well as flexible planning of holidays and festivals, weddings, funerals and childbirth subsidies, and comprehensive health care to monitor the physical and mental health of employees.

(3) Company environment with sound facilities

a. Set up a "Wellness Center", a medical team composed of specialist physicians and nurses, through the organizations of various activities, we monitor the health of colleagues, such as health checks, medical health speeches, cancer screening activities, physical therapy, health information, etc., and we build a comprehensive health care mechanism for body, mind and spirit.

b. Company established multi-functional gymnasium and fitness center, which are managed by sports professionals. In addition to the use of permanent billiards, badminton, basketball courts, fitness equipment, rhythm classrooms, and massage rooms, various sports courses such as spinning, aerobics, and yoga are regularly opened. Colleagues are allowed to enjoy healthy sports and leisure activities outside of work

(4) Diversified Welfare Committee activities

In order to balance the work and life of employees, the Welfare Committee takes vitality, humanities and arts, green public welfare, and community activities as themes, and launches various festivals, parent-child interactions, annual meetings, and family days every month, so that employees can relieve their physical and mental pressure, can indulge in work and enjoy life.

(5) Compensation policy

Employees are regarded as the most important asset of the Company, so the employees' work performance and career development are extremely emphasized. The Company formulates a competitive remuneration system through market salary surveys every year. According to the Articles of Incorporation, the Company shall allocate 5 to 20% for employees' remuneration and no more than 1% for directors' compensation if earnings of the year are available. However, if there are accumulated losses, the Company should reserve the amount for impairment loss in advance, and issue performance bonuses based on the operating conditions and individual performance of employees every year to meet the requirements of employees in work, life and achievement, and enable employees to share operating results with the Company.

(6) Employee Stock Ownership Trust

To enhance the concept of financial management among employees, the "employee stock ownership trust system" is implemented. In addition to the chosen amount allocated from employees' salary, the Company also provides incentives.

2. Employee Training and Development:

(1)Talent is the Company's most significant competitive advantage, and the training and development of talent is an important element of the Company's long-term development. The Company has established a complete selection and training mechanism to allow employees to realize their potential and stimulate performance. The long-term goal is to cultivate global talents, deeply root corporate culture and values in employees' working behavior and establish unique competitive advantages that are difficult to replace. Emphasize the manpower investment of companies and individuals, equal emphasis on short-term quick results and long-term training, combining with practical applications, and stimulating the potential of employees to learn independently.

(2)According to the Company's "internal and external training management methods" and "employees' on-the-job training methods", the overall Company training courses are planned for the Company's organizational strategy, personal performance development and job needs, and three training systems of function, class and self-development courses have been established, such as newcomer training, supervisor management ability training, professional function training, general education courses, government subsidized courses, etc.

2021 employee education and training implementation

Item / Types of course	Content	Hours	Number	Total (NT$ thousands)
Quality System	Quality system, quality tools, statistical methods, etc.	56	440	2,145
Self-development	Sharing of lectures in different industries, software application, work efficiency improvement, etc.	93.5	142	
Professional Skills	Professional courses such as business, research and development	20.5	946	
Newcomer training camp	Training for new colleagues, promotion of integrity manuals, compliance with laws and regulations	19	426	
Organizational Strategy	Consolidate team consensus, strategy description, etc.	42	55	
Management Competency	Supervisor training at all levels	46	43	
E.H.S	Training of emergency personnel, safety and health personnel, and fire drill personnel, etc.	21.5	695	
Total		298.5	2,747	

(3) An online learning information platform DLS (Darfon Learning System) was constructed to provide employees with diversified course learning information

(4) The Company cooperated with the Ministry of Economic Affairs to build an online learning platform for Darfon e University. There are more than 2,000 courses in the system for employees to go online and learn independently at any time.

(5) Corporate culture is an important key to the sustainable growth of a Company. Therefore, training employees to recognize and implement corporate culture is the focus of the Company’s talent development.

3. Retirement Policy and Implementation:

(1) The Company’s labor pension system is handled in accordance with the Labor Standards Law, the Labor Retirement Regulations, and other relevant regulations. If the provisions of the Labor Standards Law’s retirement pensions apply, the retirement provisions are provided monthly at 2%~15% of the total monthly salary in accordance with the Labor Standards Law. The funds are deposited in the Bank of Taiwan in the name of the Labor Retirement Reserve Supervision Committee, and the committee is responsible for income and expenditure, custody, use and supervision.

(2) Those who apply the pension system of the Labor Pension Regulations shall bear a labor pension withholding rate of not less than 6% per month in accordance with the Labor Pension Regulations, and withholding and depositing in the employee’s monthly wage grading table approved by the Executive Yuan Individual labor pension account established by the Labor Insurance Bureau.

4. Agreements between labor and management and various employee rights protection measures

The Company attaches great importance to the rights and interests of employees and two-way communication. In addition to the establishment of channels of complaint, it also establishes multiple communication channels for employees, including labor-management meetings, human resources mailboxes, employee welfare committees, employee meal committees, secretarial assistant associations, etc. In response to complaints or incidents, the personal information of colleagues is carefully kept confidential and handled, so that employees can fully reflect and communicate with each other to promote labor-management harmony and create a win-win situation for the Company and employees. Since its establishment, the labor-management relationship has been harmonious.

5. Protective measures for working environment and employees' personal safety

The Company has long been committed to environmental protection, energy conservation and employee care, and hopes to fulfill its social responsibilities and operate continuously while the Company grows. In addition to complying with relevant domestic laws and regulations, all factories have passed the internationally recognized ISO 14001 environmental management system and OHSAS 18001 occupational health and safety management system certification.

The Company provides pre-employment physical examinations for new employees, organizes physical health examinations and annual physical health examinations for specific items irregularly, and provides labor safety and health education and training in accordance with the Labor Safety and Health Law.

In order to prevent the occurrence of occupational diseases and occupational disasters, in accordance with the provisions of the Labor Safety and Health Law, labor safety and health management personnel and factory guards are set up to maintain the health of employees, and regular environmental inspections are performed to maintain a safe working environment.

6. Code of Ethical Conduct for Employees

The employees of the Company use "Work Rules", "Newcomers Teaching and Warfare Manual" and "Employee Service Code" as the basis for their daily work compliance and the guidance of the development direction. The Company's employees should abide by the code of ethical conduct as summarized below:

(1) Strict work discipline; and team spirit execution.

(2) Abide by Company rules and regulations, and Company arrangements cooperation.

(3) Keep confidentiality; and keep the environment clean and tidy.

(4) Company's credibility maintenance and not receiving gifts or banquets.

(5) Working hours adherence and no dangerous goods allowed.

(6) Environmental actions implementation and job distribution clearly

5.5.2 List of losses due to labor disputes in the most recent year up to the date this report is published, disclosure of the estimated amount, and countermeasures against current and possible future occurrences. If the amount cannot be reasonably estimated, the reason shall be provided: None

5.6 Cybersecurity management

5.6.1 State clearly the cybersecurity risk management structure, cybersecurity policy, specific management plan, and resources invested in the management of cybersecurity:

1. Information security risk management framework

The Company has established the Information Security Committee in 2021Q4,and held the first Information Security meeting in January 2022.Except the members in committee,the Company also arranges the dedicated personnels who cooperate with committee to control information security, promote each information security policy,formulate and import information security system ,and audit information security. The Company's information security management structure is divided as follows:

(1)Management unit: The president serves as the Information Security Committee Chairman, there are several members, who are mainly vice presidents.The convener is the manager in IT, who is in charge of organizational management and convocation.Under the unit, it includes:

a. Controlling Technology team: IT is responsible for information security techical work, interface integration and solutions to problems in information security.

b. Education amd training team: HR is responsible for enhancing the risk awareness in information security, training in information security and holding the related lectures.

c. Audit team: auditing department is responsible for audit information security, abnormal evidence investigation, investigation and handling.

d. Document management team: Quality department is responsible for classification of confidential documents, class definition, control and examination.

(2)Other unit: Covering all business units and factories of the Company, the main responsibilities include daily operation planning related to information security, regular self-inspection of information security risks, and implementation of information security risk improvement projects.

2. Information Security Policy

The Company formulates relevant internal operation regulations in accordance with the "Computerized Information System Management" of the "Internal Control System Processing Guidelines in public enlisted Companies" to reduce the unknown information security risk threats caused by the ever-changing information technology applications and environmental variations. The Company has formulated relevant information security standards, such as "System Security Management Operating Specifications", "Network Security Management Operating Specifications", etc., and revise information-related specifications and policies in accordance with the information security environment and its development, and control hardware, software, and personal data. Moreover, the computer operation control is regularly inspected and audited every year and reviewed and improved according to the inspection results. The 2021 Information Security inspection results are listed as follows, and due to the thorough implementation from Company's information department of a complete information management structure to ensure data security, technological changes place no major adverse effects on the Company's information security, and no major circumstances have occurred in the Company's operations.

The Company's basic information security policy is controlled as follows:

(1)The internal and external network access needs to pass the firewall, virus wall and intrusion prevention system inspection.

(2)All information equipment shall be installed with anti-virus and anti-backdoor software.

(3)Change the user password regularly, and it must comply with the password complexity principle.

(4)Access to any system requires an account and permission restrictions.

(5)Confidential files are encrypted in the whole process.

(6)All business processes need to be electronically signed and approved before they can take effect.

(7)All user terminal information equipment reclaims administrator authority, and then installs asset management software and endpoint security protection software

The Company regular inspect and audit of computer operation control and review and improvement are conducted every year. The items are as follows:

(1)Division of powers and responsibilities between the information department and the user department.

(2)The division of functions and responsibilities of the information processing department.

(3)System development and program modification control.

(4)Control of the compilation of system documents.

(5)Access control of programs and data.

(6)Control of data import and export.

(7)Control of data processing.

(8)Security control of files and equipment.

(9)The purchase, use and maintenance control of hardware and system software.

(10)System recovery plan and test procedure.

(11)Control of information security inspection.

3.Specific Management Plan and Resources Invested in the Management of Cybersecurity

In order to strengthen the overall information security, the Company promotes relevant information security strengthening policies, the scope is as follows.

(1) Construction of major basic information security systems (from 2008 to 2020)

● The safety of computer room environment
(i) Construction of automatic environmental protection gas fire-fighting facilities in the computer room.
(ii) Double-loop UPS power supply system in the computer room.
(iii) Construction of redundant air-conditioning system in computer room.
(iv) 24-hour environmental control monitoring (temperature/electricity/water leakage/air conditioning/access control/fire protection, etc.) in the computer room and the establishment of an instant messaging system.

● System information security
(i) Spam protection and mail in and out record backup system establishment.
(ii) Virtualization import of ERP historical data, long-term storage system and data security.
(iii) Reinforcement system vulnerability through external vulnerability scans.
(iv) the external system improvement becoming encrypted transmission to reduce risk of information security.

● Network information security
(i) Firewall upgrade function IPS intrusion detection system protection.
(ii) Introduction of the automatic switchover mechanism for the double backup of the dedicated line.
(iii) The Company network import prohibits any illegal network equipment from accessing the intranet system.

● Host Information Security
(i) The traditional virtualized framework is upgraded to a highly fault-tolerant multi-copy hyper-converged framework to enhance the high availability of information security of software and hardware.
(ii) Comprehensively monitor servers and import instant alert system.
(iii) Regularly track and deal with server vulnerability.
(iv) Import endpoint protection to prohibit any unauthorized software installation and malicious Trojan horse implantation.

(2) Future Information Security Planning (from 2021 to 2024)

●Information Security System
(i) Evaluation and introduction of ISO 27001information security management system. Through regular verification of the ISO 27001 information security management system, to implement information security policies, protect customer data and Company intelligence output, strengthen information security incident response capabilities, and achieve information security policy metrics.
(ii) Regularly conduct social engineering drill to improve employees' information safety awareness.

●Information Security System alert
(i) Import related information security early warning equipment and mechanisms to visualize the internal security risk black box. Also, by combining with external information security information and analysis, the external hacking behavior can be perceived in advance, and related countermeasures can be carried out in advance to protect business information and system security.
(ii) Regularly conduct internal vulnerability scans focus on preventing and patching vulnerabilities to reduce information security risk exposure.

●Information security protection
(i) Import two-factor authentication to check the legitimacy of users through two-time verification procedures to prevent unauthorized users from obtaining internal Company information or conducting sabotage activities.
(ii) The importation of log management to collect system logs and save them centrally is conducive to tracking, clarifying and preventing future information security incidents.

●Employee information security promotion and training
(i) The Company's internal website occasionally promotes information security knowledge.
(ii) Send information security announcements by E-mail from time to time.
(iii) Conduct information security publicity for new colleagues.
(iv) Cyber security personnel actively participate in external seminars and refresher courses, such as CYBERSEC 2021 Taiwan Information Security Conference, Microsoft Security Conference, Smart Manufacturing and Medical Information Security Lectures, and All-In-One Threat Intelligence Solution Webinars, to elevate professional functions and master issues of concern

5.6.2State clearly any losses, possible impacts, and countermeasures caused by significant cybersecurity incidents in the year prior to the annual report publication date; if they cannot be reasonably estimated, an explanation must be made as to the fact that they cannot be reasonably estimated: None

5.7 Important Contracts

Contract Type	Counterparty	Contract Term	Major Contents	Restrictions
Licensing	Qisda Corporation	July 1, 1999~	Licensing of specific patents for keyboard technology	None
Licensing	Chicony Electronics Co., Ltd	By Contract	Licensing of specific patents for keyboard technology	None
Licensing	Liteon Technology Corporation	By Contract	Licensing of specific patents for keyboard technology	None
Loan	Taipei Fubon Commercial Bank Co., Ltd.	November 24,2018~ November 24,2023	NT$ 2 billion credit line	Land and Plant
Spin-off	Darfon Energy Technology Corp.	By Contract	The spin-off "the Energy Storage B.D."in Taiwan	None

VI.Financial Information

6.1 Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years, showing the name of the certified public accountant and the auditor's opinion given thereby

6.1.1 International Financial Reporting Standards (IFRS)

Condensed Consolidated Balance Sheet

Unit: NT$ thousands

Item \ Year		Financial Summary for The Past Five Years 2017	2018	2019	2020	2021	As of March 25, 2022 of financial information (Note3)
Current assets		10,028,855	12,741,445	13,073,263	14,983,083	21,078,564	-
Property, Plant and Equipment		4,860,822	4,869,743	5,772,601	6,045,946	7,843,550	-
Intangible assets		17,137	599,677	718,064	774,027	1,018,046	-
Other assets (Note 1)		440,763	884,567	1,323,836	2,466,450	3,255,114	-
Total assets		15,347,577	19,095,432	20,887,764	24,269,506	33,195,274	-
Current liabilities	Before distribution	6,675,261	8,968,442	9,721,813	11,672,915	16,153,908	-
	After distribution	7,011,261	9,948,442	10,365,813	12,372,915	Note2	-
Non-current liabilities			684,007	1,398,360	2,017,529	4,320,029	-
Total liabilities	Before distribution	7,329,426	9,652,449	11,120,173	13,690,444	20,473,937	-
	After distribution	7,665,426	10,632,449	11,764,173	14,390,444	Note2	-
Equity attributable to shareholders of the parent		7,987,761	8,910,525	8,680,537	9,191,066	9,842,185	-
Capital stock		2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	-
Capital surplus		4,026,120	3,802,120	3,802,120	3,921,454	4,132,767	-
Retained earnings	Before distribution	1,490,688	2,674,946	2,570,687	2,856,219	3,331,941	-
	After distribution	1,154,688	1,694,946	1,926,687	2,156,219	Note2	-
Other equity interest		(329,047)	(366,541)	(492,270)	(386,607)	(422,523)	-
Treasury stock		-	-	-	-	-	-
Non-controlling interest		30,390	532,458	1,087,054	1,387,996	2,879,152	-
Total equity	Before distribution	8,018,151	9,442,983	9,767,591	10,579,062	12,721,337	-
	After distribution	7,682,151	8,462,983	9,123,591	9,879,062	Note2	-

Note1: Other assets are non-current assets other than property, plant and equipment and intangible assets.

Note2: To be resolved by the 2022 BOD Meeting.

Note3: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2021 has been disclosed as of the printing date of this Annual Report.

Condensed Parent Company Only Balance Sheet

Unit: NT$ thousands

Item \ Year		Financial Summary for The Past Five Years 2017	2018	2019	2020	2021	As of March 25, 2022 of financial information (Note3)
Current assets		5,789,045	7,572,410	6,597,321	7,757,970	8,635,389	-
Fixed assets		1,895,682	1,850,138	2,345,890	2,635,063	2,746,869	-
Intangible assets		17,137	4,284	-	-	-	-
Other assets (Note 1)		6,535,633	8,020,766	8,802,916	9,708,625	12,147,026	-
Total assets		14,237,497	17,447,598	17,746,127	20,101,658	23,529,284	-
Current liabilities	Before distribution	5,608,483	7,940,591	7,935,795	9,253,511	10,006,719	-
	After distribution	5,944,483	8,920,591	8,579,795	9,953,511	Note2	-
Non-current liabilities		641,253	596,482	1,129,795	1,657,081	3,680,380	-
Total liabilities	Before distribution	6,249,736	8,537,073	9,065,590	10,910,592	13,687,099	-
	After distribution	6,585,736	9,517,073	9,709,590	11,610,592	Note2	-
Equity attributable to shareholders of the parent		7,987,761	8,910,525	8,680,537	9,191,066	9,842,185	-
Capital stock		2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	-
Capital surplus		4,026,120	3,802,120	3,802,120	3,921,454	4,132,767	-
Retained earnings	Before distribution	1,490,688	2,674,946	2,570,687	2,856,219	3,331,941	-
	After distribution	1,154,688	1,694,946	1,926,687	2,156,219	Note2	-
Other equity		(329,047)	(366,541)	(492,270)	(386,607)	(422,523)	-
Treasury stock		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	7,987,761	8,910,525	8,680,537	9,191,066	9,842,185	-
	After distribution	7,651,761	7,930,525	8,036,537	8,491,066	Note2	-

Note1: Other assets are non-current assets other than property, plant and equipment and intangible assets.

Note2: To be resolved by the 2022 BOD Meeting.

Note3: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2021 has been disclosed as of the printing date of this Annual Report.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT$ thousands

Item \ Year	Financial Summary for The Past Five Years					As of March 25, 2022 of financial information (Note)
	2017	2018	2019	2020	2021	
Operating revenue	17,664,072	20,113,619	19,137,173	22,349,528	28,048,736	-
Gross profit	2,832,569	4,314,477	3,543,114	3,857,576	4,671,312	-
Profit from operations	633,953	1,896,724	1,064,116	1,134,325	1,489,426	-
Non-operating income and expenses	93,681	38,163	172,609	90,366	164,312	-
Profit before income tax	727,634	1,934,887	1,236,725	1,224,691	1,653,738	-
Profit from continuing operations for the year	583,044	1,525,848	969,393	953,347	1,301,622	-
Losses from discontinued operations	-	-	-	-	-	-
Net income (Loss)	583,044	1,525,848	969,393	953,347	1,301,622	-
Other comprehensive income (income after tax)	(331,803)	(36,920)	(133,115)	124,103	(174)	-
Total comprehensive income	251,241	1,488,928	836,278	1,077,450	1,301,448	-
Net income attributable to shareholders of the parent	580,693	1,520,258	899,950	903,785	1,146,533	-
Net income attributable to non-controlling interest	2,351	5,590	69,443	49,562	155,089	-
Comprehensive income attributable to Shareholders of the parent	248,943	1,482,764	774,221	1,035,195	1,139,806	-
Comprehensive income attributable to non-controlling interest	2,298	6,164	62,057	42,255	161,642	-
Earnings per share (NT$)	2.07	5.43	3.21	3.23	4.09	-

Note: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2021 has been disclosed as of the printing date of this Annual Report.

Condensed Parent Company Only Statement of Comprehensive Income

Unit: NT$ thousands

Item \ Year	Financial Summary for The Past Five Years					As of March 25, 2022 of financial information (Note)
	2017	2018	2019	2020	2021	
Operating revenue	14,348,244	16,123,527	13,851,669	15,056,289	17,702,426	-
Gross profit	1,589,350	2,841,712	1,557,490	1,987,341	1,920,253	-
Profit from operations	259,814	1,162,995	432,232	516,524	577,893	-
Non-operating income and expenses	422,138	568,594	558,607	533,905	697,392	-
Profit before income tax	681,952	1,731,589	990,839	1,050,429	1,275,285	-
Profit from continuing operations for the year	580,693	1,520,258	899,950	903,785	1,146,533	-
Losses from discontinued operations	-	-	-	-	-	-
Net income (Loss)	580,693	1,520,258	899,950	903,785	1,146,533	-
Cumulative effect of accounting principle changes	(331,750)	(37,494)	(125,729)	131,410	(6,727)	-
Net income	248,943	1,482,764	774,221	1,035,195	1,139,806	-
Earnings per share (NT$)	2.07	5.43	3.21	3.23	4.09	-

Note: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2021 has been disclosed as of the printing date of this Annual Report.

6.1.2 The names of CPA and their opinions for the most recent five years

Year	Accounting Firm	CPA	Audit Opinion
2017	KPMG	Tang, Tzu-Chieh Shih, Wei-Ming	Unqualified opinion
2018	KPMG	Tang, Tzu-Chieh Shih, Wei-Ming	Unqualified opinion
2019	KPMG	Chang, Huei-Chen Shih, Wei-Ming	Unqualified opinion
2020	KPMG	Chang, Huei-Chen Shih, Wei-Ming	Unqualified opinion
2021	KPMG	Chang, Huei-Chen Shih, Wei-Ming	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – Based on IFRS

Item	Year	Financial Analysis for the Past Five Years					As of March 25, 2022of this annual report(Note)
		2017	2018	2019	2020	2021	
Financial structure	Ratio of debts to assets (%)	47.76	50.55	53.24	56.41	61.68	-
	Ratio of long-term capital to fixed assets (%)	174.83	202.95	186.62	201.44	217.27	-
Solvency	Current ratio (%)	150.24	142.07	134.47	128.36	130.49	-
	Quick ratio (%)	119.77	113.40	100.70	89.08	72.33	-
	Interest coverage ratio	19.55	49.12	27.51	19.33	22.81	-
Operating performance	Receivable turnover ratio (times)	3.16	3.28	3.06	3.50	3.81	-
	Average collection days for receivables	116	112	120	105	96	-
	Inventory turnover rate (times)	7.05	6.86	5.57	5.02	3.63	-
	Payable turnover rate (times)	3.87	3.99	3.82	4.02	3.89	-
	Average days for sales	52	54	66	73	101	-
	Property, plant and equipment turnover rate (times)	3.51	4.13	3.60	3.78	4.04	-
	Total assets turnover rate (times)	1.15	1.05	0.92	0.92	0.98	-
Profitability	Return on total assets (%)	3.80	9.04	5.03	4.45	4.74	-
	Return on shareholders' equity (%)	7.12	17.48	10.09	9.37	11.17	-
	Pre-tax income to paid-in capital ratio (%)	25.99	69.10	44.17	43.74	59.06	-
	Profit margin (%)	3.30	7.59	5.07	4.27	4.64	-
	Earnings per share (NT$)	2.07	5.43	3.21	3.23	4.09	-
Cash flow	Cash flow ratio (%)	10.94	25.69	17.57	9.42	-6.89	-
	Cash flow adequacy ratio (%)	177.79	183.97	151.06	97.65	51.77	-
	Cash reinvestment ratio (%)	2.05	12.21	4.32	2.61	1.84	-
Leverage	Operating leverage	8.63	3.88	15.79	17.46	16.46	-
	Financial leverage (%)	106.59	102.17	104.58	106.26	105.09	-

Analysis of financial ratio differences for the past two years. (Not required if the difference does not exceed 20%)

- Decrease in Inventory turnover rate: Mainly due to an increase in inventory during the current period.
- Increase in Average days for sales: Mainly due to a decrease in inventory turnover rate during the current period.
- Increase in Pre-tax income to paid-in capital ratio: Mainly due to an increase in pre-tax income during the current period
- Increase in Earnings per share: Mainly due to the increase in net income attributable to shareholders of the parent Company during the current period.
- Decrease in Cash flow ratio: Mainly due to a decrease in net cash flow of operating activities during the current period.
- Decrease in Cash flow adequacy ratio: Mainly due to a decrease in net cash flow of operating activities during the current period.
- Decrease in Cash reinvestment ratio: Mainly due to a decrease in net cash flow of operating activities during the current period.

Note: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2021 has been disclosed as of the printing date of this Annual Report.

6.2.2 Parent Company Only Financial Analysis – Based on IFRS

Item	Year	Financial Analysis for the Past Five Years					As of March 25, 2022of this annual report(Note2)
		2017	2018	2019	2020	2021	
Financial structure	Ratio of debts to assets (%)	43.90	48.93	51.08	54.28	58.17	-
	Ratio of long-term capital to fixed assets (%)	446.69	505.40	412.66	409.52	492.29	-
Solvency	Current ratio (%)	103.22	95.36	83.13	83.84	86.30	-
	Quick ratio (%)	90.57	83.10	70.26	69.07	71.38	-
	Interest coverage ratio	19.60	44.18	29.41	31.49	28.78	-
Operating performance	Receivable turnover ratio (times)	3.00	3.05	2.71	2.86	2.69	-
	Average collection days for receivables	122	120	135	128	136	-
	Inventory turnover rate (times)	17.74	16.72	12.72	11.20	11.53	-
	Payable turnover rate (times)	3.24	3.05	2.74	2.66	2.67	-
	Average days for sales	21	22	29	33	32	-
	Property, plant and equipment turnover rate (times)	7.57	8.71	6.60	6.05	6.58	-
	Total assets turnover rate (times)	1.01	0.92	0.78	0.75	0.81	-
Profitability	Return on total assets (%)	4.12	9.82	5.29	4.93	5.42	-
	Return on shareholders' equity (%)	7.12	17.99	10.23	10.11	12.05	-
	Pre-tax income to paid-in capital ratio (%)	24.36	61.84	35.39	37.52	45.55	-
	Profit margin (%)	4.05	9.43	6.50	6.00	6.48	-
	Earnings per share (NT$)	2.07	5.43	3.21	3.23	4.09	-
Cash flow	Cash flow ratio (%)	6.92	23.49	6.16	1.29	1.87	-
	Cash flow adequacy ratio (%)	91.05	153.08	120.42	83.25	56.13	-
	Cash reinvestment ratio (%)	Note 1	13.92	Note 1	Note 1	Note 1	-
Leverage	Operating leverage	5.33	2.55	4.00	2.59	2.52	-
	Financial leverage (%)	116.43	103.57	108.78	107.15	108.63	-

Analysis of financial ratio differences for the past two years. (Not required if the difference does not exceed 20%)

- Increase in Ratio of long-term capital to fixed assets: Mainly due to an increase in non-current liabilities during the current period
- Increase in Pre-tax income to paid-in capital ratio: Mainly due to an increase in pre-tax income during the current period
- Increase in Earnings per share: Mainly due to the increase in net income attributable to shareholders of the parent Company during the current period.
- Increase in Cash flow ratio: Mainly due to an increase in net cash flow of operating activities during the current period.
- Decrease in Cash flow adequacy ratio: Mainly due to an increase in variable operating cost and expenses during the current period.

Note 1: The cash reinvestment ratio is negative and will not be analyzed

Note 2: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2021 has been disclosed as of the printing date of this Annual Report.

Calculated as follows

1. Financial structure
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expenses over this period.
3. Operating Performance Analysis
   (1) Receivable (including accounts receivable and notes receivable due to business operations) turnover rate = Net sales / Balance of average accounts receivable for various periods (including accounts receivable and notes receivable due to business operations).

(2) Average collection days for receivables = 365/Receivables turnover rate.

(3) Inventory turnover rate = Cost of goods sold/ Average inventory.

(4) Payable (including accounts payable and notes payable due to business operations) turnover rate = Cost of goods sold / Balance of average accounts payables of various periods (including accounts payable and notes payable due to business operations).

(5) Average days for sales = 365 / Inventory turnover rate.

(6) Property, plant and equipment turnover rate = Net sale/Average net property, plant and equipment.

(7) Total assets turnover rate = Net Sales / Average total assets

4. Profitability

(1) Return on Total Assets = [Net income after taxes + interest expense x (1 - tax rate)] / Average total assets

(2) Return on shareholders' equity = Net income after taxes / Average total shareholders' equity

(3) Profit margin = Net income after taxes/Net sales

(4) Earnings per share = (Net income attributable to shareholders of the parent Company - preferred stock dividend) / Weighted average number of shares outstanding.

5. Cash Flow

(1) Cash flow ratio = Net cash flow of operating activities / Current liabilities.

(2) Cash Flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + inventory increase + cash dividend) for the most recent five years.

(3) Cash Reinvestment Ratio = (Net cash flow from operating activities - cash dividends) / (Gross value of property, plant, and equipment + Long-term investments + Other non-current assets + working capital).

6. Leverage

(1) Operating Leverage = (Net operating revenue - variable operating cost and expenses) / Operating profit.

(2) Financial Leverage = Operating profit / (Operating profit - interest expenses).

6.3 Audit Committee's Review Report

The Board of Directors has prepared the Company's Financial Statements for the year of 2021. Huei-Chen Chang and Wei-Ming Shih Certified Public Accountants of KPMG, have audited the Financial Statements. The 2021 Financial Statements, Business Report, Independent Auditors’ Report, and Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of DARFON ELECTRONICS CORP. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

DARFON ELECTRONICS CORP.

Chair of the Audit Committee

Neng-Pai Lin

March 8, 2022

6.4 Consolidated Financial Statements with Independent Auditors' Report of the most recent year:

Please refer to appendix 1 (page 82)

6.5 Parent Company only Financial Statements with Independent Auditors' Report for the most recent year: Please refer to appendix 2 (page 176)

6.6 Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the publication date of this report need to be stated as well as the impact on the Company's financial position need to be outlined: None

VII. Review and Analysis of Financial Conditions, Financial Performance, and Risk Management

7.1 Financial Status

The main reasons and effects of major changes in assets, liabilities and shareholders' equity in the past two years

Unit: NT$ thousands

Item / Year	2020	2021	Difference	
			Amount	Percentage (%)
Current Assets	14,983,083	21,078,564	6,095,481	40.68
Long-term Assets	29,069	75,223	46,154	158.77
Property, plant and equipment	6,045,946	7,843,550	1,797,604	29.73
Intangible Assets	774,027	1,018,046	244,019	31.53
Other Assets (Note)	2,466,450	3,255,114	788,664	31.98
Total Assets	24,269,506	33,195,274	8,925,768	36.78
Current Liabilities	11,672,915	16,153,908	4,480,993	38.39
Long-term Liabilities	1,600,000	3,623,951	2,023,951	126.50
Other Liabilities	417,529	696,078	278,549	66.71
Total Liabilities	13,690,444	20,473,937	6,783,493	49.55
Common stock	2,800,000	2,800,000	-	-
Capital surplus	3,921,454	4,132,767	211,313	5.39
Retained Earnings	2,856,219	3,331,941	475,722	16.66
Other components of equity	(386,607)	(422,523)	(35,916)	9.29
EquityAttributes to Shareholders of the parent	9,191,066	9,842,185	651,119	7.08
Non-controlling interest	1,387,996	2,879,152	1,491,156	107.43
Total Equity	10,579,062	12,721,337	2,142,275	20.25

Note: Other assets are non-current assets excluding property, plant and equipment, and intangible assets.

Description of major changes (if the rate of increase or decrease is more than 20% and the amount of change amounts to NT$ 10 million):

- The increase in current assets was mainly due to the increase in inventory.
- The increase in long-term investment was mainly due to the increase in investment using the equity method.
- The increase in property, plant and equipment was mainly due to the increase in contruction in progress and the acquisition of subsidiaries.
- The increase in intangible assets was mainly due to the acquisition of subsidiaries.
- The increase in other assets was mainly due to the increase in non-current financial assets measured at fair value through other comprehensive gains and losses and right-of-use assets.
- The increase in total assets was mainly due to the increase in inventory and property, plant and equipment.
- The increase in current liabilities was mainly due to the increase in bank loan, and notes and accounts payable.
- The increase in long-term liabilities was mainly due to the increase in bank loan.
- The increase in other liabilities was mainly due to the increase in acquisition through business combination.
- The increase in total liabilities was mainly due to the increase in bank loan.
- The increase in non-controlling interests was mainly due to the acquisition of subsidiaries.
- The increase in total equity was mainly due to due to the increase in retained earnings.

7.2 Financial Performance

The main reasons and effects of major changes in operation revenue, operation net profit and net profit before tax in the past two years

7.2.1 Analysis of Financial Performance

Unit: NT$ thousands

Item \ Year	2020	2021	Difference	
			Amount	%
Net Revenue	22,349,528	28,048,736	5,699,208	25.50
Cost of Sales	18,491,952	23,377,424	4,885,472	26.42
Gross Profit	3,857,576	4,671,312	813,736	21.09
Operating Expenses	2,723,251	3,175,545	452,294	16.61
Operating Profit	1,134,325	1,489,426	355,101	31.31
Non-operating Income and Expenses	90,366	164,312	73,946	81.83
Profit before income tax for the year	1,224,691	1,653,738	429,047	35.03
Income tax expense	(271,344)	(352,116)	(80,772)	29.77
Profit for the year	953,347	1,301,622	348,275	36.53

Description of major changes (if the rate of increase or decrease is more than 20%):

● The reason for the increase of Net Revenue and Cost of Sales is acquisition of subsidiaries.

● The reason for the increase of Gross Profit and Operating Profit is profit increase in partial products.

● The reason for the increase of Non-operating Income and Expenses is the increase of other income.

● The reason for the increase of profit before income tax for the year is the increase of operating profit.

● The reason for the increase of Income tax expense and Profit for the year is the increase of Profit before income tax for the year.

7.2.2 Estimated sales volume and supporting info , and effected of changes on the Company's future business and future response actions:

The Company's expected sales volume is based on the overall industry environment and market supply and demand and considering its own production capacity and business development. Mainly due to the global shipment of personal computers, in the past two years, the global shipments of personal computers and LCD TVs have grown steadily, and it is estimated that the Company's personal computer keyboards will increase along with market demand trend. The Company has invested in the research and development and manufacturing of keyboards, transformers, and frequency converters for many years. We are proud to be a leader in the industry and have close cooperation with major manufacturers in related industries. In addition, we also hold a number of key patents.

7.3 Cash Flow

7.3.1 Changes in cash flows and liquidity improvement plan:

Unit：NT$ thousand

Item \ Year	2020	2021	Increase (decrease) amount	Change in proportion%
Net cash flows provided by operating activities	1,100,043	(1,112,647)	(2,212,690)	(201.15)
Net cash flows used in investing activities	(375,214)	(2,287,626)	(1,912,412)	509.69
Net cash flows provided by financing activities	286,435	3,903,210	3,616,775	1,262.69

1. The increase in net cash outflows from operating activities was mainly due to the increase in inventories.
2. The increase in net cash outflows from investment activities was mainly due to the increase in property, plant, and equipment.
3. The increase in net cash inflow from financing activities was mainly due to the increase in bank loan.
4. Liquidity improvement plan: Not applicable.

7.3.2 Cash Flow Analysis for the Coming Year: Not applicable.

7.4 Major Capital Expenditure Items of the Most Recent Year and its Influence

The Company has no significant capital expenditures in the most recent year.

On the basis of consolidated statements, the Company and its subsidiaries purchased approximately NT$1.8 billion in property, plant and equipment in 2021, accounting for 6.37% of net sales, and had no significant impact on the Company's financial business.

7.5 Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

The Company's reinvestment policy is mainly to invest in related businesses in the industry, with the main objectives of expanding the scale of product production, deepening the development of key raw materials, and developing product outlets. The Company's investment management strategy is dedicated to improving the manufacturing process, controlling the progress of production and sales, reviewing the progress of new products and new raw materials, and the results of market development. The recognized investment income in 2021 was NT$ 690,925 thousand. In 2021, we continued to promote lean production policies, integrate manufacturing sites, concentrate resources to accelerate the use of industrial automation, strictly control expenses and expenditures, and actively expand customers to increase the profitability of reinvestment businesses.

7.6 Analyze and assess the following risks in the most recent year up to the publication date of the Annual Report

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Interest rate

The bank loans of the Company and its subsidiaries are based on floating interest rates. The measures taken by the Company and its subsidiaries to deal with the risk of interest rate changes are to regularly evaluate the borrowing rates of banks and various currencies and maintain good relationships with financial institutions to obtain lower financing costs. At the same time, it cooperates with methods such as strengthening working capital management to reduce the dependence on bank loans and diversify the risk of interest rate changes.

The sensitivity analysis below is determined based on interest rate risk exposure. For floating-rate liabilities, the analysis method is based on the assumption that the amount of liabilities out of circulation at the reporting date will be out of circulation throughout the year.

If the interest rate increases or decreases by 1%, and all other variables remain unchanged, the net profit of the Company and its subsidiaries in 2021 and 2020 will decrease or increase by NT$ 86,808 thousand and NT$ 45,101 thousand respectively.

2. Foreign exchange rates

The Company's exchange rate risk mainly comes from foreign currency-denominated cash and cash equivalents, accounts receivable, borrowings and accounts payable. Therefore, fluctuations in international exchange rates may affect foreign currency-denominated operating income, operating costs and even profit performance. In order to prevent exchange rate changes from adversely affecting the Company's operating results, the Company uses forward foreign exchange contracts to conduct hedging transactions to reduce the impact of exchange rate risks on the Company. The derivative financial instruments undertaken by the Company do not meet the requirements of hedging accounting.

On the basis of the consolidated financial statements, the derivative products and foreign currency exchange gains and losses measured at fair value in 2021 were included in the current profit and loss as a net loss of NT$25,050 thousand. In the future, hedging transactions will continue to reduce exchange rate risks. The book value of monetary assets and liabilities of the Company that are not denominated in functional currencies at the balance sheet date of 2021, including monetary items denominated in non-functional currencies that have been offset in the consolidated financial report, are as follows.

Unit：NT$ thousand

	December. 31, 2021					
	Foreign currency		Exchange rate	NT$	Change in magnitude	Pre-tax effect on
Financial assets						
USD	$	449,986	27.6800	12,455,612	1%	124,556
RMB		235,572	4.3454	1,023,655	1%	10,237
Financial Liabilities						
USD		366,430	27.6800	10,142,782	1%	101,428
RMB		165,678	4.3454	719,937	1%	7,199

3. Inflation

The CPI in 2021 was an increase 1.96% from CPI in 2020; the Company and its subsidiaries will continue to pay close attention to inflation, adjust product prices and inventory levels appropriately to reduce the impact of inflation on the Company and its subsidiaries, and sign purchase contract with major raw material manufacturers.

7.6.2 The policies to engage in high-risk, high-leverage investments, capital lending, endorsements and guarantees, and the derivative transactions, the main reasons for profits and losses, and the future countermeasures

1. The Company did not engage in any high-risk or high-leveraged investments.
2. Loans of funds to others: The short-term financing objects approved by the Company's board of directors are all 100% owned subsidiaries.
3. Endorsement and guarantee: The Company does not guarantee any endorsement.

4. Derivative commodity transactions: The Company and its subsidiaries have always adhered to the policy of not engaging in high-risk and high-leveraged investments. Derivative commodity trading uses risk avoidance as a strategy and does not engage in speculative trading. Under the principle of hedging, no relevant operational risks occurred in the Company's 2020 derivatives transactions. In the future, the Company will continue to engage in derivative product transactions based on the principle of avoiding risks caused by fluctuations in exchange rates and interest rates, and continue to evaluate foreign exchange positions and risks on a regular basis to reduce the Company’s operational risks.

7.6.3 Future Research & Development Projects and Corresponding Budget

Unit：NT$ thousands

Research Projects	Completion	Expected Research Expenditure in 2021	Expected Completion Schedule	Major Risk Factors
Notebook computer mechanical keys II	Sample making	10,000	June, 2023	Product effect, unit price
Plane vibration keyboard	Design phase	10,000	December, 2023	Product effect
Gaming Mouse button	Sample making	10,000	December, 2022	Product effect, unit price
Electronic and automatic transmission system	Design Verification phase	10,000	September, 2022	Firmware calculation logic Compatibility with E-Bike electronic control
A new generation of hybrid inverter	Designing	10,000	September, 2022	Hardware/Safety

7.6.4 Effects of and Response to Changes on domestic and foreign Policies and Regulations Relating to Corporate’s Finance and Sales

1. Policy: The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. In recent years and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

2. Regulations: The Company’s business philosophy is based on compliance with relevant laws and regulations as the highest guiding principle; therefore, the Company’s management team always pays attention to the replacement of related laws and regulations, and expects to be able to respond to various situations arising from the replacement of laws and regulations at any time. Up to now, changes in related laws have not had a significant impact on our major strategies.

7.6.5 Effects of and Response to Changes on Technology(including cyber security risk) and the Industry Relating to Corporate’s Finance and Sales

The covid 19 pandemic changes the global situation and technology trend, leading to the transformation of digit and lifestyles, such as remote working as well as teaching and cloud service. In addition, the global awareness of ESG, environmental protection, and energy saving and carbon reduction rise; therefore, the green power storages and green energy mobile equipment would become the industrial trend in the future.

The Company promotes the policies related cyber security management to fulfill protection for cyber security and deal with related matters. We also regularly evaluate the risk of cyber security, implement cyber security training and formulate the cyber security operating procedure to strictly excute the cyber security risk management,

The Company attaches great importance to input and training of R&D talents and developments in technology. The Company has a stable financial situation, and the existing funds and bank credit lines are sufficient to meet the needs of future technology and technology development.The implement of cyber security please refer to pages 61~ 62 in annual reports.

7.6.6 The Impact of Changes of Corporate Image on Corporate’s Risk Management, and the Company’s Response Measures

1. The Company reviews corporate operations and management systems on a regular basis, and understands and simulates any possible issues that may affect the Company, and proposes appropriate countermeasures in a timely manner to reduce the risk of uncertainty; the Company has a risk management unit responsible for operation Analysis of relevant risks and impacts, and take relevant contingency plans.

2. Aside from working to strengthen internal management and conforming to all relevant corporate governance requirements, the Company has also consistently maintained an ethical business philosophy and fulfilled its social responsibilities by taking integrity and sustainable operation as the goal. Operation results briefings on the Company’s operating conditions were held irregularly, and major resolutions of the Company’s board of directors were disclosed immediately to increase financial transparency.

7.6.7 The expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures

The Company acquired equity in a Company specializing in batteries and electronic control components, and the design, research and manufacture of bikes’ as well as electronic bikes’ frames in 2021.

1. Expected benefits: Supply chain integration of green energy and energy system products, improvement of the Company's strategic layout in the design of the own brand electric bicycle, and expansion of scale of the green energy product business.

2. Possible risks: The operating performance is not as expected due to the impact of the overall economic environment.

3. Countermeasures: regularly review its operating conditions, timely review and supervise and assist in the integration of resources, so as to achieve comprehensive investment effects.

7.6.8 The expected benefits and possible risks to expand the fabs and the countermeasures

The main focus of the Company's plant and equipment at this stage is to make full use of the existing production capacity to maximize economic scale benefits, and there is no need for major plant expansion.

7.6.9 Risk of purchases and sales concentration, and countermeasures

The distribution of the Company's main raw material suppliers and customers at home and abroad is not risk of excessive concentration, and the Company has established long-term and stable cooperative relations. The Company consistently evaluates its customer financial performance, arranges necessary contros, such as insurance, bank letters of credit and collateral, etc., and timely tracks customer payment status to safeguard the Company's interests.

7.6.10 The impacts and risks arising from major transfer or exchange of shares by directors or shareholders with over 10 percent of shares in the Company and the countermeasures

The director and major shareholder of the Company, Qisda Corp., did not transfer the Company's shares in 2021. As of April 18, 2022, it held 58,004,667 shares of the Company, accounting for 20.72% of the Company's equity, is the Company's largest shareholder.

7.6.11 Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations

As of the date of this Annual Report, such risks were not identified by the Company.

7.6.12 Litigation or Non-litigation Matters

1. If there are any litigation, non-litigation or administrative proceedings that has received final judgment or is still ongoing in which the Company, has a material impact on the shareholders' interests or stock price, the Company shall disclose the facts in dispute, amount in dispute, filing date, parties, and status as of the printing of the Report:: None.

2. If there are any litigation, non-litigation or administrative proceedings that has received final judgment or is still ongoing in which the Company's director, supervisor, general manager, substantial representative, major shareholder (having holding of more than 10%) or subsidiary is a party and has a material impact on the shareholders' interests or stock price, the Company shall disclose the facts in dispute, amount in dispute, filing date, parties, and status as of the printing of the Report: The litigation incidents of the Company's legal person director and major shareholder Qisda Corp, (hereinafter referred to as Qisda) are explained as follows:

   (1)Several direct and indirect consumers in the United States filed a class action lawsuit of damage loss claim in January 2012, arguing that the Qisda and its subsidiaries BQA was suspected to have been participating in the ODD (Optical Disk Drive) product pricing agreement, which violated the Canadian antitrust laws.The Company has reached a settlement agreement with the plaintiff. However, the final outcome is still pending approval of the court.

7.6.13 The Company established a risk management policy in 2008 to effectively manage risks that exceed the Company's risk tolerance, and use risk management tools to optimize the total cost of risk management, as a guideline for the Company's colleagues in risk management. The structure of its organization and authority is as follows:

Type	Responsibility	Supervision
Strategic risk	Company staff	Board of Directors
Operational risk	Company staff	Risk Management Committee
Financial risk	Company staff	Risk Management Committee
Hazard risk	Company staff	Risk Management Committee

7.6.14 Vision of Risk Management

1. Commitment to continue to provide products and services to create long-term value for customers, shareholders, employees, and society.

2. Risk management requires systematic risk management procedures and organization, timely and effective identification, evaluation, processing, reporting, and monitoring of major risks that affect the Company's viability, and enhance all employees' risk awareness.

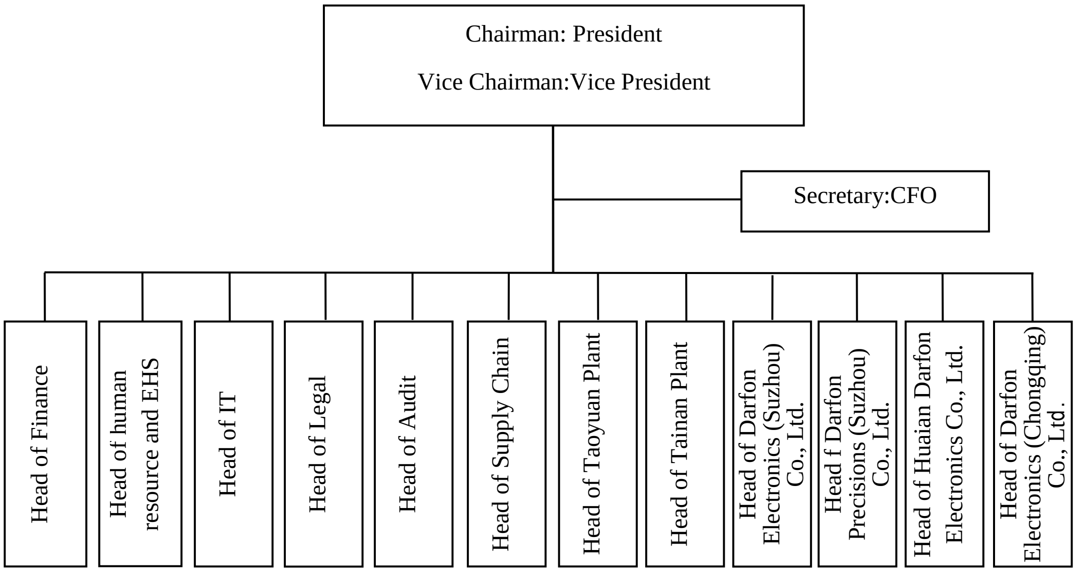
3. Risk management is not the pursuit of "zero" risk, but the pursuit of maximum benefits to optimize risk management costs when risks are acceptable.

7.6.15 Policy of Risk Management

1. To ensure the Company's sustainable operation, a risk management committee should be established to identify, evaluate, process, report, and monitor risks that may cause a negative impact on the Company's operating objectives on a regular basis every year.

2. Risks should be identified and controlled before accidents occur, losses should be suppressed when accidents occur, and the provision of products and services should be quickly restored after the accident. Business continuity plans are formulated for major risk scenarios identified by the Risk Management Committee

3. For risks that do not exceed the risk tolerance, risk management costs must be considered, and different management tools should be used to deal with them, but the following conditions are not limited:



(1) Negative impact on the life and safety of employees.

(2) Negative impact on the Company's goodwill.

(3) Violation against laws and regulations.

7.6.16 Structure and Responsibility of Risk Management

The Risk Management Committee is to effectively control the risk management work to implement the work related to the establishment, implementation, supervision, and maintenance of the risk management plan

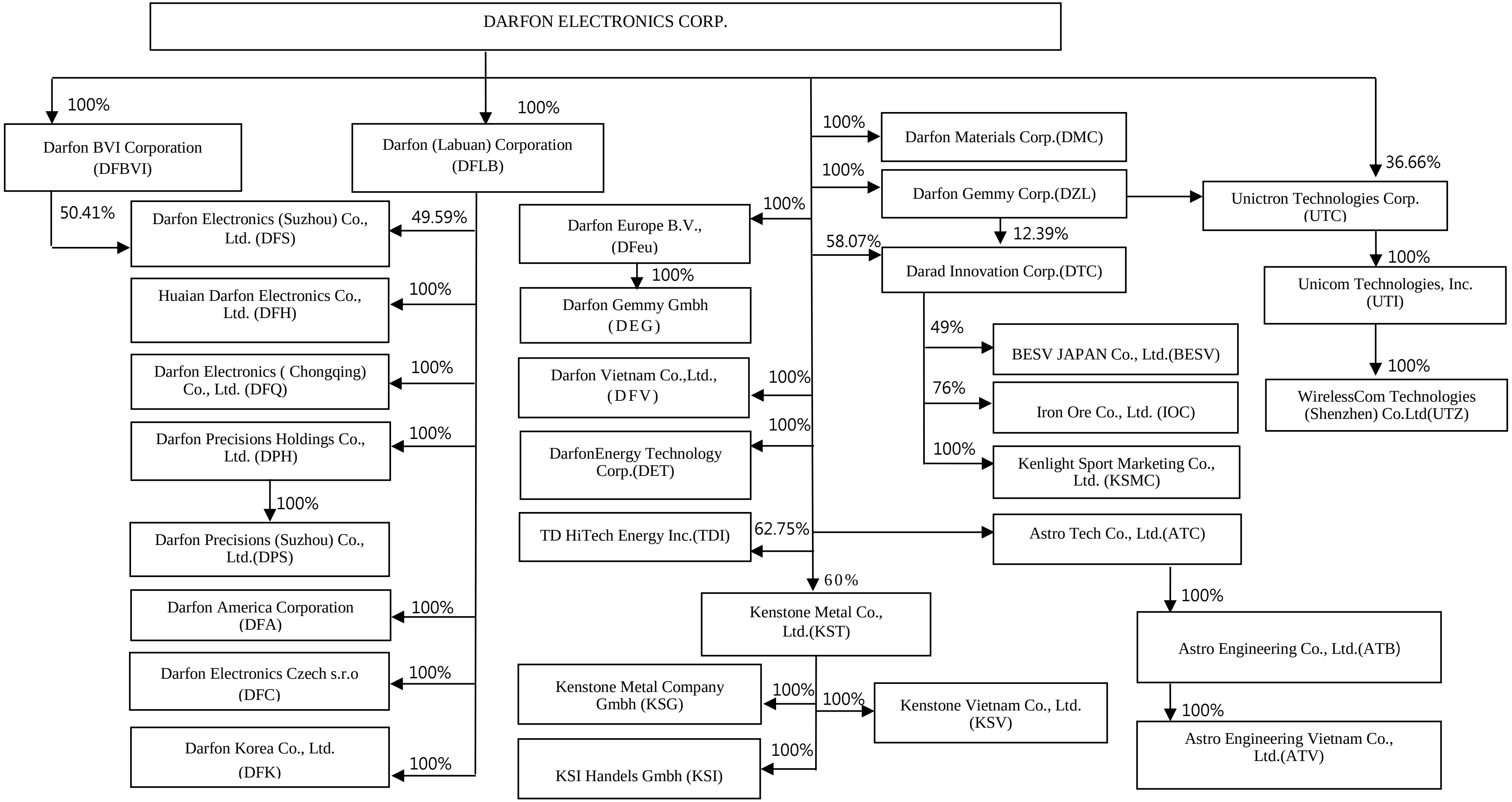
7.6.17 Purpose and measures of hedge accounting: Not applicable

VIII. Special Disclosure

8.1 Summary of Affiliates

8.1.1 Organization chart of affiliates

2021.12.31



8.1.2 Basic information of affiliates

December 31, 2021; NT$ thousands

Name of business	Date of Incorporation	Address	Paid-in Capital	Main Business and Activities
Darfon (BVI) Corporation	July 25,1997	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	317,103	International Trade
Darfon (Labuan) Corporation	November 18, 2005	Level 6(D), Main Office Tower, Financial Park, Jalan Merdeka, P.O. Box 80887, 87018 Labuan F. T., Malaysia	2,536,514	Holding companies that reinvest in overseas companies
Darfon Precisions Holdings Co,. Ltd.	May 7, 2002	P.O. Box 3321,Road Town, Tortola, British Virgin Islands	29,314	Holding companies that reinvest in overseas companies
Darfon America Corporation	June 8, 2006	103 Pioneer Way, Suite #B Mountain View, CA 94041 America	6,364	Selling and marketing of computer peripherals
Darfon Electronics Czech s.r.o	March 14, 2006	CTPark Brno Turanka 1315 /112, 627 00 Brno Czech Republic	299	Selling and marketing of computer peripherals
Darfon Korea Co., Ltd.	July 5, 2007	No.402 (Forest Vision Center), 9, Gukhoe-daero 62-gil, Yeongdeungpo-gu, Seoul, Korea 07236	1,781	Selling and marketing of computer peripherals
Darfon Europe B.V	November 25, 2014	Habraken 2145A, 5507 TE Veldhoven, Netherlands	219,038	Selling and marketing of computer peripherals and electric bikes
Darfon Germany GmbH	December 21, 2018	Am Kronberger Hang 2a 65824 Schwalbach Germany	5,243	Green Energy products trading
Darfon Vietnam Co., Ltd.	November 19, 2020	Lot CN-06, Dong Van IV Industrial Zone, Kim Bang District, Ha Nam province, Vietnam	292,558	Manufacturing of Electronics
Darfon Materials Corp.	September 3, 2002	No. 21, Gongye 2nd Road, Annan District, Tainan City	27,716	Computer peripherals and tele-communication
Darfon Gemmy Corp.	April 28, 2008	No. 167, Shanying Road, Guishan District Taoyuan City	459,100	Investment activities
Darad Innovation Corp.	June 2, 2008	No. 167, Shanying Road, Guishan District Taoyuan City	345,000	Lighting equipment manufacturing , smart product design services and electronic product trading
Darfon Energy Technology Corp.	December 21, 2021	No. 167, Shanying Road, Guishan District Taoyuan City	125,000	Energy Storage business
Darfon Electronics (Suzhou) Co., Ltd.	August 2, 1999	NO. 99, Zhuyuan Road, Huqiu District, Suzhou, Jiangsu	767,428	Multilayer chip ceramic capacitors and other electronic components, modules, and computer input products
Huaian Darfon Electronics Co., Ltd.	March 2, 2007	No. 9, XuYang Street, Huaian Economic Development Zone, Huaian, Jiangsu, China	1,356,320	Production of multilayer ceramic capacitors , low-temperature co-fired ceramic electronic components, new electronic components, and computer input products
Darfon Precisions (Suzhou) Co., Ltd.	June 20, 2000	Room 566, B block, No. 389 ,Dan Feng Road, Wuzhong District, Suzhou City Jiangsu	27,680	Manufacturing and sales of molds and computer peripheral products
Darfon Electronics (Chongqing) Co., Ltd.	February 7, 2012	Block#1, Electronic Industry Standard plant, Hechuan Industrial Park, Hechuan Dist. Chongqing	276,800	Multilayer chip ceramic capacitors and other electronic components, modules, and computer input products
BESV JAPAN Co., Ltd.	April 25, 2017	2-chome-19-9 Ebisunishi Shibuya City, Tokyo	41,235	Green Energy products trading
Unictron Technologies Corp.	April 8, 1988	No. 41, DaTong LiShuei Keng, Guanxi Township, Hsinchu County	478,753	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components
Unicom Technologies, Inc.	September 30, 2009	Level 3, Alexander House, 35 Cybercity, Ebene Mauritius	25,291	Holding companies that reinvest in overseas companies
WirelessCom Technologies (Shenzhen) Co.Ltd	April 23, 2010	B3-12, 6 Floor, Block#B, New Compark, PingShan 1st Road, TaoYuan Stree, Nanshan, Shenzhen, Guangdong Province, China	20,898	Design and marketing of antennas and modules for wireless communication

Name of business	Date of Incorporation	Address	Paid-in Capital	Main Business and Activities
Kenstone Metal Co., Ltd.	June 16, 1979	1-3 Fr, No.7, 1-2 Fr. No.9 and 1-2 Fr. No. 11 GongYeQu 5th Road, Xitun District, Taichung City	405,034	Manufacture and sale of bicycles and related products
Kenlight Sport Marketing Co., Ltd.	December 5, 2013	11 Floor, No.201-19, DunHua North Road, Songshan Dist. Taipei City	45,000	Bicycle and related products manufacturing
Kenstone Metal Company Gmbh	February 3,2011	Am Maikamp 8-12 32107 Bad Salzuflen Germany	361,371	Manufacture and sale of bicycles and related products
KSI Handels Gmbh	February 24, 2017	Am Maikamp 8-12 32107 Bad Salzuflen Germany	87,853	Manufacture and sale of bicycles and related products
Kenstone Vietnam Company Limited	July 16, 2019	No.9 Road, Nhon Trach 6 Industrial Zone, Long Tho Commune, Nhon Trach District, Dong Nai Province, Vietnam	475,406	Manufacture and sale of bicycles and related products
Iron Ore Company Limited	July 16, 2007	No. 137-143, Wing Wah Industrial Buildin, Yeung Uk Road, Tsuen Wan, HongKong	128,002	Bicycle agency and wholesale business
TD HiTech Energy Inc.	September 1, 2010	No. 18, Guangfu North Road, Hukou Township Hsinchu County	420,885	Battery and electronic components manufacturing and related trading business
Astro Tech Co., Ltd.	December 9, 2020	No. 26-9, Yider S. Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	480,000	Manufacture and sale of bicycles and related products
Astro Engineering Co., Ltd	January 4,2000	Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands	577,385	Investment activities
Astro Engineering Vietnam Co., Ltd	February 24,2000	Lo CN15, duong H1, khu cong nghiep Kim Huy, Phuong Phu Tan, Thanh pho Thu Dau Mot, Tinh Binh Duong, Vietnam	872,463	Manufacture and sale of bicycles and related products

8.1.3 Presumed to be the same shareholder for those with relations of control and affiliation: None.

8.1.4 Overall business covered by the affiliates and subsidiaries, and the Interaction and division of labor:

Using Taiwan as its base, the Company carries out the division of productions and sales internationally. Taiwan is responsible for product development and process design, new product trial launch, manufacturing of high-end product and marketing of all product, while factories in China are responsible for production. In addition, to truly implement the customer-oriented tenet, repair service and sales centers have been established in Europe, the United States, South Korea, Japan and other places to expand the marketing channels of the Company, looking forward to customer service a step further by most timely and efficient response to customers' requirements. Such division system has enabled the R&D, manufacturing, and marketing department of the Company to be fully effective so to achieve the best competitiveness.

8.1.5 Directors, Supervisors, and Presidents of affiliates

December 31, 2021; Unit: Shares

Name of business	Title	Name or representative	Shareholding(Note 1)	
			Shares, investment amount	Investment Shareholding(%)
Darfon (BVI) Corporation	Representative	Andy Su	31,450,000	100
Darfon (Labuan) Corporation	Representative Director	Andy Su Jery Lin	74,589,058	100
Darfon Precisions Holdings Co,. Ltd.	Representative	Andy Su	1,000,000	100
Darfon America Corporation	Chairman Director Director	Brian Wang Andy Su Josh Tsai	200,000	100
Darfon Electronics Czech s.r.o	Representative President	Andy Su KS.Hor	-	100
Darfon Korea Co., Ltd.	Representative/President Director Supervisor	Josh Tsai Andy Su Jery Lin	10,000	100
Darfon Europe B.V	Representative Director/President Director	Andy Su Joe C Huang Yi Chien Chao	6,200,070	100
Darfon Germany GmbH	Representative Director/President Director	Andy Su Stanley Chien Yi Chien Chao	150,000	100

Name of business	Title	Name or representative	Shareholding(Note 1)	
			Shares, investment amount	Investment Shareholding(%)
Darfon Vietnam Co., Ltd.	Representative Director Director Director Supervisor	Josh Tsai Milton Lai Dean Lin James MH Chiang Jery Lin	-	100
Darfon Materials Corp.	Chairman/ President Director Director Supervisor	Andy Su Josh Tsai Dean Lin Jery Lin	2,771,635	100
Darfon Gemmy Corp.	Chairman Director Director/President Supervisor	Andy Su Josh Tsai Dean Lin Jery Lin	45,910,000	100
Darad Innovation Corporation	Chairman/President Director Director Supervisor	Andy Su Josh Tsai Milton Lai Jery Lin	24,310,000	70.46
Darfon Energy Technology Corp.	Chairman Director Director Supervisor	Andy Su Josh Tsai Dean Lin Jery Lin	12,500,000	100
Darfon Electronics (Suzhou) Co., Ltd.	Chairman Director/President Director Supervisor	Andy Su Josh Tsai James MH Chiang Jery Lin	-	100
Huaian Darfon Electronics Co., Ltd.	Chairman/President Director Director Supervisor	Josh Tsai Andy Su James MH Chiang Jery Lin	-	100
Darfon Precisions （Suzhou）Co., Ltd	Chairman/President Director Director Supervisor	Josh Tsai Andy Su James MH Chiang Jery Lin	-	100
Darfon Electronics (Chongqing) Co., Ltd.	Chairman/President Director Director Supervisor	Josh Tsai Andy Su James MH Chiang Jery Lin	-	100
BESV JAPAN Co., Ltd.	Chairman Director Director Director Director Director Director Supervisor Supervisor	Andy Su Junxiong Yin Weiguo Wu Masuda Soro Takahashi Yide Sawayama Toshiaki Torii Takaka Jery Lin Sato Taneo	1,960	49
Unictron Technologies Corporation	Chairman/CEO Director Director Director Independent Director Independent Director Independent Director	Andy Su Jeff Chang RuiRong Lee Jery Lin Wei Shun Zheng Yong He Wang Jian Min Wang	21,912,456	45.77
Unicom Technologies, Inc.	Representative	Andy Su	818,039	100
WirelessCom Technologies (Shenzhen) Co.Ltd	Executive director Supervisor	Rong Hua Zhuang Cheng En Zeng	-	100

Name of business	Title	Name or representative	Shareholding(Note 1)	
			Shares, investment amount	Investment Shareholding(%)
Kenstone Metal Co., Ltd.	Chairman/President Director Director Director Director Director Director Supervisor	Andy Su Charles S Liu James MH Chiang Wei-Jen Lin Qi Ren Yang Yin Ming Yang Jia Yu Yang Gavin Lin	24,302,041	60
Kenlight Sport Marketing Co., Ltd.	Chairman Director Director Supervisor	Andy Su Josh Tsai Milton Lai Jery Lin	4,500,000	100
Kenstone Metal Company Gmbh	Chairman	Andy Su	-	100
KSI Handels Gmbh	Chairman	Andy Su	-	100
Kenstone Vietnam Company Limited	President	Gary Lin	-	100
Iron Ore Company Limited	Chairman Director Director Director	Andy Su Jery Lin Milton Lai Chong Hui Chen	19,000,000	76
TD HiTech Energy Inc.	Chairman Director Director Director Director Supervisor Supervisor	Andy Su Josh Tsai Pei Heng Chen James MH Chiang Sheng Quan Yang Gavin Lin Huei Ping Qi	26,409,632	62.75
Astro Tech Co., Ltd.	Chairman Director Director Director Director Supervisor Supervisor	Andy Su Josh Tsai Yi Teh Lee James MH Chiang Samuel Hu Jery Lin Eric Tsai	24,480,000	51
Astro Engineering Co., Ltd	Director Director Director	Andy Su Samuel Hu Acer Chen	3,000	100
Astro Engineering Vietnam Co., Ltd	Chairman/President Director Director Director Director	Samuel Hu Jeff Chang Liaw Yi Teh Lee Sheng ChangWu Daphne Tung	-	100

Note 1:It is the number of shares held by the Company and its shareholding ratio.

Note 2:The Company re-appointed the representative of the legal person director of Kenstone Metal Co., Ltd. on April 1, 2022. The original representative James MH Chiang was dismissed and replaced by Dean Lin.

Note 3:The Company re-appointed the representative of the legal person director of TD HiTech Energy Inc. on Februrary 1, 2022. The original representative Josh Tsai was dismissed and replaced by Dean Lin.

8.1.6 Operational Highlights of DARFON Subsidiaries:

December 31, 2021; Unit: NT$ thousands

Name of business	Capital	Total Assets	Total Liabilities	Net Worth	Revenues	Profit from Operation	Profit or loss for the year (after tax)	Earnings Per Share (NT$) (after tax)
Darfon (BVI) Corporation	317,103	1,622,358	0	1,622,358	0	(95)	112,238	-
Darfon (Labuan) Corporation	2,536,514	4,957,180	923	4,956,257	0	(939)	441,630	-
Darfon Precisions Holdings Co,. Ltd.	29,314	449,689	0	449,689	0	(68)	8,299	-
Darfon America Corporation	6,364	466,488	426,659	39,829	773,362	3,702	2,737	-
Darfon Electronics Czech s.r.o	299	223,084	153,405	69,679	244,539	14,803	13,698	-
Darfon Korea Co., Ltd.	1,781	1,993	1,130	863	10	36	90	-
Darfon Europe B.V.	219,038	53,017	16,834	36,183	142,414	(17,477)	(17,393)	-

Name of business	Capital	Total Assets	Total Liabilities	Net Worth	Revenues	Profit from Operation	Profit or loss for the year (after tax)	Earnings Per Share (NT$) (after tax)
Darfon Germany GmbH	5,243	4,496	0	4,496	0	0	(100)	-
Darfon Vietnam Co., Ltd.	292,558	484,725	209,477	275,248	0	0	(5,714)	-
Darfon Materials Corp.	27,716	30,391	4,391	26,000	0	(557)	(570)	-
Darfon Gemmy Corp.	459,100	597,883	5,809	592,074	0	34,440	33,736	-
Darad Innovation Corporation	345,000	776,411	403,796	372,615	401,231	(27,304)	1,970	-
Darfon Energy Technology Corp.	125,000	250,003	0	250,003	0	0	3	-
Darfon Electronics (Suzhou) Co., Ltd.	767,428	5,038,939	1,957,117	3,081,822	6,915,544	171,943	222,920	-
Huaian Darfon Electronics Co., Ltd.	1,356,320	5,138,690	2,971,660	2,167,030	7,762,833	209,600	166,281	-
Darfon precisions (Suzhou)Co., Ltd	27,680	492,695	45,520	447,175	0	(3,488)	8,369	-
Darfon Electronics (Chongqing) Co., Ltd.	276,800	3,034,183	2,266,225	767,958	5,477,988	155,003	144,428	-
BESV JAPAN Co., Ltd.	41,235	153,332	92,774	60,558	176,690	7,471	9,043	-
Unictron Technologies Corporation	478,753	2,410,517	633,488	1,777,029	1,608,599	354,382	291,024	6.60
Unicom Technologies, Inc.	25,291	14,431	0	14,430	0	0	(11,088)	-
WirelessCom Technologies (Shenzhen) Co.Ltd	20,898	51,113	37,498	13,615	94,361	(10,906)	(10,835)	-
Kenstone Metal Co., Ltd.	405,034	3,880,053	2,976,306	903,747	3,554,071	128,230	1,068	-
Kenlight Sport Marketing Co., Ltd.	45,000	71,317	5,233	66,084	83,782	20,530	17,534	-
Kenstone Metal Company Gmbh	361,371	1,427,167	1,197,194	229,973	677,649	(34,004)	(19,052)	-
KSI Handels Gmbh	87,853	110,438	29,907	80,531	49,862	(1,739)	(1,312)	-
Kenstone Vietnam Company Limited	475,406	791,249	470,054	321,195	81,754	(69,071)	(74,474)	-
San Jose Technology, Inc (Note)	-	-	-	-	31,023	4,354	5,553	-
Iron Ore Company Limited	128,002	254,521	79,463	175,057	385,272	19,955	15,368	-
TD HiTech Energy Inc.	420,885	809,203	237,056	572,147	676,023	17,837	20,827	-
Astro Tech Co., Ltd.	480,000	3,449,361	1,881,632	1,567,729	2,192,423	303,846	109,545	-
Astro Engineering Co., Ltd	577,385	509,420	0	509,420	0	0	(69,433)	-
Astro Engineering Vietnam Co., Ltd	872,463	808,037	298,617	509,420	551,520	(74,290)	(69,433)	-

Note: On March 1, 2021, STC was merged into UTC and STC was dissolved.

8.2 Private Placement Securities in the Most Recent Years up to the publication date of this Annual Report, disclosing the date on which the private placement was approved at a shareholders meeting and the amount thus approved; the basis for and reasonableness of the pricing; the manner in which the specified persons were selected (where the offerees have already been arranged, the names of the offerees and relationship between the offerees and the Company shall also be described); the reasons why the private placement was necessary; the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the Company, participation in the operations of the Company, actual subscription(transfer) price, the difference between the actual subscription(transfer) price and the reference price; the effect of the private placement on shareholders' equity; and for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of common shares, the implementation progress of the plan, and the realization of the benefits of the plan: None

8.3 Holding or disposition of the Company shares by subsidiaries in the most recent year up to the publication date of this Annual Report: None.

8.4 Other items that must be included: None.

8.5 Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act that have occurred in the most recent year up to the publication date of this Annual Report: None.

8.6 Consolidated financial statements of affiliates

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Darfon Electronics Corp. as of and for the year ended December 31, 2021 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, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Darfon Electronics Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

DARFON ELECTRONICS CORP.

Andy Su
Chairman
March 8, 2022

8.7 Relationship report: Not applicable

APPENDIX 1

Stock Code:8163

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report

For the Years Ended December 31, 2021 and 2020

Address: No. 167-1, Shan-Ying Road, Gueishan, Taoyuan, Taiwan

Telephone: 886-3-250-8800

Independent Auditors' Report

To the Board of Directors of Darfon Electronics Corp.:

Opinion

We have audited the consolidated financial statements of Darfon Electronics Corp. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and 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 significant 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, 2021 and 2020, 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"), and interpretations developed by the International Financial Reporting Interpretations Committee ("IFRSs") 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 Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in 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 Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 judgment, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

1. Valuation of inventories

   Please refer to note 4(h) for the accounting policies on inventory valuation, note 5(a) for uncertainty of accounting estimations and assumptions for inventory valuation, and note 6(f) for the disclosure of the amounts of inventory write-downs, of the consolidated financial statements.

   Description of key audit matter:

   Inventories are measured at the lower of cost and net realizable value. Due to the rapid innovation of technology and highly competitive environments in the electronic industry, the life cycle of certain products of the Group are short and their market prices fluctuate rapidly. The Group's stocks for products may become obsolete and product price may decline rapidly. These factors result in a risk wherein the carrying amount of inventory may exceed its net realizable value. Particularly, the estimation of net realizable value requires the management's subjective judgments. Therefore, the valuation of inventories has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matter above, our principal audit procedures included obtaining the inventory aging report provided by the Group, and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of inventory aging classification; evaluating whether valuation of inventories was accounted for in accordance with the Group's accounting policies; and assessing the historical reasonableness of management's estimates of inventory provisions.

2. Business combination

   Please refer to note 4(t) for the accounting policy on business combination, and note 6(h) for related disclosures of acquisition of subsidiaries, of the consolidated financial statements.

   Description of key audit matter:

   In 2021, the Group acquired 51% equity ownership of Astro Tech Co., Ltd., and has control over it. To adopt accounting treatment of business combination, the management needs to assess and determine the fair value of the identifiable assets and liabilities. As the assessment is complex and involves significant assumptions and estimation, it has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matter above, our principal audit procedures included obtaining the purchase price allocation report with the valuation on intangible assets conducted by an external expert engaged by the management ; evaluating the acquired assets and liabilities identified by the management including any fair value adjustment at the acquisition date. In doing so, we have consulted internal valuation specialists to assist us in evaluating the reasonableness of the valuation model and key assumptions used. We have also assessed whether correct accounting treatment has been applied, and appropriate disclosures with respect to the acquisition has been made.

3. Impairment of goodwill

   Please refer to note 4(n) for the accounting policies on impairment of non-financial assets, note 5(b) for the uncertainty of accounting estimations and assumptions for goodwill impairment, and 6(m) for related disclosures of impairment test of goodwill, of the consolidated financial statements.

Description of key audit matter:

Goodwill arising from the acquisition of subsidiaries is subject to an impairment test annually or when there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill from cash generating units involves management's judgement and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the assessment of impairment of goodwill provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of key assumptions and test results ; and assessing the adequacy of the Group's disclosures with respect to the related information on goodwill impairment.

Other Matter

Darfon Electronics Corp. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have audited and expressed an unqualified opinion.

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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IASs, IFRC, and SIC endorsed and issued into effect 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 members of 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain 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 auditor’s 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 auditor’s 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 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 for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's 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 Huei-Chen Chang and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)

March 8, 2022

Notes to Readers

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

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021			December 31, 2020	
	Assets		**Amount**	**%**	**Amount**	**%**
	Current assets:					
1100	Cash and cash equivalents (note 6(a))	$	3,045,203	9	2,602,683	11
1110	Financial assets at fair value through profit or loss－current (note 6(b))		457,461	1	454,332	2
1120	Financial assets at fair value through other comprehensive income－current (note 6(c))		271,389	1	89,443	-
1136	Financial assets at amortized cost－current (notes 6(d) and 8)		3,100	-	1,100	-
1170	Notes and accounts receivable, net (notes 6(e) and (y))		7,724,859	23	6,731,425	28
1180	Accounts receivable from related parties (notes 6(e) & (y) and 7)		137,271	-	123,441	-
1200	Other receivables		44,210	-	21,067	-
130X	Inventories (note 6(f))		8,538,835	26	4,336,702	18
1470	Prepayments and other current assets		856,236	3	622,890	3
	Total current assets		21,078,564	63	14,983,083	62
	Non-current assets:					
1517	Financial assets at fair value through other comprehensive income-non-current (note 6(c))		1,213,707	4	1,058,383	4
1535	Financial assets at amortized cost－non-current (notes 6(d) and 8)		810	-	810	-
1550	Investments accounted for using equity method (note 6(g))		75,223	-	29,069	-
1600	Property, plant and equipment (notes 6(j) and 8)		7,843,550	24	6,045,946	25
1755	Right-of-use assets (note 6(k))		972,784	3	670,213	3
1760	Investment property, net (note 6(l))		62,125	-	86,826	-
1780	Intangible assets (notes 6(h) and (m))		1,018,046	3	774,027	3
1840	Deferred income tax assets (note 6(u))		160,251	1	196,023	1
1915	Prepayments for equipment		403,631	1	191,694	1
1920	Refundable deposits		39,961	-	32,260	-
1975	Net defined benefit asset－non-current (note 6(t))		17,076	-	16,777	-
1990	Other non-current assets (notes 6(j) and (k))		309,546	1	184,395	1
	Total non-current assets		12,116,710	37	9,286,423	38
	Total assets	**$**	**33,195,274**	**100**	**24,269,506**	**100**

See accompanying notes to consolidated financial statements. (Continued)

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(n) and 8)	$ 5,039,971	15	2,470,428	10
2110	Short-term notes and bills payable (note 6(o))	-	-	439,721	2
2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	23	-	28	-
2170	Notes and accounts payable (note 7)	6,684,209	20	5,321,074	22
2200	Other payables (notes 6(z) and 7)	3,486,501	11	2,815,639	12
2250	Provisions－current (note 6(r))	110,716	1	96,222	-
2280	Lease liabilities－current (note 6(q))	100,386	-	94,838	-
2322	Long-term debt, current portion (notes 6(p) and 8)	16,899	-	-	-
2399	Other current liabilities (note 6(y))	715,203	2	434,965	2
	Total current liabilities	16,153,908	49	11,672,915	48
	Non-current liabilities:				
2540	Long-term debt (notes 6(p) and 8)	3,623,951	11	1,600,000	7
2570	Deferred income tax liabilities (note 6(u))	177,942	-	72,675	-
2580	Lease liabilities－non-current (notes 6(q) and 7)	203,716	1	258,871	1
2640	Net defined benefit liability－non-current (note 6(t))	65,377	-	66,229	-
2670	Other non-current liabilities (note 6(h))	249,043	1	19,754	-
	Total non-current liabilities	4,320,029	13	2,017,529	8
	Total liabilities	20,473,937	62	13,690,444	56
	Equity attributable to shareholders of the Parent (notes 6(c) & (v)):				
3110	Common stock	2,800,000	8	2,800,000	12
3200	Capital surplus	4,132,767	12	3,921,454	16
	Retained earnings:				
3310	Legal reserve	1,116,990	3	1,024,037	4
3320	Special reserve	386,607	1	492,270	2
3350	Unappropriated earnings	1,828,344	6	1,339,912	6
		3,331,941	10	2,856,219	12
	Other equity:				
3410	Foreign currency translation differences	(765,143)	(2)	(683,751)	(3)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	379,613	1	328,577	1
3445	Remeasurements of defined benefit	(36,993)	-	(31,433)	-
		(422,523)	(1)	(386,607)	(2)
	Equity attributable to shareholders of the Parent	9,842,185	29	9,191,066	38
36XX	**Non-controlling interests (notes 6(h), (i) & (v))**	2,879,152	9	1,387,996	6
	Total equity	12,721,337	38	10,579,062	44
	Total liabilities and equity	$ 33,195,274	100	24,269,506	100

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021			2020	
			Amount	%	Amount	%
4000	**Net sales (notes 6(y) and 7)**	$	28,048,736	100	22,349,528	100
5000	**Cost of sales (notes 6(f), (j), (k), (m), (q), (t), (x) & (z), 7 and 12)**		(23,377,424)	(83)	(18,491,952)	(83)
	Gross profit		4,671,312	17	3,857,576	17
5910	Less:Unrealized profit (loss) from sales		(6,341)	-	-	-
5950	**Realized Gross profit**		4,664,971	17	3,857,576	17
	Operating expenses (notes 6(e), (j), (k), (m), (q), (t), (x) & (z), 7 and 12):					
6100	Selling expenses		(1,327,350)	(5)	(1,205,279)	(5)
6200	Administrative expenses		(902,024)	(3)	(711,176)	(3)
6300	Research and development expenses		(946,171)	(4)	(806,796)	(4)
6000	**Total operating expenses**		(3,175,545)	(12)	(2,723,251)	(12)
	Operating income		1,489,426	5	1,134,325	5
	Non-operating income and loss (notes 6(g), (l), (q), (s) &(aa), 7and 12):					
7100	Interest income		9,382	-	43,882	-
7010	Other income		217,258	1	133,248	-
7020	Other gains and losses		9,280	-	(23,222)	-
7050	Finance costs		(75,816)	-	(66,810)	-
7060	Share of profit (loss) of associates and joint ventures		4,208	-	3,268	-
	Total non-operating income and loss		164,312	1	90,366	-
7900	**Income before income tax**		1,653,738	6	1,224,691	5
7950	Income tax expenses (note 6(u))		(352,116)	(1)	(271,344)	(1)
8200	**Net income**		1,301,622	5	953,347	4
	Other comprehensive income (loss) (notes 6(g), (t) &(v)):					
8310	**Items that will not be reclassified subsequently to profit or loss**					
8311	Remeasurements of defined benefit plans		(6,751)	-	(403)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		71,412	-	316,001	2
8320	Share of the profit of associates and joint ventures accounted for using equity method		17,758	-	-	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss		1,443	-	96	-
			83,862	-	315,694	2
8360	**Items that may be reclassified subsequently to profit or loss:**					
8361	Exchange differences on translation of foreign operations		(79,866)	-	(191,624)	(1)
8370	Share of the other comprehensive income of associates and joint ventures accounted for using equity method		(4,170)	-	33	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss		-	-	-	-
			(84,036)	-	(191,591)	(1)
	Other comprehensive income (loss) for the year, net of income tax		(174)	-	124,103	1
8500	**Total comprehensive income for the year**	$	1,301,448	5	1,077,450	5
	Net income attributable to:					
8610	Shareholders of the Parent	$	1,146,533	4	903,785	4
8620	Non-controlling interests		155,089	1	49,562	-
		$	1,301,622	5	953,347	4
	Total comprehensive income attributable to:					
8710	Shareholders of the Parent	$	1,139,806	4	1,035,195	5
8720	Non-controlling interests		161,642	1	42,255	-
		$	1,301,448	5	1,077,450	5
	Earnings per share (in New Taiwan dollars) (note 6(w)):					
9750	Basic earnings per share	$		4.09		3.23
9850	Diluted earnings per share	$		4.05		3.19

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Parent												
			Retained earnings				Other equity						
	Common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Foreign currency translation differences	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal	Equity attributable to shareholders of the Parent	Non-controlling interests	Total equity
Balance at January 1, 2020	$ 2,800,000	3,802,120	934,042	366,541	1,270,104	2,570,687	(499,270)	38,323	(31,323)	(492,270)	8,680,537	1,087,054	9,767,591
Net income in 2020	-	-	-	-	903,785	903,785	-	-	-	-	903,785	49,562	953,347
Other comprehensive income in 2020	-	-	-	-	-	-	(184,481)	316,001	(110)	131,410	131,410	(7,307)	124,103
Total comprehensive income in 2020	-	-	-	-	903,785	903,785	(184,481)	316,001	(110)	131,410	1,035,195	42,255	1,077,450
Appropriation of earnings:													
Legal reserve	-	-	89,995	-	(89,995)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	125,729	(125,729)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(644,000)	(644,000)	-	-	-	-	(644,000)	-	(644,000)
Organizational restructuring under common control	-	144	-	-	-	-	-	-	-	-	144	(144)	-
Acquisition of subsidiary's additional interest	-	-	-	-	-	-	-	-	-	-	-	(54,247)	(54,247)
Disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	115,720	115,720
Conversion of preference share	-	94,638	-	-	-	-	-	-	-	-	94,638	(94,638)	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	213,486	213,486
Changes in ownership interest in subsidiaries	-	24,552	-	-	-	-	-	-	-	-	24,552	(24,552)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	23,765	23,765
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	134,300	134,300
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(55,003)	(55,003)
Disposal of subsidiaries' investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	25,747	25,747	-	(25,747)	-	(25,747)	-	-	-
Balance at December 31, 2020	2,800,000	3,921,454	1,024,037	492,270	1,339,912	2,856,219	(683,751)	328,577	(31,433)	(386,607)	9,191,066	1,387,996	10,579,062
Net income in 2021	-	-	-	-	1,146,533	1,146,533	-	-	-	-	1,146,533	155,089	1,301,622
Other comprehensive income in 2021	-	-	-	-	-	-	(81,392)	80,225	(5,560)	(6,727)	(6,727)	6,553	(174)
Total comprehensive income in 2021	-	-	-	-	1,146,533	1,146,533	(81,392)	80,225	(5,560)	(6,727)	1,139,806	161,642	1,301,448
Appropriation of earnings:													
Legal reserve	-	-	92,953	-	(92,953)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(105,663)	105,663	-	-	-	-	-	-	-	-
Cash dividends of preference share	-	-	-	-	(700,000)	(700,000)	-	-	-	-	(700,000)	-	(700,000)
Acquisition of subsidiary's additional interest	-	-	-	-	-	-	-	-	-	-	-	(480)	(480)
Disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	9,800	9,800
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	7,092	-	-	-	-	-	-	-	-	7,092	(7,092)	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,013,755	1,013,755
Changes in ownership interests in subsidiaries	-	204,221	-	-	-	-	-	-	-	-	204,221	(204,221)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	12,627	12,627
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	587,399	587,399
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,409)	(1,409)
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(80,865)	(80,865)
Disposal of subsidiaries' investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	29,189	29,189	-	(29,189)	-	(29,189)	-	-	-
Balance at December 31, 2021	$ 2,800,000	4,132,767	1,116,990	386,607	1,828,344	3,331,941	(765,143)	379,613	(36,993)	(422,523)	9,842,185	2,879,152	12,721,337

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Income before income tax	$ 1,653,738	1,224,691
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation	992,451	764,671
Amortization	101,557	67,608
Expected credit loss (reversal gain)	1,163	(3,898)
Interest expense	75,816	66,810
Interest income	(9,382)	(43,882)
Dividend income	(68,070)	(32,152)
Share-based compensation cost	12,627	23,765
Share of profits of associates and joint ventures	(4,208)	(3,268)
Losses (gains) on disposal of property, plant and equipment	(862)	3,637
Losses (gains) on disposal of investment property	(1,909)	1,051
Loss on liquidation of subsidiary	-	2,217
Impairment losses on property, plant and equipment	-	75
Unrealized profit from sales	6,341	-
Losses (gains) on lease modifications	11	(67)
Total adjustments to reconcile profit or loss	1,105,535	846,567
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	8,076	(6,670)
Increase in notes and accounts receivable	(679,354)	(785,511)
Increase in accounts receivable from related parties	(13,830)	(69,076)
Decrease (increase) in other receivables	108,793	(18,894)
Increase in inventories	(3,899,968)	(1,169,552)
Increase in prepayments and other current assets	(163,960)	(101,064)
Total changes in operating assets	(4,640,243)	(2,150,767)
Changes in operating liabilities:		
Increase (decrease) in financial liabilities at fair value through profit or loss	(5)	28
Increase in notes and accounts payable	634,346	1,367,934
Increase in other payables	269,906	207,815
Increase in provisions	11,339	12,808
Increase (decrease) in other current liabilities	148,131	(180,382)
Decrease in net defined benefit liability	(7,603)	(6,984)
Total changes in operating liabilities	1,056,114	1,401,219
Total changes in operating assets and liabilities	(3,584,129)	(749,548)
Total adjustments	(2,478,594)	97,019
Cash provided by (used in) operations	(824,856)	1,321,710
Interest received	9,440	46,783
Interest paid	(73,481)	(67,071)
Income taxes paid	(223,750)	(201,379)
Net cash provided by (used in) operating activities	(1,112,647)	1,100,043

See accompanying notes to consolidated financial statements. (Continued)

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities:		
Purchase of financial assets at fair value through other comprehensive income	(321,953)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	56,095	59,978
Purchase of financial assets at amortized cost	(47,773)	(500)
Proceeds from redemption of financial assets at amortized cost	45,773	731,586
Purchase of financial assets at fair value through profit or loss	(800,530)	(1,187,116)
Proceeds from disposal of financial assets at fair value through profit or loss	789,325	1,089,660
Purchase of investments accounted for using equity method	-	(13,333)
Acquisition of subsidiaries, net of cash received	(159,469)	(90,159)
Additions to property, plant and equipment (including prepayments for equipment)	(1,787,561)	(991,847)
Proceeds from disposal of property, plant and equipment	10,425	27,004
Decrease (increase) in refundable deposits	(7,701)	116,467
Additions to intangible assets	(23,200)	(16,030)
Additions to right-of-use assets	(8,736)	(21,736)
Additions to investment property	(100)	-
Proceeds from disposal of investment property	26,209	63,252
Increase in other non-current assets	(126,500)	(174,592)
Dividends received	68,070	32,152
Net cash used in investing activities	(2,287,626)	(375,214)
Cash flows from financing activities:		
Increase in short-term borrowings	2,540,890	35,901
Increase in short-term notes and bills payable	-	439,732
Decrease in short-term notes and bills payable	(439,721)	(200,000)
Increase in long-term debt	2,020,000	1,040,000
Repayments of long-term debt	(12,713)	(446,418)
Payment of lease liabilities	(106,918)	(88,248)
Increase in other non-current liabilities	85,818	8,698
Cash dividends distributed to shareholders	(700,000)	(644,000)
Cash dividends paid to non-controlling interests by subsidiaries	(80,865)	(55,003)
Additions to interests in subsidiaries	(480)	(54,247)
Proceeds from disposal of interests in subsidiaries (without losing control)	9,800	115,720
Capital injection from non-controlling interests	587,399	134,300
Net cash provided by financing activities	3,903,210	286,435
Effects of exchange rate changes	(60,417)	(131,051)
Net increase in cash and cash equivalents	442,520	880,213
Cash and cash equivalents at beginning of year	2,602,683	1,722,470
Cash and cash equivalents at end of year	$ 3,045,203	2,602,683

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Except for Per Share Information And Otherwise Specified)

1. Organization and business

Darfon Electronics Corp. (the “Company”) was incorporated on May 8, 1997, as a company limited by shares under the laws of the Republic of China (“R.O.C.”). The address of the Company’s registered office is No. 167-1, Shan-Ying Road, Gueishan District, Taoyuan, Taiwan. The Company and its subsidiaries (collectively the “Group”) are mainly engaged in the manufacture and sale of computer peripherals, power devices, green energy products and passive components.

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 8, 2022.

3. Application of new and revised accounting standards and interpretations:

(a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) 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, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment－Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts－Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to 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"

4. Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows, and have been applied consistently to all periods presented in these financial statements.

(a) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (collectively as "Taiwan-IFRSs").

(b) Basis of preparation

(i) Basis of measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis except for the following items in the balance sheets:

1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments).
2) Financial assets measured at fair value through other comprehensive income; and
3) Net defined benefit liabilities (assets) are measured at the present value of the defined benefit obligation less fair value of the plan assets.

(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 Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases. All inter-company balances, transactions, and resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, the financial statements of subsidiaries are adjusted to align the accounting policies with those adopted by the Company.

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. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

When the Group loses control over a subsidiary, a gain or loss recognized in profit or loss, which is calculated as the difference between (1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost, and (2) the previous carrying amount of the assets (including goodwill) and liabilities of the former subsidiary and any non-controlling interest at the date when the Group loses control. All amounts recognized in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the Group had directly disposed of the related assets and liabilities.

(ii) List of subsidiaries in the consolidated financial statements

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

			Percentage of Ownership		
Name of Investor	**Name of Investee**	**Main Business**	**December 31, 2021**	**December 31, 2020**	**Notes**
The Company	Darfon (BVI) Corporation (DFBVI)	Trading of electronic products	100.00%	100.00%	
The Company	Darfon (Labuan) Corporation (DFLB)	Investment holding	100.00%	100.00%	
The Company	Darfon Materials Corp. (DMC)	Manufacture and sale of LTCC, inductors and paste	100.00%	100.00%	
The Company	Darfon Gemmy Corp. (DZL)	Investment holding	100.00%	100.00%	
The Company	Darfon Europe B.V. (DFeu)	Trading of green devices	100.00%	100.00%	
DFBVI/DFLB	Darfon Electronics (Suzhou) Co., Ltd. (DFS)	Manufacture and sale of the Company's products	100.00%	100.00%	
DFLB	Darfon Electronics Czech s.r.o (DFC)	Trading of electronic products	100.00%	100.00%	
DFLB	Darfon America Corp. (DFA)	Trading of electronic products	100.00%	100.00%	
DFLB	Huaian Darfon Electronics Co., Ltd. (DFH)	Manufacture and sale of the Company's products	100.00%	100.00%	
DFLB	Darfon Korea Co., Ltd. (DFK)	Trading of electronic products	100.00%	100.00%	
DFLB	Darfon Precision Holdings Co., Ltd. (DPH)	Investment holding	100.00%	100.00%	
DFLB	Darfon Electronics, Chongqing (DFQ)	Manufacture and sale of the Company's products	100.00%	100.00%	
DPH	Darfon Precision (Suzhou) Co., Ltd. (DPS)	Mold development and manufacture	100.00%	100.00%	
DFeu	Darfon Germany GmbH (DFG)	Trading of green devices	100.00%	100.00%	
The Company	Darfon Vietnam Co., Ltd. (DFV)	Manufacture of electronic products	100.00%	100.00%	Note 2
The Company	Darfon Energy Technology Corp. (DET)	Manufacturing and wholesale of batteries and electric components	100.00%	-	Note 5
The Company/ DZL	Unictron Technologies Corporation (UTC)	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	45.77%	50.28%	
UTC	Unicom Technologies, Inc. (UTI)	Investment holding	45.77%	50.28%	
UTI	WirelessCom Technologies (Shenzhen) Co., Ltd. (UTZ)	Sale, design and marketing of wireless antennas for telecommunication and modules	45.77%	50.28%	

Name of Investor	Name of Investee	Main Business	Percentage of Ownership December 31, 2021	Percentage of Ownership December 31, 2020	Notes
The Company / UTC	San Jose Technology, Inc. (STC)	Manufacture and processing of satellite locator, navigator and antenna, and the trading of telecommunications equipment.	-	50.28%	Note 3
The Company/ DZL	Darad Innovation Corp. (DTC)	Manufacture and sale of E-bike and related products	70.46%	70.35%	
DTC	Kenlight Sport Marketing Co., Ltd. (KSMC)	Sale of bicycles and related products	70.46%	70.35%	Note 1
DTC	Iron Ore Co., Ltd. (IOC)	Sale of bicycles and related products	53.55%	53.47%	
The Company	Kenstone Metal Co., Ltd. (KST)	Manufacture and sale of bicycles and related products	60.00%	60.00%	
KST	Kenstone Metal Company GmbH (KSG)	Assembly and sale of bicycles and related products	60.00%	60.00%	
KST	KSI Handels GmbH (KSI)	Acquisition, lease and management of movable property and real estate, and sale of bicycles and related products	60.00%	60.00%	
KST	Kestone Vietnam Co., Ltd. (KSV)	Manufacture and sale of bicycles and related products	60.00%	60.00%	
The Company	TD HiTech Energy Inc. (TDI)	Manufacture and sale of the High-power battery modules for electric bicycles	62.75%	62.75%	
The Company	Astro Tech Co., Ltd. (ATC)	Manufacture and sale of bicycles and related products	51.00%	-	Note 4
ATC	Astro Engineering Co,. Ltd. (ATB)	Investment holding	51.00%	-	Note 4
ATB	Astro Engineering Vietnam Co., Ltd. (ATV)	Manufacture and sale of bicycles and related products	51.00%	-	Note 4

Note 1: In January 2020, the Group introduced organization restructuring. KST sold all its ownership of KSMC to DTC.
Note 2: DFV was established in December 2020.
Note 3: On March 1, 2021, STC was merged into UTC and STC was dissolved.
Note 4: On April 1, 2021, the Group obtained control over ATC. Thus, ATC and its subsidiaries were included in the accompanying consolidated financial statements from the date the control commenced.
Note 5:DET was established in December 2021.

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

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period ("the reporting date"), 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 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 at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisition, are translated into the presentation currency of the Group's consolidated financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated into the presentation currency of the Group's consolidated financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity 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, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

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

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets:

(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 unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(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 consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and 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 that meet the aforesaid criteria and are not held for investing purposes are also classified 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 issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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 financial assets to collect contractual cash flows; and

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

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through other comprehensive income

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss.

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. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive the dividends is established (usually the ex-dividend date).

3) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at FVOCI described as above 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 mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend and interest 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;
- 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, financial assets at amortized cost, notes and accounts receivable, other receivables and refundable deposits).

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

- debt securities that are determined to have low credit risk at the reporting date; 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 receivables are always measured at an amount equal to lifetime ECL.

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.

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

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. 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.

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. 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 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

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreements and the definitions of a financial liability and an equity instrument.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other 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.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. 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. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iii) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. If the valuation of a derivative instrument results in a positive fair value, it is classified as a financial asset; otherwise, it is classified as a financial liability.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is caculated based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to the location and conditon ready for sale. Fixed manufacturing overhead is allocated to finished products and work in process based on the higher of normal capacity or actual capacity; variable manufacturing represents the estimated selling price in the ordinary course of business, less, all estimated costs of completion and necessary selling expenses.

(i) Joint arrangements

A joint venture is a joint arrangement whereby the Group and other parties (joint venturers) that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures shall account the rights from the joint arrangement as an investment.

The Group considers the structure of the arrangement, legal form of the vehicle, terms in the contractual arrangement and other fact and circumstances when assessing the classification of the joint arrangement.

Investments in joint ventures are accounted for using the equity method and are recognized initially at cost, plus, any transaction costs. The carrying amount of the investment in joint ventures includes goodwill arising from the acquisition less any accumulated impairment losses. When necessary, the entire carrying amount of the investment (including goodwill) will be tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group recognizes its share of the profit or loss and other comprehensive income of those joint ventures from the date on which joint control commences until the date on which joint control ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when a joint venture's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in percentage of ownership.

Unrealized profits resulting from transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses on transactions with joint ventures are eliminated in the same way, except to the extent that the underlying asset is impaired.

(j) Property, plant and equipment

(i) Recognition and measurement

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 costs

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 assets less their residual values and is recognized in profit or loss on a straight-line 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 for property, plant and equipment are as follows: machinery and equipment: 2 to 10 years; furniture, fixtures, and other equipment: 1 to 10 years; buildings－main structure and other equipment pertaining to buildings: 4 to 40 years; buildings－electronic and air-conditioning facilities: 20 to 30 years.

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(k) Investment property

Investment property is a property held either to earn rental income or for capital appreciation, or for both. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment property is measured at initial acquisition cost, less, accumulated depreciation and accumulated impairment losses. The methods used for depreciating and determining useful life, and residual value of investment property are the same as those adopted for property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of investment property, bringing the investment property to the condition necessary for it to be available for use, and any borrowing cost that is eligible for capitalization.

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 income 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.

An investment property is reclassified to property, plant and equipment at its carrying amount when its purpose has been changed from investment to owner-occupied.

(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 evaluated and 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;
- 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 subsequently 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 of the Group’s assessment on whether it will exercise an option to purchase the underlying asset, or;
- there is a change in the lease term resulting from a change of the Group’s assessment on whether it will exercise an extension or termination option; or
- there is any lease modification in lease subject, scope of the lease or other terms.

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 the difference in profit or loss for 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 properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less 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 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.

For operating lease, the Group recognizes rental income on a straight-line basis over the lease term.

(m) Intangible assets

(i) Goodwill

Goodwill arising from the acquisition of subsidiaries is accounted for as intangible assets. Please refer to note 4(t) for the description of the measurement of goodwill at initial recognition. Goodwill is not amortized but is measured at cost, less, accumulated impairment losses.

(ii) Other intangible assets

Other separately acquired intangible assets, including acquired software, patents, expertise and customer relationships, are carried at cost, less, accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss using the straight-line method over the estimated useful lives: acquired software: 1 to 10 years；patents: 3 to 6 years；expertise : 8 to 10 years ； customer relationships: 8 years.

The residual value, amortization period, and amortization method are reviewed at least at each financial year-end, with the effect of any changes in estimate accounted for on a prospective basis.

(n) Impairment of non-financial assets

The Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories, assets arising from employee benefits and deferred tax assets) may be impaired. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of 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 from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units (“CGUs”) or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or CGU is the higher 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.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(o) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for warranties is recognized when the underlying products are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(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 accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group recognizes revenue when control of the goods has been transferred, being when the goods are delivered to the customer, the customer has discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group offers sales discounts to certain customers. The Group recognizes revenue based on the price specified in the contract, net of estimated discounts. Discounts are estimated based on contracts or accumulated experience using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected sales discounts payable to customers.

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.

(ii) Royalties

The Group provides the customers with a right to use the Group's intellectual property as it exists at the time the license is granted, under which the performance obligation is satisfied over time and revenue is recognized over a specific period of time.

(iii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment made by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each 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 discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the expenses related to the increased obligations resulting from the services rendered by employees in the past years are recognized in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise (i) actuarial gains and losses, (ii) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liabilities (asset) are recognized in other comprehensive income and then transferred to other equity.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, and the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

The grant date for share-based payment arrangement is the date when the Group informs the exercise price and the shares to which employees can subscribe.

(s) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

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 that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(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 unused tax losses, 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 reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

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, and reflect uncertainty related to income taxes, if any.

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.

When income tax expenses are directly recognized in equity or other comprehensive income, the tax related to temporary difference between the carrying amount of the relevant assets and liabilities for financial reporting purposes and the amounts for taxation purposes is measured at the expected realization or settlement of the applicable tax rate.

(t) Business combination

The Group accounts for business combinations using the acquisition method. Goodwill is measured as the excess of the acquisition-date fair value of the consideration transferred (including any non-controlling interest in the acquiree) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the amount calculated above is a deficit balance, the Group recognizes that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

Acquisition-related costs are expensed as incurred except for the costs related to issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(u) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the Parent are disclosed in the consolidated financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Parent by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Parent and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Group's dilutive potential common shares are profit sharing for employees to be settled in the form of common stock.

(v) 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 on the allocation of resources to the segment and to assess its performance. Each operating segment consists of standalone financial information.

5. Critical accounting judgments and key sources of estimation and assumption uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(a) Valuation of inventory

Inventories are measured at the lower of cost and net realizable value. Due to the rapid innovation of technology and highly competitive environments in the electronic industry, the life cycles of certain products of the Group are short and their market prices fluctuate rapidly. The Group's stocks for products may become obsolete and product price may decline rapidly. These factors result in a risk wherein the carrying amount of inventory may exceed its net realizable value. Particularly, the estimation of net realizable value requires the management's estimation and is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments.

(b) Impairment of goodwill

The assessment of impairment of goodwill requires the Group to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates in response to changed economic conditions or business strategies could result in significant adjustments in future years.

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 6,438	5,662
Demand deposits and checking accounts	2,508,599	2,001,707
Time deposits with original maturities less than three months	522,942	590,998
Cash equivalents	7,224	4,316
	$ 3,045,203	2,602,683

(b) Financial assets and liabilities at fair value through profit or loss－current

	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not designated for hedge accounting:		
Foreign currency forward contracts	$ 1,768	9,844
Non-derivative financial assets:		
Open–end mutual funds	100,282	100,034
Structured deposits	355,411	344,454
	$ 457,461	454,332
Financial liabilities held for trading:		
Derivative instruments not designated for hedge accounting:		
Foreign currency forward contracts	$ (23)	(28)

The Group entered into derivative contracts to manage foreign currency exchange risk arising from operating activities and were classified as financial assets and liabilities at fair value through profit or loss.

At each reporting date, the outstanding derivative contracts that did not conform to the criteria for hedge accounting consisted of the following:

December 31, 2021		
Contract amount (in thousands)	**Currencyv**	**Maturity Period**
USD 12,000	CNY Buy / USD Sell	2022.01
USD 4,845	NTD Buy / USD Sell	2022.01～2022.06

December 31, 2020		
Contract amount (in thousands)	**Currency**	**Maturity Period**
USD 32,080	CNY Buy / USD Sell	2021.01~2021.04
USD 5,697	NTD Buy / USD Sell	2021.01~2021.05

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

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income:		
Domestic listed stocks	$ 1,485,096	1,126,806
Domestic emerging stocks	-	21,020
	$ 1,485,096	1,147,826
Current	$ 271,389	89,443
Non-current	1,213,707	1,058,383
	$ 1,485,096	1,147,826

The Group designated the above-mentioned equity investments as financial assets at fair value through other comprehensive income ("FVOCI") because these investments are held for strategic purposes and not for trading.

For years ended December 31, 2021 and 2020, the Group sold certain investments measured at FVOCI at fair value of $56,095 and 59,978 respectively, and the realized gains on disposed of the investment accumulated in other comprehensive income of $29,189 and $25,747, respectively, have been reclassified from other equity to retained earnings.

(d) Financial assets at amortized costs

		December 31, 2021	December 31, 2020
Current:			
Restricted deposits	$	3,100	1,100
Non-current:			
Restricted deposits	$	810	810

The Group has assessed that the above-mentioned financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

Please refer note 8 for details of financial assets pledged as collateral.

(e) Notes and accounts receivable

		December 31, 2021	December 31, 2020
Notes and accounts receivable	$	7,780,468	6,786,110
Accounts receivable from related parties		137,271	123,441
		7,917,739	6,909,551
Less: loss allowance		(55,609)	(54,685)
	$	7,862,130	6,854,866

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. Forward looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable (including receivables from related parties) was as follows:

	December 31, 2021			
		Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$	6,605,502	0.30%	19,522
Past due 1-30 days		1,212,219	1.40%	17,018
Past due 31-60 days		66,309	3.87%	2,568
Past due 61-90 days		20,544	25.07%	5,151
Past due 91-120 days		4,348	58.26%	2,533
Past due over 121 days		8,817	100%	8,817
	$	7,917,739		55,609

	December 31, 2020			
		Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$	5,773,831	0.26%	14,808
Past due 1-30 days		960,419	1.06%	10,206
Past due 31-60 days		151,446	8.61%	13,047
Past due 61-90 days		10,591	32.85%	3,479
Past due 91-120 days		777	84.68%	658
Past due over 121 days		12,487	100.00%	12,487
	$	6,909,551		54,685

Movements of the loss allowance for notes and accounts receivable (including receivables from related parties) were as follows:

		2021	2020
Balance at January 1	$	54,685	50,853
Impairment loss (reversal gain)		1,163	(3,898)
Acquisition through business combination		-	7,719
Effect of exchange rate changes		(239)	11
Balance at December 31	$	55,609	54,685

(f) Inventories

		December 31, 2021	December 31, 2020
Raw materials	$	5,074,006	1,895,245
Work in process		1,318,259	530,147
Finished goods		2,146,570	1,911,310
	$	8,538,835	4,336,702

The amounts of inventories recognized as cost of sales were as follows:

		2021	2020
Cost of inventories sold	$	22,963,302	18,267,418
Write-downs of inventories (Reversal of write-downs)		183,767	(7,821)
Loss on scrap		230,355	232,355
	$	23,377,424	18,491,952

The write-downs of inventories arise from the write-downs of inventories to net realizable value. The reversal of write-downs of inventories arise from the disposal or use of obsolete inventories.

(g) Investments accounted for using equity method

Aggregated financial information of the joint ventures and associates that were not individually material to the Group is summarized as follows. The financial information was included in the Group's consolidated financial statements:

	December 31, 2021	December 31, 2020
Carrying amount of joint ventere	$ 23,332	29,069
Carrying amount of associates	51,891	-
	$ 75,223	**29,069**

	2021	2020
Attributable to the Group of joint ventures:		
Net Profit	$ 4,431	3,268
Other comprehensive income	(3,827)	33
Total comprehensive income	**$ 604**	**3,301**

	2021	2020
Attributable to the Group of associates:		
Net Profit	$ (223)	-
Other comprehensive income	17,415	-
Total comprehensive income	**$ 17,192**	**-**

(h) Subsidiaries and non-controlling interests

(i) Acquisition of a subsidiary －Astro Tech Co., Ltd. ("ATC")

1) The cost of acquisition

On April 1, 2021 (the acquisition date), the Company acquired 51.00% equity ownership of ATC. Since then, ATC and its subsidiaries have been included in the accompanying consolidated financial statements. ATC and its subsidiaries are mainly engaged in the design, manufacture and trading of high-end and electronic bicycle frames.

The acquisition of ATC enabled the Group to improve its vertical integration with respect to the business development of E-bike's manufacture, thereby expending the Group's scale in the industry of green energy products.

2) Identifiable net assets acquired in a business combination

On April 1, 2021 (the acquisition date), the fair value of the identifiable assets acquired and liabilities assumed from the acquisition were as follows:

Consideration transferred:		
Share capital increase by cash (Note)		$ 1,224,000
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		1,013,755
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	$ 1,533,552	
Notes and accounts receivable, net	315,243	
Other receivables	131,994	
Inventories	302,165	
Prepayments and other current assets	57,605	
Investments accounted for using equity method	34,699	
Property, plant and equipmen	940,438	
Right-of-use assets	227,931	
Intangible assets－patents	124,899	
Intangible assets－computer software	14,486	
Other non-current assets	197,111	
Short-term borrowings	(28,653)	
Accounts payable	(728,789)	
Other payables (Note)	(606,741)	
Provisions-current	(3,155)	
Other current liabilities	(132,107)	
Long-term borrowings (including current portion)	(34,383)	
Lease liabilities (including current and non-current)	(7,096)	
Deferred income tax liabilities	(126,841)	
Long-term payables (included in other non-current liabilities) (Note)	(143,471)	2,068,887
Goodwill		**$ 168,868**

Note: The Company acquired ATC through participating in the share capital increase by cash of ATC. The net cash outflow from acquisition included the previous share payment of $469,021 according to the share transfer agreement. Additionally, other long-term share payables accounted to $143,471.

3) Intangible assets

The above-mentioned intangible asset－patents is amortized on a straight-line basis over the estimated economic useful life of 3 years.

Goodwill arising from the acquisition of ATC and its subsidiaries mainly came from the profitability from their expertise in the design and manufacture of high-end bicycles and E-bike frames, as well as assembled workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

4) Pro forma information

From April 1, 2021 (the acquisition date) to December 31, 2021, ATC and its subsidiaries had contributed the revenue of $1,876,901 and the net income of $34,608 to the Group’s results. If this acquisition had occurred on January 1, 2021, the management estimates that the consolidated revenue would have been $28,882,490, and consolidated income after income tax would have been $1,375,758.

(ii) Acquisition of a subsidiary －TD HiTech Energy Inc. (“TDI”)

1) The cost of acquisition

On August 25, 2020 (the acquisition date), the Company acquired 62.75% equity ownership of TDI. Since then, TDI and its subsidiaries have been included in the accompanying consolidated financial statements. TDI and its subsidiaries are mainly engaged in the manufacture and trading of high-power electronic bike battery module and related components.

The acquisition of TDI enabled the Group to accelerate its strategic layout with respect to the business development of E-bike’s battery, thereby expending the Group’s scale in the industry of green energy products.

2) Identifiable net assets acquired in a business combination

On August 25, 2020 (the acquisition date), the fair value of the identifiable assets acquired and liabilities assumed from the acquisition were as follows:

Consideration transferred:				
Cash			$	407,809
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)				213,486
Less: identifiable net assets acquired at fair value:				
Cash and cash equivalents	$	317,650		
Notes and accounts receivable, net		172,338		
Other receivables		58		
Inventories		135,808		
Prepayments and other current assets		13,642		
Property, plant and equipment		21,334		
Prepayments for equipment		1,284		
Right-of-use assets		57,052		
Intangible assets－patents		856		
Intangible assets－expertise		28,454		
Intangible assets－computer software		2,207		
Deferred income tax assets		9,251		
Refundable deposits		1,843		
Accounts payable		(75,598)		
Other payables		(18,859)		
Provisions-current		(13,861)		
Other current liabilities		(16,026)		
Lease liabilities (current and non-current)		(58,624)		
Deferred income tax liabilities		(5,691)		573,118
Goodwill			**$**	**48,177**

The Group continuously reviews the abovementioned items during the measurement period. For the year ended December 31, 2021, the adjustment of the abovementioned intangible assets and goodwill were as follows:

Decrease in intangible assets－expertise		(4,729)
Decrease in deferred income tax liabilities		946
Decrease in non-controlling interests		1,409
Increase in goodwill	**$**	**(2,374)**

3) Intangible assets

The above-mentioned intangible asset－expertise is amortized on a straight-line basis over the estimated economic useful life of 8 years.

Goodwill arising from the acquisition of TDI and its subsidiaries mainly came from the profitability from their expertise in manufacturing technology for high power electronic bike battery module, as well as value of workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

(iii) Changes in ownership interest in subsidiaries without losing control

In 2021 and 2020, the Group disposed part of UTC’s equity interests at a consideration of $9,800 and $115,720, respectively. In 2021, the Group acquired additional equity of DTC.

In 2021, UTC increased its share capital wherein the Group did not subscribe proportionately from its existing ownership percentage, which resulted in a decrease in the Group’s ownership interest in UTC.

In 2020, UTC exchanged 0.20 shares for 1 share of STC and payed $53,706 in cash to acquire all the non-controlling interests of STC, which resulted in an increase in the Group’s ownership interest in STC.

In 2020, UTC issued new shares for the stock options exercised by its employees, and for the purpose of exchanging STC’s additional shares, which resulted in a decrease in the Group’s ownership interest in UTC.

In 2020, DTC increased its share capital and reserved the partial new shares for subscription by its employees and for the stock options exercised by its employees, which resulted in a decrease in the Group’s ownership interest in DTC.

In 2020, IOC increased its share capital for cash. The capital injection was fully subscribed by DTC, resulting in a decrease in the Group’s ownership interest in IOC.

Please refer to note 4(c) for the aforementioned changes in ownership interest in subsidiaries. The following table summarizes the impact of equity attributed to the shareholders of the Company.

	2021	**2020**
Capital surplus－arising from changes in ownership interests in subsidiaries	$ 204,221	24,552
Capital surplus－difference between consideration and carrying amount arising from acquisition or disposal of shares of subsidiaries	7,092	94,638
	$ 211,313	**119,190**

(i) Subsidiaries that have material non-controlling interest

Subsidiaries that have material non-controlling interest were as follows:

		The Percentage of ownership and voting rights held by non-controlling interests	
Subsidiary	**Principal place of business /Registration country**	**December 31, 2021**	**December 31, 2020**
KST	Taiwan	40.00%	40.00%
UTC	Taiwan	54.23%	49.72%
TDI	Taiwan	37.25%	37.25%
ATC	Taiwan	49.00%	-

The following summarized financial information of abovementioned subsidiaries was prepared in accordance with Taiwan-IFRSs. The amounts have reflected the fair value adjustments made at acquisition date and include intragroup transactions.

1) The summarized financial information of KST:

	December 31, 2021	**December 31, 2020**
Current assets	$ 3,785,923	1,787,758
Non-current assets	904,766	761,011
Current liabilities	(3,533,691)	(1,360,333)
Non-current liabilities	(85,090)	(90,361)
Net assets	$ 1,071,908	1,098,075
The carrying amount of non-controlling interests	$ 375,194	385,190

	2021	**2020**
Net sales	$ 3,490,856	2,277,582
Net loss	$ (12,289)	(15,548)
Other comprehensive income	(12,703)	(8,169)
Total comprehensive income	$ (24,992)	(23,717)
Net loss attributable to non-controlling interests	$ (4,916)	(6,219)
Total comprehensive income attributable to non-controlling interests	$ (9,997)	(9,487)
Cash flow from operating activities	$ (1,252,246)	(208,131)
Cash flow from investing activities	(234,223)	(83,195)
Cash flow from financing activities	1,141,123	485,371
Effects of foreign exchange rate changes	11,288	11,643
Net increase (decrease) in cash and cash equivalents	$ (334,058)	205,688
Cash dividends paid to non-controlling interests	$ -	-

2) The summarized financial information of UTC:

	December 31, 2021	December 31, 2020
Current assets	$ 1,815,578	904,207
Non-current assets	1,166,286	1,199,158
Current liabilities	(633,209)	(434,683)
Non-current liabilities	(69,921)	(98,188)
Net assets	$ 2,278,734	1,570,494
The carrying amount of non-controlling interests	$ 1,087,467	633,056

	2021	2020
Net sales	$ 1,705,810	1,291,635
Net income	$ 268,398	103,785
Other comprehensive income	570	(46)
Total comprehensive income	$ 268,968	103,739
Net income attributable to non-controlling interests	$ 131,843	51,043
Total comprehensive income attributable to non-controlling interests	$ 132,138	51,025
Cash flow from operating activities	$ 371,488	191,370
Cash flow from investing activities	(59,788)	48,606
Cash flow from financing activities	456,485	(130,006)
Effects of foreign exchange rate changes	79	102
Net increase in cash and cash equivalents	$ 768,264	110,072
Cash dividends paid to non-controlling interests	$ (76,170)	(52,116)

3) The summarized financial information of TDI:

	December 31, 2021	December 31, 2020
Current assets	$ 732,020	657,364
Non-current assets	147,505	165,141
Current liabilities	(206,068)	(153,279)
Non-current liabilities	(34,941)	(48,564)
Net assets	$ 638,516	620,662
The carrying amount of non-controlling interests	$ 219,017	213,251

	2021	August 25, 2021～ December 31, 2020
Net sales	$ 676,023	246,923
Net income (loss)	$ 18,612	(1,765)
Other comprehensive income	650	-
Total comprehensive income	$ 19,262	(1,765)
Net income (loss) attributable to non-controlling interests	$ 6,933	(236)
Total comprehensive income attributable to non-controlling interests	$ 7,175	(236)
Cash flow from operating activities	$ 87,058	85,223
Cash flow from investing activities	(85,372)	(89,078)
Cash flow from financing activities	(11,703)	(3,880)
Net decrease in cash and cash equivalents	$ (10,017)	(7,735)
Cash dividends paid to non-controlling interests	$ -	-

4) The summarized financial information of ATC:

	December 31, 2021
Current assets	$ 2,050,646
Non-current assets	2,249,155
Current liabilities	(1,719,511)
Non-current liabilities	(277,971)
Net assets	$ 2,302,319
The carrying amount of non-controlling interests	$ 1,045,391

	April 1, 2021～ December 31, 2021
Net sales	$ 1,876,901
Net income	$ 34,608
Other comprehensive income	29,956
Total comprehensive income	$ 64,564
Net income attributable to non-controlling interests	$ 16,958
Total comprehensive income attributable to non-controlling interests	$ 31,637
Cash flow from operating activities	$ (1,184,822)
Cash flow from investing activities	(557,761)
Cash flow from financing activities	1,708,978
Effects of foreign exchange rate changes	30,109
Net decrease in cash and cash equivalents	$ (3,496)
Cash dividends paid to non-controlling interests	$ -

(j) Property, plant and equipment

The movements of cost, and accumulated depreciation and impairment loss of the property, plant and equipment were as follows:

		Land	Building	Machinery	Furniture and fixtures	Other equipment	Equipment pending acceptance	Total
Cost:								
Balance at January 1, 2021	$	893,231	6,262,066	5,963,628	-	431,401	179,146	13,729,472
Acquisition through business combination (note 6(h))		177,647	520,672	577,170	-	76,418	-	1,351,907
Additions		370,755	194,332	256,915	-	77,669	465,243	1,364,914
Disposals		-	(4,214)	(62,103)	-	(24,232)	-	(90,549)
Reclassification		-	47,155	501,639	-	29,313	(228,782)	349,325
Effect of exchange rate changes		-	(39,383)	(29,441)	-	(145)	(1,396)	(70,365)
Balance at December 31, 2021	$	1,441,633	6,980,628	7,207,808	-	590,424	414,211	16,634,704
Balance at January 1, 2020	$	893,058	6,243,838	5,300,343	-	402,517	279,161	13,118,917
Acquisition through business combination (note 6(h))		-	12,500	51,222	-	11,657	-	75,379
Additions		173	21,084	413,738	-	46,127	168,950	650,072
Disposals		-	(83,431)	(99,252)	-	(46,305)	-	(228,988)
Reclassification		-	160,763	412,265	-	17,309	(269,873)	320,464
Effect of exchange rate changes		-	(92,688)	(114,688)	-	96	908	(206,372)
Balance at December 31, 2020	$	893,231	6,262,066	5,963,628	-	431,401	179,146	13,729,472
Accumulated depreciation and impairment losses:								
Balance at January 1, 2021	$	-	2,873,554	4,490,389	-	319,583	-	7,683,526
Acquisition through business combination (note 6(h))		-	103,229	295,768	-	12,472	-	411,469
Depreciation		-	274,759	494,601	-	75,213	-	844,573
Disposals		-	(3,051)	(58,906)	-	(19,029)	-	(80,986)
Reclassification		-	(2,355)	-	-	(3,876)	-	(6,231)
Effect of exchange rate changes		-	(26,973)	(33,911)	-	(313)	-	(61,197)
Balance at December 31, 2021	$	-	3,219,163	5,187,941	-	384,050	-	8,791,154
Balance at January 1, 2020	$	-	2,738,134	4,276,472	-	331,710	-	7,346,316
Acquisition through business combination (note 6(h))		-	1,630	42,899	-	9,516	-	54,045
Depreciation		-	240,120	374,482	-	26,885	-	641,487
Impairment losses		-	-	75	-	-	-	75
Disposals		-	(54,576)	(98,707)	-	(46,127)	-	(199,410)
Reclassification		-	-	(99)	-	(2,417)	-	(2,516)
Effect of exchange rate changes		-	(51,754)	(104,733)	-	16	-	(156,471)
Balance at December 31, 2020	$	-	2,873,554	4,490,389	-	319,583	-	7,683,526
Carrying amount:								
Balance at December 31, 2021	$	1,441,633	3,761,465	2,019,867	-	206,374	414,211	7,843,550
Balance at December 31, 2020	$	893,231	3,388,512	1,473,239	-	111,818	179,146	6,045,946

Please refer to note 8 for details of the property, plant and equipment pledged as collateral.

Lands located in Miaoli and ChangHua, which are properties of the subsidiary, UTC, could not be registered in the name of the company due to regulations. The company and the landowners had signed an agreement, clarifying that the rights and obligations of the lands belong to the company.

On December 31, 2021, the group paid the prepayment $105,283 included in other non-current assets to acquire the lands in Miaoli and ChangHua.

(k) Right-of-use assets

The movements of cost, and accumulated depreciation and impairment loss of right-of-use assets were as follows:

	Land	Buildings	Transportation Equipment	Total
Cost:				
Balance at January 1, 2021	$ 384,866	445,208	3,712	833,786
Acquisition through business combination (note 6(h))	226,235	7,096	-	233,331
Additions	8,736	77,649	7,676	94,061
Disposals	-	(66,176)	(702)	(66,878)
Reclassification from other non-current assets	176,897	-	-	176,897
Effect of exchange rates changes	(19,776)	(2,771)	(387)	(22,934)
Balance at December 31, 2021	$ 776,958	461,006	10,299	1,248,263
Balance at January 1, 2020	$ 389,974	253,271	1,161	644,406
Acquisition through business combination (note 6(h))	-	63,566	2,669	66,235
Additions	11,096	186,561	692	198,349
Disposals	-	(54,949)	(810)	(55,759)
Effect of exchange rates changes	(16,204)	(3,241)	-	(19,445)
Balance at December 31, 2020	$ 384,866	445,208	3,712	833,786
Accumulated depreciation and impairment losses:				
Balance at January 1, 2021	$ 41,161	120,981	1,431	163,573
Acquisition through business combination (note 6(h))	5,400	-	-	5,400
Depreciation	35,371	109,427	2,579	147,377
Disposals	-	(33,827)	(475)	(34,302)
Effect of exchange rate changes	(5,714)	(784)	(71)	(6,569)
Balance at December 31, 2021	$ 76,218	195,797	3,464	275,479
Balance at January 1, 2020	$ 15,774	67,576	613	83,963
Acquisition through business combination (note 6(h))	-	8,413	770	9,183
Depreciation	25,839	95,712	858	122,409
Disposals	-	(50,231)	(810)	(51,041)
Effect of exchange rate changes	(452)	(489)	-	(941)
Balance at December 31, 2020	$ 41,161	120,981	1,431	163,573
Carrying amount:				
Balance at December 31, 2021	$ 700,740	265,209	6,835	972,784
Balance at December 31, 2020	$ 343,705	324,227	2,281	670,213

On December 31, 2021, the subsidiary, ATV, paid 100% payment $194,563 to acquire the right-of-use assets of land in Vietnam. However, the right has not been transferred yet, so it is still listed under non-current assets.

On December 31, 2020, the group paid the prepayment of 95%, $176,897 (included in other non-current assets) to acquire the right-of-use assets of land in Vietnam. In 2021, the Group reclassified the aforementioned non-current assets as right-of-use assets after fulfilling the residual amount of the payment.

(l) Investment property

The movements of costs, and accumulated depreciation and impairment loss of investment property were as follows:

	Land	Buildings	Total
Cost:			
Balance at January 1, 2021	$ 69,233	29,467	98,700
Additions	-	100	100
Disposals	(16,874)	(12,141)	(29,015)
Balance at December 31, 2021	**$ 52,359**	**17,426**	**69,785**
Balance at January 1, 2020	$ 119,959	54,528	174,487
Disposals	(50,726)	(25,061)	(75,787)
Balance at December 31, 2020	**$ 69,233**	**29,467**	**98,700**
Accumulated depreciation and impairment losses:			
Balance at January 1, 2021	$ -	11,874	11,874
Depreciation	-	501	501
Disposals	-	(4,715)	(4,715)
Balance at December 31, 2021	**$ -**	**7,660**	**7,660**
Balance at January 1, 2020	$ -	22,583	22,583
Depreciation	-	775	775
Disposals	-	(11,484)	(11,484)
Balance at December 31, 2020	**$ -**	**11,874**	**11,874**
Carrying amount:			
Balance at December 31, 2021	**$ 52,359**	**9,766**	**62,125**
Balance at December 31, 2020	**$ 69,233**	**17,593**	**86,826**
Fair value:			
Balance at December 31, 2021			**$ 75,619**
Balance at December 31, 2020			**$ 108,908**

Investment property represents properties that are leased to third parties for office premises. Please refer to note 6(s) for the related information.

In 2021 and 2020, the Group disposed part of its investment property to non-related parties. Net disposal proceeds amounted to $26,209 and $63,252 respectively, and the gain (loss) on disposal of property amounted to $1,909 and ($1,051). As of December 31, 2021and 2020, the relevant proceeds have been received.

The fair value of the investment property is determined by referring to the market price of similar real estate transactions in the same area in which the investment property is located, or the valuation made by an independent appraiser using income approach or comparative approach. The inputs used in the fair value measurement were classified to level 3.

(m) Intangible assets

The movements of costs and accumulated amortization of intangible assets were as follows:

	Goodwill	Patents	Expertise	Customer relationship	Software	Total
Costs:						
Balance at January 1, 2021	$ 465,868	35,836	217,475	114,690	46,561	880,430
Acquisition through business combination (note 6(h))	168,868	124,913	-	-	14,908	308,689
Adjustment of business combination during the measurement period (note 6(h))	2,374	-	(4,729)	-	-	(2,355)
Additions	-	75	-	-	23,125	23,200
Reclassification	-	-	-	-	16,572	16,572
Effect of exchange rate changes	-	-	-	-	(728)	(728)
Balance at December 31, 2021	$ 637,110	160,824	212,746	114,690	100,438	1,225,808
Balance at January 1, 2020	$ 417,691	31,436	189,021	114,690	119,417	872,255
Acquisition through business combination (note 6(h))	48,177	4,400	28,454	-	2,597	83,628
Additions	-	-	-	-	16,030	16,030
Reclassification	-	-	-	-	12,441	12,441
Disposals	-	-	-	-	(103,969)	(103,969)
Effect of exchange rate changes	-	-	-	-	45	45
Balance at December 31, 2020	$ 465,868	35,836	217,475	114,690	46,561	880,430
Accumulated amortization:						
Balance at January 1, 2021	$ -	14,994	40,477	32,342	18,590	106,403
Acquisition through business combination (note 6(h))	-	14	-	-	422	436
Amortization	-	5,720	52,477	14,336	22,470	95,003
Reclassification	-	-	1,279	(1,279)	6,231	6,231
Effect of exchange rate changes	-	-	-	-	(311)	(311)
Balance at December 31, 2021	$ -	20,728	94,233	45,399	47,402	207,762
Balance at January 1, 2020	$ -	6,113	21,157	17,238	109,683	154,191
Acquisition through business combination (note 6(h))	-	3,544	-	-	390	3,934
Amortization	-	5,337	19,320	15,104	9,974	49,735
Disposals	-	-	-	-	(103,969)	(103,969)
Reclassification	-	-	-	-	2,516	2,516
Effect of exchange rate changes	-	-	-	-	(4)	(4)
Balance at December 31, 2020	$ -	14,994	40,477	32,342	18,590	106,403
Carrying amounts:						
Balance at December 31, 2021	$ 637,110	140,096	118,513	69,291	53,036	1,018,046
Balance at December 31, 2020	$ 465,868	20,842	176,998	82,348	27,971	774,027

(i) The amortization of intangible assets was included in the following line items of the consolidated statements of comprehensive income:

		2021	2020
Cost of sales	$	6,820	3,072
Operating expenses		88,183	46,663
	$	95,003	49,735

(ii) Impairment test on goodwill

The carrying amounts of goodwill arising from business combinations and the respective CGUs to which the goodwill was allocated for impairment test purpose were as follows:

		December 31, 2021	December 31, 2020
UTC	$	273,447	273,447
KST		133,924	133,924
ATC		168,868	-
Other CGUs without allocating significant goodwill		60,871	58,497
	$	637,110	465,868

The above-mentioned CGUs represent the lowest level within the group, at which the goodwill is monitored for internal management purpose. Based on the results of impairment tests conducted by the Group, the recoverable amount of CGUs exceeded their carrying amount; as a result, no impairment loss was recognized. The recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

	December 31, 2021	December 31, 2020
UTC：		
Revenue growth rate	9%~22%	9%~15%
Discount rates	14.71%	17.38%

	December 31, 2021	December 31, 2020
KST：		
Revenue growth rate	5%~29%	15%~30%
Discount rates	16.67%	17.40%

	December 31, 2021	December 31, 2020
ATC：		
Revenue growth rate	5%~22%	-
Discount rates	16.55%	-

1) The cash flow projections were based on future financial budgets, covering a period of 5 years, which were approved by management. Cash flows beyond 5 years have been extrapolated using a 1.5% to 2% growth rate.
2) The estimation of discount rate is based on the weighted average cost of capital.

(n) Short-term borrowings

	December 31, 2021	December 31, 2020
Unsecured bank borrowings	$ 4,710,651	2,470,428
Secured bank borrowings	329,320	-
	$ 5,039,971	**2,470,428**
Unused credit facilities	**$ 10,951,121**	**7,918,479**
Interest rate	**0.60%~1.39%**	**0.83%~1.25%**

Please refer to note 8 for a description of pledged property for credit lines of short-term borrowings.

(o) Short-term notes and bills payable

	December 31, 2020
Commercial paper payable	$ 440,000
Less: discount on commercial paper payable	(279)
	$ 439,721
Interest rate	**0.848%~0.858%**

(p) Long-term debt

	December 31, 2021	December 31, 2020
Secured bank loans	$ 3,640,850	1,600,000
Less: current portion of long-term debt	(16,899)	-
	$ 3,623,951	**1,600,000**
Unused credit facilities	**$ 2,491,493**	**2,053,600**
Year to maturity	**2022~2024**	**2023**
Interest rate	**0.82%~1.60%**	**0.99%~1.08%**

According to the loan agreements, the Group is required to maintain certain financial ratios, including current ratio, net liability ratio, financial liability ratio, interest coverage ratio and tangible net worth, calculated based on its annual audited consolidated financial statements and semi-annual reviewed consolidated financial statements. On December 31, 2021 and 2020, the Group was in compliance with the above-mentioned financial ratios.

Please refer to note 8 for a description of pledged property for long-term debt.

(q) Lease liabilities

Lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	$ 100,386	94,838
Non-current	$ 203,716	258,871

Please refer to note 6(ab) for maturity analysis.

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	$ 10,890	11,427
Expenses relating to short-term leases	$ 47,290	23,109

The amounts recognized in the statement of cash flows for the Group was as follows:

	2021	2020
Total cash outflow for leases	$ 173,834	144,520

Major terms of lease:

(i) Land and Buildings leases

The Group leases land and buildings for its factories, office premises and retail stores. The leases of land typically run for 5 to 50 years, factories and office premises for 1 to 7 years, and retail stores for 2 to 9 years. Some leases include an option to extend the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases transportation equipment with lease terms ranged from 2 to 3 years. Additionally, the Group leases machine, warehouses and equipment with contract terms within one year. These leases are short-term, and the Group has elected to apply exemption of not recognizing right-of-use assets and lease liabilities.

(r) Warranty provisions

	2021	2020
Balance at January 1,	$ 96,222	69,553
Acquisition through business combination	3,155	13,861
Additions	58,168	35,483
Amount utilized	(46,829)	(22,675)
Balance at December 31	$ 110,716	96,222

Warranty provisions are mainly related to the sale of computer peripherals and green energy products (batteries and bicycles). Warranty provisions are estimated based on historical warranty data associated with similar products.

(s) Operating lease of lessor

The Group leases its investment property to others. The Group has classified these leases as operating leases as it does not transfer substantially all the risks and rewards incidental to ownership of the assets to lessee. Please refer to note 6 (l) for the information of investment property.

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

	December 31, 2021	December 31, 2020
Not later than 1 year	$ 1,436	625

The rental income from investment property in 2021 and 2020, amounted to $1,970 and $1,853, respectively, and were reported in other income. Please refer to note 6 (aa).

The direct operating expenses are as follows:

	December 31, 2021	December 31, 2020
Arising from investment property that generated rental income	$ 892	1,342

(t) Employee benefits

(i) Defined benefit plans

Present value of defined benefit obligations in excess of fair value of plan assets:

	December 31, 2021	December 31, 2020
Present value of benefit obligations	$ 183,487	184,705
Fair value of plan assets	(118,110)	(118,476)
Net defined benefit liabilities	$ 65,377	66,229

Fair value of plan assets in excess of present value of defined benefit obligations:

	December 31, 2021	December 31, 2020
Present value of benefit obligations	$ -	-
Fair value of plan assets	(17,076)	(16,777)
Net defined benefit assets	$ (17,076)	(16,777)

The Company and its domestic subsidiaries make defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee’s retirement.

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company and its domestic subsidiaries is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the "Bureau of Labor Funds"). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, minimum annual earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2021, and 2020, the Company and its domestic subsidiaries' labor pension fund deposited at Bank of Taiwan amounted to \$135,186 and \$135,253, respectively. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the Fund.

2) Movements in present value of defined benefit obligations

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

	2021	2020
Defined benefit obligations at January 1	$ 184,705	185,434
Current service costs and interest expense	1,465	2,181
Remeasurement on the net defined benefit liabilities (assets):		
－Actuarial losses (gains) arising from changes in demographic assumptions	4,720	-
－Actuarial losses (gains) arising from experience adjustments	3,058	(3,817)
－Actuarial losses (gains) arising from changes in financial assumptions	284	7,984
Gain on curtailment	(1,296)	-
Benefits paid by the Group and the plan	(9,449)	(7,077)
Defined benefit obligations at December 31	**$ 183,487**	**184,705**

3) Movements of fair value of plan assets

The movements of fair value of plan assets of the Group were as follows:

		2021	2020
Fair value of plan assets at January 1	$	135,253	128,750
Interest income		1,165	1,924
Remeasurement on the net defined benefit liabilities (assets):			
－Returns on plan assets (excluding the amounts included in the net interest expense)		1,311	3,763
Contributions by the employer		6,906	5,335
Benefits paid by the plan		(9,449)	(4,519)
Fair value of plan assets at December 31	$	135,186	135,253

4) Changes in the effect of the asset ceiling

In 2021 and 2020, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

		2021	2020
Current service costs	$	135	128
Net interest expense on the net defined benefit liability (asset)		165	129
Gain on curtailment		(1,296)	-
	$	(996)	257
Cost of sales	$	189	254
Operating expenses		111	3
Other income		(1,296)	-
	$	(996)	257

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.55%~0.75%	0.75%~0.80%
Future salary increases rate	2.00%~4.00%	2.00%~4.00%

The Group expects to make the contribution of $5,260 to the defined benefit plans in the year following December 31, 2021. The weighted average duration of the defined benefit plan ranges from 11.5 years to 15.34 years.

7) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation.

		Increase (decrease) in present value of defined benefit obligations	
		0.25% Increase	**0.25% Decrease**
December 31, 2021			
Discount rate	$	(5,277)	5,476
Future salary change		5,320	(5,133)
December 31, 2020			
Discount rate		(5,718)	5,946
Future salary change		5,772	(5,565)

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are interrelated. The method used to carry out the sensitivity analysis is the consistent with the calculation of the net defined benefit liabilities recognized in the balance sheets.

The method and assumption used to carry out the sensitivity analysis is the same as in the prior year.

(ii) Defined contribution plans

The Company and its domestic subsidiaries contribute monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group have no legal or constructive obligation to pay any additional amounts after contributing a fixed amount. Foreign subsidiaries make contributions in compliance with their respective local regulations.

For the years ended December 31, 2021 and 2020, the Group recognized pension expenses of $246,489 and $178,889, respectively, in relation to the defined contribution plans.

(u) Income taxes

(i)The components of income tax expense were as follows:

		2021	2020
Current income tax expense			
Current period	$	341,970	223,021
Adjustment for prior years		(5,495)	22,510
		336,475	245,531
Deferred income tax expense (benefit)			
Origination and reversal of temporary differences		54,909	63,116
Recognition of previously unrecognized tax losses		(1,530)	(3,721)
Changes in unrecognized deductible temporary differences		(37,738)	(33,582)
		15,641	25,813
	$	352,116	271,344

In 2021 and 2020, there was no income tax recognized directly in equity.

In 2021 and 2020, the components of income tax expense (benefit) recognized in other comprehensive income were as follows:

		2021	2020
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the defined benefit plans	$	(1,443)	(96)

Reconciliation of income tax expense and income before income tax for 2021 and 2020 was as follows:

		2021	2020
Income before income taxes	$	1,653,738	1,224,691
Income tax using the Company’s statutory tax rate	$	330,748	244,938
Effect of different tax rates in foreign jurisdictions		14,337	16,654
Investment tax credits		(45,310)	(35,077)
Adjustments for prior-year income tax expense		(5,495)	22,510
Non-deductible expense		5,383	5,294
Recognition of previously unrecognized tax losses		(1,530)	(3,721)
Changes in unrecognized temporary differences		(37,738)	(33,582)
Additional income tax on undistributed earnings		5,612	1,382
Others		86,109	52,946
	$	352,116	271,344

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2021	December 31, 2020
Deductible temporary differences	$ 425,830	338,447
Tax losses	58,856	66,460
	$ 484,686	404,907

The management believed that it is not probable that future taxable profits will be available against which the temporary differences and tax losses can be utilized; therefore, no deferred income tax assets were recognized for above-mentioned items.
As of December 31, 2021, the unrecognized tax losses and the respective expiry years were as follows:

Tax losses	Income tax effect of tax losses	Expiration year
$ 9,797	1,959	2022
70,490	14,098	2023
30,310	6,062	2024
28,022	5,604	2025
50,232	10,046	2026
49,115	9,823	2027
17,859	3,572	2028
9,549	1,910	2029
8,134	1,627	2030
20,773	4,155	2031
$ 294,281	58,856	

2) Unrecognized deferred income tax liabilities

	December 31, 2021	December 31, 2020
Aggregate taxable temporary differences associated with investments in subsidiaries	$ 906,834	800,682

The Group is able to control the timing of reversal of the temporary differences associated with investments in subsidiaries. As management believed that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax liabilities.

3) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities were as follows:

Deferred income tax assets:

	Depreciation adjustments for tax purposes	Defined benefit liabilities	Deferred inter-company profits	Warranty provisions	Refund liabilities	Others	Total
Balance at January 1, 2021	$ 22,944	12,313	56,872	16,259	18,106	69,529	196,023
Recognized in profit or loss	1,016	(1,836)	(33,655)	2,830	(799)	(4,771)	(37,215)
Recognized in other comprehensive income	-	1,443	-	-	-	-	1,443
Balance at December 31, 2021	$ 23,960	11,920	23,217	19,089	17,307	64,758	160,251
Balance at January 1, 2020	$ 21,581	13,432	102,080	13,517	18,106	57,588	226,304
Recognized in profit or loss	1,363	(1,215)	(45,208)	2,291	-	3,141	(39,628)
Recognized in other comprehensive income	-	96	-	-	-	-	96
Acquisition through business combination	-	-	-	451	-	8,800	9,251
Balance at December 31, 2020	$ 22,944	12,313	56,872	16,259	18,106	69,529	196,023

Deferred income tax liabilities:

	Defined benefit assets	Intangible assets	Others	Total
Balance at January 1, 2021	$ 3,073	66,506	3,096	72,675
Recognized in profit or loss	60	(23,372)	1,738	(21,574)
Recognized through business combination	-	126,841	-	126,841
Balance at December 31, 2021	$ 3,133	169,975	4,834	177,942
Balance at January 1, 2020	$ 2,944	73,136	4,719	80,799
Recognized in profit or loss	129	(12,321)	(1,623)	(13,815)
Recognized through business combination	-	5,691	-	5,691
Balance at December 31, 2020	$ 3,073	66,506	3,096	72,675

As of December 31, 2021, the tax loss carryforwards for which deferred income tax assets were recognized and the expiration year was as follows:

Tax loss	Income tax effect of tax loss carryforwards	Expiration year
$ 29,533	5,907	2026

(iii) The R.O.C. income tax authorities have examined and approved the income tax returns of the Company for all fiscal years through 2019.

(v) Capital and other equity

(i) Common stock

As of December 31, 2021 and 2020, the Company's authorized common stock consisted of 450,000 thousand shares, of which 280,000 thousand shares were issued and outstanding. The par value of the Company's common stock is $10 per share.

The movements in outstanding shares of common stock were as follows (in thousands of shares):

	Common stock	
	2021	**2020**
Balance at January 1 (Same as balance at December 31)	280,000	280,000

(ii) Capital surplus

		December 31, 2021	December 31, 2020
Paid-in capital in excess of par value	$	3,563,940	3,563,940
Treasury stock transactions		238,180	238,180
Surplus from merger		144	144
Difference between consideration and carrying amount of subsidiaries acquired or disposed		101,730	94,638
Recognition of changes in ownership interest in subsidiaries		228,773	24,552
	$	4,132,767	3,921,454

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed as cash dividends based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years can be distributed as dividends to stockholders, pursuant to the appropriation of earnings proposed by the Board of Directors and approved by the stockholders. Distribution of earnings by way of cash dividends should be approved by the Board of Directors and then reported to the shareholders' meeting.

According to the Company's Articles of Incorporation, distribution of cash dividends by legal reserve or capital reserve should be approved by the Board of Directors and then reported to the shareholders' meeting.

As the Company is a technology- and capital-intensive enterprise with growing phase, the Company has adopted a remaining earnings appropriation method as its dividend policy in order to meet long-term capital needs and cash requirements of stockholders, and thereby maintain continuous development and steady growth. While the current year's earnings available for distribution equal the amount of 2% of paid-in capital, the dividend distributed shall not be less than 10% of current year's earnings available for distribution. No dividends will be distributed when the current year's earnings available for distribution are less than the amount of 2% of paid-in capital. Considering the future expansion of operation scale and cash flow requirements, the cash dividend cannot be less than 10% of the total distribution of cash dividend and stock dividend.

1) Legal reserve

If the Company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with Rule No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

(iv) Earnings distribution

The appropriation of cash dividends trough 2020 and 2019 earnings was approved by the Company's Board of Directors on March 15, 2021, and on March 16, 2020, respectively. The resolved appropriations of the dividends were as follows:

	2020		2019	
	Dividend per share (NT$)	**Amount**	**Dividend per share (NT$)**	**Amount**
Dividends per share:				
Cash dividend	$ 2.5	700,000	2.3	644,000

On March 8, 2022, the Company's Board of Directors approved the distribution of cash dividend as follows:

	2021	
	Dividend per share (NT$)	**Amount**
Dividends per share:		
Cash dividend	$ 3.0	840,000

Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(v) Other equity items (net after tax)

	Foreign currency translation differences	**Unrealized gains (loss) from financial assets at fair value through other comprehensive income**	**Remeasurement of defined benefit plans**	**Total**
Balance at January 1, 2021	$ (683,751)	328,577	(31,433)	(386,607)
Foreign exchange differences arising from translation of foreign operations	(78,521)	-	-	(78,521)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	-	71,169	-	71,169
Disposal of equity instruments designated at fair value through other comprehensive income	-	(29,189)	-	(29,189)
Remeasurement of defined benefit plans	-	-	(5,560)	(5,560)
Share of the other comprehensive income (loss) of joint ventures and associates	(2,871)	9,056	-	6,185
Balance at December 31, 2021	$ (765,143)	379,613	(36,993)	(422,523)
Balance at January 1, 2020	$ (499,270)	38,323	(31,323)	(492,270)
Foreign exchange differences arising from translation of foreign operations	(184,454)	-	-	(184,454)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	-	316,001	-	316,001
Disposal of equity instruments designated at fair value through other comprehensive income	-	(25,747)	-	(25,747)
Remeasurement of defined benefit plans	-	-	(110)	(110)
Share of the other comprehensive income (loss) of joint ventures	(27)	-	-	(27)
Balance at December 31, 2020	$ (683,751)	328,577	(31,433)	(386,607)

(vi) Non-controlling interests (net after tax)

		2021	2020
Balance at January 1	$	1,387,996	1,087,054
Equity attributable to non-controlling interests:			
Net income		155,089	49,562
Foreign currency translation differences		(2,643)	(7,109)
Unrealized gain (loss) from financial assets at fair value through other comprehensive income		8,944	-
Remeasurements of defined benefit plans		252	(198)
Organizational restructuring		-	(144)
Acquisition of subsidiary’s additional interests		(480)	(54,247)
Disposition of interests in subsidiaries		9,800	115,720
Difference between consideration and carrying amount of subsidiaries acquired or disposed		(7,092)	(94,638)
Acquisition of subsidiaries		1,013,755	213,486
Changes in ownership interests in subsidiaries		(204,221)	(24,552)
Compensation cost of stock option issued by subsidiaries		12,627	23,765
Capital injection from non-controlling interests		587,399	134,300
Decrease in non-controlling interests (Note 6(h))		(1,409)	-
Distribution of cash dividend by subsidiaries to non-controlling interests		(80,865)	(55,003)
	$	2,879,152	1,387,996

(w) Earnings per share (“EPS”)

The calculations of basic and diluted earnings per share for the years ended December 31, 2021 and 2020 were as follows:

(i) Basic earnings per share

		2021	2020
Net income attributable to ordinary shareholders of the Company	$	1,146,533	903,785
Weighted-average number of ordinary shares outstanding (in thousands)		280,000	280,000
Basic earnings per share (in New Taiwan dollars)	$	4.09	3.23

(ii) Diluted earnings per share

	2021	2020
Net income attributable to ordinary shareholders of the Company	$ 1,146,533	903,785
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Effect of dilutive potential ordinary shares (in thousands):		
Remuneration to employees in stock	3,336	3,503
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares) (in thousands)	283,336	283,503
Diluted earnings per share (in New Taiwan dollars)	$ 4.05	3.19

(x) Share-based payment

On December 31, 2021, the Group issued the following four employee stock option plans (ESOP):

(i) ESOP granted by subsidiaries

	2021 UTC issuance of new shares reserved for employee subscriptions	2020 DTC ESOP	2019 UTC second ESOP	2019 UTC first ESOP
Grant date	2021.11.5	2020.9.30	2020.6.1	2019.12.20
Number of shares granted (in thousands)	410	4,500	750	1,600
Exercise price (NT$ / Share)	$98.00	12.00	20.00	20.00
Each unit eligible to subscribe	1 share	1 share	1 share	1 share
Contract term	0.02 year	0.08 year	0.25 year	0.25 year
Vesting conditions	Immediately vested	Immediately vested	One-month, 100% vested	One-month, 100% vested
Qualified employees	Employees of UTC	Employees of DTC or employees of the Parent or subsidiaries of DTC	Employees of UTC or employees of the Parent or subsidiaries of UTC	Employees of UTC or employees of the Parent or subsidiaries of UTC

(ii) The main inputs to measure the fair value of ESOPs at grant date

The main inputs that DTC and UTC used to measure the fair value of their employee stock options are as follows:

	2021 UTC issuance of new shares reserved for employee subscriptions	**2020 DTC ESOP**	**2019 UTC second ESOP**	**2019 UTC first ESOP**
Option Pricing Model	Black–scholes	Binomial	Black–scholes	Binomial
Fair value of stock options at grant date (NT$/per share)	(Note 2)	$0.566	19.48	8.26
Fair value of common stock at grant date (NT$/per share)	(Note 2)	12.02	39.92	28.21
Exercise price (NT$/per share)	98.00	12.00	20.00	20.00
Expected life (years)	0.02 year	0.08 year	0.25 year	0.25 year
Risk-free interest rate	0.20%	0.22%	0.28%	0.47%
Expected volatility (Note 1)	44.91%	40.55%	45.65%	32.52%
Expected dividends	-	- (Note 3)	6.71%	- (Note 4)

Note 1: Expected volatility was determined based on the historical volatility of comparable companies.

Note 2: In accordance with article 10 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, UTC safeguarded common stock to place in collective custody from six months to two years voluntarily or mandatorily. The fair value of stock options at grant date ranged from $16.55 to $33.82. The fair value of common stock in collective custody at grant date ranged from $114.57 to $131.82.

Note 3: No dividends were expected to be paid in 2020 as DTC’s expected life of options was only 1 month.

Note 4: No dividends were expected to be paid in 2019 as UTC’s expected life of options was only 3 months.

(iii) Movements in the number of options outstanding:
The information about the ESOP granted by UTC was as follows:

	2021	
	Issuance of new shares reserved for employee subscriptions	
	Number of options (in thousands)	Weighted-average exercise price (in NTD)
Outstanding, beginning of year	-	$ -
Granted during the year	410	98.00
Exercised during the year	(410.00)	98.00
Outstanding, end of year	-	-
Exercisable, end of year	-	-

	2020			
	2019 second ESOP		2019 first ESOP	
	Number of options (in thousands)	Weighted-average exercise price (in NTD)	Number of options (in thousands)	Weighted-average exercise price (in NTD)
Outstanding, beginning of year	-	$ -	1,600	$ 20.00
Granted during the year	750	20.00	-	-
Exercised during the year	(750)	20.00	(1,600)	20.00
Outstanding, end of year	-	-	-	-
Exercisable, end of year	-	-	-	-

The information about the ESOPs granted by DTC was as follows:

	2020 ESOP	
	Number of options (in thousands)	Weighted-average exercise price (in NTD)
Outstanding, beginning of year	-	$ -
Exercised during the year	4,500	12.00
Expired during the year	(4,500)	12.00
Outstanding, end of year	-	-
Exercisable, end of year	-	-

(iv) Employee compensation cost:

The compensation cost recognized for the above-mentioned ESOPs was as follows:

	2021	2020
Expense resulting from employee stock options	$ -	23,765
Expense resulting from cash subscription reserved for employee	12,627	-
Total	$ 12,627	23,765

The compensation cost recognized for the above-mentioned share-based payment arrangements was reported in cost of sales and operating expense.

(y) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021	2020
Primary geographical markets:		
Taiwan	$ 4,456,913	2,984,740
America	1,216,158	935,948
Mainland China	14,916,797	14,214,843
Canada	1,839,037	1,382,258
Others	5,619,831	2,831,739
	$ 28,048,736	22,349,528
Major products and services lines:		
Peripheral electronic products	$ 15,013,300	14,731,090
Green energy products and passive components	13,035,436	7,618,438
	$ 28,048,736	22,349,528

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivable (including related parties)	$ 7,917,739	6,909,551	5,874,896
Less: loss allowance	(55,609)	(54,685)	(50,853)
	$ 7,862,130	6,854,866	5,824,043
Contract liabilities (included in other current liabilities)	$ 426,711	57,751	47,136

For details on notes and accounts receivable (including related parties) and their loss allowance, please refer to note 6(e).

The major changes in the balance of contract liabilities were due to the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

The amounts of revenue recognized in 2021 and 2020 that were included in the balances of contract liabilities on January 1, 2021 and 2020, were $51,302 and $42,826, respectively.

(iii) Refund liabilities

	December 31, 2021	December 31, 2020	January 1, 2020
Other current liabilities－refund liabilities	$ 236,537	315,172	488,256

(z) Remuneration to employees and directors

The Company's Article of Incorporation requires that annual earning shall first be offset against any deficit, then 5%~20% shall be allocated as employee remuneration and a maximum of 1% be allocated as directors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the Parent or subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2021 and 2020, the Company estimated its remuneration to employees amounting to $142,889 and $117,614, respectively, and the remuneration to directors amounting to $10,717 and $8,821, respectively. The said amounts were calculated based on the net profits before tax of each period before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of the remuneration to employees and directors. The estimations are recognized as cost of sales or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.
The above-mentioned estimated remuneration to employees and directors was the same as the amount resolved by the Board of Directors and were all paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(aa) Non-operating income and loss

(i) Interest income

	2021	2020
Interest income from bank deposits	$ 8,295	39,422
Interest income from financial assets measured at amortized cost	1,087	4,460
	$ 9,382	43,882

(ii) Other income

		2021	2020
Rental income	$	2,304	2,315
Dividend income	$	68,070	32,152
Subsidy		48,012	53,270
Other		98,872	45,511
	$	217,258	133,248

(iii) Other gains and losses

		2021	2020
Gains (losses) on disposal of property, plant and equipment	$	862	(3,637)
Gains (losses) on disposal of investment property		1,909	(1,051)
Losses on disposal of investment		-	(2,217)
Gain (loss) on lease modification		(11)	67
Foreign exchange losses, net		(25,050)	(25,418)
Gain on financial assets and liabilities measured at fair value through profit or loss		42,799	18,902
Impairment losses on impairment of property, plant and equipment		-	(75)
Others		(11,229)	(9,793)
	$	9,280	(23,222)

(iv) Finance costs

		2021	2020
Interest expense from bank loans	$	(64,926)	(55,383)
Interest expense on lease liabilities		(10,890)	(11,427)
	$	(75,816)	(66,810)

(ab) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign currency forward contracts	$ 1,768	9,844
Open-end mutual funds	100,282	100,034
Structured deposits	355,411	344,454
Subtotal	457,461	454,332
Financial assets at fair value through other comprehensive income	1,485,096	1,147,826
Financial assets measured at amortized cost:		
Cash and cash equivalents	3,045,203	2,602,683
Financial assets at amortized cost－current	3,910	1,910
Notes and accounts receivable and other receivables (including related parties)	7,906,340	6,875,933
Refundable deposits	39,961	32,260
Subtotal	10,995,414	9,512,786
Total	**$ 12,937,971**	**11,114,944**

2) Financial liabilities

	December 31, 2021	December 31, 2020
Financial liabilities at fair value through profit or loss:		
Foreign currency forward contracts	$ 23	28
Financial liabilities measured at amortized cost:		
Short-term borrowings	5,039,971	2,470,428
Short-term notes and bills payable	-	439,721
Notes and accounts payable and other payables (including related parties)	9,858,913	7,940,421
Lease liabilities	304,102	353,709
Long-term debt (including current portion)	3,640,850	1,600,000
Long-term payables (included in other non-current liability)	149,623	-
Guarantee deposits (included in other non-current liability)	99,420	19,754
Subtotal	19,092,879	12,824,033
Total	**$ 19,092,902**	**12,824,061**

(ii) Credit risk

The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets. As of December 31, 2021 and 2020, the Group's maximum exposure to credit risk amounted to $12,857,361 and $11,114,944, respectively.

The majority of the Group's customers are well-known international companies with high financial transparency. As of December 31, 2021 and 2020, 37% and 40%, respectively, of accounts receivable are from four customers. In order to reduce credit risk of accounts receivable, the Group has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

(iii) Liquidity risk

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	$ 5,055,830	5,055,830	-	-	-
Long-term debt (including Current portion)	3,703,533	44,411	880,239	2,778,883	-
Notes and accounts payable and other payables (including related parties)	9,858,913	9,858,913	-	-	-
Lease liabilities	339,679	107,660	91,464	82,071	58,484
Long-term payables	149,623	-	80,584	69,039	-
Guarantee deposits	99,420	87,995	3,925	439	7,061
Subtotal	19,206,998	15,154,809	1,056,212	2,930,432	65,545
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	468,363	468,363	-	-	-
Inflow	(470,108)	(470,108)	-	-	-
Subtotal	(1,745)	(1,745)	-	-	-
	$ 19,205,253	15,153,064	1,056,212	2,930,432	65,545

December 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	$ 2,474,148	2,474,148	-	-	-
Short-term notes and bills payable	440,000	440,000	-	-	-
Long-term debt (including current portion)	1,646,281	16,547	16,547	1,613,187	-
Notes and accounts payable and other payables (including related parties)	7,940,421	7,940,421	-	-	-
Lease liabilities	409,425	107,030	95,888	151,920	54,587
Guarantee deposits	19,754	301	13,300	-	6,153
Subtotal	12,930,029	10,978,447	125,735	1,765,107	60,740
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross					
Outflow	1,075,095	1,075,095	-	-	-
Inflow	(1,084,911)	(1,084,911)	-	-	-
Subtotal	(9,816)	(9,816)	-	-	-
	$ 12,920,213	10,968,631	125,735	1,765,107	60,740

The Group do not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iv) Currency risk

At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

	December 31, 2021				
	Foreign currency (in thousands)	**Exchange rate**	**New Taiwan Dollars (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss (in thousands)**
Financial assets					
Monetary items					
USD	$ 449,986	27.6800	12,455,612	1%	124,556
CNY	235,572	4.3454	1,023,655	1%	10,237
Financial liabilities					
Monetary items					
USD	366,430	27.6800	10,142,782	1%	101,428
CNY	165,678	4.3454	719,937	1%	7,199

	December 31, 2020				
	Foreign currency (in thousands)	**Exchange rate**	**New Taiwan Dollars (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss (in thousands)**
Financial assets					
Monetary items					
USD	$ 416,510	28.3500	11,808,059	1%	118,081
CNY	316,402	4.3216	1,367,363	1%	13,674
Financial liabilities					
Monetary items					
USD	276,689	28.3500	7,844,133	1%	78,441
CNY	174,692	4.3216	754,949	1%	7,549

With varieties of functional currencies within the consolidated entities of the Group, the Group disclosed net realized and unrealized foreign exchange gain (loss) on monetary items in aggregate. Please refer to note 6(aa) for the information with respect to the foreign exchange gains (losses) for the years ended December 31, 2021 and 2020.

(v) Interest rate risk

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period.

If the interest rate had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the years ended December 31, 2021 and 2020, would have been $86,808 and $45,101, respectively, lower/higher, which mainly resulted from the loans and borrowings with floating interest rates.

(vi) Fair value

1) Financial instruments that are not measured at fair value

The Group’s management considers that the carrying amounts of their financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments that are measured at fair value

The Group’s financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis.

The table below analyzes financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	December 31, 2021				
	Carrying	**Fair value**			
	amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss:					
Derivative financial instruments－Foreign currency forward contracts	$ 1,768	-	1,768	-	1,768
Non-derivative financial assets: Open-end mutual fund	100,282	100,282	-	-	100,282
Structured deposits	355,411	-	355,411	-	355,411
Subtotal	457,461	100,282	357,179	-	457,461
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	$ 1,485,096	1,485,096	-	-	1,485,096
Total	**$ 1,942,557**	**1,585,378**	**357,179**	**-**	**1,942,557**
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments–					
Foreign currency forward contracts	**$ (23)**	**-**	**(23)**	**-**	**(23)**

	December 31, 2020				
	Carrying	**Fair value**			
	amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss:					
Derivative financial instruments－ Foreign currency forward contracts	$ 9,844	-	9,844	-	9,844
Non-derivative financial assets:					
Open-end mutual fund	100,034	100,034	-	-	100,034
Structured deposits	344,454	-	344,454	-	344,454
Subtotal	454,332	100,034	354,298	-	454,332
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	1,126,806	1,126,806	-	-	1,126,806
Domestic emerging stocks	21,020	-	21,020	-	21,020
Subtotal	1,147,826	1,126,806	21,020	-	1,147,826
Total	**$ 1,602,158**	**1,226,840**	**375,318**	**-**	**1,602,158**
Derivative financial instruments–					
Foreign currency forward contracts	**(28)**	**-**	**(28)**	**-**	**(28)**

3) Valuation techniques and assumptions used in fair value measurement

a) Non-derivative financial instruments

The fair value of financial instruments traded in active liquid markets is determined with reference to quoted market prices.

Except for the above-mentioned financial instruments traded in an active market, the fair value of other financial instruments is determined based on the valuation techniques or quotation from counterparties. The fair value using valuation techniques is determined by referring to (i) the current fair value of other financial instruments with similar conditions and characteristics, or (ii) discounted cash flow method, or (iii) other valuation techniques using the valuation model with available market data at the reporting date.

The Group uses the following methods in determining the fair value of its financial assets:

i) The fair values of listed stocks and open-end mutual fund with standard terms and conditions and traded on active markets are determined with reference to quoted market prices.

ii) The fair value of domestic emerging stock is determined based on the average stock price on the emerging market at the reporting date.

iii) The fair value of structured deposits is determined with reference to the quotation from counterparties.

b) Derivative financial instruments

The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and that are readily available to the Group. The fair value of foreign currency forward contracts is computed individually by each contract using the valuation technique.

4) Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the years ended December 31, 2021 and 2020.

(ac) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group's policies and procedures to measure and manage those risks below.

The Company's Board of Directors is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, which arises principally from the Group's cash and cash equivalents, structured deposits, receivables from customers, and other financial assets. The Group maintains cash and cash equivalents and other financial instruments with reputable financial institutions. Therefore, the exposure related to the potential default by those counter-parties is not considered significant.

The Group have established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. Additionally, the Group continuously evaluate the credit quality of customers and utilize insurance to minimize the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling their financial liabilities by delivering cash or another financial asset. The Group manages liquidity risk by monitoring regularly the current and estimated mid-term to long-term cash demand, and by maintaining adequate cash and banking facilities. As of December 31, 2021, and 2020, the Group had unused credit facilities of $13,442,614 and $9,972,079, respectively.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of their financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group utilizes derivative financial instruments to manage foreign currency risks and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Currency risk

The Group is exposed to currency risk arising from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. In order to maintain the net foreign currency exposure at the acceptable level, the Group utilizes foreign currency borrowings as well as the derivate instruments to balance the said exposure arising from the sales and purchase transactions.

2) Interest rate risk

The Group's short-term borrowings and long-term borrowings carried floating interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintain good relationships with financial institutions to obtain lower financing costs. The Group also manages working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

	January 1, 2021	Cash flows	Acquisition	Non-cash changes: Additions of lease liabilities	Non-cash changes: Lease modifications	Non-cash changes: Fluctuation of foreign exchange rate	December 31, 2021
Short-term borrowings	$ 2,470,428	2,540,890	28,653	-	-	-	5,039,971
Short-term notes and bills payable	439,721	(439,721)	-	-	-	-	-
Long-term debt (including current portion)	1,600,000	2,007,287	34,383	-	-	(820)	3,640,850
Lease liabilities	353,709	(106,918)	7,096	85,325	(32,565)	(2,545)	304,102
Other non-current liabilities	19,754	85,818	143,471	-	-	-	249,043
Total liabilities from financing acclivities	$ 4,883,612	4,087,356	213,603	85,325	(32,565)	(3,365)	9,233,966

	January 1, 2020	Cash flows	Acquisition	Non-cash changes: Additions of lease liabilities	Non-cash changes: Lease modifications	Non-cash changes: Fluctuation of foreign exchange rate	December 31, 2020
Short-term borrowings	$ 2,434,527	35,901	-	-	-	-	2,470,428
Short-term notes and bills payable	199,989	239,732	-	-	-	-	439,721
Long-term debt (including current portion)	1,006,501	593,582	-	-	-	(83)	1,600,000
Lease liabilities	215,928	(88,248)	58,624	176,613	(4,785)	(4,423)	353,709
Other non-current liabilities	11,056	8,698	-	-	-	-	19,754
Total liabilities from financing acclivities	$ 3,868,001	789,665	58,624	176,613	(4,785)	(4,506)	4,883,612

7. Related-party transactions

(a) Related party name and categories

The followings are related parties that have had transactions with the Group during the reporting periods:

Name of related party	Relationship with the Group
Qisda Corporation ("Qisda")	The entity with significant influence over the Group
BESV Japan Co., Ltd. ("BESVJ")	Joint venture
Other related parties:	
Qisda (Suzhou) Co., Ltd. ("QCSZ")	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd. ("QCOS")	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd. ("QCES")	Subsidiary of Qisda
Qisda Vietnam Co., Ltd (QVH)	Subsidiary of Qisda
Suzhou Super Pillar Automation Equipment Co., Ltd. ("ACESZ")	Subsidiary of Qisda
Qisda Sdn. Bhd. ("QLPG")	Subsidiary of Qisda
BenQ Japan Co., Ltd. ("BQJP")	Subsidiary of Qisda
BenQ Technology (Shanghai) Co., Ltd. ("BQls")	Subsidiary of Qisda
BenQ Asia Pacific Corp. ("BQP")	Subsidiary of Qisda
BenQ Material Corp. ("BMC")	Subsidiary of Qisda
BenQ Healthcare Corp.	Subsidiary of Qisda
DFI Inc. ("DFI")	Subsidiary of Qisda
Sysage Technology Co., Ltd.	Subsidiary of Qisda
Hitron Technologies (Sip), Inc. ("HT SZ")	Subsidiary of Qisda (Note1)
Hitron Technologies Inc. ("HT")	Subsidiary of Qisda (Note1)
Advancedtek International Corp. ("ADVANCEDTEK")	Other related party (Note2)
Shiton Investment Co., Ltd.	Other related party
Silver Star Co., Ltd.	Subsidiary of Qisda

Note 1: From July 2020, HT became a subsidiary of Qisda and the related party of the Group.

Note 2: From January 2021, ADVANCEDTEK became a subsidiary of Qisda and the related party of the Group.

(b) Significant transactions with related parties

(i) Net Sales

		2021	2020
Entity with significant influence over the Group	$	471	724
Joint Venture		215,054	133,996
Other related parties		233,026	167,307
	$	448,551	302,027

The sales prices and collection terms for related parties were not significantly different from those of sales to third-party customers. The collection terms for related parties were EOM45 to EOM135 days.

(ii) Purchases and processing charges

		2021	2020
Other related parties	$	-	795

There were no significant differences between the purchase prices for related parties and those for third-party suppliers. The payment terms of OA60 to OA75 days showed no significant difference between related parties and third-party suppliers.

(iii) Disposal of Property plant and equipment

In May 2020, the Group sold buildings to other related parties at a consideration of $22,000, resulting in a loss of $1,856. As of December 31, 2020, the property title has been transferred and related receivables were all collected.

(iv) Leases

The Group leased land, plant and employee dormitories from related parties. The rental was referred to the market price of lease terms in the adjacent area. The additions of the right-of-use assets were $9,691 and $38,714 for the years ended December 31, 2021 and 2020, respectively. The Group recognized interest expenses of $292 and $254 in 2021 and 2020, respectively.

(v) Receivables

The Group's receivables from related parties were as follows:

Account	Related-party categories		December 31, 2021	December 31, 2020
Accounts receivable from related parties	Entity with significant influence over the group	$	129	408
	Joint venture		74,260	35,016
	Other related parties		62,882	88,017
		$	137,271	123,441

(vi) Payables

The Group's payables to related parties were as follows:

Account	Related-party categories	December 31, 2021	December 31, 2020
Account payables	Other related parties	$ 261	263
Other payables	Entity with significant influence over the group	12	22
Other payables	Joint venture	144	110
Other payables	Other related parties	4,270	3,875
		4,426	4,007
Lease liability－non-current	Other related parties	7,544	7,456
		$ 12,231	11,726

(c) Compensation for key management personnel

	2021	2020
Short-term employee benefits	$ 247,674	185,379
Post-employment benefits	2,948	2,257
Share-based payment	4,849	15,387
	$ 255,471	203,023

Please refer to note 6(x) for detailed information.

8. Pledged assets

The carrying amounts of assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure	December 31, 2021	December 31, 2020
Land ,buildings and plants	Credit lines of bank loans	$ 1,619,635	1,486,597
Time deposit	Guarantees for customs duties and credit limit of credit cards	3,910	1,910
		$ 1,623,545	1,488,507

The above-mentioned time deposits were included in "Financial assets at amortized costs".

9. Significant commitments and contingencies

The Group had the following significant commitments at each reporting date:

(a) The Group asked financial institutions to provide guarantee letters for the following purposes:

	December 31, 2021	December 31, 2020
Guarantees for customs duties	$ 50,436	66,596
Performance bonds	84,332	-
	$ 134,768	66,596

(b) Significant unrecognized commitments

	December 31, 2021	December 31, 2020
Acquisition of property, plant and equipment	$ 887,033	177,007
Acquisition of right-of-use assets	-	9,945
	$ 887,033	186,952

10. Significant loss from disasters: None.

11. Significant subsequent events

In response to the group future development, work specialization, improvment of operating synergies and market competitiveness, the Board of Directors approved to spin off "the Energy Storage B.D." in Taiwan to its subsidiary Darfon Energy Technology Corp. ("DET") on March 8, 2022, and the estimated value of the business transferred was $171,800. DET will issue 8,590 thousand shares at a value of $20 (dollars) per share to the Company. The spin off date is currently set on July 1, 2022.

12. Others

Employee benefits, depreciation and amortization, categorized by function were as follows:

	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	3,469,758	1,530,916	5,000,674	2,647,759	1,409,330	4,057,089
Labor and health insurance	184,778	116,094	300,872	140,732	97,531	238,263
Pension	183,586	63,203	246,789	125,311	53,835	179,146
Other employees' benefits	121,302	71,965	193,267	114,793	61,363	176,156
Depreciation	780,444	211,506	991,950	627,430	136,466	763,896
Amortization	10,439	91,118	101,557	22,756	44,852	67,608

For the years ended December 31, 2021 and 2020, the depreciation of investment property of $501 and $775, respectively, were reported in non-operating income and loss.

13. Additional disclosures

(a) Information on significant transactions:

(i) Financing provided to other parties: Please refer to table 1.

(ii) Guarantees and endorsement provided to other parties: None.

(iii) Marketable securities held (excluding investments in subsidiaries, associates, and jointly controlled entities): Please refer to table 2.

(iv) Marketable securities for which the accumulated purchase or sale amounts exceed $300 million or 20% of the paid-in capital: Please Refer to table 3.

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital: Please refer to table 4.

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None.

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 5.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 6.

(ix) Transactions about derivative instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions: Please refer to table 7.

(b) Information on investees (excluding investments in Mainland China): Please refer to table 8.

(c) Information on investment in mainland China: Please refer to table 9.

(d) Major shareholders:

Shareholding / Shareholder's Name	Shares	Percentage
Qisda Corporation	58,004,667	20.71%
BenQ Corporation	14,016,563	5.00%

Note: The information of major shareholders in this table was calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, based on the Company's common shares (including treasury stock) without physical registration for which the major shareholders own more than 5% of the total shares. The total common shares stated in the accompanying consolidated financial statements and the actual number of shares delivered without physical registration may vary due to the different use of calculation basis.

14. Segment information

(a) General information
The group has two reportable segments, peripheral electronic products and Green energy products and passive components. The peripheral electronic products department is mainly engaged in the research, design, manufacturing, and sale of computer peripherals and electronic components. The Green energy products and passive components department is mainly engaged in the research, design, manufacturing, and sale of green energy products and integrated components.

(b) The Group's operating segment information was as follows:

	2021			
	Peripheral electronic products	**Green energy products and passive components**	**Adjustment and eliminations**	**Total**
Revenue from external customers	$ 15,013,300	13,035,436	-	28,048,736
Inter-segment Revenues	-	959,912	(959,912)	-
Total	**$ 15,013,300**	**13,995,348**	**(959,912)**	**28,048,736**

	2020			
	Peripheral electronic products	**Green energy products and passive components**	**Adjustment and eliminations**	**Total**
Revenue from external customers	$ 14,731,090	7,618,438	-	22,349,528
Inter-segment Revenues	-	706,922	(706,922)	-
Total	**$ 14,731,090**	**8,325,360**	**(706,922)**	**22,349,528**

The Group did not allocate the costs, expenses, and non-recurring profits and losses to the peripheral electronic products department, as well as the green energy products and passive components department, because the Company operates in an OEM mode and considers long-term comprehensive development strategies, whereby reasonable selling prices and profits have been taken into consideration when pricing the product. Therefore, the operating segment's profits and losses are mainly evaluated based on revenue which are also used as the basis for performance evaluation. The reported amount was consistent with the information used by the operating decision-maker.

(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.

Region	**2021**	**2020**
Revenues from external customers:		
Taiwan	$ 4,456,913	2,984,740
America	1,216,158	935,948
Mainland China	14,916,797	14,214,843
Canada	1,839,037	1,382,258
Others	5,619,831	2,831,739
	$ 28,048,736	22,349,528

Region	**December 31, 2021**	**December 31, 2020**
Non-current assets:		
Taiwan	$ 7,106,910	4,053,226
Mainland China	2,996,066	3,837,590
Others	506,706	62,285
	$ 10,609,682	7,953,101

The aforementioned non-current assets do not include financial instruments, deferred income tax assets, and pension fund assets.

(d) Major customer information

Sales to individual customer representing more than 10% of the consolidated revenue were as follows:

	2021	**2020**
Sales to Customer A	$ 3,244,131	3,459,900

Darfon Electronics Corp. and Subsidiaries

Financing provided to other parties

For the year ended December 31, 2021

Table1 **(In Thousands of NTD)**

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the period	Range of Interest Rates During the period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reason for the Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	KST	KSG	Other receivables - related parties	Yes	62,888 (EUR 2,000)	-	-	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSG	Other receivables - related parties	Yes	62,888 (EUR 2,000)	62,888 (EUR 2,000)	64,218 (EUR 2,042)	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSG	Other receivables - related parties	Yes	78,610 (EUR 2,500)	78,610 (EUR 2,500)	72,964 (EUR 2,320)	3.00%	b	-	Operating requirements				361,499	361,499
1	KST	KSG	Other receivables - related parties	Yes	37,326 (USD 1,194 and NTD 4,287)	37,326 (USD 1,194 and NTD 4,287)	37,326 (USD 1,194 and NTD 4,287)	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSI	Other receivables - related parties	Yes	9,433 (EUR 300)	-	-	1.20%	b	-	Operating requirements	-	-	-	361,499	361,499
2	DFS	DFH	Other receivables - related parties	Yes	221,440 (USD 8,000)	-	-	1.30%	b	-	-Operating requirements	-	-	-	1,232,729	1,232,729
2	DFS	DFH	Other receivables - related parties	Yes	221,440 (USD 8,000)	-	-	1.30%	b	-	Operating requirements	-	-	-	1,232,729	1,232,729
2	DFS	DFQ	Other receivables - related parties	Yes	221,440 (USD 8,000)	221,440 (USD 8,000)	110,720 (USD 4,000)	1.30%	b	-	Operating requirements	-	-	-	1,232,729	1,232,729
3	DPS	DFQ	Other receivables - related parties	Yes	130,362 (CNY 30,000)	-	-	3.85%	b	-	Operating requirements	-	-	-	178,870	178,870
3	DPS	DFQ	Other receivables - related parties	Yes	130,362 (CNY 30,000)	130,362 (CNY 30,000)	130,362 (CNY 30,000)	3.85%	b	-	Operating requirements	-	-	-	178,870	178,870
4	DZL	DTC	Other receivables - related parties	Yes	47,000	47,000	47,000	1.30%	b	-	Operating requirements				236,830	236,830
4	DZL	DTC	Other receivables - related parties	Yes	60,000	60,000	60,000	1.30%	b	-	Operating requirements				236,830	236,830
4	DZL	KSMC	Other receivables - related parties	Yes	20,000	20,000	-	1.30%	b	-	Operating requirements	-	-	-	236,830	236,830
5	DTC	IOC	Other receivables - related parties	Yes	13,840 (USD 500)	13,840 (USD 500)	-	3.20%	b	-	Operating requirements	-	-	-	149,046	149,046

(Note 1) The aggregate financing amount and individual financing amount of KST to subsidiaries shall not exceed 40% of the most recent net worth of KST.

(Note 2) The aggregate financing amount and individual financing amount of DFS to subsidiaries shall not exceed 40% of the most recent net worth of DFS. Individual financing amount limits are limited to business transactions between the two parties.

(Note 3) The aggregate financing amount and individual financing amount of DPS to subsidiaries shall not exceed 40% of the most recent net worth of DPS.

(Note 4) The aggregate financing amount and individual financing amount of DZL to subsidiaries shall not exceed 40% of the most recent net worth of DZL.

(Note 5) The aggregate financing amount and individual financing amount of DTC to subsidiaries shall not exceed 40% of the most recent net worth of DTC.

(Note 6) Purpose of Fund Financing: a. Business transaction purpose. b. Short-term Financing purpose.

(Note 7) The above amounts were translated into New Taiwan dollars at the exchange rate of EUR$1=NT$31.444 ,US$1=NT$27.68 and CN$1=NT$4.3454.

(Note 8) The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates, and Jointly Controlled Entities)

December 31, 2021

Table 2 **(In Thousands of Shares)**

Investing Note Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending balance				Maximum percentage of Ownership during 2021		Note
				Number of Shares	Carrying Value	Percentage of Ownership	Fair Value	Number of Shares	Percentage of Ownership	
The Company	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income–non-current	39,859	1,213,707	2.03%	1,213,707	39,859	2.03%	-
DZL	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	5,887	179,259	0.30%	179,259	5,887	0.30%	-
DZL	Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income–current	102	7,956	0.03%	7,956	102	0.03%	-
DZL	DFI	Subsidiary of investor with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	50	3,055	0.04%	3,055	50	0.04%	-
KST	HARO BICYCLE CORPORATION	-	Financial assets at fair value through other comprehensive income–non-current	26	-	10.00%	-	26	10.00%	-
TDI	Jih Sun Money Market Fund Beneficiary Certificate	-	Financial assets at fair value through profit or loss－current	-	100,282	-	100,282	-	-	-
TDI	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	2,664	81,119	0.14%	81,119	2,664	0.14%	-
DPS	Bank of Suzhou─Principal protected currency deposit in CNY	-	Financial assets at fair value through profit or loss－current	-	355,411	-	355,411	-	-	-

Darfon Electronics Corp. and Subsidiaries

Marketable Securities for Which the Accumulated Purchase or Sale Amounts Exceed $300 Million or 20% of the Paid in Capital

January 1 to December 31, 2021

Table 3

(In Thousands of Shares; Amounts in Thousands of NTD/CNY)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (loss) on disposal	Shares	Amount (Note 1)
The Company	TDI stock	Investments accounted for using the equity method	-	-	-	-	24,480	1,224,000	-	-	-	-	24,480	1,256,928
DPS	Bank of Suzhou─Principal protected currency deposit in CNY	Financial assets at fair value through profit or loss - current	Bank of Suzhou	-	-	346,350 (CNY79,705)	-	795,208 (CNY183,000)	-	796,624 (CNY183,326)	786,517 (CNY181,000)	10,107 (CNY2,326)	-	355,411 (CNY81,790)

Note 1： The ending balance includes shares of profits/losses of investees and other related adjustment.

Note 2： The above amounts were translated into New Taiwan dollars at the exchange rate of CN$1=NT$4.3454.

Darfon Electronics Corp. and Subsidiaries

Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital

For the year ended December 31, 2021

Table 4

(In Thousands of Shares)

Company name	Property Name	Transaction Date	Transaction Amount	Status of payment	Counter Party	Relationship with the Counter party	Ending balance				Price Reference	Purpose of Acquisition and Current Condition	Notes
							Owner	Relationship with the Counter party	Date of Transfer	Amount			
ATC	Land and buildings	2021.5.7	420,000	420,000	CITY TOOLS CO., LTD.	-	-	-	-	-	Refer to appraisal report evaluated by the professional appraisal institution	Operating requirements	NA
DFV	Buildings	2021.8.1	556,037	118,403	MINH TRI STEEL STRUCTURE JOINT STOCK COMPANY, JIANXING VIET NAM CONSTRUCTION DEVELOPMENT COMPANY LIMITED, BESTSUN TECHNOLOGY COMPANY , R.J. WU ARCHITECTS & ENGINEERS	-	-	-	-	-	Open bidding	Operating requirements	NA

Darfon Electronics Corp. and Subsidiaries

Total Purchases From and Sales To Related Parties Which Exceed $100 Million or 20% of the Paid in Capital

For the year ended December 31, 2021

Table 5

Company Name	Related Party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes and Accounts Receivable(Payable)		Note
			Purchase /(Sale)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit price	Payment Terms	Ending Balance	% of Total	
The Company	DFS	Parent & Subsidiary	Sales	(461,206)	(3)%	OA90	Normal price	OA30 to OA135	103,329	1%	-
The Company	DFC	Parent & Subsidiary	Sales	(163,196)	(1)%	OA180	Normal price	OA30 to OA135	118,001	2%	-
The Company	DFA	Parent & Subsidiary	Sales	(752,297)	(4)%	OA135	Normal price	OA30 to OA135	393,398	6%	-
The Company	DFS	Parent & Subsidiary	Purchases	2,429,147(Note3)	15%	OA90	Note 1	OA30 to OA90	(1,486,128)	24%	-
The Company	DFH	Parent & Subsidiary	Purchases	7,638,787	46%	OA90	Note 1	OA30 to OA90	(2,940,534)	48%	-
The Company	DFQ	Parent & Subsidiary	Purchases	4,853,326	29%	OA90	Note 1	OA30 to OA90	(1,340,542)	22%	-
DFS	The Company	Parent & Subsidiary	Sales	(3,928,008)	(35)%	OA90	Normal price	OA30 to OA135	1,486,128	62%	-
DFS	DFH	Affiliates	Sales	(368,476)	(5)%	OA90	Normal price	OA30 to OA135	179,132	7%	-
DFS	DFQ	Affiliates	Sales	(172,461)	(2)%	OA90	Normal price	OA30 to OA135	76,788	3%	-
DFS	The Company	Parent & Subsidiary	Purchases	461,206	8%	OA90	Normal price	OA30 to OA135	(103,329)	8%	-
DFS	DFQ	Affiliates	Purchases	459,236	8%	OA90	Note 1	OA30 to OA135	(62,083)	5%	-
DFH	The Company	Parent & Subsidiary	Sales	(7,638,787)	(98)%	OA90	Normal price	OA30 to OA135	2,940,534	98%	-
DFH	DFS	Affiliates	Purchases	368,476	7%	OA90	Normal price	OA30 to OA135	(179,132)	7%	-
DFQ	The Company	Parent & Subsidiary	Sales	(4,853,326)	(89)%	OA90	Normal price	OA30 to OA135	1,340,542	94%	-
DFQ	DFS	Affiliates	Sales	(459,236)	(8)%	OA90	Normal price	OA30 to OA135	62,083	4%	-
DFQ	DFS	Affiliates	Purchases	172,461	4%	OA90	Normal price	OA30 to OA135	(76,788)	5%	-
DFA	The Company	Parent & Subsidiary	Purchases	752,297	98%	OA135	Normal price	OA30 to OA135	(393,398)	100%	-
DFC	The Company	Parent & Subsidiary	Purchases	163,196	61%	OA180	Normal price	OA30 to OA135	(118,001)	96%	-
KST	KSG	Parent & Subsidiary	Sales	(688,306)	(19)%	OA210	Normal price	OA30 to OA120	586,465	61%	-
KST	KSV	Parent & Subsidiary	Sales	(106,898)	(3)%	OA90	Normal price	OA30 to OA120	99,843	10%	
KSG	KST	Parent & Subsidiary	Purchases	688,306	64%	OA210	Normal price	OA30 to OA120	(586,465)	65%	-
KSV	KST	Parent & Subsidiary	Purchases	106,898	39%	OA90	Normal price	OA30 to OA120	(99,843)	82%	
DTC	Dfeu	Affiliates	Sales	(107,153)	(27)%	OA135	Normal price	OA30 to OA135	7,415	9%	-
DTC	BESVJ	Affiliates	Sales	(215,054)	(54)%	EOM60	Normal price	OA30 to OA135	74,260	85%	-
Dfeu	DTC	Affiliates	Purchases	107,153	100%	OA135	Normal price	OA30 to OA135	(7,415)	100%	
BESVJP	DTC	Affiliates	Purchases	215,054	99%	EOM60	Normal price	OA30 to OA135	(74,260)	100%	-

Note 1： The size of the products may vary from the product specification. There is no comparable transaction available.

Note 2： The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Note 3： The sales from repurchasing after processing have been reduced.

Darfon Electronics Corp. and Subsidiaries

Receivables From Related Parties which Exceed $100 Million or 20% of the Paid in Capital

December 31, 2021

Table 6

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Notes
					Amount	Action taken			
The Company	DFS	Parent & Subsidiary	103,329	(Note1)	-	-	-	-	-
The Company	DFA	Parent & Subsidiary	393,398	1.86	25,191	-	25,191	-	-
The Company	DFH	Parent & Subsidiary	722,535	(Note1)	163,454	-	163,381	-	-
The Company	DFQ	Parent & Subsidiary	201,508	(Note1)	56,743	-	53,161	-	-
The Company	DFC	Parent & Subsidiary	118,001	1.62	18,332	-	12,595	-	-
DFS	The Company	Parent & Subsidiary	1,486,128	3.28	-	-	-	-	-
DFS	DFH	Affiliates	179,132	2.35	-	-	-	-	-
DFS	DFQ	Affiliates	110,769	(Note2)	-	-	-	-	-
DFH	The Company	Parent & Subsidiary	2,940,534	2.64	630,714	-	630,709	-	-
DFQ	The Company	Parent & Subsidiary	1,340,542	3.42	-	-	-	-	-
DPS	DFQ	Affiliates	133,527	(Note2)	-	-	-	-	-
KST	KSG	Parent & Subsidiary	586,465	1.73	-	-	-	-	-
KST	KSG	Parent & Subsidiary	178,437	(Note2)	-	-	-	-	-
DZL	DTC	Affiliates	107,365	(Note2)	-	-	-	-	-

Note 1： Since the amount of duplicated transactions has been eliminated, the receivables turnover ratio is not reported.

Note 2： Since the receivables are not caused by selling and purchasing transactions, calculation of turnover rate is not applicable.

Note 3： The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Business Relationships and Significant Intercompany Transactions
For the Year Ended at December 31, 2020

Table 7

No.(Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenue or Total Assets (Note 4)
0	The Company	DFS	1	Sales	461,206	OA90	2%
0	The Company	DFC	1	Sales	163,196	OA180	1%
0	The Company	DFA	1	Sales	752,297	OA135	3%
1	DFS	The Company	2	Sales	3,928,008	OA90	14%
1	DFS	DFH	3	Sales	368,476	OA90	1%
1	DFS	DFQ	3	Sales	172,461	OA90	1%
2	DFH	The Company	2	Sales	7,638,787	OA90	27%
3	DFQ	The Company	2	Sales	4,853,326	OA90	17%
3	DFQ	DFS	3	Sales	459,236	OA90	2%
4	KST	KSG	3	Sales	688,306	OA210	2%
0	The Company	DFA	1	Accounts receivable	393,398	OA135	1%
0	The Company	DFH	1	Accounts receivable	722,535	OA90	2%
0	The Company	DFQ	1	Accounts receivable	201,508	OA90	1%
1	DFS	The Company	2	Accounts receivable	1,486,128	OA90	4%
1	DFS	DFH	3	Accounts receivable	179,132	OA90	1%
2	DFH	The Company	2	Accounts receivable	2,940,534	OA90	9%
3	DFQ	The Company	2	Accounts receivable	1,340,542	OA90	4%
4	KST	KSG	3	Accounts receivable	586,465	OA210	2%
4	KST	KSG	3	Other accounts receivable	178,437	-	1%

(Note 1) Parties to the intercompany transactions are identified and numbered as follows：

1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

(Note 2) Relationships to counterparties were as follows:

1. The Company to subsidiary.
2. Subsidiary to the Company.
3. Subsidiary to subsidiary.

(Note 3) Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated net revenue or total asstes. The corresponding purchases and accounts payable are not disclosed.

(Note 4) The transaction amount divided by consolidated operating revenues or consolidated total assets.

(Note 5) The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries

Information on Investees (Excluding Investments in Mainland China)

For the Year Ended December 31, 2021

Table 8 **(In Thousands of Shares)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31,2021			Maximum percentage of Ownership during 2021		Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying amount	Shares	Percentage of Ownership			
10	DFBVI	BVI	Trading of electronic products	317,103	392,352	31,450	100.00%	1,622,358	34,150	100.00%	112,238	112,238	Parent-Subsidiary
The Company	DFLB	Malaysia	Investment holding	2,536,514	2,536,514	74,589	100.00%	4,956,257	74,589	100.00%	441,630	441,630	Parent-Subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	6,969	51,969	2,772	100.00%	26,000	13,067	100.00%	(570)	(570)	Parent-Subsidiary
The Company	DZL	Taiwan	Investment holding	450,000	350,000	45,910	100.00%	592,074	45,910	100.00%	33,736	33,736	Parent-Subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related products	217,892	217,412	20,035	58.07%	216,377	20,035	58.07%	1,970	1,144	Parent-Subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	36,183	6,200	100.00%	(17,393)	(17,393)	Parent-Subsidiary
The Company	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	714,680	717,318	17,551	36.66%	946,337	17,651	40.32%	291,024	103,896	Parent-Subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related products	720,000	720,000	24,302	60%	696,714	24,302	60.00%	1,068	7,373	Parent-Subsidiary
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	407,809	26,410	62.75%	419,499	26,410	62.75%	20,827	11,679	Parent-Subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	292,558	14,812	-	100.00%	275,248	-	100.00%	(5,714)	(5,714)	Parent-Subsidiary
The Company	ATC	Taiwan	Manufacture and sale of bicycles and related products	1,224,000	-	24,480	51.00%	1,256,928	24,480	51.00%	109,545	17,650	
The Company	DET	Taiwan	Manufacture and wholesale of battery and electronic related products	250,000	-	12,500	100.00%	250,003	12,500	100.00%	3	3	
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related products	45,300	45,300	4,275	12.39%	46,167	4,275	12.39%	1,970	244	Parent-Subsidiary
DZL	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	174,445	174,445	4,361	9.11%	244,930	4,361	9.96%	291,024	255,116	Parent-Subsidiary
UTC	UTI	Mauritius	Investment holding	25,291	25,291	818	100.00%	13,134	818	100.00%	(11,088)	(11,088)	Affiliates
UTC	STC (Note 1)	Taiwan	Manufacture and processing of satellite locator, navigator and antenna, and the trading of telecommunications equipment.	-	288,175	-	-	-	15,810	100.00%	5,553	5,394	Affiliates
KST	KSG	Germany	Assemble and sale of bicycles and related products	361,371	157,604	-	100.00%	241,301	-	100.00%	(19,052)	(19,052)	Affiliates

Darfon Electronics Corp. and Subsidiaries

Information on Investees (Excluding Investments in Mainland China)

For the Year Ended December 31, 2021

Table 8 **(In Thousands of Shares)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31,2021			Maximum percentage of Ownership during 2021		Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying amount	Shares	Percentage of Ownership			
KST	KSI	Germany	Lease, purchase and management of movable property and immovable property ,and sale of bicycles and related products	87,853	87,853	-	100.00%	80,531	-	100.00%	(1,312)	(1,312)	Affiliates
KST	KSV	Vietnam	Manufacture and sale of bicycles and related products	475,406	279,756	-	100.00%	321,451	-	100.00%	(74,474)	(74,474)	Affiliates
DFLB	DFC	Czech Republic	Trading of electronic products	299	299	-	100.00%	69,679	-	100.00%	13,698	13,698	Affiliates
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	39,829	200	100.00%	2,737	2,737	Affiliates
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	863	10	100.00%	90	90	Affiliates
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	449,689	1,000	100.00%	8,299	8,299	Affiliates
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	4,496	-	100.00%	(100)	(100)	Affiliates
DTC	BESVJ	Japan	Trading of green products	26,690	26,690	2	49.00%	23,332	2	49.00%	9,043	4,431	Joint Venture
DTC	IOC	Hong Kong	Agent of bicycles and related products	148,235	148,235	19,000	76.00%	143,364	19,000	76.00%	15,368	11,680	Affiliates
DTC	KSMC	Taiwan	Manufacture and sale of bicycles and related products	47,765	47,765	4,500	100.00%	66,084	4,500	100.00%	17,534	17,534	Affiliates
ATC	Rich Glory International Inc.	Samoa	Investment holding	35,107	-	1,862	33.33%	51,891	1,862	33.33%	390	(237)	Associates
ATC	ATB	BVI	Investment holding	577,385	-	3,000	100.00%	509,420	3,000	100.00%	(69,433)	(50,129)	Affiliates
ATB	ATV	Vietnam	Manufacture and sale of bicycles and related products	872,463	-	-	100.00%	509,420	-	100.00%	(69,433)	(50,129)	Affiliates

Note 1： On March 1, 2021, STC was merged into UTC and STC was dissolved.

Note 2： The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Information on investments in Mainland China
For the Year Ended December 31, 2021

Table 9

i.Name and main businesses and products of investee companies in Mainland China: (In Thousands of NTD/USD)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum % of ownership in 2021	Investment Income (Loss)	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow				% of ownership			
DFS	Manufacture and sale of the Company's products	767,428 (USD 27,725) (Note 4)	(Note 1)	647,712 (USD 23,400)	-	-	647,712 (USD 23,400)	222,920	100.00%	100.00%	222,920 (Note 2)	3,081,822	224,706 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,356,320 (USD 49,000)	(Note 1)	1,356,320 (USD 49,000)	-	-	1,356,320 (USD 49,000)	166,281	100.00%	100.00%	166,281 (Note 2)	2,167,030	-
DPS	Mold development and manufacturing	27,680 (USD 1,000)	(Note 1)	27,680 (USD 1,000)	-	-	27,680 (USD 1,000)	8,369	100.00%	100.00%	8,369 (Note 2)	447,175	-
DFQ	Manufacture and sale of the Company's products	276,800 (USD 10,000)	(Note 1)	276,800 (USD 10,000)	-	-	276,800 (USD 10,000)	144,428	100.00%	100.00%	144,428 (Note 2)	767,958	-
UTZ	Wireless antennas for telecommunication, components design and marketing	20,898 (USD 755)	(Note 1)	20,898 (USD 755)	-	-	20,898 (USD 755)	(10,835)	100.00%	100.00%	(10,835) (Note 3)	12,319	-

Note 1： Indirect investment in Mainland China is through a holding company established in a third country.
Note 2：Investment income or loss was recognized based on the audited financial statements by the Parent company's auditors.
Note 3：Investment income or loss was recognized based on the audited financial statements by the auditors of UTC.
Note 4：Including US$ 4,325 thousand from capitalization of retained earnings.

ii.Limits on investments in Mainland China:

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company.	2,083,806 (USD 75,282)	2,175,842 (USD 78,607)	(Note)
UTC	20,898 (USD 755)	21,898 (USD 755)	1,066,217

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1=NT$27.68.
(Note) Since the Company has obtained the certificate of headquarters operation, there is no upper limit on investments in Mainland China.

iii.Significant transactions with investee companies in Mainland China:
The transactions between the Company and investee companies (the intercompany transactions): please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions".

Stock Code:8163

DARFON ELECTRONICS CORP.

Parent Company Only Financial Statements with
Independent Auditors'Report

For the Years Ended December 31, 2021 and 2020

Address: No. 167-1, Shan-Ying Road, Gueishan, Taoyuan, Taiwan
Telephone: 886-3-250-8800

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

Independent Auditors Report

To the Board of Directors of Darfon Electronics Corp.:

Audit Opinion

We have audited the parent-company-only financial statements of Darfon Electronics Corp. (the“Company”), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2021 and 2020,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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only 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. Valuation of inventories:

Please refer to notes 4(g) for the accounting policies on measuring inventory, notes 5(a) for assumptions used and uncertainties considered in determining net realizable value, and notes 6(e) for the disclosure of the amounts of inventory write-downs, of the parent-company-only financial statements.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid innovation of technology, the Company's stocks for products may become obsolete and product price may decline rapidly. Furthermore, the stocks for products may exceed customers' demands thus becoming obsolete. These factors result in a risk wherein the carrying amount of inventory may exceed its net realizable value. Particularly, the estimation of net realizable value requires the management's subjective judgments. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included reviewing the inventory of aging report and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of inventory aging; evaluating whether valuation of inventories was accounted for in accordance with the Company's accounting policies; and assessing the historical reasonableness of management's estimates of inventory provisions.

2. Investment in the subsidiaries

Please refer to notes 4(i) and 6(f) for the accounting policy on business combination, and “Investment in the subsidiaries ’for the related disclosure, respectively, of the notes to the parent-company-only financial statements.

Description of key audit matter:

In 2021 the Company acquired 51.00% ownership of Astro Tech Co., Ltd.(ATC), wherein the Company is able to exercise control over it. To adopt the accounting treatment of business combination, the management needs to determine the fair value of the identifiable assets and liabilities. The assessment is complex and involves significant assumptions and estimation. Accordingly, investment in the subsidiaries has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the purchase price allocation report with valuation on intangible assets conducted by an external expert engaged by the management; and evaluating the acquired assets and liabilities identified by the management including any fair value adjustment at the acquisition date. In doing so, we have consulted internal valuation specialists to assist in evaluating the reasonableness of the valuation model and key assumptions used. We have also assessed whether correct accounting treatment has been applied, and appropriate disclosures with respect to the acquisition has been made.

3. Impairment of goodwill included in the carrying amount of investment in the subsidiaries

Please refer to notes 4(m) for the accounting policy on impairment of non-financial assets, notes 5(b) for the estimation uncertainty of impairment of goodwill, and 6(f) for related disclosures of impairment test of goodwill, of the parent-company-only financial statements.

Description of key audit matter:

Goodwill arising from acquisition of subsidiaries, which are included in the carrying amount of investments accounted for using equity method. Goodwill is annually subject to impairment test or when there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill from cash generating units involves management's judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the assessment of impairment of goodwill provided by the management; assessing the appropriateness of the valuation model and key assumptions, including the discount rate, expected growth rate and future cash flow projections, used by the management in measuring the recoverable amount; performing a sensitivity analysis of key assumptions; and assessing the adequacy of the Company's disclosures with respect to the related information on goodwill impairment.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the 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 parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company-only 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 members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted in 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 parent-company-only financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identified and assessed the risks of material misstatement of the parent-company-only 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. Obtained 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. Concluded 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 auditor's report to the related disclosures in the parent-company-only 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remained solely responsible for our audit opinion.

We communicated 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 identified during our audit opinion.

We also provided 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 determined those matters that were of most significance in the audit of the parent-company-only financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined 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 Huei-Chen Chang and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2022

Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 version and Chinese version, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

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

DARFON ELECTRONICS CORP.

Balance Sheets

December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

		2021.12.31		2020.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 64,900	-	219,846	1
1110	Financial assets at fair value through profit or loss－current(note 6(b))	1,203	-	8,571	-
1170	Notes and accounts receivable, net (notes 6(d) and (p))	5,465,122	23	4,733,757	24
1180	Accounts receivable from related parties (notes 6(d) & (p) and 7)	1,612,017	7	1,353,352	7
130X	Inventories (note 6(e))	1,400,176	6	1,336,386	7
1470	Prepayments and other current assets	91,971	1	106,058	-
	Total current assets	8,635,389	37	7,757,970	39
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income-non-current (note 6(c))	1,213,707	5	1,058,383	5
1550	Investments accounted for using equity method (note 6(f) and 7)	10,646,474	45	8,282,166	41
1600	Property, plant and equipment (notes 6(g)、7 and 8)	2,746,869	12	2,635,063	13
1840	Deferred income tax assets ((notes 6(m))	103,068	-	154,831	1
1915	Prepayments for equipment	181,050	1	30,842	-
1920	Refundable deposits	1,080	-	1,483	-
1990	Other non-current assets (note 6(f))	1,647	-	180,920	1
	Total non-current assets	14,893,895	63	12,343,688	61
	Total assets	**$ 23,529,284**	**100**	**20,101,658**	**100**

(Continued)

See accompanying notes to the parent company only financial statements.

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

DARFON ELECTRONICS CORP.

Balance Sheets

December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

		2021.12.31		2020.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities：				
2100	Short-term borrowings (note 6(h))	$ 2,222,548	9	1,540,000	8
2110	Short-term notes and bills payable (note 6(i))	-	-	439,721	2
2170	Notes and accounts payable	360,918	2	343,533	2
2180	Accounts payable - related parties (note 7)	5,768,066	25	5,343,545	26
2200	Other payables (notes 6(q) and 7)	1,320,430	6	1,175,177	6
2250	Provision-current (note 6(k))	79,089	-	79,039	-
2300	Other current liabilities (note 6(p))	255,668	1	332,496	2
	Total current liabilities	10,006,719	43	9,253,511	46
	Non-current liabilities：				
2540	Long-term debt (notes 6(j) and 8)	3,620,000	15	1,600,000	8
2640	Net defined benefit liability - non-current (note 6(l))	59,601	-	56,165	-
2670	Other non-current liabilities	779	-	916	-
	Total non-current liabilities	3,680,380	15	1,657,081	8
	Total liabilities	13,687,099	58	10,910,592	54
	Equity (note 6(f)and(n))：				
3110	Common stock	2,800,000	12	2,800,000	14
3200	Capital surplus	4,132,767	18	3,921,454	20
	Retained earnings:				
3310	Legal reserve	1,116,990	5	1,024,037	5
3320	Special reserve	386,607	1	492,270	2
3350	Unappropriated earnings	1,828,344	8	1,339,912	7
		3,331,941	14	2,856,219	14
	Other Equity：				
3410	Foreign currency translation differences	(765,143)	(4)	(683,751)	(4)
3420	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	379,613	2	328,577	2
3445	Remeasurement of defined benefit	(36,993)	-	(31,433)	-
		(422,523)	(2)	(386,607)	(2)
	Total equity	9,842,185	42	9,191,066	46
	Total liabilities and equity	**$ 23,529,284**	**100**	**20,101,658**	**100**

See accompanying notes to the parent company only financial statements.

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

DARFON ELECTRONICS CORP.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, except for earnings per share)

		2021		2020	
		Amount	%	Amount	%
4000	**Net sales (notes 6(p) and 7)**	$ 17,702,426	100	15,056,289	100
5000	**Costs of sales (note 6(e), (g), (k), (l) & (q),7 and 12)**	(15,782,173)	(89)	(13,068,948)	(87)
5900	**Gross profit**	1,920,253	11	1,987,341	13
5910	Less: Unrealized (realized) profit on sales	(67,519)	(1)	(54,766)	-
5950	**Realized gross profit**	1,852,734	10	1,932,575	13
6000	**Operating Expenses (notes 6(g), (l),& (q), 7 and 12)**				
6100	Selling expenses	(436,720)	(2)	(546,710)	(4)
6200	Administrative expenses	(332,169)	(2)	(358,335)	(2)
6300	Research and development expenses	(505,952)	(3)	(511,006)	(4)
6000	**Total operating expenses**	(1,274,841)	(7)	(1,416,051)	(10)
6900	**Operating income**	577,893	3	516,524	3
7000	**Non-operating income and expenses (Notes 6(f), (g) & (r) and 7)**				
7100	Interest income	172	-	1,401	-
7010	Other income	72,452	-	49,264	-
7020	Other gains and losses	(20,245)	-	67,376	1
7050	Financial Costs	(45,912)	-	(34,451)	-
7070	Share of the profit of subsidiaries accounted for using equity method	690,925	4	450,315	3
	Total non-operating income and loss	697,392	4	533,905	4
7900	**Income before income tax**	1,275,285	7	1,050,429	7
7950	Income tax expenses (note 6(m))	(128,752)	(1)	(146,644)	(1)
8200	**Net income**	1,146,533	6	903,785	6
	Other comprehensive income(note 6(l),(m)&(n)):				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans	(7,216)	-	(55)	-
8316	Unrealized gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	58,339	-	279,676	2
8330	Share of the other comprehensive income of subsidiaries accounted for using equity method	22,099	-	36,259	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	1,443	-	11	-
		74,665	-	315,891	2
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	(74,547)	-	(174,772)	(1)
8380	Share of the other comprehensive income of subsidiaries and joint ventures accounted for using equity method	(6,845)	-	(9,709)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		(81,392)	-	(184,481)	(1)
	Other comprehensive income (loss)for the year, net of income tax	(6,727)	-	131,410	1
8500	**Total comprehensive income for the year**	**$ 1,139,806**	**6**	**1,035,195**	**7**
	Earnings per share (in New Taiwan dollars)(note 6(o))				
9750	**Basic earnings per share**	**$ 4.09**		**3.23**	
9850	**Diluted earnings per share**	**$ 4.05**		**3.19**	

See accompanying notes to the parent company only financial statements.

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

DARFON ELECTRONICS CORP.

Statement of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

			Retained Earnings				Other equity				
	Common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Foreign currency Translation Differences	Unrealized gains (losses) from financial asset at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal	Total equity
Balance at January 1, 2020	$ 2,800,000	3,802,120	934,042	366,541	1,270,104	2,570,687	(499,270)	38,323	(31,323)	(492,270)	8,680,537
Net income	-	-	-	-	903,785	903,785	-	-	-	-	903,785
Other comprehensive income	-	-	-	-	-	-	(184,481)	316,001	(110)	131,410	131,410
Total comprehensive income	-	-	-	-	903,785	903,785	(184,481)	316,001	(110)	131,410	1,035,195
Appropriation of earnings:											
Legal reserve	-	-	89,995	-	(89,995)	-	-	-	-	-	-
Special reserve	-	-	-	125,729	(125,729)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(644,000)	(644,000)	-	-	-	-	(644,000)
Organizational restructuring	-	144	-	-	-	-	-	-	-	-	144
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	94,638	-	-	-	-	-	-	-	-	94,638
Changes in ownership interest in subsidiaries	-	24,552	-	-	-	-	-	-	-	-	24,552
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	25,747	25,747	-	(25,747)	-	(25,747)	-
Balance on December 31, 2020	2,800,000	3,921,454	1,024,037	492,270	1,339,912	2,856,219	(683,751)	328,577	(31,433)	(386,607)	9,191,066
Net income	-	-	-	-	1,146,533	1,146,533	-	-	-	-	1,146,533
Other comprehensive income	-	-	-	-	-	-	(81,392)	80,225	(5,560)	(6,727)	(6,727)
Total comprehensive income	-	-	-	-	1,146,533	1,146,533	(81,392)	80,225	(5,560)	(6,727)	1,139,806
Appropriation of earnings:											
Legal reserve	-	-	92,953	-	(92,953)	-	-	-	-	-	-
Special reserve	-	-	-	(105,663)	105,663	-	-	-	-	-	-
Cash dividends	-	-	-	-	(700,000)	(700,000)	-	-	-	-	(700,000)
Difference between consideration and carrying amount of subsidiaries acquired	-	7,092	-	-	-	-	-	-	-	-	7,092
Changes in ownership interest in subsidiaries	-	204,221	-	-	-	-	-	-	-	-	204,221
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	29,189	29,189	-	(29,189)	-	(29,189)	-
Balance on December 31, 2021	**$ 2,800,000**	**4,132,767**	**1,116,990**	**386,607**	**1,828,344**	**3,331,941**	**(765,143)**	**379,613**	**(36,993)**	**(422,523)**	**9,842,185**

See accompanying notes to the parent company only financial statements.

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

DARFON ELECTRONICS CORP.
Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities：		
Income before income tax	$ 1,275,286	1,050,429
Adjustments：		
Adjustments to reconcile profit or (loss)：		
Depreciation	197,590	167,988
Amortization	2,211	12,200
Interest expense	45,912	34,451
Interest income	(172)	(1,401)
Dividend income	(54,839)	(27,419)
Employees' compensation from subsidiaries	3,468	11,567
Share of the profit of subsidiaries accounted for using equity method	(690,925)	(450,315)
Gains on disposal and retirement of property, plant , equipment and intangible assets	(4,900)	(7,817)
Impairment losses on property, plant and equipment	172	-
Unrealized (realized) profit from sales	67,519	54,766
Total adjustments to reconcile profit (loss)	(433,964)	(205,980)
Changes in operating assets and liabilities :		
Changes in operating assets：		
Decrease(increase) in financial assets at fair value through profit or loss	7,368	(5,901)
Increase in notes and accounts receivable	(731,365)	(1,146,276)
Increase in accounts receivable from related parties	(258,665)	(555,466)
Increase in inventories	(63,790)	(339,068)
Decrease(increase) in prepayments and other current assets	14,087	(19,036)
Total changes in operating assets	(1,032,365)	(2,065,747)
Change in operating liabilities：		
Increase (decrease) in notes and accounts payable	17,385	(14,232)
Increase in accounts payable to related parties	424,521	1,544,448
Increase in other payable	175,641	75,169
Increase in provisions	50	11,456
Decrease in other current liability	(76,802)	(170,323)
Decrease in net defined benefit liability	(3,780)	(6,075)
Total change in operating liabilities	537,015	1,440,443
Total changes in operating assets and liabilities	(495,350)	(625,304)
Total adjustment	(929,314)	(831,284)
Cash inflow generated from operations	345,972	219,145
Interest received	172	1,401
Interest paid	(45,190)	(34,591)
Income tax paid	(113,370)	(66,344)
Net cash provided by operating activities	187,584	119,611

See accompanying notes to the parent company only financial statements.

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

DARFON ELECTRONICS CORP.

Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities：		
Purchase of financial assets at amortized cost	(96,985)	-
Proceeds from redemption of financial assets at amortized cost	-	224,857
Purchase of investments accounted for using equity method	(1,675,330)	(494,561)
Disposal of investments accounted for using equity method	9,800	70,696
Proceed from capital reduction of equity-accounted investees	120,249	827,382
Additions to property, plant and equipment (including prepayments for equipment)	(454,247)	(467,415)
Proceeds from disposal of property, plant and equipment	1,543	1,178
Decrease in refundable deposits	403	122,495
Disposal of intangible assets	-	28,062
Increase in other non-current assets	-	(176,897)
Dividends received	189,373	107,490
Net cash flows provided by (used in) investing activities	(1,905,194)	243,287
Cash flows from financing activities：		
Increase (decrease) in short-term borrowings	682,548	(460,000)
Increase in short-term notes and bills payable	-	439,732
Decrease in short-term notes and bills payable	(439,721)	(200,000)
Increase in long-term debt	2,020,000	1,040,000
Repayments of long-term debt	-	(440,000)
Payments of lease liabilities	(163)	(592)
Increase in other non-current liabilities	-	428
Cash dividends distributed to shareholders	(700,000)	(644,000)
Net cash flows provided by (used in) financing activities	1,562,664	(264,432)
Net increase in cash and cash equivalents	(154,946)	98,466
Cash and cash equivalents at beginning of year	219,846	121,380
Cash and cash equivalents at end of year	**$ 64,900**	**219,846**

See accompanying notes to the parent company only financial statements.

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

DARFON ELECTRONICS CORP.

Notes to Parent Company Only Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Except for Per Share Information And Otherwise Specified)

1. Organization and business

   Darfon Electronics Corp. (the Company) was incorporated on May 8, 1997, as a company limited by shares under the laws of the Republic of China ("R.O.C."). The address of the Company's registered office is No. 167-1, Shan-Ying Road, Gueishan District, Taoyuan, Taiwan. The Company is engaged in the manufacture and sale of computer peripheral devices and electronic components.

2. Authorization of the parent-company-only financial statements

   These parent company only financial statements were authorized for issuance by the Board of Directors on March 8, 2022.

3. Application of new and revised accounting standards and interpretations:

   (a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC").

   The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2021:

   - Amendments to IFRS 4, "Extension of the temporary exemption from applying IFRS 9"
   - Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform－Phase 2"
   - Amendments to IFRS 16 "COVID-19-Related Rent Concessions After June 30,2021"

   (b) Impact of the 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, 2022, would not have a significant impact on on the parent-company-only financial statements.

   - Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"
   - Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"
   - Annual Improvements to IFRSs 2018 – 2020
   - Amendments to IFRS 3 "Reference to the Conceptual Framework"

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

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

Standards or Interpretations	Content of amendment	Effective Date Issued by IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1,2023

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

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

4. Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized as follows. And the accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

(a) Statement of compliance

The parent company only 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").

(b) Basis of preparation

(i) Basis of measurement

The parent company only financial statements have been prepared on the historical cost basis except for the following items in balance sheets：

1) Financial instruments at fair value through profit or loss (including derivative financial instruments)；
2) Financial assets measured at fair value through other comprehensive income; and
3) Defined benefit liabilities are measured at the present value of the defined benefit obligation less fair value of the plan assets.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which it operates. The Company's parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period (hereinafter referred to as “the reporting date”), 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 at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(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 of the Company's parent-company-only financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Company's financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation is reclassified to profit or loss. In the case of a partial disposal that does not result in the Company losing control over a subsidiary, the proportionate share of the accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Company' s ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity 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, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

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

An asset is classified as current when one of following criteria is met; all other assets are classified as non-current assets:

(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 cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of following criteria is met; all other liabilities are classified as non-current liabilities:

(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 consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and 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 that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(f) Financial instruments

Trade receivable 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 an accounts 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 issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, financial assets are classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).A regular way purchases or sales of financial assets is recognized or derecognized on a trade date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing its 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 financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Financial assets measured at fair value through other comprehensive income

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling :financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity are reclassified to profit or loss.

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. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive the dividends is established (usually the ex-dividend date).

3) Financial assets measured at fair value through profit or loss

All financial assets not classified as measured at amortized cost or at FVOCI described as above 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 dividend and interest income, are recognized in profit or loss.

4) 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, financial assets at amortized cost, notes and accounts receivable, other receivables and other financial assets).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial assets which are measured using 12-month ECL:

- 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 allowances for accounts receivable always measured at an amount equal to lifetime ECL.

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.

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

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. 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.

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. 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.

5) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset terminated, when the Company transfers substantially all the risks and rewards of ownership of the financial assets to other enterprises, or when 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 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

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other 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.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. 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. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iii) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments

The Company uses derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss. If the valuation of a derivative instrument results in a positive fair value, it is classified as a financial asset; otherwise, it is classified as a financial liability.

(g) Inventories

The cost of inventories all comprises all costs of purchase and other costs incurred in the bringing the inventories to their present location and condition ready for sale. Inventories are measured individually at the lower of cost or net realizable value. Inventories are measured individually at the lower of cost or net realizable value. Inventory are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. The difference between standard cost and actual cost is allocated to inventory and cost of sales on a proportional basis except for inefficient fixed manufacturing overheads, which are charged to cost of sales.Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses at the balance sheet date.

(h) Investment in associates

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

Investments in associates are accounted for using the equity method and are recognized initially at cost, plus, any transaction costs. The carrying amount of the investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. When necessary, the entire carrying amount of the investment (including goodwill) will be tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized as other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate, and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the change in ownership interests of its associate as "capital surplus" in proportion to its ownership.

Unrealized gains and losses resulting from transactions between the Company and an affiliate are recognized only to the extent of unrelated Company’s interests in the associate.

Adjustments are made to associates' financial statements to conform to the accounting polices applied by the Company.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the recognition of further losses is discontinued. 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. When an associate issues new shares and the Company does not subscribe to the new shares in proportion to its original ownership percentage, the Company's interest in the associate's net assets will be changed. The change in the equity interest is adjusted through the capital surplus and investment accounts. If the Company's capital surplus is insufficient to offset the adjustment to investment accounts, the difference is charged as a reduction of retained earnings. If the Company's interest in an associate is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under equity method, profit or loss, and other comprehensive income recognized in parent-company-only financial statement, is the same as the total comprehensive income attributable to the shareholders of the Company in the consolidated financial statements. In addition, the equity recognized in the parent-company-only financial statements is the same as the total equity attributable to the shareholders of the Company in the consolidated financial statements.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control as accounted for within equity.

Gains or losses from transactions between the Company and its subsidiaries that have not yet been realized are deferred. Gains or losses on transactions resulting from depreciable or amortizable assets are recognized annually over their useful lives; and those resulting from other types of assets are recognized in the year in which they are realized.

The Company uses the acquisition method of accounting to measure goodwill on newly acquired subsidiaries based on the fair value of the consideration transferred at the date of acquisition, including the amount of any non-controlling interest in the acquired company, less the net amount of the identifiable assets acquired and liabilities assumed (generally the fair value). If the resulting balance is negative, the Company reassesses whether all assets acquired and liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

Transaction costs associated with a business combination are recognized as expenses as incurred, except when they relate to the issuance of debt or equity instruments.

If the initial accounting for a business combination is incomplete by the end of reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

(j) Property, plant and equipment

(i) Recognition and measurement

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 property, plant and equipment is recognized in profit or loss.

(ii) Subsequent Costs

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 assets less their residual values and is recognized in profit or loss on a straight-line 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 for property, plant and equipment are as follows: machinery and equipment: 2 to 10 years; furniture, fixtures, and other equipment:3 to 10 years; buildings─main structure and other equipment pertaining to buildings: 4 to 40 years; buildings─electronic and air-conditioning facilities: 20 to 30 years.

Depreciation methods, useful lives, and residual values are reviewed at each financial year end, with the effect of any changes in estimate accounted for on a prospective basis.

(k) 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.

(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 evaluated and 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 subsequently 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 of the Company's assessment on whether it will exercise an option to purchase the underlying asset, or;
- there is a change in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications in lease subject, scope of the lease or other terms.

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 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 the difference in profit or loss for 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 properties, and lease liabilities as a separate line item respectively in the balance sheets.

If the contract contains the 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. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less 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 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.

For operating lease, the Company recognizes rental income on a straight-line basis over the lease term.

(l) Intangible assets

Acquired intangible assets are carried at cost, less, accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss using the straight-line method over the estimated useful lives of 6 to 8 years.

The residual value, amortization period, and amortization method are reviewed at least at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

(m) Impairment of non-financial assets

The Company assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets (other than inventories and deferred tax assets) may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually or when there are indications of impairment.

For the purpose of 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 from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an individual asset or CGU is the higher 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.

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the assets in prior years.

(n) Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax discount 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 costs.

A provision for warranties is recognized when the underlying products or services are sold. This provision reflects the historical warranty claim rate and the weighting of all possible outcomes against their associated probabilities.

(o) Revenue from contracts with customers recognition

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 accounting policies for the Company’s main types of revenue are explained below.

(i) Sale of goods

The Company recognizes revenue when control of the goods has been transferred, being when the goods are delivered to the customer, the customer has 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 goods. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Company has objective evidence that all criteria for acceptance have been satisfied. The Company offers sales discounts to certain customers. The Company recognizes revenue based on the price specified in the contract, net of estimated discounts. Discounts are estimated based on contracts or accumulated experience using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected sales discounts payable to customers. 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.

(ii) Royalties

The Company provides the customers with a right to use the Company's intellectual property as it exists at the time the license is granted, under which the performance obligation is satisfied over time and revenue is recognized over a specific period of time.

(iii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and the payment made by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during the year in which employees render services.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each 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 discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the expenses related to the increased obligations resulting from the services rendered by employees in the past years are recognized in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise (i) actuarial gains and losses, (ii) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and (iii) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liabilities (asset) are recognized in other comprehensive income and then transferred to other equity.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to make such payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

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 that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for:

(i) Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
(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.

Deferred tax assets are recognized for unused tax losses, 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 reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

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, and reflect uncertainty related to income taxes, if any.

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.

(r) Earnings per share (“EPS”)

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the financial statements. Basic EPS is calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of common shares outstanding during the year. In calculating diluted EPS, the net income attributable to stockholders of the Company and weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common shares. The Company’s dilutive potential common shares are profit sharing for employees to be settled in the form of common stock.

(s) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

5. Critical accounting judgments and key sources of estimation and assumption uncertainty

The preparation of the parent-company-only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included as follows:

(a) Inventory evaluation

Inventories are measured at the lower of cost and net realizable value. Due to rapid innovation of technology, the Company’s stocks for products may become obsolete and product price may decline rapidly. These factors result in a risk wherein the carrying amount if inventory may exceed its net realizable value. Particularly, the estimate of net realizable value requires the management’s subjective judgments and is mainly determined based on the assumptions of future demand within a specific time horizon, which could result in significant adjustments.

(b) Assessment of impairment of goodwill arising from investments in subsidiaries

The assessment of impairment of goodwill requires the Company to make subjective judgments to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amount of relevant cash-generating units. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years.

6. Significant account disclosures

(a) Cash and cash equivalents

	2021.12.31	**2020.12.31**
Cash on hand	$ 935	804
Demand deposit and checking accounts	63,965	219,042
	$ 64,900	**219,846**

(b) Financial instruments at fair value through profit or loss - current

	2021.12.31	**2020.12.31**
Financial assets mandatorily measured at fair value through profit or loss：		
Derivative instruments not used for hedging：		
Foreign currency Forward Contracts	**$ 1,203**	**8,571**

The Company entered into derivative contracts to manage foreign currency exchange risk resulting from its operating activities. The derivative financial instruments that did not conform to the criteria hedge accounting were classified as financial assets and liabilities at fair value through profit or loss.

At each reporting date , the outstanding derivative contracts that did not confirm to the criteria for hedge accounting consisted of the following：

2021.12.31		
Contract amount (in thousands)	**Currency**	**Maturity Period**
USD$ 12,000	CNY Buy / USD Sell	2022.01

2020.12.31		
Contract amount (in thousands)	**Currency**	**Maturity Period**
USD$ 32,080	CNY Buy / USD Sell	2021.01~2021.04

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

	2021.12.31	**2020.12.31**
Equity investments at fair value through other comprehensive income：		
Domestic listed stocks	$ 1,213,707	1,058,383

The Company designated the investments shown above as financial assets at fair value through other comprehensive income because these equity investments are held for long-term for strategic purposes and not for trading.

In 2021 and 2020, there were no strategic investments were disposed and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(d) Notes and accounts receivable

	2021.12.31	**2020.12.31**
Notes and accounts receivable	$ 5,487,378	4,756,013
Less: loss allowance	(22,256)	(22,256)
	5,465,122	4,733,757
Accounts receivable from related parties	1,612,017	1,353,352
	$ 7,077,139	6,087,109

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including related parties). Forward looking information is taken into consideration as well. Analysis of expected credit losses on notes and accounts receivable (including receivables from related parties) was as follows:

	2021.12.31		
	Gross carrying amount	**Weighted - average loss rate**	**Loss allowance**
Current	$ 4,452,418	0.21%	9,400
Past due 1～30 days	1,022,969	0.90%	9,225
Past due 31～60 days	4,351	3.79%	165
Past due 61～90 days	7,605	45.13%	3,432
Past due 91～120 days	26	96.15%	25
Past due over 121 days	9	100.00%	9
	$ 5,487,378		22,256

	2020.12.31		
	Gross carrying amount	**Weighted - average loss rate**	**Loss allowance**
Current	$ 3,889,735	0.28%	10,712
Past due 1～30 days	757,266	0.74%	5,621
Past due 31～60 days	103,380	3.35%	3,464
Past due 61～90 days	4,513	29.94%	1,351
Past due 91～120 days	364	96.98%	353
Past due over 121 days	755	100.00%	755
	$ 4,756,013		22,256

As of December 31, 2021 and 2020, the notes and accounts receivable- related parties were evaluated by the Company to have no expected credit losses and were analyzed as follows:

	2021.12.31	**2020.12.31**
Current	$ 1,313,375	1,183,558
Past due 1～30 days	210,899	86,709
Past due 31～60 days	76,618	58,410
Past due 61～90 days	10,959	23,368
Past due 91～120 days	1	256
Past due over 121 days	165	1,051
	$ 1,612,017	1,353,352

In 2021 and 2020, the amounts of the loss allowance for notes and accounts receivable were no change.

(e) Inventory

	2021.12.31	**2020.12.31**
Raw materials	$ 252,661	183,852
Work in process	56,022	15,123
Finished goods	1,091,493	1,137,411
	$ 1,400,176	1,336,386

For the years ended December 31, 2021 and 2020, the amounts of inventories recognized as cost of sales were as follow:

		2021	2020
Cost of inventories sold	$	15,669,399	13,082,672
Write-downs of inventories (reversal of write-downs)		111,401	(24,485)
Loss on scrap		1,373	10,761
	$	15,782,173	13,068,948

The write-downs of inventories arising from the inventories at the end of the reporting period and then writes down the cost of inventories to net realizable value ,and the reversal of write-downs of inventories arises from the disposal or use of obsolete inventories and was included in the cost of sales.

(f) Investments accounted for using equity method

A summary of the Company's investments accounted for using the equity method at the reporting date is as follows:

		2021.12.31	2020.12.31
Subsidiaries	$	10,646,474	8,282,166

(i) Subsidiaries

Please refer to consolidated financial statements for the year ended December 31, 2021.

For the years ended December 31, 2021 and 2020, the following table summarized the amount recognized by the Company at its share of those subsidiaries:

		2021.12.31	2020.12.31
Subsidiaries	$	690,925	450,315

On December 31, 2020, the Company paid the prepayment of 95%, $176,897 (included in other non-current assets) to acquire the right-of-use assets of land in Vietnam, which as building land for Darfon Vietnam Co., Ltd. In 2021, the Company reclassified the aforementioned non-current assets as investments accounted for using equity method, after reclassifying the prepayment as investment.

(ii) Acquisition of a subsidiary －Astro Tech Co., Ltd. (ATC)

1) The cost of acquisition

On April 1, 2021 (the acquisition date), the Company acquired 51.00% equity ownership of ATC. Since then, ATC and its subsidiaries have become Company’s subsidiaries. ATC and its subsidiaries are mainly engaged in the design, manufacture and trading of high-end and electronic bikes, and frames.

The acquisition of ATC enabled the Company to improve its vertical integration with respect to the business development of E-bike's manufacture, thereby expending the Company’s scale in the industry of green energy products.

2) Identifiable net assets acquired in a business combination

On April 4, 2021 (the acquisition date), the fair value of the identifiable assets acquired and liabilities assumed from the acquisition were as follows:

Consideration transferred:		
Share capital increase by cash(Note)		$ 1,224,000
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		1,013,755
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	$ 1,533,552	
Notes and accounts receivable, net	315,243	
Other receivables	131,994	
Inventories	302,165	
Prepayments and other current assets	57,605	
Investments accounted for using equity method	34,699	
Property, plant and equipment	940,438	
Right-of-use assets	227,931	
Intangible assets－patents	124,899	
Intangible assets－computer software	14,486	
Other non-current assets	197,111	
Short-term borrowings	(28,653)	
Accounts payable	(728,789)	
Other payables (Note)	(606,741)	
Provisions－current	(3,155)	
Other current liabilities	(132,107)	
Long-term debt (including current portion)	(34,383)	
Lease liabilities (including current and non-current)	(7,096)	
Deferred income tax liabilities	(126,841)	
Long-term Payables (included in other non-current liabilities)(Note)	(143,471)	2,068,887
Goodwill		**$ 168,868**

Note: The Company acquired equity ownership of ATC by sponsoring its issuance of new shares through cash capital increase. The cash outflow from acquisition included the payment $469,021 according to the share transfer agreement and other payable $143,471.

(iii) Acquisition of Subsidiaries-TD HiTech Energy Inc.

1) The cost of acquisition

On August 25, 2020 (the acquisition date), the Company acquired 62.75% equity ownership of TDI. Since then, TDI and its subsidiaries have become Company's subsidiaries. TDI and its subsidiaries are mainly engaged in the manufacture and trading of high-power electronic bike battery module and related components.

The acquisition of TDI enabled the Company to accelerate its strategic layout with respect to the business development of E-bike's battery, thereby expending the Company's scale in the industry of green energy products.

2) Identifiable net assets acquired in a business combination

On August 25, 2020 (the acquisition date), the fair values of the identifiable assets acquired and liabilities assumed from the acquisition were as follows:

Consideration Transferred：				
Cash			$	407,809
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)				213,486
Less: identifiable net assets acquired at fair value:				
Cash and cash equivalents	$	317,650		
Notes and accounts receivable, net		172,338		
Other receivables		58		
Inventories		135,808		
Prepayments and other current assets		13,642		
Property, plant and equipment		21,334		
Prepayments of equipment		1,284		
Right-of-use assets		57,052		
Intangible assets - patents		856		
Intangible assets - expertise technology		28,454		
Intangible assets-computer software		2,207		
Deferred income tax assets		9,251		
Refundable deposits		1,843		
Accounts payable		(75,598)		
Other payables		(18,859)		
Provision - current		(13,861)		
Other current liabilities		(16,026)		
Lease liabilities (including current and non-current)		(58,624)		
Deferred income tax liabilities		(5,691)		573,118
Goodwill			**$**	**48,177**

The above goodwill and intangible assets recognized at the time of investment are included in the carrying value of investments-subsidiaries accounted for using the equity method.

The Company continuously reviews the abovementioned items during the measurement period. For 2021, the adjustment of the abovementioned intangible assets and goodwill is recognized as below:

Decrease in intangible assets－expertise	$	(4,729)
Decrease in deferred income tax liabilities		946
Decrease in non-controlling interests		1,409
Goodwill	**$**	**(2,374)**

(iv) Acquisition or disposal of subsidiary's additional interest

The Company disposed part of equity of Unictron Technologies Corporation (UTC) at a consideration of $9,800 in 2021. The difference between consideration received and carrying amount of the interests disposed of amounted to $7,162 and was recognized as capital surplus. Additionally, the Company acquired the additional subsidiary of Darad Innovation Corp. (DTC) in 2021. The difference between consideration paid and carrying amount of the interests acquired amounting to $(70) was recognized as capital surplus.

The Company and Darfon Gemmy Corp.(DZL) disposed part of UTC's equity amounted to$58,520 thousand in 2020. The difference between consideration and carrying amount of UTC amounted to $43,206 thousand was recognized as capital surplus. In addition, the Company recognized capital surplus of $42,955 thousand from the disposal of UTC in proportion to the Company's ownership of DZL.

In 2020, UTC exchanged 0.20 shares for 1 share of San Jose Technology Inc. (STC) and used $12,176 thousand of cash to acquire all of the Company's shares in STC. As a result, the Company's equity interest in STC was reduced to zero. The Company adjusted capital surplus by $8,511 thousand for the aforementioned transaction and recognized the difference between consideration and carrying amount of STC.

(v) Disposal of part of the subsidiary's equity without losing control

In 2021,UTC increased its share capital wherein the Company did not subscribe proportionately form its existing ownership percentage. Therefore, the share issuances of UTC resulted in a decrease in the Company's ownership interest in UTC.

In 2020, UTC issued new shares for the stock options exercised by its employees, and for the purpose of exchanging STC's additional shares, which resulted in a decrease in the Company's ownership interest in UTC.

In 2020, DTC increased its share capital wherein the Company did not subscribe proportionately form its existing ownership percentage. Additionally, DTC issued new shares for the stock options exercised by its employees. The above share issuances of DTC resulted in a decrease in the Company's ownership interest in DTC.

Due to the above-mentioned changes in the ownership and equity of the subsidiary, the Company has increased the capital surplus by $204,221 and $24,552 respectively in 2021 and 2020.

(vi) impairment test on goodwill

The excess of the cost of acquiring an investment in a subsidiary over the Company's equity interest of the net fair value of the investee's identifiable assets and liabilities at the date of acquisition should be recorded as goodwill, and any impairment of goodwill should be recognized as a reduction in the carrying amount of the investment using the equity method in the individual financial statements. As of December 31, 2021 and 2020, the recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

	2021.12.31	2020.12.31
UTC	$ 273,447	273,447
KST	133,924	133,924
ATC	168,868	-
Other CGU without significant goodwill	60,871	58,497
	$ 637,110	**465,868**

Above-mentioned CGUs represents the lowest level within the group, at which the goodwill is monitored for internal management purpose. Based on the results of impairment tests conducted by the Company on December 31, 2021 and 2020, the recoverable amount exceeded its carrying amount; as a result, no impairment loss was recognized. The recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

	2021.12.31	2020.12.31
UTC：		
Revenue growth rate	9%~22%	9%~15%
Discount rate	14.71%	17.38%
KST：		
Revenue growth rate	5%~29%	15%~30%
Discount rate	16.67%	17.40%
ATC：		
Revenue growth rate	5%~22%	-
Discount rate	16.55%	-

1) The cash flow projections were based on future financial budgets, covering a period of 5 years, which were approved by management. Cash flows that beyond 5-years have been extrapolated using a 1.5% to 2% growth rate.
2) The estimation of discount rate is based on the weighted average cost of capital.

(g) Property, plant and equipment

The movements of costs and accumulated depreciation and impairment loss of the property, plant and equipment were as follows：

		Land	Building	Machinery	Furniture and fixtures	Other Equipment	Equipment pending acceptance	Total
Cost:								
Balance at January 1, 2021	$	606,960	2,249,707	1,512,213	29,999	80,032	80,211	4,559,122
Additions		100,254	17,561	64,707	4,511	3,495	100,958	291,486
Disposals		-	-	(7,186)	-	(4,550)	-	(11,736)
Reclassification		-	4,232	88,722	-	-	(73,688)	19,266
Balance at December 31,2021	$	707,214	2,271,500	1,658,456	34,510	78,977	107,481	4,858,138
Balance at January 1,2020	$	606,960	2,150,856	1,003,065	21,043	68,532	279,161	4,129,617
Additions		-	7,053	307,936	5,717	21,293	79,761	421,760
Disposals		-	(402)	(15,117)	(2,919)	(9,793)	-	(28,231)
Reclassification		-	92,200	216,329	6,158	-	(278,711)	35,976
Balance at December 31,2020	$	606,960	2,249,707	1,512,213	29,999	80,032	80,211	4,559,122
Accumulated depreciation and impairment losses：								
Balance at January 1, 2021	$	-	1,100,973	748,833	18,556	55,697	-	1,924,059
Depreciation		-	78,203	109,062	2,795	7,364	-	197,424
Impairment losses		-	-	172	-	-	-	172
Disposals		-	-	(7,186)	-	(3,200)	-	(10,386)
Balance at December 31,2021	$	-	1,179,176	850,881	21,351	59,861	-	2,111,269
Balance at January 1, 2020	$	-	1,021,199	683,107	19,379	60,042	-	1,783,727
Depreciation		-	79,791	80,195	2,096	5,316	-	167,398
Disposals		-	(17)	(14,469)	(2,919)	(9,661)	-	(27,066)
Balance at December 31,2020	$	-	1,100,973	748,833	18,556	55,697	-	1,924,059
Carrying amount：								
Balance at December 31,2021	$	707,214	1,092,324	807,575	13,159	19,116	107,481	2,746,869
Balance at December 31,2020	$	606,960	1,148,734	763,380	11,443	24,335	80,211	2,635,063

Please refer to note 8 for details of the property, plant and equipment pledged as collateral.

A land located in Miaoli couldn't be registered in the name of the company due to regulations. The company and the landowner had signed an agreement, clarifying that the rights and obligations of the land belongs to the company.

(h) Short-term borrowings

	2021.12.31	2020.12.31
Unsecured bank borrowings	$ 2,222,548	1,540,000
Unused credit facilities	$ 6,523,200	5,571,028
Interest Rate	0.60%~1.00%	0.83%~0.94%

(i) Short-term notes and bills payable

	2020.12.31
Commercial paper payable	$ 440,000
Less: Discount on short-term commercial paper payable	(279)
Total	$ 439,721
Interest Rate	0.848%~0.858%

(j) Long-term debt

		2021.12.31	2020.12.31
Secured bank loans	$	3,620,000	1,600,000
Less: current portion of long-term debt		-	-
Total	$	**3,620,000**	**1,600,000**
Unused credit facilities	$	**2,153,280**	**2,053,600**
Year to maturity		**112~113**	**112**
Interest rate		**0.82%~1.05%**	**0.99%~1.08%**

According to the loan agreements, the Company is required to maintain certain financial ratios, including current ratio, net liability ratio, financial liability ratio, interest coverage ratio and tangible net worth, calculated based on its annual audited consolidated financial statements and semi-annual reviewed consolidated financial statements. On December 31, 2021 and 2020, the Company was in compliance with the above-mentioned financial ratios.

Please refer to note 8 for a description of pledged property for long-term debt from banks.

(k) Warranty provisions

		2021	2020
Balance at January 1	$	79,039	67,583
Additions		34,105	28,794
Amount utilized		(34,055)	(17,338)
Balance at December 31	$	**79,089**	**79,039**

Warranty provisions are mainly related to the sale of computer peripherals and electronic components. Warranty provisions are estimated based on historical warranty data associated with similar products.

(l) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and fair value of plan assets for defined benefit plans was as follows:

		2021.12.31	2020.12.31
Present value of benefit obligations	$	166,978	160,686
Fair value of plan assets		(107,377)	(104,521)
Net defined benefit liabilities	$	**59,601**	**56,165**

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

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the "Bureau of Labor Funds"). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, minimum annual earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2021, and 2020, the Company's labor pension fund deposited at Bank of Taiwan amounted to $107,377 and $104,521, respectively. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the Fund.

2) Movements in the present value of defined benefit obligations

	2021	2020
Defined benefit obligations at January 1	$ 160,686	162,391
Current service cost and interest expense	1,332	1,942
Remeasurement on the net defined benefit liabilities：		
－Actuarial losses (gains) arising from changes in demographic assumptions	4,720	-
－Actuarial losses (gains) arising from experience adjustments	3,549	(4,054)
－Actuarial losses (gains) arising from changes in financial assumptions	-	7,484
Benefit paid by the Company and the plan	(3,309)	(7,077)
Defined benefit obligation at December 31	**$ 166,978**	**160,686**

3) Movements of the fair value of plan assets

	2021	2020
Fair value of plan assets at January 1	$ 104,521	100,206
Interest income	792	1,139
Remeasurement on the net defined benefit liabilities		
－Return on plan assets (excluding the amounts included in the net interest expense)	1,053	3,375
Contributions by the employer	4,320	4,320
Benefits paid by the plan	(3,309)	(4,519)
Fair value of plan assets at December 31	**$ 107,377**	**104,521**

4) Change in the effect of the assets ceiling

In 2021 and 2020, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

		2021	2020
Current service costs	$	135	128
Net interest expense on the net defined benefit liability		405	675
	$	**540**	**803**
Cost of sales	$	148	184
Operating expenses		392	619
	$	**540**	**803**

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	2021.12.31	2020.12.31
Discount rate	0.750%	0.750%
Future salary increases rate	2.000%	2.000%

The Company expects to make a contribution of $4,320 thousand to the defined benefit plans in the year following December 31, 2021. The weighted-average duration of the defined benefit plan is 15.34 years.

7) Sensitivity analysis

The impact of a change in the assumptions on the present value of the defined benefit obligation is as follows：

		Increase (decrease) in present value of defined benefit obligations	
		0.25% Increase	**0.25% Increase**
December 31,2021			
Discount rate	$	(4,993)	5,183
Future salary change		5,024	(4,864)
December 31,2020			
Discount rate		(5,037)	5,236
Future salary change		5,069	(4,913)

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are interrelated. The method used to carry out the sensitivity analysis is the same as the calculation of the net defined benefit liabilities recognized in the balance sheets.

The method and assumption used to carry out the sensitivity analysis is the same as in the prior period year.

(ii) Defined contribution of plan

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

For the years ended December 31, 2021 and 2020, the Company recognized pension expenses of $36,526 thousand and $35,883 thousand, respectively, in relation to the defined contribution plans.

(m) Income Tax

(i) In 2021 and 2019, the components of income tax expense were as follows:

	2021	2020
Current income tax expense		
Current period	$ 75,841	82,519
Adjustment for prior years	(295)	23,022
	75,546	105,541
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	97,677	105,801
Changes in unrecognized deductible temporary differences	(44,471)	(64,698)
	53,206	41,103
	$ 128,752	**146,644**

In 2021and 2020, there was no income tax recognized directly in equity.

The components of income tax expense (benefit) recognized in other comprehensive income were as follows：

	2021	2020
Items that will not be reclassified subsequently to profit or loss：		
Remeasurements of the defined benefit plans	**$ (1,443)**	**(11)**

Reconciliation of income tax expense and income before income tax was as follows：

	2021	2020
Income before income taxes	**$ 1,275,285**	**1,050,429**
Income tax using the company's statutory tax rate	$ 255,057	210,086
Investment income recorded under equity method	(32,033)	(10,824)
Investment tax credits	(39,036)	(31,470)
Adjustment for prior-year income tax expense	(295)	23,022
Changes in unrecognized deductible temporary differences	(44,471)	(64,698)
Recognition of previously unrecognized tax losses	5,493	-
Others	(15,963)	20,528
	$ 128,752	**146,644**

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	2021.12.31	2020.12.31
Deductible temporary differences	$ 237,998	176,317
Tax losses	4,000	4,000
	$ 241,998	180,317

The Company believed that it is not probable that future taxable profits will be available against which the temporary differences and losses can be utilized; therefore, no deferred income tax assets were recognized for above mentioned item.

2) Unrecognized deferred income tax liabilities

	2021.12.31	2020.12.31
Aggregate taxable temporary differences associated with investments in subsidiaries	$ 906,834	800,682

The Company is able to control the timing of reversal of the temporary differences associated with investments in subsidiaries. As management believed that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax liabilities.

3) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities were as follows:

Deferred income tax assets：

	Depreciation adjustments for tax purposes	Defined benefit liabilities	Deferred inter-company profits	Warranty provisions	Refund liabilities	Others	Total
Balance at January 1,2021	$ 22,944	11,233	56,543	15,808	18,106	30,197	154,831
Recognized in profit or loss	1,016	(756)	(33,586)	10	(799)	(19,091)	(53,206)
Recognized in other comprehensive income	-	1,443	-	-	-	-	1,443
Balance at December 31, 2021	$ 23,960	11,920	22,957	15,818	17,307	11,106	103,068
Balance at January 1,2020	$ 21,581	12,437	100,545	13,517	18,106	29,737	195,923
Recognized in profit or loss	1,363	(1,215)	(44,002)	2,291	-	460	(41,103)
Recognized in other comprehensive income	-	11	-	-	-	-	11
Balance at December 31, 2020	$ 22,944	11,233	56,543	15,808	18,106	30,197	154,831

(iii) Approved income tax situation

The R.O.C. income tax authorities have examined the income tax returns of the Company for all fiscal years through 2019.

(n) Capital and other equity

(i) Common Stock

As of December 31, 2020 and 2019, the Company's authorized shares of common stock consisted of 450,000 thousand shares, of which 280,000 thousand shares were issued and outstanding. The par value of the Company's common stock is $10 per share.

A movements in outstanding shares of common stock were as follows (in thousands of shares)：

	Common Stock	
	2021	**2020**
Balance at December 31 (Balance at January 1)	280,000	280,000

(ii) Capital surplus

The balance of the Company's capital surplus is as follows：

	2021.12.31	2020.12.31
Paid-in capital in excess of par value	$ 3,563,940	3,563,940
Treasury stock transactions	238,180	238,180
Consolidation premium	144	144
Difference arising from subsidiary's share price and its carrying value	101,730	94,638
Recognition of changes in ownership and equity of subsidiaries	228,773	24,552
	$ 4,132,767	3,921,454

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends based on the original shareholding ratio or distributed as cash dividends pursuant to a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year.

(iii) Retained earnings

The Company's articles of incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside or reversed in accordance with applicable laws and regulations. The remaining balance, together with unappropriated earnings from previous years can be distributed as dividends to stockholders. Pursuant to the appropriation of earnings proposed by the Board of Directors and approved by the stockholders' meeting. In accordance with the Company's Articles of Incorporation, amended on June 18, 2020, distribution of earnings by way of cash dividends should be approved by the Board of Directors and then reported to the stockholders' meeting.

According to the Company's Articles of Incorporation, distribution of cash dividends by legal reserve or capital reserve should be approved by the Board of Directors and then reported to the shareholders meeting.

As the Company is a technology- and capital-intensive enterprise with growing phase, the Company has adopted a remaining earnings appropriation method as its dividend policy in order to meet long-term capital needs and cash requirements of stockholders, and thereby maintain continuous development and steady growth. While the current year's earnings available for distributable equal the amount of 2% of the paid-in capital, the dividend distributed shall not be less than 10% of current year's earnings available for distribution. No dividends will be distributed when the current year's earnings available for distribution are less than the amount 2% of paid-in capital. Considering the future expansion of operation scale and cash flow requirements, the cash dividend cannot be less than 10% of the total distribution of cash dividend and stock dividend.

1) Legal reserve

According to the Company Act, if the Company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholder, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the total amount of items that were accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to the retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

3) Earnings distribution

On March 15, 2021 and March 16, 2020, the board of directors approved the cash dividends from the appropriation of 2020 and 2019 earnings, respectively. The resolved appropriations of the dividends per share were as follows:

	2020		2019	
	Dividend per share (NT$)	**Amount**	**Dividend per share (NT$)**	**Amount**
Dividends per share：				
Cash dividend	$ 2.5	700,000	2.3	644,000

On March 8, 2022, the Company’s Board of directors has approved the distribution of cash dividend as follows：

	2021	
	Dividend per share (NT$)	**Amount**
Dividends per share：		
Cash dividend	$ 3.0	840,000

Related information is available on the Market Observation Post System website of Taiwan Stock Exchange.

(iv) Other equity items (net after tax)

		Foreign currency translation differences	Unrealized gains (loss) from financial assets at fair value through other comprehensive income	Remeasurement of define benefit plans	Total
Balance at January 1,2021	$	(683,751)	328,577	(31,433)	(386,607)
Foreign exchange differences arising from the translation of foreign operations		(74,547)	-	-	(74,547)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income		-	58,339	-	58,339
Disposal of equity instruments measured at fair value through other comprehensive income or loss by a subsidiary		-	(29,189)	-	(29,189)
Remeasurement of defined benefit plans		-	-	(5,773)	(5,773)
Share of other comprehensive income (loss) of subsidiaries recognized accounted for using the equity method		(6,845)	21,886	213	15,254
Balance at December 31,2021	$	(765,143)	379,613	(36,993)	(422,523)
Balance at January 1,2020	$	(499,270)	38,323	(31,323)	(492,270)
Foreign exchange differences arising from the translation of foreign operations		(174,772)	-	-	(174,772)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income		-	279,676	-	279,676
Disposal of equity instruments measured at fair value through other comprehensive income or loss by a subsidiary		-	(25,747)	-	(25,747)
Remeasurement of defined benefit plans		-	-	(44)	(44)
Share of other comprehensive income (loss) of subsidiaries recognized accounted for using the equity method		(9,709)	36,325	(66)	26,550
Balance at December 31,2020	$	(683,751)	328,577	(31,433)	(386,607)

(o) Earnings per share (“EPS”)

The calculation of basic and diluted earnings per share for the years ended December 31, 2021 and 2020 were as follows：

(i) Basic earnings per share

		2021	2020
Net income attributable to ordinary shareholders of the Company	$	1,146,533	903,785
Weighted-average number of ordinary shares outstanding (in thousands)		280,000	280,000
Basic earnings per share (in New Taiwan dollars)	$	4.09	3.23

(ii) Diluted earnings per share

		2021	2020
Net income attributable to ordinary shareholders of the Company	$	1,146,533	903,785
Weighted-average number of ordinary shares outstanding (in thousands)		280,000	280,000
Effect of potentially dilutive ordinary shares (in thousands)：			
Remeasurement to employee in stock		3,336	3,503
Weighted average number of ordinary shares outstanding (after the effect of potentially dilutive ordinary shares) (in thousands)		283,336	283,503
Diluted earnings per share (in New Taiwan dollars)	$	4.05	3.19

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

		2021	2020
Primary geographical markets：			
Taiwan	$	2,132,270	2,121,550
America		873,855	776,723
Mainland China		12,594,570	10,456,815
Others		2,101,731	1,701,201
	$	17,702,426	15,056,289
Major products and services lines：			
Peripheral electronic products	$	14,850,343	12,687,470
Green energy products and passive components		2,852,083	2,368,819
	$	17,702,426	15,056,289

(ii) Contract balances

		2021.12.31	2020.12.31	2020.1.1
Notes and accounts receivable (including related parties)	$	7,099,395	6,109,365	4,407,623
Less: loss allowance		(22,256)	(22,256)	(22,256)
	$	7,077,139	6,087,109	4,385,367

Please refer to note 6(d) for the disclosure of notes and accounts receivable (including related parties) and loss allowance.

(iii) Refund liabilities

		2021.12.31	2020.12.31	2020.1.1
Other current liabilities - refund liabilities	$	236,537	315,172	488,256

(q) Remuneration to employees and directors

The Company’s Article of Incorporation requires that annual earning shall first be offset against any deficit, then 5%~20% shall be allocated as employee remuneration and a maximum of 1% be allocated as directors’ remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the Parent or subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2021 and 2020, the Company estimated its remuneration to employees amounting to $142,889 and $117,614, respectively, and the remuneration to directors amounting to $10,717 and $8,821, respectively. The abovementioned estimated amounts are calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by a certain percentage of the remuneration to employees and directors. The estimations are recognized as cost of sales or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.

The abovementioned estimated remuneration to employees and directors was the same as the amount approved by the Board of Directors and will be paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(r) Non-operating income and loss

(i) Interest income

	2021	2020
Interest income from bank deposits	**$ 172**	**1,401**

(ii) Other income

	2021	2020
Rental income(note 7)	$ 2,595	1,738
Dividend income	54,839	27,419
Other	15,018	20,107
	$ 72,452	**49,264**

(iii) Other gains and losses

	2021	2020
Foreign exchange (loss) gain, net	$ (56,788)	34,976
Gain on financial assets and liabilities measured at fair value through profit or loss	33,376	29,085
Gain on disposal of property, plant and equipment (note 7)	1,711	4,628
Gains on disposal of intangible assets (note 7)	3,189	3,189
Impairment losses of property, plant and equipment	(172)	-
Others	(1,561)	(4,502)
	$ (20,245)	**67,376**

(iv) Financial costs

	2021	2020
Interest expense：		
Interest expense from bank loans	$ 45,906	34,445
Interest expense on lease liabilities	6	6
	$ 45,912	**34,451**

(s) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	2021.12.31	2020.12.31
Financial assets at fair value through profit or loss：		
Financial assets mandatorily measured at fair value through profit or loss	$ 1,203	8,571
Financial assets at fair value through other comprehensive income or loss	1,213,707	1,058,383
Financial assets measured at amortized cost：		
Cash and cash equivalents	64,900	219,846
Notes and accounts receivable and other receivables(including related parties)	7,077,139	6,087,109
Refundable deposits	1,080	1,483
Subtotal	7,143,119	6,308,438
Total	**$ 8,358,029**	**7,375,392**

2) Financial liabilities

	2021.12.31	2020.12.31
Financial liabilities measured at amortized cost：		
Short-term borrowings	$ 2,222,548	1,540,000
Short-term notes and bills payable	-	439,721
Notes and accounts payable and other payables (including related parties)	7,420,434	6,795,452
Long-term debt	3,620,000	1,600,000
Lease Liabilities	488	651
Guarantee deposits received	428	428
Total	**$ 13,263,898**	**10,376,252**

(ii) Credit Risk

The maximum exposure to credit is equal to the carrying amount of Company's financial assets. As of December 31, 2021 and 2020, the Company's maximum exposure to credit risk amount to $8,358,029 thousand and $7,375,392 thousand, respectively.

The majority of the Company's customers are well-known international companies with high financial transparency. As of December 31, 2021 and 2020, 45% and 46% of notes receivable are concentration of transaction with four customers. The Company has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. Additionally, the Company continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

(iii) Liquidity risk

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Contractual cash flow	Within 1 year	1-2 years	2-5 years
December 31, 2021				
Non-derivative financial liabilities：				
Short-term borrowings	$ 2,229,613	2,229,613	-	-
Notes and accounts payable and other payables (including related parties)	7,420,434	7,420,434	-	-
Long-term debt	3,697,583	33,508	28,664	3,635,411
Lease liabilities	498	142	142	214
Subtotal	13,348,128	9,683,697	28,806	3,635,625
Derivative financial instruments：				
Foreign currency forward contracts – settled in gross				
Outflow	333,711	333,711	-	-
Inflow	(334,914)	(334,914)	-	-
Subtotal	(1,203)	(1,203)	-	-
	$ 13,346,925	**9,682,494**	**28,806**	**3,635,625**
December 31, 2020				
Non-derivative financial liabilities：				
Short-term borrowings	$ 1,540,851	1,540,851	-	-
Short-term notes and bills payable	440,000	440,000	-	-
Notes and accounts payable and other payables (including related parties)	6,795,452	6,795,452	-	-
Long-term debt	1,646,281	16,547	16,547	1,613,187
Lease liabilities	668	668	-	-
Subtotal	10,423,252	8,793,518	16,547	1,613,187
Derivative financial instruments：				
Foreign currency forward contracts – settled in gross				
Outflow	913,723	913,723	-	-
Inflow	(922,294)	(922,294)	-	-
Subtotal	(8,571)	(8,571)	-	-
	$ 10,414,681	**8,784,947**	**16,547**	**1,613,187**

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

(iv) Currency risk

The carrying amounts of monetary assets and liabilities and nonmonetary assets not denominated in functional currency at the reporting date were as follows:

(Amount in thousands)

	2021.12.31				
	Foreign Currency	**Exchange rate**	**New Taiwan Dollars**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
USD	$ 256,151	27.680	7,090,260	1%	70,903
Non-monetary items					
USD	237,667	27.680	6,578,615	-	-
EUR	1,151	31.444	36,183	-	-
VND	226,672,276	0.00121	275,248	-	-
Financial liabilities					
Monetary items					
USD	249,645	27.680	6,910,174	1%	69,102

	2020.12.31				
	Foreign Currency	**Exchange rate**	**New Taiwan Dollars**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
USD	$ 216,917	28.350	6,149,597	1%	61,496
Non-monetary items					
USD	217,223	28.350	6,158,277	-	-
EUR	1,670	34.956	58,393	-	-
VND	11,947,478	0.00122	14,666	-	-
Financial liabilities					
Monetary items					
USD	198,352	28.350	5,623,279	1%	56,233

With varieties of functional currencies within the Company, the Company disclosed net realized and unrealized foreign exchange gain (loss) on monetary items in aggregate. Please refer to note 6(s) for the information with respect to the foreign exchange gains (losses) for the years ended December 31, 2021 and 2020.

(v) Interest rate risk

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reposting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period.

If the interest rate had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the years ended December 31, 2021 and 2020, would have been $58,425 and $35,797, respectively, lower/ higher, which mainly resulted from the loans and borrowings with floating interest rates.

(vi) Fair Value

1) Financial instruments that are not measured at fair value

The Company’s management considers that the carrying amounts of their financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments that are measured at fair value

The Company’s financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The table below analyzes financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2021.12.31				
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	amount
Financial assets at fair value through profit or loss：					
Derivative financial instruments -					
Foreign currency forward contracts	$ 1,203	-	1,203	-	1,203
Financial assets at fair value through other comprehensive income or loss：					
Domestic listed stocks	1,213,707	1,213,707	-	-	1,213,707
Total	**$ 1,214,910**	**1,213,707**	**1,203**	**-**	**1,214,910**

	2020.12.31				
	Carrying	Fair Value			
	amount	Level 1	Level 2	Level 3	amount
Financial assets at fair value through profit or loss：					
Derivative financial instruments -					
Foreign currency forward contracts	$ 8,571	-	8,571	-	8,571
Financial assets at fair value through other comprehensive income or loss：					
Domestic listed stocks	1,058,383	1,058,383	-	-	1,058,383
Total	$ 1,066,954	1,058,383	8,571	-	1,066,954

3) Valuation techniques and assumptions used in fair value measurement

a) Non-derivative financial instruments

The fair value of financial instruments traded in active liquid markets is determined with reference to quoted market prices

Except for the above-mentioned financial instruments in an active market, the fair value of other financial instruments is determined based on the valuation techniques or quotation from counterparties. The fair value using valuation techniques is determined by referring to the current fair value of other financial instruments with similar conditions and characteristics, discounted cash flow method, or other valuation techniques using the valuation model with available market data at the reporting date.

For listed stock with standard terms and conditions and traded in active markets. The fair value is based on quoted market prices.

b) Derivative financial instruments

The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and that are readily available to the Company. The fair value of foreign currency forward contracts and foreign exchange swaps is computed individually by each contract using the valuation technique.

4) Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the years ended December 31, 2021 and 2020.

(t) Financial Risk Management

The Company is exposed to credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other market price risk). The company has disclosed the information on exposure the aforementioned risks and the Company’s policies and procedures to measure and manage those risk below.

The Company's Board of Directors is responsible for developing and monitoring the Company's risk management policies. The Company’s risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and monitor adherence to the controls. Risk management policies and systems are reviewed periodically to reflect changes in market conditions and the Company's operations.

The Company's management monitors and reviews financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Board of Directors.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations, which arises principally from the Company's cash and cash equivalents, receivables from customers, and other financial assets. The Company maintains cash and cash equivalent with reputable financial institutions. Therefore, the exposure related to the potential default by those counter-parties is not considered significant.

The Company has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. Additionally, the Company continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Company manages liquidity risk by monitoring regularly the current and estimated mid- to long-term cash demand, and by maintaining adequate cash and banking facilities. As of December 31, 2021 and 2020, the Company had unused credit facilities of $8,676,480 thousand and $7,624,628 thousand respectively.

(iii) Market Risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and equity prices, will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company utilizes derivative financial instruments to manage foreign currency risks and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Currency risk

The Company is exposed to currency risk arising from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company. In order to maintain the net foreign currency exposure at the acceptable level, the Company utilizes foreign currency borrowings as well as the derivate instruments to balance the said exposure arising from the sales and purchase transactions.

2) Interest rate risk

The Company’s short-term borrowings and long-term debt carried floating interest rates. To manage the interest rate risk, the Company periodically assesses the interest rates of bank loans and maintains good relationships with financial institutions to obtain lower financing costs. The Company also manages working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

3) Equity instrument price risk

The Company is exposed to the risk of price fluctuation in the securities market due to investment in equity financial instruments.

The sensitivity analysis in relation to equity financial instruments’ price risk is calculated based on changes in fair value at the reporting date. Assuming a hypothetical increase or decrease of 1% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2021 and 2020, would have increased or decreased by $12,137 and $10,584, respectively.

(u) Capital Management

In consideration of the industry dynamics and future developments, as well as external environment factors, the Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements of continuing operations.

For the years ended December 31, 2021 and 2020, there were no change in Company's approach with respect to capital management.

(v) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	2021.1.1	Cash Flow	Non-cash changes: Additions of lease liabilities	2021.12.31
Short-term borrowings	$ 1,540,000	682,548	-	2,222,548
Short-term notes and bills payable	439,721	(439,721)	-	-
Long-term debt	1,600,000	2,020,000	-	3,620,000
Lease liabilities	651	(163)	-	488
Guarantee deposits received	428	-	-	428
Total liabilities from financing activities	$ 3,580,800	2,262,664	-	5,843,464

	2020.1.1	Cash Flow	Non-cash changes: Additions of lease liabilities	2020.12.31
Short-term borrowings	$ 2,000,000	(460,000)	-	1,540,000
Short-term notes and bills payable	199,989	239,732	-	439,721
Long-term debt	1,000,000	600,000	-	1,600,000
Lease liabilities	551	(592)	692	651
Guarantee deposits received	-	428	-	428
Total liabilities from financing activities	$ 3,200,540	379,568	692	3,580,800

7. Related Party Transactions

(a) Related party name and categories

The followings are subsidiaries and other related parties that have had transactions with the Company during the reporting periods.

Name of Related Party	Relationship with the Company
Qisda Corporation(Qisda)	The entity with significant influence over the Company
Darfon (BVI) Corporation (DFBVI)	Subsidiaries of the Company
Darfon (Labuan) Corporation (DFLB)	Subsidiaries of the Company
Darfon Materials Corp. (DMC)	Subsidiaries of the Company
Darfon Gemmy Corp. (DZL)	Subsidiaries of the Company

Name of Related Party	Relationship with the Company
Darad Innovation Corp.(DTC)	Subsidiaries of the Company
Darfon Europe B.V. (DFeu)	Subsidiaries of the Company
Darfon Germany GmbH (DFG)	Subsidiaries of the Company
Darfon Electronics (Suzhou) Co., Ltd. (DFS)	Subsidiaries of the Company
Darfon Electronics Czech s.r.o. (DFC)	Subsidiaries of the Company
Darfon America Corp. (DFA)	Subsidiaries of the Company
Huaian Darfon Electronics Co.,Ltd. (DFH)	Subsidiaries of the Company
Darfon Korea Co., Ltd. (DFK)	Subsidiaries of the Company
Darfon Precision Holdings Co., Ltd. (DPH)	Subsidiaries of the Company
Darfon Electronics (ChongQing) Co., Ltd.(DFQ)	Subsidiaries of the Company
Darfon Precision Electronics (Suzhou) Co.,Ltd.(DPS)	Subsidiaries of the Company
Darfon Germany GmbH(DFG)	Subsidiaries of the Company
Darfon Vietnam Co., Ltd.(DFV)	Subsidiaries of the Company
Unictron Technologies Corporation (UTC)	Subsidiaries of the Company
Unicom Technologies, Inc. (UTI)	Subsidiaries of the Company
WirelessCom Technologies (Shenzhen) Co., Ltd.(UTZ)	Subsidiaries of the Company
Kenston Metal Co., Ltd.(KST)	Subsidiaries of the Company
Kenlight Sport Marketing Co., Ltd.(KSMC)	Subsidiaries of the Company
Kenstone Metal Company Gmbh(KSG)	Subsidiaries of the Company
KSI Handels GmbH (KSI)	Subsidiaries of the Company
Kenstone Vietnam Co., Ltd.(KSV)	Subsidiaries of the Company
Iron Ore Co., Ltd. (IOC)	Subsidiaries of the Company
TD HiTech Energy Inc.(TDI)(Note 1)	Subsidiaries of the Company
TD HiTech Energy (Samoa) Inc.(Note 1、2)	Subsidiaries of the Company
Astro Tech Co., Ltd. (ATC) (Note 3)	Subsidiaries of the Company
Astro Engineering Co., Ltd.(ATB) (Note 3)	Subsidiaries of the Company
Astro Engineering Vietnam Co., Ltd.(ATV)(Note 3)	Subsidiaries of the Company
Darfon Energy Technology Corp.(DET)	Subsidiaries of the Company
BESV JAPAN Co., Ltd. (BESVJ)	Joint venture Company
Other Related Parties:	
Qisda (Suzhou) Co., Ltd. (QCSZ)	Subsidiaries of Qisda

Name of Related Party	Relationship with the Company
Qisda Electonics (Suzhou) Co., Ltd. (QCES)	Subsidiaries of Qisda
Qisda Optronics (Suzhou) Co., Ltd. (QCOS)	Subsidiaries of Qisda
Qisda Sdn.Bhd.(QLPG)	Subsidiaries of Qisda
BenQ Healthcare Corp.(BHS)	Subsidiaries of Qisda
Sysage Technology Co., Ltd.(Sysage)	Subsidiaries of Qisda
Advancedtek International Corp. (ADVANCEDTEK)	Subsidiaries of Qisda
DFI Inc. (DFI)	Subsidiaries of Qisda

Note 1: Became a subsidiary of the Company since August 25, 2020.

Note 2: Liquidation was completed in 2020.

Note 3: Became a subsidiary of the Company since April 1, 2021.

(b) Significant transactions with related parties

(i) Net Sales

1) The Company's significant sales to related parties were as follows：

	2021	2020
The entity with significant influence over the Company	$ 284	179
Subsidiaries	1,625,002	1,729,913
Other related parties	52,049	39,286
	$ 1,677,335	**1,769,378**

The sales prices and collection terms for related parties were not significantly different from those of sales to third-party customers. The collection terms for related parties were OA45 to OA135 days.

2) Technical royalty income

For the years ended December 31, 2021 and 2020, the Company licensed $396 and $2,053, respectively, to its subsidiaries for the use of technology licenses developed by the Company.

(ii) Purchase

The Company's purchases from related parties were as follows：

	2021	2020
Subsidiaries－DFH	$ 7,638,787	6,889,357
Subsidiaries－DFQ	4,853,326	3,651,738
Subsidiaries－DFS	2,429,147	1,725,403
Subsidiaries－Others	25,314	18,809
	$ 14,946,574	**12,285,307**

The purchase prices for related parties are not comparable to those for the third-party suppliers due to different product specifications, and the payment terms is OA 90 to OA135 days for related parties and OA 30 to OA90 for third-party suppliers.

(iii) Property Transactions

1) Purchases of property, plant and equipment

The purchases price of equipment purchased from related parties are summarized as follows:

	2021	2020
Subsidiaries	$ 172	775

2) Disposal of property, plant and equipment

The disposals of equipment to related parties are summarized as follows:

	2021		2020	
Related-Party categories	Disposal Price	Deferred gain (loss) from disposal	Disposal Price	Deferred gain (loss) from disposal
Subsidiaries	$ 200	(200)	1,100	321

The above net gain from the sale of equipment to the subsidiary is deferred and recognized over the useful lives of the equipment. As of December 31, 2021 and 2020, the deferred gain on the sale of machinery and equipment amounted to $813 thousand and $2,331 thousand, respectively, and was recorded as a reduction of investment using the equity method. The amortization of deferred benefits amounting to $1,518 and $4,115 for the years ended December 31, 2021 and 2020, respectively, was recognized in the gain on disposal of property, plant and equipment.

3) Disposal of intangible assets

The disposals of intangible assets to related parties are summarized as follows:

	2020	
Related-Party categories	Disposal Price	Deferred gain or (loss) on disposal
Subsidiaries	$ 28,062	24,873

The net gain from the sale of trademarks and patents to a subsidiary is deferred and recognized as an amortization over the useful lives of the asset. As of December 31, 2021 and 2020, the deferred gain on the sale of trademarks and patents amounted to 21,684 and $24,873, respectively, which were recorded as a deduction from the investments accounted for using the equity method. The amortization of deferred benefit amounted to $3,189 thousand for the both years ended December 31, 2021 and 2020, which were recognized in the gain on disposal of intangible assets.

(iv) Rental income

The rental income of $2,595 and $1,738 for the years ended December 31, 2021 and 2020, respectively, from the leasing of office and factory buildings to the subsidiaries, Darfon Materials Corp. and Darad Innovation Corp. was recognized in “non-operating income and loss – other income”.

(v) Materials for sale

For the years ended December 31, 2021 and 2020, the Company sold materials purchased on behalf of its subsidiaries for $327,002 and $257,422, respectively, and the net gain on sale of materials was $0 and $1,540, respectively, which was recognized in "non-operating income and loss - other income".

(vi) Receivables

The Company's receivables from related parties were as follows：

Account	Related-Party categories	2021.12.31	2020.12.31
Accounts receivable	The entity with significant influence over the Company	$ 129	59
	Subsidiaries	1,595,454	1,336,694
	Other related parties	16,434	16,599
		$ 1,612,017	1,353,352

(vii) Payables

The Company's accounts payable to related parties are as follows：

Account	Related-Party categories	2021.12.31	2020.12.31
Accounts payable	Subsidiaries-DFH	$ 2,940,534	2,839,190
	Subsidiary-DFS	1,486,128	905,649
	Subsidiary-DFQ	1,340,542	1,493,705
	Subsidiaries-Other	862	105,001
		5,768,066	5,343,545
Other payables	The entity with significant influence over the Company	12	22
	Subsidiaries	1,808	299
	Joint Ventures	144	110
	Other related parties	832	273
		2,796	704
		$ 5,770,862	5,344,249

(c) Compensation for key management personnel

	2021	2020
Short-term employee benefits	$ 124,100	111,553
Post-employment benefits	1,109	1,097
Share-based payments	-	3,839
	$ 125,209	116,489

The share-based compensation cost represents the issuing employee stock options by the subsidiary to key management personnel of the Company.

DARFON ELECTRONICS CORP.
Notes to Parent Company Only Financial Statements (Continued)

8. Pledged assets

The carrying amounts of the assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure	2021.12.31	2020.12.31
Land and buildings	Credit lines of bank loans	$ 1,290,316	1,348,517

9. Significant commitments and contingencies

(a) The Company asked financial institutions to provide guarantee letters for the following purposes:

	2021.12.31	2020.12.31
Guarantees for customs duties	$ 7,500	8,500

(b) Significant unrecognized commitments

The Company's unrecognized commitments were as follows：

	2021.12.31	2020.12.31
Acquisition of property, plant and equipment	$ 194,417	48,896
Acquisition of rights-of-use assets-land	-	9,945
	$ 194,417	58,841

10. Significant loss from disasters: None.

11. Significant subsequent events:

To facilitate the group's overall development, fulfill the specialization, and improve the operating performance and competitiveness of the group, the Company's Board of Directors approved the spin-off "the Energy Storage B.D."in Taiwan to DET. The Energy Storage B.D.in Taiwan is estimated to be NT$171, 800, and then the Company will acquire 8,590 thousand common shares of DET at the value of NT$20 per share. Estimated effective date of the spin-off is set on July 1, 2022.

12. Others

Employee benefits, depreciation and amortization, categorized by function were as follows：

	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	403,223	726,271	1,129,494	260,094	832,093	1,092,187
Labor and health insurance	22,197	52,620	74,817	19,686	49,154	68,840
Pension	8,957	28,109	37,066	8,846	27,840	36,686
Remuneration of directors	-	22,847	22,847	-	20,342	20,342
Other employees’ benefits	9,875	37,933	47,808	11,772	32,009	43,781
Depreciation	138,429	59,161	197,590	109,661	58,327	167,988
Amortization	-	2,211	2,211	-	12,200	12,200

For the years ended December 31, 2021 and 2020, the information on numbers of employees and employee benefit expense of the company was as follows:

	2021	2020
Number of employees	934	929
Number of directors (non-employee)	6	6
Average employee benefit expense	$ 1,389	1,345
Average employee salary expense	$ 1,217	1,183
Percentage of increase in average employee salary expense	2.87%	(1.33)%
Supervisors' remuneration	$ -	-

The company’s salary and remuneration policy (including directors, supervisors, managers and employees) were as follows:

(a) Policy for Directors' and Independent Directors' Remuneration

The remuneration of the Company's directors shall be approved by the Board of Directors in accordance with the authorization of the Company's Articles of Incorporation, and with reference to "Regulations Governing the Remuneration of Directors and Members of Functional Committees"(based on the salary standards of the same peer or industry), the level of participation and value of the directors' contributions to the Company's operations, and the evaluation results of the directors' performance. If the Company makes a profit in a year, the Board of Directors shall, in accordance with Article 19 of the Company's Articles of Incorporation, decide the amount of remuneration for the directors within one percent of the profit for that year, and submit it to the shareholders' meeting after it is approved by the Board of Directors.

(b) Policy for President’s and Vice Presidents’ remuneration

The salaries of the President and Vice President of the Company are determined by the Compensation Committee in accordance with the “Managerial Compensation Policies and Principles” according to the “Compensation Committee Organizational Rules” and based on the duties and responsibilities of the President and Vice Presidents, with reference to the salary standards of the same peer or industry, the Company's operating income, profitability and the performance of individual personnel.

(c) The Company's main compensation principle is to link responsibilities and performance results, and to provide market competitive compensation to attract, retain and cultivate talents in the long term, and to use the Company's “Managerial Compensation Policy and Principles” and “Performance Management Regulations” as the basis for evaluation. The performance appraisal and the reasonableness of the remuneration are reviewed by the Compensation Committee and the Board of Directors, and the remuneration policy is reviewed from time to time in accordance with the actual operating conditions and relevant laws and regulations, in order to strike a balance between sustainable operation and risk control of the Company, without using short-term profit as the only indicator for remuneration and performance evaluation and linking to the long-term value of shareholders.

13. Additional disclosures

(a) Information on significant transactions:

(i) Financing provided to other parties: Please refer to table 1.

(ii) Guarantees and endorsements provided to other parties: None.

(iii) Marketable securities held (excluding investments m subsidiaries, associates, and jointly controlled entities): Please refer to table

(iv) Marketable securities for which the accumulated purchase or sale amounts for the year exceed$300 million or 20% of the paid-in capital: Please refer to table 3.

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital: Please refer to table 4.

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None.

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 5.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 6.

(ix) Transactions about derivative instruments: Please refer to note 6(b).

(b) Information on investees: Please refer to table 7.

(c) Information on investments in Mainland China: Please refer to table 8.

(d) Major Shareholders:

Units: Shares

Shareholder's Name	Total Shares Owned	Ownership percentage
Qisda Corporation	58,004,667	20.71%
BenQ Corporation	14,016,563	5.00%

Note: The information on major shareholders, which is provided by the Taiwan Depository &Clearing Corporation, summarized the shareholders holding 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.

14. Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2021.

Darfon Electronics Corp.
Financing provided to other parties
For the year ended December 31, 2021

Table1 (In Thousands of NTD)

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the period	Range of Interest Rates During the period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reason for the Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	KST	KSG	Other receivables - related parties	Yes	62,888 (EUR 2,000)	-	-	3.00%	2	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSG	Other receivables - related parties	Yes	62,888 (EUR 2,000)	62,888 (EUR 2,000)	64,218 (EUR 2,042)	3.00%	2	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSG	Other receivables - related parties	Yes	78,610 (EUR 2,500)	78,610 (EUR 2,500)	72,964 (EUR 2,320)	3.00%	2	-	Operating requirements				361,499	361,499
1	KST	KSG	Other receivables - related parties	Yes	37,326 (USD 1,194 and NTD 4,287)	37,326 (USD 1,194 and NTD 4,287)	37,326 (USD 1,194 and NTD 4,287)	3.00%	2	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSI	Other receivables - related parties	Yes	9,433 (EUR 300)	-	-	1.20%	2	-	Operating requirements	-	-	-	361,499	361,499
2	DFS	DFH	Other receivables - related parties	Yes	221,440 (USD 8,000)	-	-	1.30%	2	-	-Operating requirements	-	-	-	1,232,729	1,232,729
2	DFS	DFH	Other receivables - related parties	Yes	221,440 (USD 8,000)	-	-	1.30%	2	-	Operating requirements	-	-	-	1,232,729	1,232,729
2	DFS	DFQ	Other receivables - related parties	Yes	221,440 (USD 8,000)	221,440 (USD 8,000)	110,720 (USD 4,000)	1.30%	2	-	Operating requirements	-	-	-	1,232,729	1,232,729
3	DPS	DFQ	Other receivables - related parties	Yes	130,362 (CNY 30,000)	-	-	3.85%	2	-	Operating requirements	-	-	-	178,870	178,870
3	DPS	DFQ	Other receivables - related parties	Yes	130,362 (CNY 30,000)	130,362 (CNY 30,000)	130,362 (CNY 30,000)	3.85%	2	-	Operating requirements	-	-	-	178,870	178,870
4	DZL	DTC	Other receivables - related parties	Yes	47,000	47,000	47,000	1.30%	2	-	Operating requirements				236,830	236,830
4	DZL	DTC	Other receivables - related parties	Yes	60,000	60,000	60,000	1.30%	2	-	Operating requirements				236,830	236,830
4	DZL	KSMC	Other receivables - related parties	Yes	20,000	20,000	-	1.30%	2	-	Operating requirements	-	-	-	236,830	236,830
5	DTC	IOC	Other receivables - related parties	Yes	13,840 (USD 500)	13,840 (USD 500)	-	3.20%	2	-	Operating requirements	-	-	-	149,046	149,046

(Note 1) The aggregate financing amount and individual financing amount of KST to subsidiaries shall not exceed 40% of the most recent net worth of KST.

(Note 2) The aggregate financing amount and individual financing amount of DFS to subsidiaries shall not exceed 40% of the most recent net worth of DFS.

(Note 3) The aggregate financing amount and individual financing amount of DPS to subsidiaries shall not exceed 40% of the most recent net worth of DPS.

(Note 4) The aggregate financing amount and individual financing amount of DZL to subsidiaries shall not exceed 40% of the most recent net worth of DZL.

(Note 5) The aggregate financing amount and individual financing amount of DTC to subsidiaries shall not exceed 40% of the most recent net worth of DTC.

(Note 6) Purpose of Fund Financing:

a. Business transaction purpose. b. Short-term Financing purpose.

(Note 7) The above amounts were translated into New Taiwan dollars at the exchange rate of EUR$1=NT$31.444 ,US$1=NT$27.68 and CN$1=NT$4.3454.

Darfon Electronics Corp.

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates, and Jointly Controlled Entities)

December 31, 2021

Table 2 **(In Thousands of Shares)**

Investing Note Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending balance				Note
				Number of Shares	Carrying Value	Percentage of Ownership	Fair Value	
The Company	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - non-current	39,859	1,213,707	2.03%	1,213,707	-
DZL	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	5,887	179,259	0.30%	179,259	-
DZL	Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income or loss - current	102	7,956	0.03%	7,956	-
DZL	DFI	Subsidiary of investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	50	3,055	0.04%	3,055	-
KST	HARO BICYCLE CORPORATION	-	Financial assets at fair value through other comprehensive income or loss - non-current	26	-	10.00%	-	-
TDI	Jih Sun Money Market Fund Beneficiary Certificate	-	Financial assets at fair value through profit or loss - current	-	100,282	-	100,282	-
TDI	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	2,664	81,119	0.14%	81,119	-
DPS	Bank of Suzhou─Principal protected currency deposit in CNY	-	Financial assets at fair value through profit or loss - current	-	355,411	-	355,411	-

Darfon Electronics Corp.

Marketable Securities for Which the Accumulated Purchase or Sale Amounts Exceed $300 Million or 20% of the Paid in Capital

January 1 to December 31, 2021

Table 3

(In Thousands of Shares)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (loss) on disposal	Shares	Amount (Note 1)
The Company	TDI stock	Investments accounted for using the equity method	-	-	-	-	24,480	1,224,000	-	-	-	-	24,480	1,256,928
DPS	Bank of Suzhou─ Principal protected currency deposit in CNY	Financial assets at fair value through profit or loss - current	Bank of Suzhou	-	-	346,350 (CNY79,705)	-	795,208 (CNY183,000)	-	796,624 (CNY183,326)	786,517 (CNY181,000)	10,107 (CNY2,326)	-	355,411 (CNY81,790)

Note 1： The ending balance includes shares of profits/losses of investees and other related adjustment.

Note 2： The above amounts were translated into New Taiwan dollars at the exchange rate of CN$1=NT$4.3454.

Darfon Electronics Corp.

Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital

For the year ended December 31, 2021

Table 4

(In Thousands of Shares)

Company name	Property Name	Transaction Date	Transaction Amount	Status of payment	Counter Party	Relationship with the Counter party	Ending balance				Price Reference	Purpose of Acquisition and Current Condition	Notes
							Owner	Relationship with the Counter party	Date of Transfer	Amount			
ATC	Land and buildings	2021.5.7	420,000	420,000	CITY TOOLS CO., LTD.	-	-	-	-	-	Refer to appraisal report evaluated by the professional appraisal institution	Operating requirements	NA
DFV	Buildings	2021.8.1	556,037	118,403	MINH TRI STEEL STRUCTURE JOINT STOCK COMPANY, JIANXING VIET NAM CONSTRUCTION DEVELOPMENT COMPANY LIMITED, BESTSUN TECHNOLOGY COMPANY , R.J. WU ARCHITECTS & ENGINEERS	-	-	-	-	-	Open tender	Operating requirements	NA

Darfon Electronics Corp.

Total Purchases From and Sales To Related Parties Which Exceed $100 Million or 20% of the Paid in Capital

For the year ended December 31, 2021

Table 5

Company Name	Related Party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes and Accounts Receivable(Payable)		Note
			Purchase /(Sale)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit price	Payment Terms	Ending Balance	% of Total	
The Company	DFS	Parent & Subsidiary	Sales	(461,206)	(3)%	OA90	Normal price	OA30 to OA135	103,329	1%	-
The Company	DFC	Parent & Subsidiary	Sales	(163,196)	(1)%	OA180	Normal price	OA30 to OA135	118,001	2%	-
The Company	DFA	Parent & Subsidiary	Sales	(752,297)	(4)%	OA135	Normal price	OA30 to OA135	393,398	6%	-
The Company	DFS	Parent & Subsidiary	Purchases	2,429,147(Note2)	15%	OA90	Note 1	OA30 to OA90	(1,486,128)	24%	-
The Company	DFH	Parent & Subsidiary	Purchases	7,638,787	46%	OA90	Note 1	OA30 to OA90	(2,940,534)	48%	-
The Company	DFQ	Parent & Subsidiary	Purchases	4,853,326	29%	OA90	Note 1	OA30 to OA90	(1,340,542)	22%	-
DFS	The Company	Parent & Subsidiary	Sales	(3,928,008)	(35)%	OA90	Normal price	OA30 to OA135	1,486,128	62%	-
DFS	DFH	Affiliates	Sales	(368,476)	(5)%	OA90	Normal price	OA30 to OA135	179,132	7%	-
DFS	DFQ	Affiliates	Sales	(172,461)	(2)%	OA90	Normal price	OA30 to OA135	76,788	3%	-
DFS	The Company	Parent & Subsidiary	Purchases	461,206	8%	OA90	Normal price	OA30 to OA135	(103,329)	8%	-
DFS	DFQ	Affiliates	Purchases	459,236	8%	OA90	Note 1	OA30 to OA135	(62,083)	5%	-
DFH	The Company	Parent & Subsidiary	Sales	(7,638,787)	(98)%	OA90	Normal price	OA30 to OA135	2,940,534	98%	-
DFH	DFS	Affiliates	Purchases	368,476	7%	OA90	Normal price	OA30 to OA135	(179,132)	7%	-
DFQ	The Company	Parent & Subsidiary	Sales	(4,853,326)	(89)%	OA90	Normal price	OA30 to OA135	1,340,542	94%	-
DFQ	DFS	Affiliates	Sales	(459,236)	(8)%	OA90	Normal price	OA30 to OA135	62,083	4%	-
DFQ	DFS	Affiliates	Purchases	172,461	4%	OA90	Normal price	OA30 to OA135	(76,788)	5%	-
DFA	The Company	Parent & Subsidiary	Purchases	752,297	98%	OA135	Normal price	OA30 to OA135	(393,398)	100%	-
DFC	The Company	Parent & Subsidiary	Purchases	163,196	61%	OA180	Normal price	OA30 to OA135	(118,001)	96%	-
KST	KSG	Parent & Subsidiary	Sales	(688,306)	(19)%	OA210	Normal price	OA30 to OA120	586,465	61%	-
KST	KSV	Parent & Subsidiary	Sales	(106,898)	(3)%	OA90	Normal price	OA30 to OA120	99,843	10%	
KSG	KST	Parent & Subsidiary	Purchases	688,306	64%	OA210	Normal price	OA30 to OA120	(586,465)	65%	-
KSV	KST	Parent & Subsidiary	Purchases	106,898	39%	OA90	Normal price	OA30 to OA120	(99,843)	82%	
DTC	Dfeu	Affiliates	Sales	(107,153)	(27)%	OA135	Normal price	OA30 to OA135	7,415	9%	-
DTC	BESVJ	Affiliates	Sales	(215,054)	(54)%	EOM60	Normal price	OA30 to OA135	74,260	85%	-
Dfeu	DTC	Affiliates	Purchases	107,153	100%	OA135	Normal price	OA30 to OA135	(7,415)	100%	
BESVJP	DTC	Affiliates	Purchases	215,054	99%	EOM60	Normal price	OA30 to OA135	(74,260)	100%	-

Note 1：The size of the products may vary from the product specification. There is no comparable transaction available.

Note 2：The sales from repurchasing after processing have been reduced.

Darfon Electronics Corp.

Receivables From Related Parties which Exceed $100 Million or 20% of the Paid in Capital

December 31, 2021

Table 6

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Notes
					Amount	Action taken			
The Company	DFS	Parent & Subsidiary	103,329	(Note1)	-	-	-	-	-
The Company	DFA	Parent & Subsidiary	393,398	1.86	25,191	-	25,191	-	-
The Company	DFH	Parent & Subsidiary	722,535	(Note1)	163,454	-	163,381	-	-
The Company	DFQ	Parent & Subsidiary	201,508	(Note1)	56,743	-	53,161	-	-
The Company	DFC	Parent & Subsidiary	118,001	1.62	18,332	-	12,595	-	-
DFS	The Company	Parent & Subsidiary	1,486,128	3.28	-	-	-	-	-
DFS	DFH	Affiliates	179,132	2.35	-	-	-	-	-
DFS	DFQ	Affiliates	110,769	(Note2)	-	-	-	-	-
DFH	The Company	Parent & Subsidiary	2,940,534	2.64	630,714	-	630,709	-	-
DFQ	The Company	Parent & Subsidiary	1,340,542	3.42	-	-	-	-	-
DPS	DFQ	Affiliates	133,527	(Note2)	-	-	-	-	-
KST	KSG	Parent & Subsidiary	586,465	1.73	-	-	-	-	-
KST	KSG	Parent & Subsidiary	178,437	(Note2)	-	-	-	-	-
DZL	DTC	Affiliates	107,365	(Note2)	-	-	-	-	-

Note 1： Since the amount of duplicated transactions has been eliminated, the receivables turnover ratio is not reported.

Note 2： Since the receivables are not caused by selling and purchasing transactions, calculation of turnover rate is not applicable.

Darfon Electronics Corp.

Information on Investees (Excluding Investments in Mainland China)

For the Year Ended December 31, 2021

Table 7 **(In Thousands of Shares)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31,2021			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying amount			
The Company	DFBVI	BVI	Trading of electronic products	317,103	392,352	31,450	100.00%	1,622,358	112,238	112,238	Parent-Subsidiary
The Company	DFLB	Malaysia	Investment holding	2,536,514	2,536,514	74,589	100.00%	4,956,257	441,630	441,630	Parent-Subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	6,969	51,969	2,772	100.00%	26,000	(570)	(570)	Parent-Subsidiary
The Company	DZL	Taiwan	Investment holding	450,000	350,000	45,910	100.00%	592,074	33,736	33,736	Parent-Subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related products	217,892	217,412	20,035	58.07%	216,377	1,970	1,144	Parent-Subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	36,183	(17,393)	(17,393)	Parent-Subsidiary
The Company	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	714,680	717,318	17,551	36.66%	946,337	291,024	103,896	Parent-Subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related products	720,000	720,000	24,302	60.00%	696,714	1,068	(7,373)	Parent-Subsidiary
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	407,809	26,410	62.75%	419,499	20,827	11,679	Parent-Subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	292,558	14,812	-	100.00%	275,248	(5,714)	(5,714)	Parent-Subsidiary
The Company	ATC	Taiwan	Manufacture and sale of bicycles and related products	1,224,000	-	24,480	51.00%	1,256,928	109,545	17,650	Parent-Subsidiary
The Company	DET	Taiwan	Manufacture and wholesale of battery and electronic related products	250,000	-	12,500	100.00%	250,003	3	3	Parent-Subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related products	45,300	45,300	4,275	12.39%	46,167	1,970	244	Parent-Subsidiary
DZL	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	174,455	174,455	4,361	9.11%	244,930	291,024	25,116	Parent-Subsidiary
UTC	UTI	Mauritius	Investment holding	25,291	25,291	818	100.00%	13,134	(11,088)	(11,088)	Affiliates

Darfon Electronics Corp.

Information on Investees (Excluding Investments in Mainland China)

For the Year Ended December 31, 2021

Table 7 **(In Thousands of Shares)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31,2021			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying amount			
UTC	STC (Note 1)	Taiwan	Manufacture and processing of satellite locator, navigator and antenna, and the trading of telecommunications equipment.	-	288,175	-	-	-	5,553	5,394	Affiliates
KST	KSG	Germany	Assemble and sale of bicycles and related products	361,371	157,604	-	100.00%	241,301	(19,052)	(19,052)	Affiliates
KST	KSI	Germany	Lease, purchase and management of movable property and immovable property ,and sale of bicycles and related products	87,853	87,853	-	100.00%	80,531	(1,312)	(1,312)	Affiliates
KST	KSV	Vietnam	Manufacture and sale of bicycles and related products	475,406	279,756	-	100.00%	321,451	(74,474)	(74,474)	Affiliates
DFLB	DFC	Czech Republic	Trading of electronic products	299	299	-	100.00%	69,679	13,698	13,698	Affiliates
DFLB	DFA	USA	Trading of electronic products	6,364	6,364	200	100.00%	39,829	2,737	2,737	Affiliates
DFLB	DFK	Korea	Trading of electronic products	1,781	1,781	10	100.00%	863	90	90	Affiliates
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	449,689	8,299	8,299	Affiliates
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	4,496	(100)	(100)	Affiliates
DTC	BESVJ	Japan	Trading of green products	26,690	26,690	2	49.00%	23,332	9,043	4,431	Joint Venture
DTC	IOC	Hong Kong	Agent of bicycles and related products	148,235	148,235	19,000	76.00%	143,364	15,368	11,680	Affiliates
DTC	KSMC	Taiwan	Manufacture and sale of bicycles and related products	47,765	47,765	4,500	100.00%	66,084	17,534	17,534	Affiliates
ATC	Rich Glory International Inc.	Samoa	Investment holding	35,107	-	1,862	33.33%	51,891	390	(237)	Affiliates
ATC	ATB	BVI	Investment holding	577,385	-	3,000	100.00%	509,420	(69,433)	(50,129)	Affiliates
ATB	ATV	Vietnam	Manufacture and sale of bicycles and related products	872,463	-	-	100.00%	509,420	(69,433)	(50,129)	Affiliates

Note 1： On March 1, 2021, STC was merged into UTC and STC was dissolved.

Darfon Electronics Corp.

Information on investments in Mainland China

For the Year Ended December 31, 2021

Table 8

i.Name and main businesses and products of investee companies in Mainland China: (In Thousands of NTD/USD)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
DFS	Manufacture and sale of the Company's products	767,428 (USD 27,725) (Note 4)	(Note 1)	647,712 (USD 23,400)	-	-	647,712 (USD 23,400)	222,920	100.00%	222,920 (Note 2)	3,081,822	224,706 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,356,320 (USD 49,000)	(Note 1)	1,356,320 (USD 49,000)	-	-	1,356,320 (USD 49,000)	166,281	100.00%	166,281 (Note 2)	2,167,030	-
DPS	Mold development and manufacturing	27,680 (USD 1,000)	(Note 1）	27,680 (USD 1,000)	-	-	27,680 (USD 1,000)	8,369	100.00%	8,369 (Note 2)	447,175	-
DFQ	Manufacture and sale of the Company's products	276,800 (USD 10,000)	(Note 1)	276,800 (USD 10,000)	-	-	276,800 (USD 10,000)	144,428	100.00%	144,428 (Note 2)	767,958	-
UTZ	Wireless antennas for telecommunication, components design and marketing	20,898 (USD 755)	(Note 1)	20,898 (USD 755)	-	-	20,898 (USD 755)	(10,835)	100.00%	(10,835) (Note 3)	12,319	-

Note 1： Indirect investment in Mainland China is through a holding company established in a third country.

Note 2：Investment income or loss was recognized based on the audited financial statements by the Parent company's auditors.

Note 3：Investment income or loss was recognized based on the audited financial statements by the auditors of UTC.

Note 4：Including US$ 4,325 thousand from capitalization of retained earnings.

ii.Limits on investments in Mainland China:

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company.	2,083,806 (USD 75,282)	2,175,842 (USD 78,607)	(Note)
UTC	20,898 (USD 755)	21,898 (USD 755)	1,066,217

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1=NT$27.68.

(Note) Since the Company has obtained the certificate of headquarters operation, there is no upper limit on investments in Mainland China.

iii.Significant transactions with investee companies in Mainland China:

The transactions between the Company and investee companies (the intercompany transactions): please refer to “Information on significant transactions” and “Business relationships and significant intercompany transactions”.

DARFON ELECTRONICS CORP.
Representative: Andy Su