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DARFON ELECTRONICS CORP.

2022 Annual Report

Printed on March 24, 2023

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 Plants

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, 709 Taiwan (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: Tzu-Chieh Tang, Huei-Chen Chang

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

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I. Letter to Shareholders

The impact of the Russia-Ukraine war continued in 2022, and global inflation was high; major economies such as the US and Europe adopted tightening monetary policies that raised interest rates rapidly, causing significant increase in global economic uncertainty. However, the transformation in industries and lifestyles caused by the pandemic also drove strong demands for bicycles and pedelec bicycles (E-Bike), which made both the revenue and profits of Darfon Group go up. Our consolidated revenue for 2022 was NTD 29.5 billion, an increase by 5% compared to the same period the previous year and was a new high over the last decade. Our net profit after tax is also increasing continually; the net profit after tax attributable to the shareholders of the parent company for the year was NTD 1.163 billion, and the earnings per share after tax was NTD 4.15. This shows that the operations of our company are able to grow against the trend even under the impact of the global political and economic environment.

In terms of operations and sales, even though they were impacted by political and economic environmental factors in 2022, the performance of the green-energy business, focused on E-Bike, grew rapidly under the combined benefits of strong market demands and the strategic alliances of the company; it contributed over 40% of our overall revenue, and the revenue grew over 50% compared to the same period the previous year. Darfon Group takes the key components of E-Bike, that is, the frame and lithium battery components, as the core competence; each of our subsidiaries worked hand-in-hand to quickly expand our market share and laid the foundation for product innovations. IT peripheral business products were affected by the slowdown of terminal consumption, which impacted the shipment momentum of keyboard products. Under the strategies of deeply cultivating customer relations and focusing on high value-added products, the profit performance of IT peripheral products was even better compared to the same period the previous year. Our passive component business focused on deepening the improvement of technology, the development of niche products and the expansion of diversified channels, breaking through and moving forward in the headwinds of the business.

In terms of management, under the supply chain fragmentation due to the US-China technology war and the pandemic, manufacturers must face the restructuring of global supply chains caused by “One World, Two Systems”, and the changing of new business operations. The global layout strategies of Darfon are developing towards diverse manufacturing and local service: streamlining business operations in China, expanding production scale in Vietnam, creating business advantages in Taiwan and improving the added-value in Europe. Darfon used regional complementarity and supply chain management to improve resilience and operational efficiency through cross-business integrated platforms. Darfon continually invests in innovative and technological developments in IT and green energy industries to maintain its competitive advantages; an average of 3% of the turnover was invested each year in product innovation and technological R&D, and now, Darfon Group has accumulated almost a thousand patents in different countries around the world.

Darfon is committed to becoming an outstanding sustainable business, and implements corporate social responsibility with concrete actions in three aspects: environmental protection, social responsibility and corporate governance; we strive to keep information highly transparent, and we communicate and cooperate with stakeholders to create shared values. Darfon’s ESG performance is deeply praised: In 2022, it won the Investment in People Award of the 11th Asia Responsible Enterprise Awards by Enterprise Asia, and the HR Asia – Best Companies to Work for in Asia Award, fully demonstrating the results of its care for its employees and the fulfillment of its corporate social responsibility. In terms of corporate governance, it included the “TWSE Corporate Governance 100 Index” constituents for several years consecutively; its performance in corporate governance has caught the attention of the capital market. In the future, the company shall continue to practice energy-saving and carbon reduction in green manufacturing processes, care and commitment to social responsibilities, and keep up with times in corporate governance.

The global political and economic situations that marched into 2023 are still full of uncertain factors; the recurring pandemic, geopolitical conflicts, inflationary pressures and tightening of policies are still rippling. Even though uncertainty of the overall economy still exists, the digital transformation and lifestyle changes brought by the pandemic are definite trends. Facing the current situations, Darfon will lay a solid foundation, break through, grow and grasp opportunities; it will continue to demonstrate its internal improvements and external strategic alliances, and actively deploy the synergy of IT and green energy in order to grasp the opportunities for sustainable operation and growth.

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

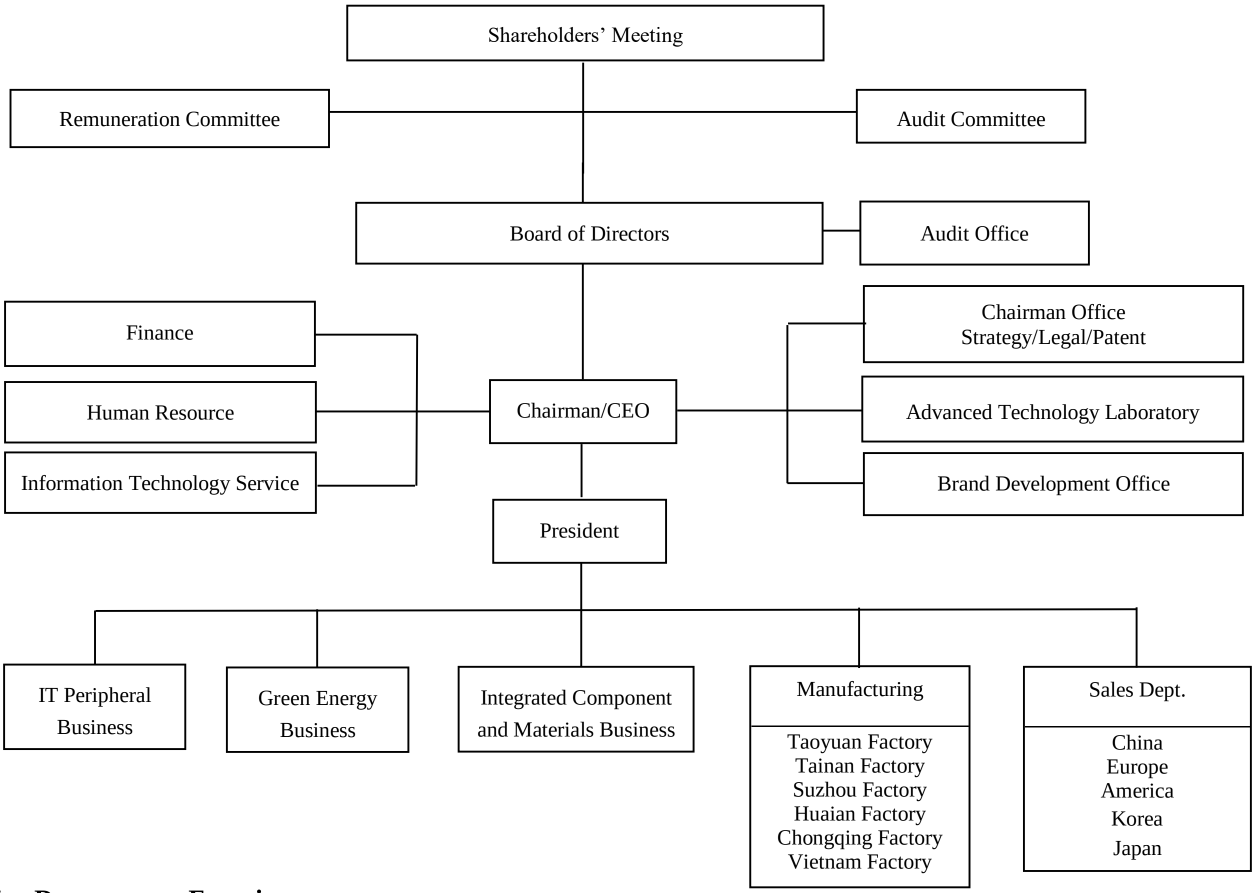
2.2 Company History

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.
May 2021	Awarded the Corporate Social Responsibility Award by Global Views Magazine
September 2021	Won the 2021 Best Employer in Asia award from the human resources journal “HR Asia”
December 2021	Established Darfon Energy Technology Corp.
July 2022	Won the Human Investment Award of the 11th Asian Corporate Social Responsibility Awards
August 2022	Won the 2022 Best Employer in Asia award from the human resources journal “HR Asia”
November 2022	Taoyuan headquarters and Tainan factory obtained ISO 27001 certificate
December 2022	Won the Bronze Award of the 15th Taiwan Corporate Sustainability Award (TCSA) – Corporate Sustainability Report Award

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 promotion of domestic and international marketing of IT products. Establishment 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. Domestic and international business development and project execution.
Finance Dept.	Draw up and establishment of Company finance regulations. Planning and execution 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.	1. MIS system management. 2. Application and maintenance of OA equipment. 3. Take charge of the promotion of information security governance, establish consistent information security policies, formulate information security management standards, integrate and supervise the implementation, operation, and coordination of information security management mechanisms.
Brand Development Office	Planning and development of product branding strategy.
Advanced Technology Laboratory	1. Collect the latest materials, technologies, product information, and provide technical information on company product development. 2. Integrate the company's new technologies and improve the product development capabilities of public institutions. 3. Seek internal and external resources to solve major technical problems within the company.

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 11, 2023 (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	
Chairman	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	871,000	0.31	0	0.00	EMBA, National Cheng Chi University Assistant Vice President of BenQ Corp.	CEO, Darfon Electronics Corp. Chairman/CEO, Unictron Technologies Corp. Chairman, Darad Innovation Corp. Chairman, Darfon Materials Corp. Chairman, Darfon Gemmy Corp. Director, BenQ Foundation Director/CEO, Kenstone Metal Co., Ltd. Chairman, TD HiTech Energy Inc. Chairman, Iron Ore Company Limited Chairman, Astro Tech Co., Ltd. Chairman/CEO, Darfon Energy Technology Corp.	None	None	None	-
Director	R.O.C	K.Y. Lee	Male 71~80	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, 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 Management, 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, Metaage Co., Ltd. Director, Data Image Corp. 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/President, TD HiTech Energy Inc. Director, Astro Tech Co., Ltd. Director/President, 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 71~80	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.	None	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.	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, totally four independent directors.

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	4.55
	Taishin International Bank entrusted with the Qisda Corporation Employee Stock Ownership Trust Account	3.38
	Konly Venture Corp.	2.55
	Darfon Electronics Corp.	2.03
	Citigroup (Taiwan) Commercial Bank is entrusted with the custody of the investment account of the Norwegian Central Bank	1.23
	E.SUN COMMERCIAL BANK, LTD.	1.02
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	0.98
	New Labor Pension Fund	0.97
	Polunin Developing Countries Fund, LLC	0.97

Note: Qisda Corp. is major shareholder, and it’s based on shareholder name list as of the book closure date on March 31, 2023.

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
	Yuanta Taiwan Dividend Plus ETF	4.71
	Trust Holding for Employees of AU Optronics Corp.	4.62
	Quanta Computer Inc.	4.61
	ADR of AU Optronics Corp.	2.52
	Nan Shan Life Insurance Co. Ltd	1.50
	New Labor Pension Fund	1..27
	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	0.91
	FTSE TWSE Taiwan 50 Index	0.86
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.86
ACER Inc. (Note2)	Taishin International Commercial Bank Co., Ltd. is entrusted with the custody of Cathay Pacific Taiwan High Dividend Umbrella Securities Investment Trust Fund Taiwan ESG Perpetual High Dividend ETF Securities Investment Trust Fund Account	7.64
	Hung Rouan Investment Corp.	2.42
	Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1.31
	iShares ESG Aware MSCI EM ETF	1.26
	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
	New Labor Pension Fund	0.97
	Acer GDR	0.93
	JPMorgan Chase Bank Taipei Branch is entrusted with the safekeeping of the investment account of JP Morgan Securities Co., Ltd.	0.88
	Citigroup (Taiwan) Commercial Bank is entrusted with the custody of the investment account of the Norwegian Central Bank	0.86
Konly Venture Corp. (Note 3)	AU Optronics Corp.	100
Yushan Commercial Bank Co., Ltd. (Note 4)	Yushan Financial Holdings Co., Ltd.	100

Note 1: Source of information for AU Optronics Corp.is recorded as of the book closure date of AU Optronics Corp. on October 7, 2022.

Note 2: Source of information for ACER Inc.is recorded as of the book closure date of ACER Inc. on April 8, 2023.

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

Note 4: 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 qualification 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 group 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-Bike). When facing the highly competitive market from two bike companies in Taiwan, under his leadership, Company has still persistently positioned high-end brand to snatch global e-bike market, then been successful in penetrating Netherland, Germany, Japan, 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 of computer, 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 supervisor in Technology Product Center and was responsible for research, purchasing, marketing, after-sales service and logistics management. He has devoted himself to different product lines in years, and gained diverse management experience.	Incumbent Chairman and President, Qisda Corp.	None
Representative of Qisda Corporation：Jasmin Hung	Jasmin ,graduating from National Taiwan University EMBA, 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
Josh Tsai	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. Moreover, Josh enhances the business attractiveness for Company. Thus, he plays an important role in long-term development of Company.	Incumbent President, Darfon Electronics Corp.	None

<table>
<tr><th>Condition / Name</th><th>Professional qualification 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>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="4">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.
(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 the Company or any affiliate of the Company in recent 2 years.</td><td>2</td></tr>
<tr><td>Independent Director
Kelvin Lee</td><td>Kelvin Lee was as an 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 successfully 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 for more than 30 years, 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 technology 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>
<tr><td>Independent Director
Stan Hu</td><td>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.</td><td>None</td></tr>
</table>

Note：All directors 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. In order to achieve the Company's governance ideal goal, the Board of Directors as a whole should have the following capabilities: (a) leadership decision-making ability, (b) operational judgement ability, (c) business management ability, (d) crisis management ability, (e) industry knowledge, (f) international market outlook, (g) legal affairs ability, etc. Please refer to P.21 for other management targets and implementation.

Name	Title	Gender	Independent Directors term of office		Professional skills and knowledge				Age			Employee
			3-9 years	More than 9 years	Industry or technology	Business management	Academic research	Law, finance or accounting	51-60	61-70	71-80	
Andy Su	Chairman	M			✓	✓				✓		✓
K.Y. Lee	Director	M			✓	✓		✓			✓	
Peter Chen	Director	M			✓	✓				✓		
Jasmin Hung	Director	F			✓	✓		✓	✓			
Josh Tsai	Director	M			✓	✓			✓			✓
Neng-Pai Lin	Independent director	M		✓	✓	✓	✓	✓		✓		
Kelvin Lee	Independent director	M			✓	✓					✓	
Nelson Lee	Independent director	M	✓		✓	✓				✓		
Stan Hu	Independent director	M	✓		✓	✓		✓		✓		

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 11, 2023 (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	August, 2021	4,058,447	1.45	871,000	0.31	0	0.00	EMBA, National Cheng Chi University Assistant VP of BenQ Corp.	Chairman/CEO, Unictron Technologies Corporation Chairman, Darad Innovation Corporation Chairman, Darfon Materials Corp. Chairman, Darfon Gemmy Corp. Director/CEO, Kenstone Metal Co., Ltd. Chairman, TD HiTech Energy Inc. Chairman, Iron Ore Company Limited Director, BenQ Foundation Chairman, Astro Tech Co., Ltd. Chairman/CEO, Darfon Energy Technology Corp.	None	None	None	Note2
President	R.O.C.	Josh Tsai	Male	August, 2021	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/President, TD HiTech Energy Inc. Director, Astro Tech Co., Ltd. Director/President, 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, 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.	Chairman, Kenstone Metal Co., Ltd. Director, Darfon Materials Corp. Director, Darfon Gemmy Corp. Director, TD HiTech Energy Inc. 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 Management 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, 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, totally four independent directors.

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	1,503	1,503	200	411	6,703 0.58%	8,414 0.73%	48,306	74,239	0	0	24,600	0	39,878	0	79,609 6.85%	122,531 10.54%	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	5,500	5,500	0	0	6,012	6,012	160	160	11,672 1.00%	11,672 1.00%	0	0	0	0	0	0	0	0	11,672 1.00%	11,672 1.00%	None
	Independent Directors	Kelvin Lee																					
	Independent Director	Nelson Lee																					
	Independent Director	Stan Hu																					
Corporate Director		Qisda Corp.	2,000	2,000	0	0	3,006	3,006	0	0	5,006 0.43%	5,006 0.43%	0	0	0	0	0	0	0	0	5,006 0.43%	5,006 0.43%	None

1. 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.
2. 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	Peter Chen Jasmin Hung	Peter Chen Jasmin Hung	Peter Chen Jasmin Hung
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 Kelvin Lee	K.Y. Lee Neng-Pai Lin Nelson Lee Stan Hu Kelvin Lee	K.Y. Lee Neng-Pai Lin Nelson Lee Stan Hu Kelvin Lee	K.Y. Lee Neng-Pai Lin Nelson Lee Stan Hu Kelvin Lee
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 2022, including salaries, job allowance, severance pay, bonuses, and performance fees.

Note2: Refers to Directors' remunerations, approved by the Board of Directors on March 7, 2023.

Note3: Refers to Directors' business execution expenses in 2022, 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 2022 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 7, 2023.

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, %

Title	Name	Salary(A) (Note1)		Pension upon retirement (B) (Note2)		Bonuses and special expenses etc (C) (Note3)		Employee's remuneration (D) (Note4)				Amount and ratio of sum of items (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		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 (Note5)	
								Cash	Stock	Cash	Stock			
Chairman	Andy Su	26,494	33,964	1,098	1,098	67,117	87,863	39,400	0	56,360	0	134,109 11.53%	179,285 15.42%	**None**
President	Josh Tsai													
Vice President	Dean Lin													
Vice President	James MH Chiang													
Vice President	Milton Lai													
Vice President	ZC Jou													
Vice President	Chris Wang													
V.P., Finance	Jery Lin													

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	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	ZC Jou Jery Lin	ZC Jou
NT$10,000,000 ~ NT$14,999,999	James MH Chiang Milton Lai Dean Lin Chris Wang	Dean Lin James MH Chiang Milton Lai Chris Wang Jery Lin
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	8	8

Note1: Refers to compensation for president and vice president in 2022, including salaries, job allowance and severance pay.

Note2: Refers to pension either allocated or paid out per legal requirements in 2022.

Note3: Refers to compensation for president and vice president in 2022, 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 7, 2023.

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

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	39,400 (Note2)	39,400	3.39 (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 7, 2023, 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	2021	2022
Net income after taxes on the Company's Parent Company Only Financial Statements (NT$ thousands)	1,146,533	1,162,868
Ratio of compensation for Directors paid by the Company (%)	1.97	2.01
Ratio of compensation for Directors paid by all Companies listed in the Consolidated Financial Statements (%)	2.11	2.16
Ratio of compensation for Managers such as Vice President or above paid by the Company (%)	11.70	11.53
Ratio of compensation for Managers such as Vice President or above paid by all Companies listed in the Consolidated Financial Statements (%)	14.34	15.42

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. If the Company makes a profit in the year, Board of Directors shall, in accordance with the provisions of Article 19 of the Company's Articles of Incorporation, decide on the amount of director's remuneration within 1% of the current year's profit. The Company regularly evaluates the performance of directors in accordance with the "Performance Evaluation Measures of the Board of Directors". The relevant performance evaluation and the rationality of remuneration are passed by the remuneration committee and the resolution of the Board of Directors, and submit to the shareholders' meeting.

(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 managerial officers are handled according to the relevant regulations on salary management, handles various work allowances and bonuses to sympathize with and reward employees for their hard work. In addition, if the Company makes profits in the current year, 5-20% will be allocated as employee remuneration in accordance with Article 19 of the Company's Articles of Incorporation. The results of the performance appraisal conducted by the Company in accordance with the "Performance Management Measures" are used as a reference for the issuance of managers' bonuses. Manager performance evaluation items are divided into (1) Financial Indicators: according to the Company's management profit and loss statement, the distribution of each business department's contribution to the Company's profit, and taking into account the manager's goal achievement rate; (2) Non-financial Indicators: The Company's core value practice and operation management ability, participation in sustainable operation, etc. The Company constantly calculate the remuneration for the continuation of its operation and 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 4 Board of Directors meetings in 2022 with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Note
Chairman	**Andy Su**	4	0	100	
Director	**K.Y. Lee**	4	0	100	
Director	**Qisda Corp. Peter Chen**	4	0	100	
Director	**Qisda Corp. Jasmin Hung**	4	0	100	
Director	**Josh Tsai**	4	0	100	
Independent director	**Neng-Pai Lin**	4	0	100	
Independent director	**Kelvin Lee**	4	0	100	
Independent director	**Nelson Lee**	4	0	100	
Independent director	**Stan Hu**	4	0	100	

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 46-48; 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 8, 2022	Andy Su Josh Tsai	Allocation of remuneration to employees and directors 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.
		Remuneration to directors and bonus allocation of managerial personnel in 2021		
	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.
March 7, 2023	Andy Su Josh Tsai	Allocation of remuneration to employees and directors in 2022	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.
		Remuneration to directors and bonus allocation of managerial personnel in 2022		
	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, 2022 to December 31, 2022	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) In accordance with Article 26-3, Item 8 of the Securities and Exchange Act, the Company has established the “Rules of Procedures for the Board of Directors”, the content of the Board of Director’s meeting, operating procedures, matters that should be included in the minutes, announcements and other matters that should be complied with, all in accordance with the provision of the rules handle. The Company’s Board of Directors’ Meeting should take at least once a year. The members of the Board of Directors aim to maximize the interests of shareholders, fulfill their duties of good management and loyalty, and exercise their powers with high degree of self-discipline and prudence.

(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 2022, and the Board of Directors reported the results of the evaluation in March 2023. The achievement rate was above 95% 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 November 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 directors 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 4 Audit Committee meetings in 2022 with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent director	**Neng-Pai Lin**	4	0	100	None
Independent director	**Kelvin Lee**	4	0	100	
Independent director	**Nelson Lee**	4	0	100	
Independent director	**Stan Hu**	4	0	100	

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.

5. Resolutions of major proposals of the Audit Committee:

Date	Session	Content of proposals	Resolutions and implementation	Company's response
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.
		B. Employees' and directors' Remuneration, 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.
		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.
		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.
		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.

Date	Session	Content of proposals	Resolutions and implementation	Company's response
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.
		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.
		H. Approved the amendment to "Procedures for Lending Funds 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.
		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.
May 3, 2022	2nd Audit Committee in 2022	A. Approved financial statement in Q1, 2022.	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 4, 2022	3rd Audit Committee in 2022	A. Approved financial statement in Q2, 2022.	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. Assessment of 2022 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 3, 2022	4th Audit Committee in 2022	A. Approved the amendment of "Internal Control System" and "Internal Audit Implementation Rules".	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. Approved Internal Audit 2023 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.
		C. Approved financial statement in Q3, 2022.	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.
		D. Proposal of 2023 appointment of CPAs by the Company.	All Audit Committee Members present reviewed and agreed to approve the independence of certified accountants, obtained the independent statement of accountants and AQI indicators, and submitted to the Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 7, 2023	1st Audit Committee in 2023	A. Statement and self-evaluation report of internal control system, 2022.	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. Remuneration of employees and directors, 2022.	All Audit Committee Members presented at the meeting agreed on NT$10,520,453 for directors and NT$140,272,701 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.
		C. Operation report and financial statement, 2022.	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.
		D. Approved the distribution of 2022 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.
		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.

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 18-19 of this annual report about Audit Committee's major proposals resolutions, and pages 46-48 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 (including 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 presented 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 communication between the independent directors and the internal auditing officer has been functioning well, and major discussions are as below,

Date	Meeting	Discussion	Resolutions and the Company's Response
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.
May 3, 2022	Audit Committee	Audit implementation report in Q1, 2022.	After discussion and communication, no objections from independent directors against audit implementation report.
August 4, 2022	Audit Committee	Audit implementation report in Q2, 2022.	After discussion and communication, no objections from independent directors against audit implementation report.
November 3, 2022	Audit Committee	Amendment to "International Control System" and "Internal Audit Implementation Rules"	No objections from independent directors and submitted for report to the Board of Directors after resolution.
		2023 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, 2022.	After discussion and communication, no objections from independent directors against audit implementation report.
March 7, 2023	Audit Committee	2022 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, 2022, and post-term follow-up audit descriptions.	After discussion and communication, no objections from independent directors against audit implementation report.

(6) The independent directors communicated well with CPAs; the lists of reported items are summarized below:

Date	Session	Content of proposals	Resolutions and implementation
March 8, 2022	2021 Financial Statements	Financial Audit Report, Significant Accounting Standards and Update of tax laws and regulations for 2021. (Individual Meeting)	CPAs explained condition 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.
	Key Audit matters	2021 Key Audit matters in inventory evaluation, business combination, and impairment assessment of goodwill (Individual Meeting)	Based on CPAs' professional judgements, Key Audit matters of 2021 financial statements of the Company are approved without objections from independent directors.
	Matters of the competent authority	The letter from the competent authority explains and strengthens the inspection of the company's 2021 financial report to assess the impact of the COVID-19 epidemic on the company's ability to continuous operation, asset impairment and financing risks. (Individual Meeting)	After discussion and communication, no objections from independent directors.
August 4, 2022	The Financial Statement of first half of 2022	Financial Audit Report, Significant Accounting Standards and Update of tax laws and regulations for first half of 2022. (Individual Meeting)	CPAs explained condition of the first half of 2022 financial and gains (losses), and conducted discussions and communications focusing on accounting principles and application of tax regulations, and no objections from independent directors.
	Annual Audit Plans	Identification of Key Audit matters and major audit procedures. (Individual Meeting)	Acknowledged by independent directors.
	Other notes and important regulatory updates	Matters of the competent authority and intents of important regulatory updates. (Individual Meeting)	After discussion and communication, no objections from independent directors.
March 7, 2023	Independency	Matters that need to be communicated in accordance with the regulations revised by the International Accounting Ethics Standards Board. (Individual Meeting)	After discussion and communication, no objections from independent directors.
	2022 Financial Statements	Financial Audit Report, Significant Accounting Standards and Update of tax laws and regulations and Securities Act for 2022. (Individual Meeting)	CPAs explained condition of 2022 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	2022 Key Audit matters in inventory evaluation and impairment assessment of goodwill (Individual Meeting)	Based on CPAs' professional judgements, Key Audit matters of 2022 financial statements of the Company are approved without objections from independent directors.

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 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 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's Board of Directors approved the Corporate Governance Principles and disclosed it on the Company's official website on November 9, 2015. In response to subsequent amendments to relevant laws and regulations, they will be updated in a timely manner. After the latest amendment, it has been disclosed on the Market Observation Post System and the Company's website.</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 have 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", "Policy of Operation Integrity" and "Operating procedures for Handling Material Information and Preventing Insider Trading". 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 to prohibit internal personnel from buying or selling securities by using undisclosed information to the public and cannot trade the stocks 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report.</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>At least one female director seat</td><td>Done</td></tr>
<tr><td>At least one-third of directors and independent directors have expertise in industry or technology or technology and business management</td><td>Done</td></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>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="3">Composition and Responsibilities of the Board of Directors</td><td></td><td></td><td></td><td>Please refer to page 10 of the Annual Report for board diversity and independence, 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 are above 61 years old, and 2 directors are aged 51-60 year-old.</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 80-81 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>
<tr><td>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?</td><td>✓</td><td></td><td>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 member 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 2022 and published the report in 1st session of Board meeting in 2023. The completion rate of self-evaluation is 95%, 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.</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>Composition and Responsibilities of the Board of Directors</td><td>Does the Company regularly evaluate and the independency of an attesting CPA?</td><td>✓</td><td></td><td>The Audit Committee and the Board of Directors of the Company evaluate the independence and suitability of certified accountants before selecting accountants every year, and require certified accountants to provide independence statement and audit quality index (AQI) information, and evaluate according to the following independence items and AQI indicators.
The results of the assessment of the independence and suitability of accountants are shown in the table below:
<table>
<tr><th>Item</th><th>Result</th><th>Dependency</th></tr>
<tr><td>1. Whether the accountants have direct or significant indirect financial interest relationship to the Company</td><td>No</td><td>Yes</td></tr>
<tr><td>2. Whether the accountants or directors have any financing or assurance activities with the Company</td><td>No</td><td>Yes</td></tr>
<tr><td>3. Whether the accountants have a close business relationship and potential employment relationship with the Company</td><td>No</td><td>Yes</td></tr>
<tr><td>4. Whether the accounts and their audit team members have served as directors, managers or positions that have a significant impact on the audit work in the Company at present or in the last two years</td><td>No</td><td>Yes</td></tr>
<tr><td>5. Whether the accountants provide the Company with non-audit service items that may directly affect the audit work</td><td>No</td><td>Yes</td></tr>
<tr><td>6. Whether the accounts have brokered the stocks or other securities issued by the Company</td><td>No</td><td>Yes</td></tr>
<tr><td>7. Whether the accounts acts as the Company’s defender or coordinates conflicts with other third parties on behalf of the Company</td><td>No</td><td>Yes</td></tr>
<tr><td>8. Whether the accountants have family relationship with the Company’s directors, managers, or personnel with positions that have a significant impact on the audit case</td><td>No</td><td>Yes</td></tr>
</table>
<table>
<tr><th colspan="2">Suitability AQI Evaluation Indicators and Items</th></tr>
<tr><td>1-1 Audit experience</td><td>3-1 Fees for non-audit services</td></tr>
<tr><td>2-1 Accountant load</td><td>3-2 Customer familiarity</td></tr>
<tr><td>2-2 Audit input</td><td>4-1 External inspection missing and punishment</td></tr>
<tr><td>2-3 Case quality control review</td><td>4-2 Competent authority issue improvement letter</td></tr>
</table>
After confirming that the accountant and the company have no other financial interests, business relationship, accountant family members and accounting firm (visa accountants and their audit team members) other than visa and financial and tax case fees, there is no violation of independence, then shall the appointment and fee review of accountants be conducted. The company's fourth meeting of the Audit Committee in 2022 and the fourth meeting of the Board of Directors in 2022 passed the review of the appointment of accountants and fees, and obtained the independent statement of accountants and the AQI issued by the accounting firm.</td><td>None</td></tr>
<tr><td colspan="2">Does the Company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to required 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>The Board of Directors appointed CFO, Jery Lin, as the Corporate Governance Officer in 2020, for corporate governance supervision and planning; and appointed Financial Project Director 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.</td><td>None</td></tr>
</table>

<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></td><td></td><td></td><td>The operation in 2022 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.
3. In 2022, 4 times of Board, 4 times of Audit Committee meetings and 6 times of Investor Conference.
4. Convention of Board and shareholders’ meetings in accordance with law and prepare the minutes of each meeting. After the meeting, be responsible for reviewing the release of material information on important resolutions of the Board of Directors and Shareholders’ meetings to ensure the legality and correctness of the content of the important news, so as to protect investors” transactions information equivalence.
5. Provide directors, independent directors, and audit committees with the information needed to perform their duties, and the latest developments in laws and regulations related to the Company’s business aspects and corporate governance, so as to assist directors and independent directors to comply with laws and regulations.
6. 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."
7. Management of related affairs with investor relations, and maintenance of Company website.
8. Assistance of the directors and important employees’ application for liability insurance and report to the Board of Directors in August after renewal of insurance in 2022.
9. Regular review and amendment of Company’s corporate governance protocols and relative rules.
10. Ranking of 6-20 % from the evaluation result of “the 9th Corporate Governance Evaluation”. Included in the Taiwan HC 100 Index for two consecutive years from 2021 to 2022.
11. Periodical arrangement for Board directors for education, for details please refer to pages 27-28 in the annual report. Directors have completed refresher courses.
12. Other matters stipulated in the Company's Articles of Incorporation or contract, and the Market Observation Post System’s announcements.
13. Evaluation performance of the Board of directors was found Excellent.
14. Review the confidentiality level pf relevant information and provide the Company information required by directors to maintain smooth communication between directors and business executive.
15. 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>Webinar on "Independent Directors and the 2022 Shareholders' Meeting from an International Perspective"</td><td>Taiwan Stock Exchange</td><td>1</td></tr>
<tr><td>Taishin 30 Sustainability Net Zero Summit Forum 2030</td><td>Taiwan Institute for Sustainable Energy</td><td>3</td></tr>
<tr><td>ESG Reporting Trends and Information Disclosure Business Implications</td><td>Taiwan Corporate Governance Association</td><td>3</td></tr>
<tr><td>Sustainable Development Guide map Industry Theme Conference</td><td>Taiwan Stock Exchange</td><td>2</td></tr>
<tr><td>2022 the Regulation Compliance Seminar of insider shareholding transaction</td><td>Securities and Futures Institute</td><td>3</td></tr>
</table></td><td></td></tr>
<tr><td>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?</td><td>✓</td><td></td><td>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 2022 was reported to Board on August 4, 2022.</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	
			1.Shareholders Concerned issues: financial performance, business ethics and code of conduct, corporate governance, human rights of workers, and waste management. 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) Quarterly 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: financial performance, occupational safety and health, talents selection utilization education and retention, waste management, and human rights of workers. Communication channel: (1) Contact: HR, Ms. Liao (my.darfon@darfon.com.tw) (2) 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. Discuss and communicate with the Company to develop specific implementation plan after discussing relevant proposals. (3) 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: waste management, product responsibility, business and code of conduct, green innovation research and development, human rights of workers, climate change impact Channel of communication and response methods: 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. Contact: Integrity email (integrity@darfon.com.tw) 4.Suppliers Concerned issues: human rights of workers, product responsibility, occupational safety and health, business ethics and code of conduct, financial performance. 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.	
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

Evaluation Item		Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Illustration	
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 the financial reports in Q1, Q2 and Q3, as well as the operating status of each month before the prescribed deadline?	✓		The Company finished announce and report the 2022 consolidated and parent-company-only financial statements on March 8, 2023; the Q1, Q2 and Q3 financial reports as well as the operating revenues 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 65-67 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 investor contact window to answer shareholders' questions in detail. 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 18 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 2022" for details.	None
	The implementation of risk management policies and risk evaluation measures	✓		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 80-81 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	None

Evaluation Item		Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Illustration	
	The implementation of customer relations policies	✓		The Company maintains a good cooperative relationship with customers, provides high-quality products and services, and also provides multiple channels to let customers, shareholders, and interested parties know the Company's operating conditions and financial status in real time. For product information, the Company website (www.Darfon.com.tw) has set up a compact window for each product for consultation.	None
	Purchasing insurance for directors	✓		The Company purchases liability insurance for all directors (including independent directors) and managers, so that they can take investors' rights as the starting point and perform business prudently, and report the insured amount, insurance period, scope of insurance coverage and insurance premium rate and other important contents to the Board of Directors every year. All directors' liability insurance coverage in 2022 has been reported in the third board meeting and disclosed on the Market Observation Post System.	None

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 2021 and 2022 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, 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 2021 were accomplished in 2022:
   (1) In order to strengthen the structure and operation of Board of Directors: the number of independent directors of the Company has reached more than one-third of the number of directors.
   (2) In order to strengthen information disclosure in English: The Company has simultaneously released material information in English,
   (3) In order to strengthen the transparency of information disclosure: The Company holds at least one investor conference every quarter, and uploads the video and audio files of the conference to the Market Observation Post System.
   (4) Promote sustainable development: the Company formulates human rights protection policies and specific management plans with reference to international human rights conventions, and discloses them on the Company's website and annual report.

3.3.3.2. Continuing Education/Training of Directors in 2022

Title	Name	Course Name	Organizer	Hours
Chairman Director	Andy Su	Webinar on "Independent Directors and the 2022 Shareholders' Meeting from an International Perspective"	Taiwan Stock Exchange	1
		Taishin 30 Sustainability Net Zero Summit Forum 2030	Taiwan Institute for Sustainable Energy	3
		International Twin Summit	Taiwan Stock Exchange	2
		2022 the Regulation Compliance Seminar of Insider Shareholding Transaction	Securities and Futures Institute	3
Director	K.Y. Lee	ESG Reporting Trends and Information Disclosure Business Implications	Taiwan Corporate Governance Association	3
		Strengthening Digital Resilience and Constructing Strategies for Strengthening Information Security Governance of Listed Companies	Taiwan Corporate Governance Association	3
Director	Peter Chen	ESG Reporting Trends and Information Disclosure Business Implications	Taiwan Corporate Governance Association	3
		Strengthening Digital Resilience and Constructing Strategies for Strengthening Information Security Governance of Listed Companies	Taiwan Corporate Governance Association	3
Director	Jasmin Hung	Taishin 30 Sustainability Net Zero Summit Forum 2030	Taiwan Institute for Sustainable Energy	3
		2022 Annual Forum of TWIOD - Explore the core competitiveness of the next generation	Taiwan Institute of Directors	3
		ESG Reporting Trends and Information Disclosure Business Implications	Taiwan Corporate Governance Association	3
		Strengthening Digital Resilience and Constructing Strategies for Strengthening Information Security Governance of Listed Companies	Taiwan Corporate Governance Association	3

Title	Name	Course Name	Organizer	Hours
Director	Josh Tsai	Taishin 30 Sustainability Net Zero Summit Forum 2030	Taiwan Institute for Sustainable Energy	3
		International Twin Summit	Taiwan Stock Exchange	2
		ESG Reporting Trends and Information Disclosure Business Implications	Taiwan Corporate Governance Association	3
Independent Director	Neng-Pai Lin	Taishin 30 Sustainability Net Zero Summit Forum 2030	Taiwan Institute for Sustainable Energy	3
		Key reminders for companies on Legal PR -How to manage the communication process during a legal dispute	Taiwan Corporate Governance Association	3
		2030/2050 Green Industrial Revolution	Taiwan Corporate Governance Association	3
		Anti-money Laundering and Anti-terrorism Personnel On-the-job Training	Securities and Futures Institute	3
Independent Director	Kelvin Lee	Webinar on "Independent Directors and the 2022 Shareholders' Meeting from an International Perspective"	Taiwan Stock Exchange	1
		Taishin 30 Sustainability Net Zero Summit Forum 2030	Taiwan Institute for Sustainable Energy	3
		International Twin Summit	Taiwan Stock Exchange	2
Independent Director	Nelson Lee	Restart in a New Reality the New Digital Vision of Taiwan	Taiwan Institute of Directors	3
		ESG Reporting Trends and Information Disclosure Business Implications	Taiwan Corporate Governance Association	3
Independent Director	Stan Hu	Carbon management trends and responses towards net-zero carbon emissions	CPA Associations R.O.C.	3
		Environmental, Social and Governance Accounting and Financial Studies	CPA Associations R.O.C.	3

3.3.3.3. Continuing Education/Training involving Company governance of financial and internal auditors in 2022

Title	Name	Course Name	Organizer	Hours
V.P. Finance/ Accounting Management	Jery Lin	Application of "Business Judgment Rule" in Economic Crime Cases and Analysis of Legal Liabilities	Accounting Research and Development Foundation.	3
		Analysis of the latest corporate governance policies and laws and common deficiencies	Accounting Research and Development Foundation.	3
		Analysis of the latest annual IFRS Q&A	Accounting Research and Development Foundation.	3
		Corporate Inheritance and Corporate Governance	Accounting Research and Development Foundation.	3
Accounting Management Deputy	Gavin Lin	Case Analysis on the Procedures and Legal Responsibilities of Enterprise Fiscal and Taxation Administrative Relief	Accounting Research and Development Foundation.	3
		Corporate Inheritance and Corporate Governance	Accounting Research and Development Foundation.	3
		Enterprises Cooperate with Accountants to Check Practices: Identify and Assess the Risk of "Material Misrepresentation"	Accounting Research and Development Foundation.	3
		New Trends and New Thought of "ESG Sustainability" and Corporate Governance	Accounting Research and Development Foundation.	3
Audit Manager	Sylvia Chang	The focus of operating system audits and the integration of cross-cycles and operations	Institute of Internal Auditors-Chinese Taiwan	6
		Under climate change and the wave of sustainable development, explore the impact on corporate internal control and countermeasures from the perspective of ESG risk	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	3
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	Senior Securities Specialist	Securities and Futures Institute	2
6	Securities Specialists	Securities and Futures Institute	2

Item	Certificate acquired	Certified by	Number
7	Stock Affair Specialist	Securities and Futures Institute	2
8	Enterprise Internal Control Basic Ability	Securities and Futures Institute	1
9	Certified Valuation Analyst	National Association of Certified Valuators and Analysts	1
10	Financial planner	Taiwan Academy of Banking and Finance	2
11	Proficiency Test for Trust Operations Personnel	Taiwan Academy of Banking and Finance	2
12	Bookkeeper	Ministry of Examination, R.O.C	1
13	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, 2022 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	**Nelson Lee**	3	0	100	**Re-elected**
Committee Member	**Kelvin Lee**	3	0	100	**Newly elected**
Committee Member	**Stan Hu**	3	0	100	**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 proposals	Resolutions and implementation	Company's response
March 8, 2022	1st Remuneration Committee in 2022	A. 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.
		B. 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.
November 3, 2022	2nd Remuneration Committee in 2022	A. Implementation report of managers' remuneration	All Remuneration Committee Members presented at the meeting agreed without objection.	Approved by all directors.
March 7, 2023	1st Remuneration Committee in 2023	A. Remuneration of employees and directors, 2022	All Remuneration Committee Members presented at the meeting agreed on NT$10,520,453 for directors and NT$140,272,701 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.

Date	Session	Content of proposals	Resolutions and implementation	Company's response
		B. Discussion and approval of proposal for the bonus distribution of directors' and managers 2022	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	Qualification / Name	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:

Evaluation Item	Implementation Status			Deviations from "the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
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?	✓		1. Governance structure for sustainable development 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 to formulate medium and long-term sustainable development plans. 2. Promotion of sustainable development units and the supervision situation of the Board of Directors (1) We have set up committees in each global locations to take in charge of complying with local laws, regulations 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 and to report to the Board of Directors at least once a year about the implementation results of the Company's sustainable development. The implementation situations in 2022, including the communication with stakeholders and the performance of sustainable development, were reported to the Board of Directors in August of the same year. (2) The Company's sustainable development committee continues to pay attention to issues of concern to stakeholders such as the economy, environment and society. Under the leadership of the Board of Directors, formulate policies, systems, management guidelines and action plans related to the sustainable development of the enterprise, and strategically move towards the goal of enterprise sustainable development. Please refer to pages 34-37 for related goals and strategies.	None
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?	✓		The Sustainability Committee continues to pay attention to issues of corporate governance, economy, environment, and society at home and abroad and in the industry. At the same time, it pays attention to issues of concern to stakeholders. According to the disclosure principles of the Sustainability Report (GRI Standards) and the SASB industry norms, annual risks are identified through risk identified through risk identification and measurement methods, also, regular risk meetings are held to take relevant countermeasures and review results. The disclosure covers the period from January to December, 2022. The scope of assessment based on the principle of materiality is mainly the risk assessment and performance of environmental, social and corporate governance issues related to the Company's operating bases and 100% owned subsidiaries. After principle analysis and assessment, the relevant major risks and strategies are as follows:	None

Evaluation Item	Implementation Status			Deviations from "the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	

Major issue	Risk assessment project	Risk management strategy
Environment	Climate Change	1. The risk of climate change is increasing day by day. Domestic and foreign laws and regulations have been added or amended one after another to respond to climate change. The Company continues to conduct greenhouse gas inventory at the headquarters and each production site, and sets reduction targets based on the inventory results to mitigate and adapt to climate change, and establishes and promotes strategic and management aspects. For the action plan, actively promote energy saving and carbon reduction, use of renewable energy, energy efficiency improvement, water saving measures, pollution prevention and control, waste source reduction and process recycling, etc., to continuously reduce the environmental load of business activities, and be compatible with sustainable management and the environmental protect. 2. Construct environmental protection facilities such as high-efficiency zeolite runner concentration devices, regenerative combustion tower RTO, catalytic combustion tower RCO, waste water plant optimization and renovation, etc., to reduce VOCs emissions and improve the effect of protecting water resources. 3. Each operating base has obtained ISO 14001 for environmental management and ISO 14064-1 for greenhouse gas emissions inventory verification, and the environmental impact and major impacts faced by operations are gradually under control. 4. Sue the TCFD framework to identify existing and potential climate-related risks and opportunities, and conduct cross-sectoral countermeasure discussions based on the possibility and impact of risks. 5. The Company promoted the reduction and reuse of waste and develop a circular economy in a timely manner in 2021, so that the proportion of waste recycling and reuse will reach 83.25%. 6. The Company continues to promote energy-saving and consumption-reducing measures, and set up solar power generation to achieve the purpose of reducing greenhouse gas carbon dioxide emissions. In 2021, 4,375.35 tons of CO2 emissions reduced by solar power conversion.
Society	Occupational safety and health risk	1. A safe and healthy workplace is the most basic guarantee that the Company gives to its colleagues. All operating bases have introduced ISO 45001. Through measures such as hazard identification, risk management, education and training, health protection to reduce the risk of employees' disability and injury and protect their safety and health. Provide employees a friendlier and comfortable safe and healthy workplace.

Evaluation Item	Implementation Status					Deviations from "the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation			
			Major issue	Risk assessment project	Risk management strategy	
					2. Improve the awareness of all employees on occupational safety and health, and commit to reducing the risk of work injuries and factory hazards; regularly implement various publicity and related activities, and promote the self-management system of occupational safety and health; effectively reduce the risk of work injuries and hazards, and ensure employees' health and safety in the workplace. 3. Continue to maintain the effectiveness of the ISO 45001 occupational safety and health management system verification, and conduct RBA review, safety control, inventory and control, and occupational safety and health training to enhance the safety management culture. 4. Fully implement the machine safety promotion plan, conduct comprehensive safety inspections for injuries that are likely to cause cutting, clamping and rolling. Establish an inspection and control mechanism for operating safety points, and increase safety protection measures.	
				Infectious disease	1. Irregular epidemic prevention dissemination, rolling adjustments to provide instant information, implement the base of epidemic prevention and strengthen health self-monitoring. 2. In response to the infection control of COVID-19, an epidemic prevention meeting was held in accordance with the BCP procedure, and according to the epidemic information and the epidemic prevention policy of the Central Epidemic Command Center, a rolling review and revision of relevant epidemic prevention measures was implemented in due course. When the epidemic is severe, the division of work into different areas will be activates so that employees' health and production in each factory area will not be affected, and the continuous production and possible infection risks will be effectively controlled.	
				Product liability	1. Pay attention to changes in EU environmental protection directives, international and national regulation, industry and customer specifications, etc. Comply with the EU Directive on the Restriction of Hazardous Substances (RoHS), Waste Electrical and Electronic Equipment (WEEE), Packaging and Waste Packaging (PWW) and Registration, Evaluation, Authorization and restriction of chemicals Regulation, etc., to carry out product design and development to meet new environmental protection requirements. 2. According to the IECQ QC080000:2017 standard, the control content of hazardous chemical substance is established, green product operation procedures are established. Also, hazardous chemical substances are monitored and continuously improved through the whole process to implement the management of hazardous substances and gradually achieve the goal of no harmful substances in all products. 3. Take out product liability insurance comprehensively to reduce the additional liability of property loss and improve product safety.	

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<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="5">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 colspan="3">Abstract Explanation</th></tr>
<tr><td colspan="2" rowspan="5"></td><td rowspan="5"></td><td rowspan="5"></td><td>Major issue</td><td>Risk assessment project</td><td>Risk management strategy</td><td rowspan="5"></td></tr>
<tr><td rowspan="4">Corporate governance</td><td>Socioeco-monic and legal compliance</td><td>1. In order to ensure that the Company abides by the laws regulations of various countries when conducting business, it is aimed at the protection of personal data, confidentiality, anti-bribery, anti-discrimination, environmental protection, intellectual property protection, anti-insider trading, anti-unfair competition, and labor protection laws and regulations in the locations on each operating base, the Company formulates internal management policies and operating procedures.
2. Based on the internal control system, internal audit regularly evaluates risks (including risks related to dishonest behavior), internal systems, and operational procedures for daily operations and organizational behavior, and regularly reports the audit results to the audit committee and the Board of Directors.</td></tr>
<tr><td>Internet security</td><td>1. Based on the information security management policy and action plan, the Company considers and assesses all risks including software, hardware, employees, to ensure information security.
2. Set up assessment and formulate relevant basic information security policies to control internal operating regulations in accordance with the "Standards for Public Issue Companies Establishing Internal Control Systems" to reduce unknown information security risk threats brought about by the ever-changing information technology applications and environmental changes.
3. Establish an information security committee, to introduce and verify ISO 27001, implement a remote dual authentication system and real-time monitoring and early warning of information security.
4. The mail host is upgraded, and access to the flash drive is disabled to comply with the latest information security regulations.
5. Annual regular planning and implementation for disaster drill and database checking to ensure the safe operation of the system.
6. OA network and factory network. The entire network prohibits non-company asset equipment from connecting to the company intranet.
7. Make a three-year management and control of information security plan.</td></tr>
<tr><td>Geopolitics</td><td>1. Global geopolitical risks are becoming more frequent, diverse and complex. In order to avoid impacts on operations and production, the Company adopts regional governance in each production and operation base, regional deployment, industry competition and cooperation, and supply chain management to reduce possible impacts.
2. Actively carry out capacity transfer and off-site production, and currently establish and produce production bases in other countries to reduce the possibility of geopolitical risk threats.</td></tr>
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<tr><td>Environmental Issues</td><td>Does the Company establish proper environmental management systems based on the characteristics of their industries?</td><td>✓</td><td></td><td colspan="3">1. All DARFON manufacturing factories (including headquarter, Taoyuan Factory, Tainan Factory, Suzhou Factory, Huaian Factory, Chongqing Factory, etc.) 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 factories to ensure the PDCA continuous improvement of the system as well as efficiency of each environmental management implementation. All Darfon manufacturing factories accomplished Carbon Footprint Verification and received ISO 14064-1 certifications. Tracking emission reduction results have been disclosed in the sustainability report and the Company's website (www.darfon.com.tw/ESG).</td><td>None</td></tr>
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<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td rowspan="3">Environmental Issues</td><td></td><td></td><td></td><td>2. For environmental management of the company’s products, 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.</td><td></td></tr>
<tr><td>Does the Company dedicate to improving efficiency and using recycled materials with low impact on the environment?</td><td>✓</td><td></td><td>1. According to the types of environmental pollutants produced in the production process, all Darfon manufacturing factories 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 rainwater recycling systems and solar panels in the operating headquarters and each plant. The actual power generation in 2021 is about 5.61 million kWh, and the accumulated power generation over the years has reached 23.22 million kWh. In 2021, the conversion of solar power generation can reduce 4,375.35 tons of CO_2 emission.
4. The Company adopts green materials for production, introduces green and lead-free manufacturing processes to establish a green management system and controls material limits.
5. The Company actively promotes various energy-efficient measures, newly purchased equipment is given priority.to high-efficiency and energy-saving models, and the systems equipments that have been used for many years is tested for performance and to evaluate the necessity of replacement.
6. On the basis of electricity bill for NT$10,107 thousand in headquarters and Taoyuan Factory in 2021, the Company has saved NT$1,270 thousand electric expenses in 2022, and the energy saving rate 12.5% which has reached the original target 10%. Moreover, the Company plans to replace air conditioners and lighting equipment and energy consumption is expected to reduce 10%, with a total of $1,184 thousand was invested in energy-saving projects</td><td>None</td></tr>
<tr><td>Does the Company assess the current and future risk and opportunity of climate change, and adopt response measures of climate-related issues?</td><td>✓</td><td></td><td>Climate change is an issue that the Company attaches great importance to. The Company contributes to promote the ESG Sustainable Development management. The Company used the framework and tools of the Task Force on Climate-related Financial Disclosures (TCFD) published by the Financial Stability Board (FSB) in 2021 to identify relevant risks and opportunities and assess possible financial impacts, set corresponding plans based on the results, and to plan short, medium and long-term goals.
1. Governance
(1) The highest governance unit of the Company in climate change management in the Corporate Sustainable Development Committee, with the chairman of the Company as the chairman of the committee, and regularly reports to the Board of Directors on the promotion and implementation of climate change management every year.
(2) Through the authorization of the administrative system, the responsible unit for risk management related to climate change is the Risk Management Committee, which is responsible for setting up risk policies, supervising and maintaining risk management plans.
2. Strategy
(1) The Company adopts the TCFD framework to identify existing and potential climate-related risks and opportunities, and conduct risk identification according to the possibility and impact of risks.
(2) Assess the financial impact against the identified risks and opportunities.
3. Management
Conduct internal discussions and communications through the operation of the Risk Management Committee
4. Objectives
(1) Short-term: Carbon emission intensity decrease by 2.5% compared with the previous year
(2) Medium and long-term: Taking 20217 as the base year, carbon emission intensity will be reduced by 32.5% by 2030.
(3) The main climate key indicators include: energy (energy consumption), carbon emissions, water resources, waste, green energy, etc., and the values compared with the 2017 base year are used as management indicators.
(4) Objectives:
a. Short-term: Compared with the previous year, the carbon emission intensity decreased by 2.5%..
b. Medium and long-term: Taking 2017 as the base year, the carbon emission intensity will decrease by 32.5% by 2030.
5. Climate risks, opportunities and responses</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	
			(1) Risks related to climate	

Type	Risks related to climate	Related responses and potential financial impacts
Transformation risk	Policies, laws and regulations: -Carbon tax collection and related regulations -Battery (green energy) related regulations -Renewable energy regulations -Uncertainty of laws and regulations and policies	Mid and long-term laws amendments caused operating restrictions: 1. Environmental laws and regulations tend to be strict or restrictive, which will result in production failure and shutdown Mid and long-term sustainable operating costs increase: 1. Low carbon and carbon tax increase 2. Electricity fees rising 3. Setup green electricity or purchase renewable energy certificates 4. High-efficiency environmental protection equipment settings
	Technology: -Products and services are replaced by other products -Sustainable products (new technology) investment or R&D failure	1. Due to research and development of low-carbon transformation and investment in energy-saving and high-efficiency products, the cost increases. 2. Respond to the demand for low-carbon products or services, and invest in the research and development of high-energy-efficiency equipment. Which will increase the expenditure required.
	Market: -Assessment and selection criteria of customers change suppliers -Request that customers change products' regulations -Customers require the use of low-carbon materials -Consumers switch to low-carbon products -Rising costs of raw materials	1. The customers' strict requirements for compliance with sustainable environmental protection and the corresponding commitments have a significant impact on product acceptance or operations. 2. Consumers' demand for low-carbon products, technical services has increased which lead to the rising costs of raw materials invested in manufacturing.
	Goodwill: -Consumers change preferences	1. If climate change mitigation is not implemented, there will be negative feedback in communication with stakeholders, resulting in damage to goodwill, loss of market competitive advantage and loss of revenue. 2. When consumers' awareness of environmental protection has improved, their consumption choices tend to environmentally friendly manufactures and products, and non-low-carbon products will be eliminated.

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	Yes	No	Abstract Explanation	

Type	Risks related to climate	Related responses and potential financial impacts
Physical risk	Immediateness: -Increase in extreme weather events- changes in rainfall patterns Long-term: -Average temperature rise	Immediateness: 1. The rainfall decreases and dry period increases, causing drought and water shortage and impacting production. 2. Extreme weather heavy rains cause floods, resulting in loss of factory equipment assets which may result to supply chain interrupt production and fail to supply products as scheduled. 3. Water damages to warehouse products or inventory that may be caused by heavy rain. Long-term: 1. Temperature rises, periods of hot weather prolong lead to electricity consumption increases and the emergence of an energy shortage crisis, which restricts production.

(2) Opportunities related to climate

Type	Opportunities related to climate	Related responses and potential financial impacts
Resources efficiency	Energy saving, carbon reduction, waste reduction and increase recycling	Construct green buildings to reduce energy consumption, improve the recycling and reuse of water resources, replace and update energy-saving equipment to improve the efficacy of energy resource use.
Energy source	Increase the opportunity and feasibility of using renewable energy.	Actively improve energy efficiency and promote energy diversification. Each factory is equipped with solar roofs to increase power generation efficiency and improve the use stability of green electricity.
Products and services	Continue to strengthen the quality and technology of green energy products, E-Bike and sustainable products.	1. Strengthen the green energy business department, actively develop and set up green energy product lines. 2. Develop green energy related products to increase sales of green energy and a complete set of energy storage auxiliary systems. 3. Improve the quality of green mobile life, accelerate the promotion of E-Bike and reduce the dependence on fossil fuels for transportation. 4. Improve every point that can be improved and make specific contributions to a sustainable environment.

<table>
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<tr><td></td><td></td><td></td><td></td><td>
<table>
<tr><th>Type</th><th>Opportunities related to climate</th><th>Related responses and potential financial impacts</th></tr>
<tr><td>Market</td><td>Actively develop and respond to the needs of customers and consumers for sustainable products.
Exploring business and partnerships in new markets.</td><td>1. Identify suppliers with high climate risks and improve suppliers’ ability to respond to climate change.
2. Search for low-carbon production partners to promote the formation of sustainable and environmentally friendly production chains.</td></tr>
<tr><td>Toughness</td><td>Diversified and flexible management and business strategies.</td><td>1. Set up energy-saving production plants and equipment to promote low-carbon operation methods.
2. Actively look for business opportunities related to low-carbon technology, and form alliances with more sustainable business strategic partners</td></tr>
</table>
</td><td></td></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 2018) 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 greenhouse gas emissions in these two years are as follows” (scope 1 and 2 includes all manufacturing facilities in the world, and scope 3 only includes emissions from solid and liquid waste disposal):
Unit: ton
<table>
<tr><th>Year</th><th>Scope 1</th><th>Scope 2</th><th>Scope 3</th><th>Total</th></tr>
<tr><td>2021</td><td>5,316</td><td>93,038</td><td>968</td><td>99,322</td></tr>
<tr><td>2020</td><td>5,467</td><td>87,122</td><td>Not calculated yet</td><td>92,589</td></tr>
</table>
According to the statistical results of greenhouse gas emissions, the total carbon emissions of all manufacturing facilities in the world in 2020 was about 92,589 tons; in 2021, the total carbon emissions of all manufacturing facilities in the world was about 98,354 tons (Scope 1 and Scope 2 were counted). The base year is adjusted from 2014 to 2017. Short-term goal: to reduce the carbon intensity of scope 1 and scope 2 by more than 2.5% compared with the previous year; long-term goal: scope 1 and scope 2 carbon emissions intensity will be reduced by more than 32.5% in 2030 compared with the base year of 2017.
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:
</td><td>None</td></tr>
</table>

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(1) Water consumption: The increase in the total water consumption of all facilities in the world in 2021 compared to 2020 is mainly due to the increase in production capacity, but the unit water intensity (tons/million revenue) in 2021 has decreased by 5.72% compared to with 2020.
<table>
<tr><th>Year</th><th>Total water consumption (tons)</th><th>Unit water intensity (tons/million revenue)</th></tr>
<tr><td>2021</td><td>819,190</td><td>29.21</td></tr>
<tr><td>2020</td><td>692,310</td><td>30.98</td></tr>
</table>
(2) Total weight of waste: The total weight of waste in 2021 from all facilities in the world slightly increased compared with the total waste in 2020. The main reason is the increase in production capacity. However, the unit waste intensity (tons/million revenue) in 2021 decreases by 19.91% compared with 2020.
<table>
<tr><th>Year</th><th>Hazardous waste</th><th>Non-hazardous waste</th><th>Total (tons)</th><th>Unit waste intensity (tons/million revenue)</th></tr>
<tr><td>2021</td><td>2,031</td><td>2,371</td><td>4,402</td><td>0.1569</td></tr>
<tr><td>2020</td><td>2,003</td><td>2,375</td><td>4,378</td><td>0.1959</td></tr>
</table>
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></td></tr>
<tr><td>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.
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.
The Company’s human rights management policies and specific plans are summarized as follows:
<table>
<tr><th>Human rights management policy</th><th>Specific plans</th></tr>
<tr><td>Help employees maintain physical and mental health and work-life balance</td><td>New employees are given 1 day of special leave every 2 months in the first half year of employment, and 3 days of special leave according to the labor stand law after half year of employment.</td></tr>
<tr><td>Implement the “three highs” policies of high salary. High development and high care.</td><td>Selected into “Taiwan Hush Salary 100 Index” for five consecutive years from 2018 to 2022, and provides a complete and smooth career path.</td></tr>
<tr><td>Prohibition of forced labor and compliance with local government labor laws.</td><td>Implement the leave system and encourage colleagues to pay attention to work-life balance.</td></tr>
</table>
</td><td></td></tr>
</table>

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Human rights management policy	Specific plans
Forced labor is prohibited, human rights clauses are included in contracts with suppliers, and on-site audits are implemented.	Key suppliers are required to sign a social responsibility and business ethics agreement, requiring them to commit to abide by the Responsible Business Alliance Code of Conduct (RBA Code) and social responsibility standards (SA 8000). The Company abides by the Responsible Business Alliance Code of Conduct (RBA Code of Conduct), and its factories in Suzhou, Huaian and Chongqing have all won silver honors.
Employee Health Management	1. The Weili Center provides workplace health care and on-site physician services 2. Maternal health protection: ①Promote breast milk in the workplace, set up a breastfeeding room, provide a private and safe space, disinfection equipment and a breastfeeding refrigerator to create a comfortable environment for breastfeeding. ②Health protection for female workers: for female workers who are pregnant or less than 1 year after giving birth, and who are breastfeeding, provide work environment hazards and health problem assessments. 3. The Company provides employees with a safe working environment. In 2017, ZOLL AED plus (automated external cardiac defibrillator) was added to the Company’s headquarters, and regular first-aid and training courses were hold to help employees use first-aid equipment correctly and enhance first-aid knowledge to ensure the workplace safety of employees. 4. Epidemic prevention and care: set up an epidemic notification system to understand the stocking and tracking of employees’ health status in various branches and overseas materials, and provide epidemic prevention health promotion from time to time to remind employees of the importance of health and epidemic prevention. 5. Employee health management: ①According to Framingham risk score 10-year cardiovascular disease risk assessment. Provide nursing guidance and health education for with-risk employees. ②According to the diagnostic criteria of Taiwan National Health Service in 2007, the Company provides nursing guidance and prevention of three highs for people with metabolic syndrome 6. Provide health promotion activities, special protection and vaccination publicity and reminders, and cancer screening.

</td><td>None</td></tr>
</table>

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				2.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.	
	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?	✓		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, managers or higher position was 44.13%, and the average percentage of female supervisors was 20.43%. Please refer to P.65-67 for other employee welfare measures.	None
	Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		1. In order to provide employees with a safe and healthy working environment, the Company's global production bases around the world (Taoyuan, Tainan, Suzhou, Huaian and Chongqing Factory) have obtained the internationally recognized occupational safety and health management system ISO 45001 certification. Regular safety inspections are carried out on all factories. At the same time, we also formulate policies in accordance with the government occupational safety and health laws and labor laws of the places where the factories are located, as well as the requirements of customers and stakeholders, and respect the requirements of relevant stakeholders for occupational safety and health to build a safe working environment. 2. The Company complies with the requirements of ISO 45001:2018, and conducts hazard identification and risk (including human-included hazards) assessment for hazard factors at least once a year. The environmental, safety and health management committees of each factory are composed of representatives from various departments to carry out hazard identification and risk assessment operations. The environmental safety and health personnel in each factory conduct classified operation management based on the results of identification and risk assessment of each department. Relevant assessment personnel receive complete education and training on hazard identification and risk assessment. For those whose risks are classifies as unacceptable by the hazard identification and risk assessment table evaluation results, occupational safety and health objectives and management plans will be drawn up and relevant resources will be invested for improvement. For the parts with acceptable risks, each factory will carry out daily supervision and management. In addition, safety personnel are set up in the factories in China to conduct daily risk monitoring, and the implementation results are submitted to the management for review every year, so as to improve the overall occupational safety and health performance and effectively control safety and health risks. 3. In 2022, a; factories around the world have implemented employee safety education and training. Tainan factory has carried out a total of 2 related fire evacuation drills in the whole factory, and completed the occupational safety and health education and training for relevant on-site workers; the headquarters and Taoyuan factory have conducted fire-fighting lectures, 1 fire-fighting training session and 1 session of fire escape and evacuation drills for kitchen workers and cleaning person in the factory. 4. In order to protect workers from harmful substances in the workplace, monitor the working environment every six months to understand the actual state of labor exposure to prevent and avoid hazards, and to ensure the safety and health of all workers in the working environment. 5. 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. 6. 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. 7. 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.	None

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				8. In 2022, two slight 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. The other was an accidental fall during work. After the accidents, the Company has explained dos and don'ts to them.	
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 training to cultivate key kills for employees. In 2022, the numbers of employees attending vocational training was 4,898, and the total time was 12,151 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., 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
Social Issues	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?	✓		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.	None

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	Yes	No	Abstract Explanation	
			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.	
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?	✓		The Company published the fourth edition of the Corporate Social Responsibility Report in 2022, 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.	None

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.

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, adopt environmentally friendly and low carbon construction methods, such as "green building" and " architectural concrete" and set up rainwater recycling system.
3. 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.
4. In 2022, energy-saving light tubes such as replacing energy-saving lamp tubes at the headquarters and adjusting special air-conditioning systems in independent spaces were completed.
5. The Company attaches great importance to the connection and interaction with local residents and uses abundant corporate resources to actively develop community relations. Invest in various community participation activities, be kind to the earth, respond to major community events, initiate beach cleaning to protect beautiful homes, cultural restoration and handle blood donation activities, etc., expecting to live in harmony with the local society and communities and exert positive social influence.

   Community participation, social contribution, social service, social welfare, consumer rights and other social responsibility activities:

   (1) Community service:

   Donate living materials to local social welfare institutions in 2022, such as Pade Institute, Adolescents' Home, Taoyuan Prison Fellowship Taiwan and Renyou Sanatorium, to keep materials be used effectively and love can continue to germinate and; in addition, to call on employees and associates to save lives and not fall behind and actively respond to social medical care.

   The Company called by units to replenish blood banks, a total of more than 45,750 c.c. blood was raised in 2022.

   (2) Social welfare:

   Purchasing 1,200 boxes of New Year's gift boxes from Newdawn Org. Through purchases, the organization can cultivate the ability of the disabled to have self-reliance, a correct work attitude, and find employment opportunities in different fields. Take action to support the development of school affairs in rural primary schools, to sponsors Yufend Elementary School NT$50,000 to promote the upgrading of school affairs.

   (3) Material donation or charity sale:

   The Company participated in the "Used Shoes Rescue Project" in 2022. Concentrate to donate shoes which raised 80 pairs of shoes and thousands of pieces of clothing. Participated in the Rotary Charity Sale initiated by the Good Social Welfare Foundation and donated NT$3.5 million to the BenQ Foundation to jointly realize the corporate vision of "information life is true, kung and beautiful".

   (4) Sustainability:

   Actively participate in environmental sustainability and implement green life. The Employees and their families experienced the life of mixture in life and agriculture at the Xinwu Puding Rural Ecological Park in Taoyuan in 2022 to learn the sustainable spirit of taking and using in nature. Moreover, organize beach cleanup activities to remove up to 90 liters of marine debris to protect the global environment.

   (5) E-co Green Action:

   The Company held a series of walking activities in 2022 to promote carbon reduction and love environment. The cumulative walking distance is 243,600 kilometers. And the total carbon reduction is 49,360 kilograms. It also popularized the knowledge of energy-saving life and responds to energy-saving activities, so that everyone can implement it in their daily lives. Also, the Company implemented resource recycling activities, mainly for the recycling of 3C products, second-hand clothing and waste batteries. After sorting out the recycled resources, handing over to social welfare and environmental protection groups such as Green 3C Recycling Network and Eden Foundation, so that old materials can become renewable resources.

Evaluation Item	Implementation Status			Deviations from "the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(6) Cultural Participation: a. The Company cooperate with the Art Bank of the Ministry of Culture (Taiwan Fine Arts Foundation) to rent art exhibitions of Taiwanese contemporary young creators, emphasizing the flow and inheritance of local culture to promote understanding, tolerance and mutual respect between cultures. Art, as a medium to discuss different social issues, and to promote understanding between cultures through constant reflection and introspection. b. The Company sponsored NT$1 million to the Green Light Theater Troupe, invested in the "Goodbye, Beitou" 2.0 revival stage performance and invited employees to watch it.				

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

Evaluation Item		Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Illustration	
Implement integrity management	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 2022 was reported to the Board in August 2022: 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 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
	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 audit 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 2022, a total of 218 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

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management 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"></td><td>Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?</td><td>✓</td><td></td><td>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.</td><td>None</td></tr>
<tr><td>Does the Company provide proper whistleblower protection?</td><td>✓</td><td></td><td>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.</td><td>None</td></tr>
<tr><td>Strengthen information disclosure</td><td>Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?</td><td>✓</td><td></td><td>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 44-45 of this annual report for implementation.</td><td>None</td></tr>
<tr><td colspan="6">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).</td></tr>
<tr><td colspan="6">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).</td></tr>
</table>

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 7, 2023

Based on the findings of a self-assessment, Darfon Electronics Corp. states the following with regard to its internal control system during the year 2022:

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, 2022, 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 7, 2023, with none of the nine 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

3.3.11 Major Resolutions of Shareholders’ Meeting and Board Meetings

Date	Session	Content of Proposals	Resolutions and implementation
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.
		B.Approved the 2021 Employee’s 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 general 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 general shareholders’ meeting in 2022.
		D.Approved the 2021 earnings distribution.	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 general shareholders’ meeting in 2022.

Date	Session	Content of Proposals	Resolutions and implementation
		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 general 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 general 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 general 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 General 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.
May 3, 2022	2rd Board Meeting in 2022	A.Recognized financial statement in Q1, 2022.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published on May 3, 2022.
		B.Approved the amendments to the "Corporate Governance Code" and "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading".	All directors presented at the meeting agreed without objection.
June 16, 2022	2022 Shareholders' Meeting	A.Recognized the 2021 business report and financial statements.	Consulted by the chairman, all shareholders presented at the meeting agreed without objection. The proposal was published in accordance.
		B.Recognized the of 2021 earnings distribution.	Consulted by the chairman, all shareholders presented at the meeting agreed without objection.The amount of cash dividend NT$3per share of common stock was recognized July 14, 2022 as base date for distribution and due before August 4, 2022.
		C.Approved the amendment to the "Articles of Incorporation"	After consulted by the chairman and all shareholders attending without objection, it was passed as the case and was approved to be registered by the Ministry of Economic Affairs on July 5, 2022, and announced on the Company's website.
		D.Approved the amendments of "Procedures for Acquisition and Disposal of Assets" and "Procedures for Derivative Transactions".	After consulted by the chairman and all shareholders attending without objection, it was passed as the case and was approved to be registered by the Ministry of Economic Affairs on June 17, 2022, and announced on the Company's website and organized in accordance.
		E.Approved the amendments of "Operating Procedures for Loaning Funds to Others" and "Implementation Measures for Endorsement Guarantee".	After consulted by the chairman and all shareholders attending without objection, it was passed as the case and was approved to be registered by the Ministry of Economic Affairs on June 17, 2022, and announced on the Company's website and organized in accordance.
August 4, 2022	3rd Board Meeting in 2022	A.Recognized financial statement in Q2, 2022.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published on August 4, 2022.
		B.Approved the Professional fee for service of CPA.	All independent directors and directors presented at the meeting agreed without objection.
		C.Approved the amendment of the "Corporate Social Responsibility Code of Practice".	All independent directors presented at the meeting approved the amendment of the relevant provisions and the revision of the name "Code of Practice for Sustainable Development".

Date	Session	Content of Proposals	Resolutions and implementation
November 3, 2022	4th Board Meeting in 2022	A.Approved the amendment of "Internal Control System" and "Internal Audit Implementation Rules".	All independent directors and directors presented at the meeting agreed without objection.
		B.Approved the 2023 internal audit plan.	All independent directors and directors presented at the meeting agreed without objection.
		C.Recognized financial statement in Q3, 2022.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published on November 3, 2022.
		D.Approved the amendment of the "Rules of Procedure of the Board of Directors".	All directors presented at the meeting agreed without objection.
		E.Approved the revision of "Procedures for Internal Material Information Processing and Prevention of Insider Trading"	All independent directors and directors presented at the meeting agreed without objection to admend the relevant provisions and revise the title of "Procedures for Handling Material Information and Preventing Insider Trading".
		F.Approved appointment of CPAs.	All independent directors and directors presented at the meeting agreed on CPAs' independence without objection, obtaining the Declaration of Independence from CPA.
March 7, 2023	1st Board Meeting in 2023	A.Statement of Internal Control System and implementation report of self-evaluation 2022.	All independent directors and directors presented at the meeting agreed without objection.
		B.Approved the 2022 Employee's and Directors' Remuneration.	Except Andy Su and Josh Tsai are in avoidance of application, all other independent directors and directors presented at the meeting agreed on NT$10,520,453 for directors and NT$140,272,701 for employees, all in cash, without objection. The proposal was published by regulations and reported in general shareholders' meeting in 2023.
		C.Recognized the 2022 business report and financial statements.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published on March 8, 2023, and recognized in general shareholders' meeting in 2023.
		D.Approved the 2022 earnings distribution.	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 general shareholders' meeting in 2023.
		E.Approved the amendment to the "Rules of Procedure for the Shareholders' Meeting"	All independent directors and directors presented at the meeting agreed without objection. The proposal was reported in regular shareholders' meeting in 2023.
		F.Approved the amendment of the "Organizational Regulations of the Audit Committee"	All independent directors and directors presented at the meeting agreed without objection.
		G.Approved the amendment of "Risk Management Vision, Policies and Procedures"	All independent directors and directors presented at the meeting agreed without objection.
		H.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.
		I.Approved schedule and meeting agenda of the 2023 Shareholders' Meeting.	All independent directors and directors presented at the meeting agreed without objection. The proposal was scheduled for June 9, 2023 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	Tzu-Chieh Tang Huei-Chen Chang	2022.01.01~2022.12.31	5,849	1,592	7,441	-

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

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

<table>
<tr><td>Replacement Date</td><td colspan="3">January 1, 2022</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="3">Due to internal restructuring of accounting firm.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated, or the CPA did not accept the appointment</td><td>Parties / Status</td><td>CPA</td><td>Appointer</td></tr>
<tr><td>Termination of appointment</td><td>NA</td><td>NA</td></tr>
<tr><td>No longer accepted</td><td>NA</td><td>NA</td></tr>
<tr><td>Audit report opinions other than unqualified opinion over the last two years and reason</td><td colspan="3">2021: None
2022: None</td></tr>
<tr><td>Did issuer have a different opinion</td><td colspan="3">None</td></tr>
<tr><td>Other items requiring disclosure (disclosures for Clause 6.1.4~7, Article 10 of these guidelines</td><td colspan="3">None</td></tr>
</table>

3.5.2 Regarding the successor CPA

Name of accounting firm	KPMG
Name of CPA	Tzu-Chieh Tang and Huei-Chen Chang
Date of appointment	January 1, 2022
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	2022		As of April 11, 2023	
		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	Nelson Lee	0	0	0	0
Independent Director	Stan Hu	0	0	0	0
Independent Director	Kelvin Lee	0	0	0	0
CEO	Andy Su	0	0	0	0
President	Josh Tsai	0	0	0	0
Vice President	Dean Lin	0	0	0	0
Vice President	Chris Wang	0	0	0	0
Vice President	James MH Chiang	0	0	0	0
Vice President	Milton Lai	0	0	0	0
Vice President	ZC Jou	28,000	0	0	0
V.P. of Finance	Jery Lin	0	0	0	0
Major Shareholder	Qisda Corporation	0	0	0	0

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 11, 2023; Unit: Shares, %

Name	Current Shareholding		Spouse's/minor's Shareholding		Total shares held 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 Electronics Corp, Employee Stock Ownership Trust Account	8,149,152	2.91	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. Chao-Shun Chang	0	0	0	0	0	0	None	None	—
New Labor Pension Fund	4,130,226	1.48	0	0	0	0	None	None	—
Andy Su	4,058,447	1.45	871,000	0.31	0	0	None	None	—
Chang Hwa Commercial Bank, Ltd.	3,392,000	1.21	0	0	0	0	None	None	—
Chang Hwa Commercial Bank, Ltd. Joanne Ling	0	0	0	0	0	0	None	None	—
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	3,373,000	1.20	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	2,962,164	1.06	0	0	0	0	None	None	—
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	1,937,000	0.69	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 11, 2023; Unit: thousand shares, %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/ Independent directors /Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
BESV Japan Co., Ltd.	0	0	3	49.00	3	49.00
Rich Glory International Inc.	0	0	1,241	33.33	1,241	33.33

Note: The investment of the company using the equity method

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 11, 2023; 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 11, 2023

Shareholder structure / Quantity	Government Institutions	Financial Institutions	Other corporations	Individual	Foreign Institutions and foreigners	Total
Number of Shareholders	4	16	195	54,879	161	55,255
Shareholding (shares)	4,323,143	18,996,224	74,745,998	151,562,026	30,372,610	280,000,001
Percentage (%)	1.54	6.78	26.70	54.13	10.85	100.00

2.1.4 Shareholding Distribution Status

As of April 11, 2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Number of shares held	Percentage
1 ~ 999	28,571	857,591	0.31
1,000 ~ 5,000	21,250	43,208,752	15.43
5,001 ~ 10,000	2,965	23,643,402	8.44
10,001 ~ 15,000	825	10,577,890	3.78
15,001 ~ 20,000	548	10,185,192	3.64
20,001 ~ 30,000	420	10,785,932	3.85
30,001 ~ 40,000	184	6,670,525	2.38
40,001 ~ 50,000	113	5,234,217	1.87
50,001 ~ 100,000	216	15,460,252	5.52
100,001 ~ 200,000	85	11,452,007	4.09
200,001 ~ 400,000	33	8,750,882	3.13
400,001 ~ 600,000	13	6,494,219	2.32
600,001 ~ 800,000	11	7,671,627	2.74
800,001 ~ 1,000,000	2	1,822,000	0.65
1,000,001 or over	19	117,185,513	41.85
Total	55,255	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 11, 2023

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 Electronics Corp, Employee Stock Ownership Trust Account	8,149,152	2.91
Mega International Commercial Bank Co., Ltd.	4,540,285	1.62
New Labor Pension Fund	4,130,226	1.48
Andy Su	4,058,447	1.45
Chang Hwa Commercial Bank, Ltd.	3,392,000	1.21
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	3,373,000	1.20
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,962,164	1.06
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	1,937,000	0.69

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

Unit: NT$

Item			2021	2022	As of March 24, 2023
Market Price per Share	Highest		52.90	51.00	44.70
	Lowest		37.85	35.85	37.50
	Average		44.84	42.55	42.28
Net Worth per Share	Before Distribution		35.15	37.55	Note 5
	After Distribution		32.15	Note 1	-
Earnings per Share	Weighted Average Shares (thousand shares)		280,000	280,000	280,000
	Earnings Per Share	Before retrospective	4.09	4.15	-
		After retrospective	4.09	Note 1	-
Dividends per Share	Cash Dividends		3.00	3.00	-
	Stock Dividends	Dividends from Retained Earnings	-	Note 1	-
		Dividends from Capital Surplus	-	Note 1	-
	Cumulative unpaid dividend		-	-	-
Return on Investment	Price / Earnings Ratio (Note 2)		10.96	10.25	Note 5
	Price / Dividend Ratio (Note 3)		14.95	14.18	-
	Cash Dividend Yield Rate (Note 4)		6.69	7.05	-

Note 1: 2022 distribution of retained earnings hasn't been resulted by 2023 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$

Item \ Fiscal year			2022（Estimated）
The amount of paid-in capital at the beginning of the period			2,800,000
Dividend distribution of the current year	Cash dividend per share		NT$ 3.0(Note1)
	Stock dividends per share (from capitalization of earnings)		-
	Stock dividends per share (from capitalization of reserves)		-
Business performance Changes	Operating profit		(Note2)
	Increase (decrease) % of operating profit over the same period last year		
	Net profit after tax		
	Increase (decrease) % of net profit after tax over the same period last year		
	Earnings per share		
	Earnings per share increase (decrease) % ratio over the same period last year		
	Annual average return on investment (the reciprocal of the annual average P/E)		
Pro forma EPS and PE ratio	If capitalized earnings were entirely distributed as cash dividends	Pro forma earnings per share	
		Pro forma annual average return on investment	
	Without capitalization of reserves	Pro forma earnings per share	
		Pro forma annual average return on investment	
	If capitalized earnings were entirely distributed as cash dividends without the capitalization of serves	Proposed earnings per share	
		Proposed annual average return on investment	

Note1: The estimated dividend distribution of 2022 is NT$ 3.0 per share, which is based on the surplus distribution proposal approved by the board of directors on March 7, 2023.

Note2: In accordance of (89) Securities and Futures Commission, Ministry of Finance -1 NO. 00371 on February 1, 2000, financial statement of 2023 is not published, disclosure of the estimated information for fiscal year 2023 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 2022 Approved in the Board of Directors Meeting on March 7, 2023.

   The information of 2022 distribution by the resolution is as following:

   (1)Recommended Distribution of Compensation of Employees, Directors

   Employee Compensation – in Cash: NT$140,272,701

   Directors' Compensation: NT$ 10,520,453

   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$142,889,138 for employee remuneration and NT$10,716,685 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 2022	
	Total Revenues	Operating Ratio (%)
Peripheral electronic products	12,574,726	43
Green Energy Product and passive component	16,960,527	57
Total	29,535,253	100

3. Main products

(1) Peripheral electronic products:

Laptop and desktop computer keyboards, illuminated keyboards, mice, gaming keyboards, gaming mice, portable keyboards, leather case keyboards, precision modules, notebook computer touch panel modules, fingerprint recognition 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, switchable button sound mouse, ultra-thin adjustable travel stroke gaming button, etc.) and innovative notebook keyboards (new mini-LED backlit keyboards, vibration feedback keyboards, vibration feedback touch panels, etc.), optical products (luminous logo, lighting parts for gaming laptops, lighting parts for gaming desktop computers, etc.) to continuously 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. Develop the E-Bike smart module kit (IoT) to seize business opportunities for the next generation of Smart Bike, prepare for OEM models, and promote the ODM market for smart training platforms. In terms of passive components, in response to the vigorous development of industries such as automotive, 5G, server, high-speed computing, storage devices, the company will actively move towards integration (products and marketing), customization (research and development, promotion and customer application links) and High-capacity, high-frequency, high-reliability (high-voltage, high-temperature-resistant) development, and focus on mid-to-high-end products and niche products, and actively enter the high-growth market to grasp key needs. The Company is committed to improving the research and development technology and product quality of power supply and charger products. In response to the growth trend of lithium batteries, chargers and smart mobile vehicles, it develops high-value-added smart power chargers to expand economies of scale and optimize costs.

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 complete compatible battery for a full range of Shimano motors is launched, with various accessories and smart modules. It continues to maintain leading position in the new generation of E-Bike batteries. Additionally, medium-to-large scale eMobility and Industry 4.0 expand the layout of related lithium batteries.

For E-Bike, we develop a new generation of intelligent electric assisted bicycles, with a new generation of electronic control system, apply IoT 4G networking modules and antennas, develop electronic automatic transmission systems and electronic locks, etc., to comprehensively improve user experience. As for the product layout in the European market, in addition to matching Shimano mid-mounted motor system products, it cooperates with German system manufacturer Bosch to develop new city bikes and mountain bikes to establish a competitive advantage

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, the notebook market is affected by expectations such as global economic recession, intensified inflation, and rising interest rates. As a result, consumers have low motivation to purchase new machines. Consumers also purchased new PC devices in advance during the past epidemic. The business PC market is also affected by the economy. Slowing down the impact, and thinking that the situation is getting worse, delaying the purchase of new PCs, it is estimated that the commercial market will not resume growth until 2024. The International Monetary Fund (IMF) predicts that the economic growth rate in 2023 will be about 2.7%, which is 0.5% lower than this year. The dividend effect of the epidemic has gradually faded, resulting in a slight decline in the growth of the high-end notebook market in 2022, but the e-sports and creative notebooks continued to grow. Facing the dilemma of global notebook shipments gradually falling, the high-margin market segment stands out. Major notebook manufacturers and processor brands such as Intel and Nvidia are all competing to expand, and to improve consumer experience through high specifications and customization to stimulate potential market demand.

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. 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: thousand, %

Year	2020	2021	2022(e)	2023(f)	2024(f)
Notebook	200,837	247,255	188,474	178,673	185,105
Tablet	154,700	140,600	137,200	137,100	137,800
Notebook (YoY%)	26.76%	23.11%	-23.77%	-5.2%	3.6%
Tablet (YoY%)	-0.39%	-9.14%	-2.38%	-0.09%	0.51%

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, E-Bike smart modules (IoT), electric control kits, smart 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.

With the large-scale access of new energy power generation and electricity consumption, energy storage will become an important basic element of the new power system in order to overcome the intermittent and fluctuating nature of wind and solar power. According to TrendForce statistics, the global installed capacity of electrochemical energy storage is expected to be approximately 65Gwh in 2022, and reach 1,160GWh in 2030. Energy storage application scenarios involve power scenarios, such as owner supply side, grid side, user side and distributed micro-grid (Distributed Micro-grid). TrendForce said that driven by the rapid development of power batteries, the lithium-ion battery industry chain has entered a mature stage of commercialization, and its application in the field of energy storage occupies the mainstream of the electrochemical energy storage market, accounting for more than 90% of the market.

The integrated component and material product line includes multilayer ceramic capacitors, power inductors, multilayer inductors, magnetic beads, etc. The characteristics of this passive component is small size and high stability, and it is mainly used in related electronic products for information, consumer (PC, NB, mobile phone, tablet, etc.), industrial applications (power supply, energy storage, etc.) and automotive applications (car lights, displays, entertainment, and aftermarket products).

According to the forecast of research institutions, the market size of multilayer ceramic capacitors is USD$14 billion in 2022, and it is expected to be about USD$26.6 billion in 2027. CAGR is 13.0% from 2022 to 2027; the inductor market size is USD$5.1 billion in 2022 and is expected to reach US$7 billion in 2027, with a compound annual growth rate of 6.6% from 2022 to 2027. In 2023, the market growth rate is estimated to be the top three for the automotive industry (7.9%), 5G (4.3%) and servers (4.3%); among them, the penetration rate of electric vehicles in passenger vehicles will be 8.8% in 2021 and 8.8% in 2022. 12.7%, and it is expected to grow to 17.7% in 2023 and 33.2% in 2024; therefore, related applications of electric vehicles will bring more business opportunities to passive component industries such as laminated ceramic capacitors.

Due to the continuous impact of the COVID-19 in the global passive component industry, the upstream and downstream of the industry are actively preparing materials, resulting in excess inventory. The boom in product consumption has declined rapidly, and the growth of global passive components in 2022 has been lower than expected.

The global E-Bike (Pedelec) market is concentrated in Europe, the United States and Japan. According to the statistics of bicycle associations in each country, the number of global E-Bike shipments reached 8 million in 2022, 5 million in the European market, 850 thousand in the US market, and 700 thousand in the Japanese market. Since the COVID-19, Germany has maintained a market size of 2 million vehicles per year for three consecutive years, and the E-Bike market penetration rate has reached 42%. In terms of the supply chain, upstream parts manufacturers have returned to the stable supply situation before the epidemic, and it can be expected that the industry and the market will soon return to a healthy state of supply and demand balance.

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

(1) Peripheral electronic products

Upstream Material		Midstream	Downstream applicants
* Integrated circuit chip * Printed circuit board * Composite material, glass * Environmental protection material * Optics LENS * Mini-LED * Membrane switch * Support frame * Light guide plate	* keycap * Middle board * Aluminum plate * iron plate * Silicone * Rubber * LED	* Notebook computer touchpad module * Laptop keyboard * Desktop keyboard * Tablet keyboard * Gaming keyboard * Gaming earphone * Wireless mice * Luminous logo, light bar	* Notebooks * Desktops * Smart phones * Smart TVs * Gaming monitor * 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 * Copper wire	* Multilayer ceramic capacitors * Multilayer power inductors * Integral molding power inductor * Integrated coupling inductor * Winding power inductor * Wire wound common mode inductor * Multilayer/wire-wound magnetic beads	* 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 * Game console

(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, power saving and environmentally friendly, the use of mini-LED backlight modules is expected to continue to expand; vibration feedback touch modules are becoming more and more popular, and it is expected that various solutions will continue to be introduced; product design is also trending toward environmentally friendly materials, easy assembly, maintenance, and recycling.

For e-sports products, with the maturity of chip technology, wireless keyboards and mice with 4K wireless transmission rate and 8K wired transmission rate will become more and more popular.

(2) Green Energy Products and Passive Components - charger

With years of 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 resources of the Group to launch overall solutions such as E-Bike smart modules (IoT) and electric control 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, forklifts, tools and cleaning machines.

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

①High-capacity: In response to market demand for automotive and industrial applications, continue to develop high-capacity products.

②High frequency: In response to the continuous growth of the 5G communication market, the application of higher frequency increases, and the development of high frequency products continues.

③High reliability:

High temperature resistance: In response to the needs of vehicles and industries, we continue to develop high voltage capacitors with high withstand voltage.

High withstand voltage: In response to the needs of automotive, industrial and lighting applications, we continue to develop high voltage capacitors with high withstand voltage.

Heavy current: In response to the needs of automotive and industrial applications, we continue to develop heavy current/low impedance power inductors.

(5) E-Bike

The trend of E-Bike products is still developing in three directions: lightweight, miniaturization and intelligence. For the lightweight part, lightweight materials such as carbon fiber frames and aluminum-magnesium alloy motor casings are used. The use of magnetic materials with high power density and lithium battery cores makes the electronic control system smaller, and the design of the E-Bike is more flexible. Extensive application of IoT networking modules and App connections increases the scope of intelligent product applications.

4.Product Competition

Peripheral electronic products：Chicony, Sunrex, Liteon, Primax, etc.
Green Energy Components：Delta, Chicony, Eaton, Simplo/AES, Celxpert, MAHLE, HYENA, COMODULE, etc.
Integrated Components：Yageo, Huashin, Holy Stone, Fenghua, Uct, Viyong, Cyntec, Tai-Tech, Arlitech, Sunlord, etc.
E-Bike：Giant, Merida, Idea, Specialized, Trek, Accell Group, 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, easy to assemble recycled keyboard modules, gaming keyboard key modules, gaming mouse key modules, vibrating touchpads, fingerprint recognition modules. In terms of optical design, a more power-saving mini-LED backlight technology and optical luminous effect light bar module have 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 4K transmission rate wireless mouse, 8K transmission rate wired keyboard.

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. The Company develops E-Bike smart module kits (IoT) and 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.

The integration of component products is carried out in two aspects. (1) Material technology and research and development: Aiming at material formulations (ceramic material formulations, electrode material formulations, iron powder materials), continuous research and development for customers and market applications. 2. Product technology and research and development: The products that have been developed include high-end capacitors/medium and high voltage/vehicle capacitors, high-frequency capacitors (01005/0201/0402/0603/0805), high-power integrated inductors, large-scale high-power inductors, thin, low-resistance, high-efficiency inductors, integrated coupling inductors, etc., will continue to develop new products for customers and market applications.

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 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	2021	2022	As of March 24, 2023
R&D expense	946,171	999,700	153,757
Business Revenue	28,048,736	29,535,253	3,726,371
Percentage (%)	4	3	4

3.Successful Development Overview of Technology and Product

(1) Overview of Product Development

- ●Ultra-thin RGB Per Key gaming keyboard
- ●Ultra-thin RGB luminous keyboard
- ●Ultra-thin mechanical gaming keyboard
- ●Ultra-thin magnetic keyboard
- ●Switchable keyboard
- ●Lifetable keyboard
- ●Leather keyboard
- ●Full waterproof keyboard
- ●Optical axis button
- ●Touchpad
- ●Fingerprint identification module
- ●Wireless Stereo Bluetooth Headset
- ●Li-ion battery module for energy storage
- ●Battery Module for Machine Tool/Cleaning Machine
- ●AMR/AGV Li-ion battery pack
- ●LEV Li-ion battery pack
- ●Electric assisted mountain bike
- ●Electric assisted folding bike
- ●Electric assisted city bike
- ●Electric assisted road bike
- ●E-Bike GSM/GPS positioning module
- ●E-Bike Bluetooth wireless communication module
- ●E-Bike man-machine interface system
- ●E-Bike electronic automatic transmission
- ●E-Bike Darfon Cloud
- ●Ceramic material formula modulation
- ●Electrode material formula modulation
- ●High-end capacitors/medium and high voltage/car capacitors
- ●High frequency capacitors (01005/0201/0402/0603/0805)
- ●High power integrated inductors
- ●Large-scale high-power inductors
- ●Thin Low resistance high efficiency inductor
- ●One-piece coupled inductor
- ●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 IoT Communication module
- ●E-Bike 4G Antenna module
- ●E-Bike electronic locks
- ●E-Bike electric control kit
- ●Smart training platform

(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 2022, it was ranked 80th 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, there are thin keyboards, and the development of touchpads, vibration touchpads, fingerprint recognition modules, function key touch modules, notebook computer power switch modules and other notebook computer related components

E-sports and peripheral product series, developing mechanical keyboards, optical switch keys, and adjustable actuation point keys for the new generation of gaming notebook computers. Apply 4K transmission rate wireless and 8K transmission rate wired technology to keyboard and mouse. And develop a sound, silent switch button on the keyboard, mouse. In addition, the optical product line will be expanded, and various lighting effect light strips around the gaming environment will be developed.

Green energy products continue to develop smart chargers for various eMobility, medium and large Li-ion battery modules, E-Bike smart module kits (IoT), 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, %

Region \ Year	2021		2022	
	Sales Amount	**Percentage (%)**	**Sales Amount**	**Percentage (%)**
Local	4,456,913	16	4,451,694	15
Export	23,591,823	84	25,083,559	85
Total	28,048,736	100	29,535,253	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.

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

(1) Peripheral electronic products

The notebook market is affected by expectations such as global economic recession, rising inflation, and rising interest rates, resulting in low motivation for consumers to purchase new devices. The enterprise commercial PC market is also affected by the economic slowdown, and the purchase of new PCs is postponed. It is estimated that the commercial market might not grow until 2024. 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-ionization 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 continuous and steady demand for passive components in products such as motherboards, laptops, servers, portable personal information products, LCD TVs and smartphones; in recent years, 5G, high-speed computing, storage device development, automotive and industrial related applications have continued to grow, especially in response to the trend of green energy and environmental protection. In the future, related applications such as electric vehicles, self-driving cars and battery energy storage systems (energy saving), which will drive the growth of demand for MLCCs and inductors after.

In 2023, we will actively move towards integration (products and marketing), customization (research and development, promotion and customer application link), and develop towards high capacity, high frequency and high reliability (high pressure, high temperature resistance), moreover, focus on mid-to-high-end products and niche products and actively enter high-growth markets to grasp key needs and increase revenue and profits.

(4) E-Bike

The imbalance between supply and demand caused by the epidemic in the past has gradually returned to normal. It is expected that the market demand will return to stable and moderate growth, and the supply chain will also return to the supply level before the epidemic.

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. Market demand is impacted by negative factors such as inventory adjustments, the Russia-Ukraine war, and high inflation, resulting in a further downward revision of the notebook market shipments in 2022. It is expected that the elimination of complete terminals will continue until 2024. After the current inventory pressure gradually returns to a healthy level, the traditional cyclical growth momentum is expected to return to the market.

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 developments. ◦

(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, for automotive and industrial 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) Integral molding power inductor production process

Ingredients →winding →spot welding →forming →baking →bending feet →appearance inspection → testing →packaging

(7) Li-ion battery

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

(8) 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; %

2021				2022				2023 (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	27,277,392	100	-	Others	24,447,251	100	-	Others	-	-	-
Net Total Purchases	27,277,392	100	-	Net Total Purchases	24,447,251	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 most recent previous quarter verified by CPAs, financial statement for 2022 has been disclosed as of the printing date of this Annual Report.

2. Major Clients in the Past Two Years

Unit: NT$ thousands, %

2021				2022				2023 (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	3,244,131	12	-	A	2,564,535	9	-	-	-	-	-
B	2,348,212	8	-	B	1,918,482	6	-	-	-	-	-
Others	22,456,393	80	-	Others	25,052,236	85	-	Others	-	-	-
Net Sales	28,048,736	100	-	Net Sales	29,535,253	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 most recent previous quarter verified by CPAs, financial statement for 2022 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)

Major Products \ Output	2021			2022		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Peripheral electronic products	20,380,000	64,643	16,548,000	18,850,000	58,146	13,842,990
Green Energy Products and Passive Components	15,000,000	200,100,000	14,000,000	17,000,000	203.000,000	18,350,010
Total	35,380,000	200,164,643	30,548,000	35,850,000	203,058,146	32,193,000

5.2.6 Shipments and Sales in the Past Two Years

Unit: NT$ thousands, thousand set (pcs)

Major Products \ Shipments & Sales	2021				2022			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Peripheral electronic products	149	113,176	58,188	14,900,124	192	162,831	57,954	12,411,895
Green Energy Products and Passive Components	37,920,888	4,343,737	183,642,036	8,691,699	38,679,000	4,288,863	187,314,000	12,671,664
Total	37,921,037	4,456,913	183,700,224	23,591,823	38,679,192	4,451,694	187,371,954	25,083,559

5.3 The number of employees in the past two years and as of the publication of the annual report

Year		December 31, 2021	December 31, 2022	Data as of March 24, 2023
Number of Employees	Direct employee	8,904	4,729	5,209
	Indirect employee	1,318	1,274	1,277
	Total	10,222	6,003	6,486
Average Age		37.8	38.3	38.4
Average Duration of Service		8.9	8.9	9.0
Education Allocation percentage (%)	Ph.D. / Masters	17	18	18
	Bachelor’s Degree / College	82	81	81
	Senior High School and below	1	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, the 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 in that year, and building energy management systems and develop cleaner production mechanisms in the future, 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. 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 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 special leave for newcomers, 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 competitive advantages. 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.

2022 Employee Education and Training Implementation

Item / Types of course	Content	Hours	Number	Total (NT$ thousands)
Quality System	Quality system, quality tools, statistical methods, etc.	54	673	2,150
Self-development	Sharing of lectures in different industries, software application, work efficiency improvement, etc.	127.5	770	
Professional Skills	Professional courses such as business, research and development	42	1,473	
Newcomer training camp	Training for new colleagues, promotion of integrity manuals, compliance with laws and regulations	52.6	1,291	
Organizational Strategy	Consolidate team consensus, strategy description, etc.	8	138	
Management Competency	Supervisor training at all levels	91.5	65	
E.H.S	Training of emergency personnel, safety and health personnel, and fire drill personnel, etc.	33	421	
Total		408.6	4,831	

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

(4) The Company established an online learning platform "Darfon E-School" to strengthen the extraction of knowledge and increase employees' learning motivation and frequency. At the same time, the interaction and core knowledge exchange between cross-departmental and related enterprises will be enhanced. Starting from the three trends of "action", "intuition", and "micro-learning", we will keep pace with the times and establish an organizational culture and learning atmosphere that is fun to learn.

(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.

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

(1) 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 and all are valid until 2025.

(2) Industrial safety inspection: In addition to regular publicity and related activities, the factory safety production management also promotes the division of safety production responsibility areas and the environmental safety and health inspection system; also, the Risk Management Committee regularly assigns personnel to carry out risk and environmental safety and health audit operations at each manufacturing base, as a basis for continuous improvement of safety and health in each factory area. In addition, safety production management and supervisory personnel are assigned to each area of the factory, and the self-management system of occupational safety and health is implemented to immediately discover existing safety concerns and improve them immediately to ensure that every production process and link can be produced under safe regulations, which not only effectively reduces the risk of work injuries and factory hazards, but also protects the health and safety of employees in the workplace.

(3) Equipment safety management: each factory area evaluates machine impact, clamping, rolling, and crushing as unacceptable risks, and inspects, strengthens, and improves its fool-proof functions and safety devices one by one to ensure the safety of operators. For acceptable risks, each factory area conducts daily supervision and management, and considers in the following order to reduce risks-elimination, substitution, engineering control, sign warning and administrative control or personal protective equipment, and during the training of newcomers, teach colleagues how to use the right of withdrawal to avoid hazards in case of emergency hazards in the workplace. When implementing internal audits, the implementation of hazard identification, risk assessment, and control decisions are included in the key audit items to confirm the actual implementation of processes and improvement measures.

(4) 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. Every year, firefighting, first aid and evacuation drills for the entire plant are regularly implemented, including fire safety education and publicity, fire escape drills, first aid education and training, employee fire extinguishing training, and handling of accidental chemical leakage, etc. enable employees to develop emergency response capabilities and implement safety concepts.

(5) 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 personnel 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 technical work, interface integration and solutions to problems in information security.
b. Education and 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 2022 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, 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 2023)

● 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) Construction of panoramic camera monitoring system in computer room
(v) 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. The Company obtained ISO 27001 certification in October 2022, and the certificate is valid until November 2025
(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.
(iii) Penetration testing drills from outside to inside, conduct in-depth vulnerability testing and analysis, find out potential risks of equipment and systems, and improve security

●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.
(iii) Import privileged account management to prevent internal privileged users from being abused by external theft, centralized management and regular audits to reduce the risk of intrusion.
(iv) Introduce the protection of business secret data to avoid leakage of confidential data and key technologies, and protect the Company's core competitiveness.

●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) Regular company-wide information security education and training
(v) Cyber security personnel actively participate in external seminars and refresher courses, such as 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

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					As of March 24, 2023 of financial information (Note3)
		2018	2019	2020	2021	2022	
Current assets		12,741,445	13,073,263	14,983,083	21,078,564	21,691,365	-
Property, Plant and Equipment		4,869,743	5,772,601	6,045,946	7,843,550	8,154,487	-
Intangible assets		599,677	718,064	774,027	1,018,046	935,704	-
Other assets (Note 1)		884,567	1,323,836	2,466,450	3,255,114	2,855,631	-
Total assets		19,095,432	20,887,764	24,269,506	33,195,274	33,637,187	-
Current liabilities	Before distribution	8,968,442	9,721,813	11,672,915	16,153,908	14,613,333	-
	After distribution	9,948,442	10,365,813	12,372,915	16,993,908	Note2	-
Non-current liabilities		684,007	1,398,360	2,017,529	4,320,029	5,121,133	-
Total liabilities	Before distribution	9,652,449	11,120,173	13,690,444	20,473,937	19,734,466	-
	After distribution	10,632,449	11,764,173	14,390,444	21,313,937	Note2	-
Equity attributable to shareholders of the parent		8,910,525	8,680,537	9,191,066	9,842,185	10,514,551	-
Capital stock		2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	-
Capital surplus		3,802,120	3,802,120	3,921,454	4,132,767	4,116,058	-
Retained earnings	Before distribution	2,674,946	2,570,687	2,856,219	3,331,941	3,654,809	-
	After distribution	1,694,946	1,926,687	2,156,219	2,491,941	Note2	-
Other equity interest		(366,541)	(492,270)	(386,607)	(422,523)	(56,316)	-
Treasury stock		-	-	-	-	-	-
Non-controlling interest		532,458	1,087,054	1,387,996	2,879,152	3,388,170	-
Total equity	Before distribution	9,442,983	9,767,591	10,579,062	12,721,337	13,902,721	-
	After distribution	8,462,983	9,123,591	9,879,062	11,881,337	Note2	-

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

Note2: To be resolved by the 2023 General Shareholders' Meeting.

Note3: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2022 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					As of March 24, 2023 of financial information (Note3)
		2018	2019	2020	2021	2022	
Current assets		7,572,410	6,597,321	7,757,970	8,635,389	6,711,648	-
Fixed assets		1,850,138	2,345,890	2,635,063	2,746,869	2,749,848	-
Intangible assets		4,284	-	-	-		-
Other assets (Note 1)		8,020,766	8,802,916	9,708,625	12,147,026	13,568,360	-
Total assets		17,447,598	17,746,127	20,101,658	23,529,284	23,029,856	-
Current liabilities	Before distribution	7,940,591	7,935,795	9,253,511	10,006,719	8,438,262	-
	After distribution	8,920,591	8,579,795	9,953,511	10,846,719	Note2	-
Non-current liabilities		596,482	1,129,795	1,657,081	3,680,380	4,077,043	-
Total liabilities	Before distribution	8,537,073	9,065,590	10,910,592	13,687,099	12,515,305	-
	After distribution	9,517,073	9,709,590	11,610,592	14,527,099	Note2	-
Equity attributable to shareholders of the parent		8,910,525	8,680,537	9,191,066	9,842,185	10,514,551	-
Capital stock		2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	-
Capital surplus		3,802,120	3,802,120	3,921,454	4,132,767	4,116,058	-
Retained earnings	Before distribution	2,674,946	2,570,687	2,856,219	3,331,941	3,654,809	-
	After distribution	1,694,946	1,926,687	2,156,219	2,491,941	Note2	-
Other equity		(366,541)	(492,270)	(386,607)	(422,523)	(56,316)	-
Treasury stock		-	-	-	-		-
Non-controlling interests		-	-	-	-		-
Total equity	Before distribution	8,910,525	8,680,537	9,191,066	9,842,185	10,514,551	-
	After distribution	7,930,525	8,036,537	8,491,066	9,002,185	Note2	-

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

Note2: To be resolved by the 2023 General Shareholders' Meeting.

Note3: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2022 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 24, 2023 of financial information (Note)
	2018	**2019**	**2020**	**2021**	**2022**	
Operating revenue	20,113,619	19,137,173	22,349,528	28,048,736	29,535,253	-
Gross profit	4,314,477	3,543,114	3,857,576	4,671,312	5,010,659	-
Profit from operations	1,896,724	1,064,116	1,134,325	1,489,426	1,609,876	-
Non-operating income and expenses	38,163	172,609	90,366	164,312	232,131	-
Profit before income tax	1,934,887	1,236,725	1,224,691	1,653,738	1,842,007	-
Profit from continuing operations for the year	1,525,848	969,393	953,347	1,301,622	1,453,820	-
Losses from discontinued operations	-	-	-	-		-
Net income (Loss)	1,525,848	969,393	953,347	1,301,622	1,453,820	-
Other comprehensive income (income after tax)	(36,920)	(133,115)	124,103	(174)	385,471	-
Total comprehensive income	1,488,928	836,278	1,077,450	1,301,448	1,839,291	-
Net income attributable to shareholders of the parent	1,520,258	899,950	903,785	1,146,533	1,162,868	-
Net income attributable to non-controlling interest	5,590	69,443	49,562	155,089	290,952	-
Comprehensive income attributable to Shareholders of the parent	1,482,764	774,221	1,035,195	1,139,806	1,529,075	-
Comprehensive income attributable to non-controlling interest	6,164	62,057	42,255	161,642	310,216	-
Earnings per share (NT$)	5.43	3.21	3.23	4.09	4.15	-

Note: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2022 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 24, 2023 of financial information (Note)
	2018	**2019**	**2020**	**2021**	**2022**	
Operating revenue	16,123,527	13,851,669	15,056,289	17,702,426	14,372,374	-
Gross profit	2,841,712	1,557,490	1,987,341	1,920,253	1,641,491	-
Profit from operations	1,162,995	432,232	516,524	577,893	460,377	-
Non-operating income and expenses	568,594	558,607	533,905	697,392	791,557	-
Profit before income tax	1,731,589	990,839	1,050,429	1,275,285	1,251,934	-
Profit from continuing operations for the year	1,520,258	899,950	903,785	1,146,533	1,162,868	-
Losses from discontinued operations	-	-	-	-		-
Net income (Loss)	1,520,258	899,950	903,785	1,146,533	1,162,868	-
Cumulative effect of accounting principle changes	(37,494)	(125,729)	131,410	(6,727)	366,207	-
Net income	1,482,764	774,221	1,035,195	1,139,806	1,529,075	-
Earnings per share (NT$)	5.43	3.21	3.23	4.09	4.15	-

Note: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2022 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
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
2022	KPMG	Tang, Tzu-Chieh Chang, Huei-Chen	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 24, 2023 of this annual report(Note 2)
		2018	2019	2020	2021	2022	
Financial structure	Ratio of debts to assets (%)	50.55	53.24	56.41	61.68	58.66	-
	Ratio of long-term capital to fixed assets (%)	202.95	186.62	201.44	217.27	233.29	-
Solvency	Current ratio (%)	142.07	134.47	128.36	130.49	148.44	-
	Quick ratio (%)	113.40	100.70	89.08	72.33	81.16	-
	Interest coverage ratio	49.12	27.51	19.33	22.81	11.68	-
Operating performance	Receivable turnover ratio (times)	3.28	3.06	3.50	3.81	3.88	-
	Average collection days for receivables	112	120	105	96	94	-
	Inventory turnover rate (times)	6.86	5.57	5.02	3.63	2.92	-
	Payable turnover rate (times)	3.99	3.82	4.02	3.89	4.53	-
	Average days for sales	54	66	73	101	125	-
	Property, plant and equipment turnover rate (times)	4.13	3.60	3.78	4.04	3.69	-
	Total assets turnover rate (times)	1.05	0.92	0.92	0.98	0.88	-
Profitability	Return on total assets (%)	9.04	5.03	4.45	4.74	4.76	-
	Return on shareholders' equity (%)	17.48	10.09	9.37	11.17	10.92	-
	Pre-tax income to paid-in capital ratio (%)	69.10	44.17	43.74	59.06	65.79	-
	Profit margin (%)	7.59	5.07	4.27	4.64	4.92	-
	Earnings per share (NT$)	5.43	3.21	3.23	4.09	4.15	-
Cash flow	Cash flow ratio (%)	25.69	17.57	9.42	-6.89	8.39	-
	Cash flow adequacy ratio (%)	183.97	151.06	97.65	51.77	35.59	-
	Cash reinvestment ratio (%)	12.21	4.32	2.61	Note 1	1.40	-
Leverage	Operating leverage	3.88	15.79	17.46	16.46	3.17	-
	Financial leverage (%)	102.17	104.58	106.26	105.09	112.00	-

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 interest expense 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 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 capital expense during these five years.
- Decrease in Operating leverage: Mainly due to variable operating costs 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 2022 has been disclosed as of the printing date of this Annual Report.

6.2.2 Parent Company Only Financial Analysis – Based on IFRS

Item		Financial Analysis for the Past Five Years 2018	2019	2020	2021	2022	As of March 24, 2023 of this annual report(Note2)
Financial structure	Ratio of debts to assets (%)	48.93	51.08	54.28	58.17	54.34	-
	Ratio of long-term capital to fixed assets (%)	505.40	412.66	409.52	492.29	530.63	-
Solvency	Current ratio (%)	95.36	83.13	83.84	86.30	79.54	-
	Quick ratio (%)	83.10	70.26	69.07	71.38	66.51	-
	Interest coverage ratio	44.18	29.41	31.49	28.78	17.61	-
Operating performance	Receivable turnover ratio (times)	3.05	2.71	2.86	2.69	2.44	-
	Average collection days for receivables	120	135	128	136	150	-
	Inventory turnover rate (times)	16.72	12.72	11.20	11.53	10.55	-
	Payable turnover rate (times)	3.05	2.74	2.66	2.67	2.33	-
	Average days for sales	22	29	33	32	35	-
	Property, plant and equipment turnover rate (times)	8.71	6.60	6.05	6.58	5.23	-
	Total assets turnover rate (times)	0.92	0.78	0.75	0.81	0.62	-
Profitability	Return on total assets (%)	9.82	5.29	4.93	5.42	5.25	-
	Return on shareholders' equity (%)	17.99	10.23	10.11	12.05	11.42	-
	Pre-tax income to paid-in capital ratio (%)	61.84	35.39	37.52	45.55	44.71	-
	Profit margin (%)	9.43	6.50	6.00	6.48	8.09	-
	Earnings per share (NT$)	5.43	3.21	3.23	4.09	4.15	-
Cash flow	Cash flow ratio (%)	23.49	6.16	1.29	1.87	22.55	-
	Cash flow adequacy ratio (%)	153.08	120.42	83.25	56.13	78.63	-
	Cash reinvestment ratio (%)	13.92	Note 1	Note 1	Note 1	6.77	-
Leverage	Operating leverage	2.55	4.00	2.59	2.52	2.82	-
	Financial leverage (%)	103.57	108.78	107.15	108.63	119.58	-

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

- Decrease in Interest coverage ratio: Mainly due to an increase in interest expense.
- Decrease in Property, plant and equipment turnover rate (times): Mainly due to a decrease in net sales during the current period.
- Decrease in Total assets turnover rate (times): Mainly due to a decrease in net sales during the current period.
- Increase in Profit margin: Mainly due to an increase in net profit after-tax.
- Increase in Cash flow ratio: Mainly due to an increase in net cash flow and a decrease in current liability of operating activities during the current period.
- Increase in Cash flow adequacy ratio: Mainly due to an increase in net cash flow during the recent five years.

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 2022 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 2022. Tzu-Chieh, Tang and Huei-Chen Chang 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.

Sincerely,

Darfon Electronics Corp. – 2023 Annual General Shareholders' Meeting

Chair of the Audit Committee

Neng-Pai Lin

March 7, 2023

6.4 Consolidated Financial Statements with Independent Auditors' Report of the most recent year:
Please refer to appendix 1 (page 89)

6.5 Parent Company Only Financial Statements with Independent Auditors' Report for the most
recent year: Please refer to appendix 2 (page 182)

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	2021	2022	Difference	
			Amount	Percentage (%)
Current Assets	21,078,564	21,691,365	612,801	2.91
Long-term Assets	75,223	75,245	22	0.03
Property, plant and equipment	7,843,550	8,154,487	310,937	3.96
Intangible Assets	1,018,046	935,704	(82,342)	3.96
Other Assets	3,179,891	2,780,386	(399,505)	(12.56)
Total Assets	33,195,274	33,637,187	441,913	1.33
Current Liabilities	16,153,908	14,613,333	(1,540,575)	(9.54)
Long-term Liabilities	3,623,951	4,587,713	963,762	26.59
Other Liabilities	696,078	533,420	(162,658)	(23.37)
Total Liabilities	20,473,937	19,734,466	(739,471)	(3.61)
Common stock	2,800,000	2,800,000	-	-
Capital surplus	4,132,767	4,116,058	(16,709)	(0.40)
Retained Earnings	3,331,941	3,654,809	322,868	9.69
Other components of equity	(422,523)	(56,316)	366,207	86.67
Equity Attributes to Shareholders of the parent	9,842,185	10,514,551	672,366	6.83
Non-controlling interest	2,879,152	3,388,170	509,018	17.68
Total Equity	12,721,337	13,902,721	1,181,384	9.29

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 long-term liabilities was mainly due to the increase in bank loan.
- The decrease in other liabilities was mainly due to the decrease in lease liabilities, net defined benefit liabilities and other noncurrent liabilities.
- Increase in Other components of equity was mainly due to increase in the exchange difference in the translation of the financial statements of Sinotrans

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	2021	2022	Difference	
			Amount	%
Net Revenue	28,048,736	29,535,253	1,486,517	5.30
Cost of Sales	23,377,424	24,524,594	1,147,170	4.91
Gross Profit	4,671,312	5,010,659	339,347	7.26
Operating Expenses	3,175,545	3,400,783	225,238	7.09
Operating Profit	1,489,426	1,609,876	120,450	8.09
Non-operating Income and Expenses	164,312	232,131	67,819	41.27
Profit before income tax for the year	1,653,738	1,842,007	188,269	11.38
Income tax expense	(352,116)	(388,187)	(36,071)	10.24
Profit for the year	1,301,622	1,453,820	152,198	11.69

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

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

7.2.2 Estimated sales volume and supporting information, 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	2021	2022	Increase (decrease) amount	Change in proportion%
Net cash flows provided by operating activities	(1,112,647)	1,226,571	2,339,218	210.24
Net cash flows used in investing activities	(2,287,626)	(1,421,782)	865,844	(37,85)
Net cash flows provided by financing activities	3,903,210	945,515	(2,957,695)	(75.78)

1. The increase in net cash inflows from operating activities was mainly due to the decrease in notes and accounts receivable and inventories.
2. The decrease in net cash outflows from investment activities was mainly due to the increase in disposal of financial assets at fair value through profit or loss.
3. The decrease in net cash inflow from financing activities was mainly due to the repayment of long-term loans.
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$1.6 billion in property, plant and equipment in 2022, accounting for 5.51% 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 2022 was NT$ 722,530 thousand. In 2022, 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 2022 and 2021 will decrease or increase by NT$ 104,702 thousand and NT$ 86,808 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 2022 were included in the current profit and loss as a net gain of NT$165,879 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 2022, 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, 2022				
	Foreign currency	Exchange rate	NT$	Change in magnitude	Pre-tax effect on
Financial assets					
USD	$ 261,935	30.7300	8,049,263	1%	80,493
RMB	171,641	4.4057	756,199	1%	7,562
Financial Liabilities					
USD	111,146	30.7300	3,415,517	1%	34,155
RMB	233,701	4.4057	1,029,616	1%	10,296

3. Inflation

The CPI in 2022 was an increase 2.95% from CPI in 2021; 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 2022 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 2023	Expected Completion Schedule	Major Risk Factors
Mechanical keys with adjustable actuation points for notebook gaming computers	Experimental Model Verification	10,000	December, 2023	Automated manufacturing
Linear motor vibration touchpad	Design phase	10,000	December, 2023	Product effect
4K, 8K transmission rate keyboard and mouse	Sample making	10,000	December, 2023	Product stability
Electronic and automatic transmission system	Design Verification phase	10,000	September, 2024	Firmware calculation logic Compatibility with E-Bike electronic control
New Year Urban and Mountain Frames	ID Design phase	10,000	December, 2023	Product effect, unit price
A new generation of hybrid inverter	Designing	10,000	December, 2023	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 execute 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 67~ 69 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

There is currently no merger and acquisition in progress, so there is no risk of other mergers and acquisitions.

7.6.8 The expected benefits and possible risks to expand the factories

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 is expected that it will start mass production in the third quarter in the Vietnamese factory in 2023. 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 controls, 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 2022. As of April 11, 2023, 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) The legal person director and major shareholder of the company, Qisda Co., Ltd. (Qisda), is described as follows:

   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.

   (2) The litigation events of Unictron Technology Co., Ltd. (UTC), a subsidiary company of the company, are described as follows:

   In December 2022, the Hsinchu District Prosecutor's Office and the Third Brigade of the Seventh Security Police Brigade of the Police Department of the Ministry of the Interior conducted a search and investigation of the Water Pollution Prevention and Control Law. The case is still under investigation, and UTC has appointed a lawyer to handle it. The final result has not yet been determined.

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 was 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:

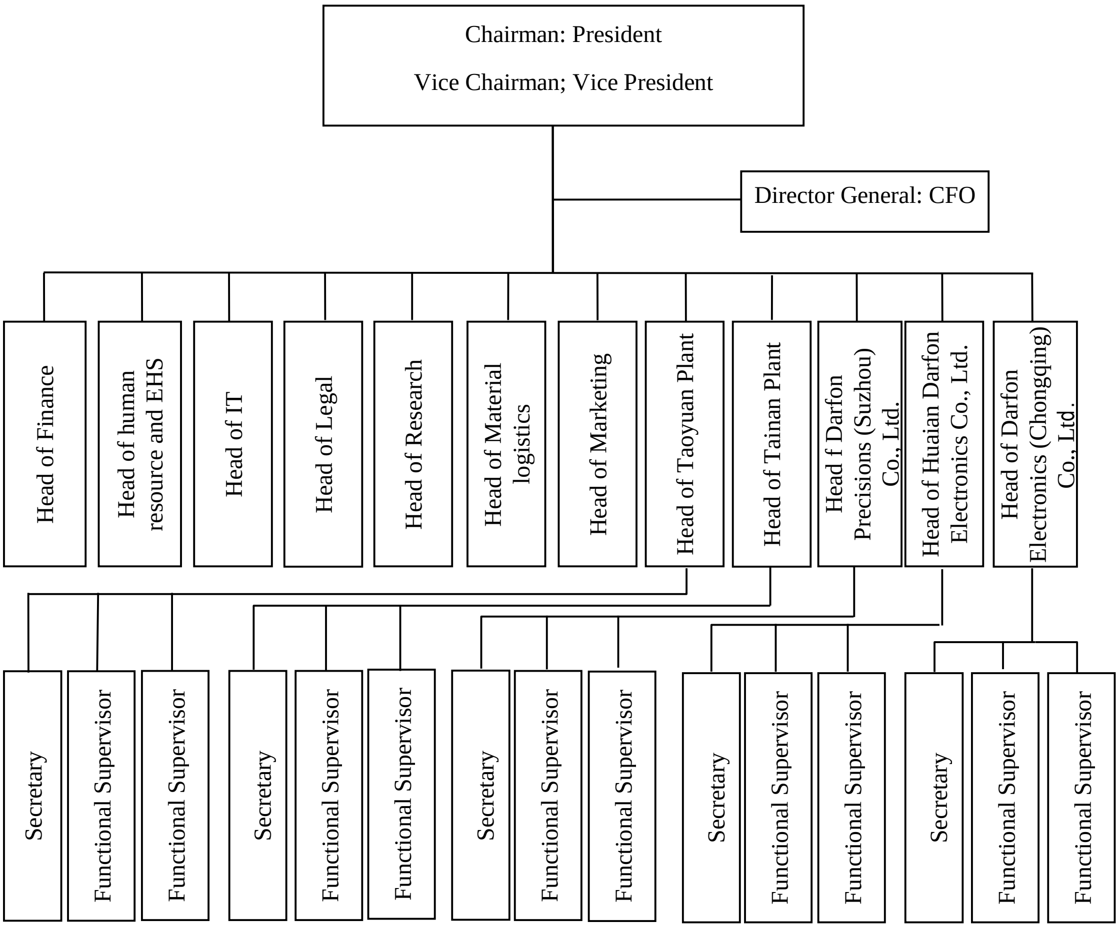
(1) Negative impact on the life and safety of employees.

(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

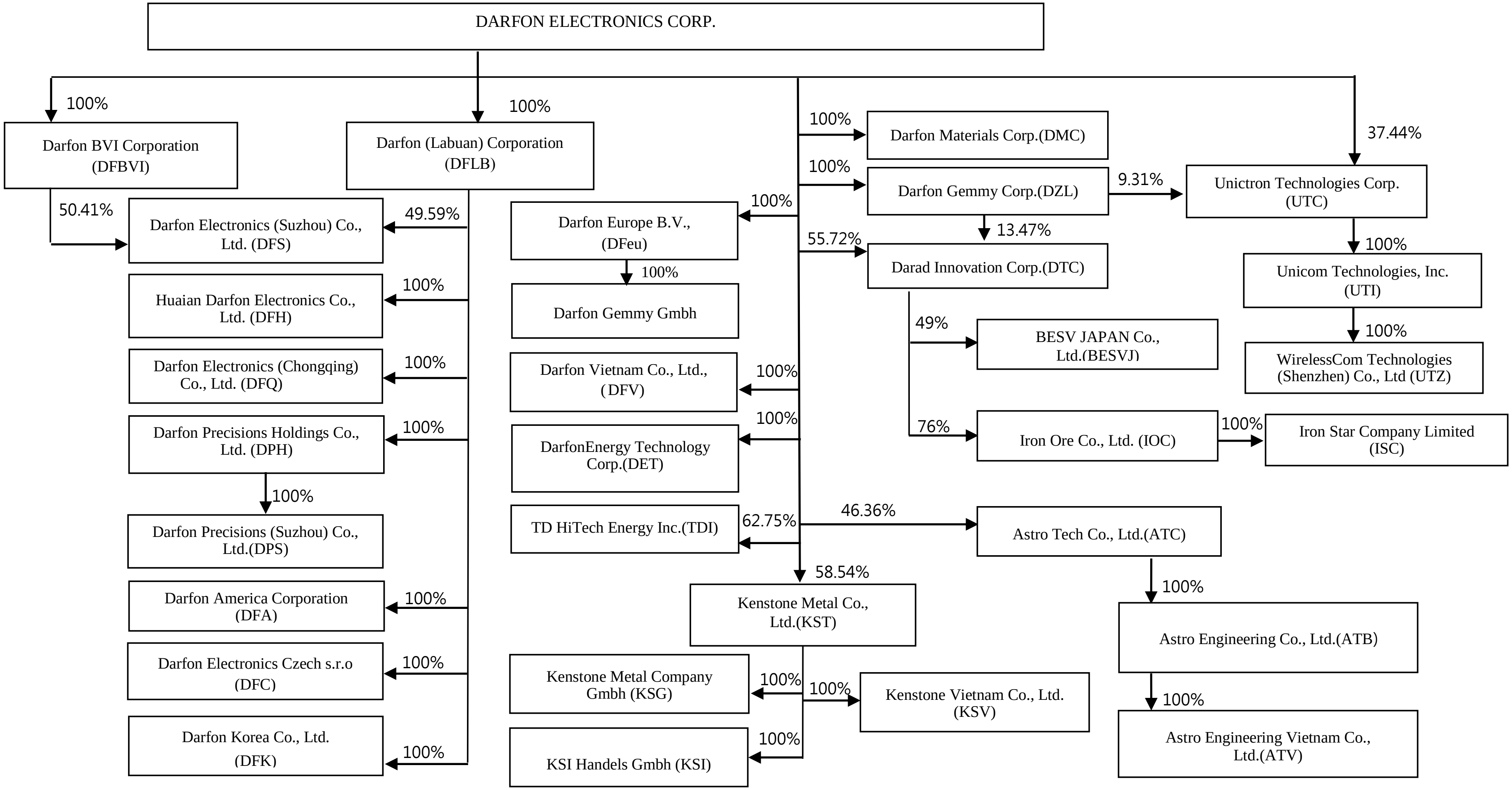
7.7 Other important items: None

VIII. Special Disclosure

8.1 Summary of Affiliates

8.1.1 Organization chart of affiliates

2022.12.31



8.1.2 Basic information of affiliates

December 31, 2022; 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	2,633,584	Holding companies that reinvest in overseas companies
Darfon Precisions Holdings Co,. Ltd.	May 7, 2002	Intershore Chambers, P.O. Box 4342, 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	94,514	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	559,100	Investment activities
Darad Innovation Corp.	June 2, 2008	No. 167, Shanying Road, Guishan District Taoyuan City	475,000	Lighting equipment manufacturing , smart product design services and electronic product trading
Darfon Energy Technology Corp.	December 21, 2021	No. 167 (7F), Shanying Road, Guishan District Taoyuan City	242,400	Energy Storage business
Darfon Electronics (Suzhou) Co., Ltd.	August 2, 1999	NO. 99, Zhuyuan Road, Huqiu District, Suzhou, Jiangsu	851,989	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	1,505,770	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	30,730	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	307,300	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	43,793	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	29,756	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	27,811	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	483,434	Manufacture and sale of bicycles and related products
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	1F, Hale Weal Industrial Building 22-28 Tai Chung Road, Tsuen Wan, Hong Kong	148,235	Bicycle agency and wholesale business
Iron Star Company Limited	August 20, 2020	19A-A08A, Building 1, China Phoenix Building, No. 2008, Shennan Avenue, Fuzhong Community, Lianhua Street, Futian District, Shenzhen	7,882	Bicycle agency and wholesale business
TD HiTech Energy Inc.	September 1, 2010	No. 18-1, 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.)	528,000	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, serving customers at close range by timeliest 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, 2022; 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	77,989,058	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	55,910,000	100
Darad Innovation Corporation	Chairman/President Director Director Supervisor	Andy Su Josh Tsai Milton Lai Jery Lin	32,864,510	69.19
Darfon Energy Technology Corp.	Chairman/CEO Director/President Director Supervisor	Andy Su Josh Tsai Dean Lin Jery Lin	21,090,000	87
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	3,430	49
Unictron Technologies Corporation	Chairman/CEO Director Director Director Independent Director Independent Director Independent Director Independent Director	Andy Su RuiRong Lee Jery Lin Jeff Chang Wei Shun Zheng Yong He Wang Jian Min Wang Xi Wen Shen	21,912,456	46.75 (Note 2)
Unicom Technologies, Inc.	Representative	Andy Su	967,523	100
WirelessCom Technologies (Shenzhen) Co.Ltd	Executive director Supervisor	Rong Hua Zhuang Shi Wei Zheng	-	100
Kenstone Metal Co., Ltd.	Chairman Director/CEO Director Director Director Supervisor Supervisor	Dean Lin Andy Su Josh Tsai Yin Ming Yang Jia Yu Yang Gavin Lin Ya Ting Yang	28,300,442	58.54
Kenstone Metal Company Gmbh	Chairman	Andy Su	-	100
KSI Handels Gmbh	Chairman	Andy Su	-	100

Name of Business	Title	Name or representative	Shareholding(Note 1)	
			Shares, investment amount	Investment Shareholding(%)
Kenstone Vietnam Company Limited	President	Dean Lin	-	100
Iron Ore Company Limited	Chairman Director Director Director	Andy Su Jery Lin Milton Lai Chong Hui Chen	19,000,000	76
Iron Star Company Limited	Chairman Director Director Director Supervisor	Xuan Hao Long Milton Lai Jery Lin Chong Hui Chen Gavin Lin		100
TD HiTech Energy Inc.	Chairman Director/President Director Director Director Supervisor	Andy Su Josh Tsai Dean Lin James MH Chiang Sheng Quan Yang Gavin Lin	26,409,632	62.75
Astro Tech Co., Ltd.	Chairman Director Director Director Director Supervisor Supervisor	Andy Su Josh Tsai Yuan Yu Chang Liao James MH Chiang Samuel Hu Jery Lin Eric Tsai	24,480,000	46.36
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 Andy Su Hong Ji Chen Sheng ChangWu Daphne Tung	-	100

Note 1: It is the number of shares held by the Company and its shareholding ratio.
Note 2: Unictron Technologies Corporation completed the repurchase of 1 million treasury shares in August 2022 (the purpose of repurchasing shares is to transfer shares to employees), so the actual number of outstanding shares is 46,875 thousand shares

8.1.6 Operational Highlights of DARFON Subsidiaries:

December 31, 2022; 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	1,835,486	0	1,835,486	0	(90)	34,690	-
Darfon (Labuan) Corporation	2,633,584	5,632,002	239	5,631,763	0	(1,064)	352,101	-
Darfon Precisions Holdings Co., Ltd.	29,314	463,113	0	463,113	0	(75)	5,647	-
Darfon America Corporation	6,364	279,898	230,978	48,920	550,373	5,200	2,664	-
Darfon Electronics Czech s.r.o	94,514	355,305	157,349	197,956	307,956	23,584	7,187	-
Darfon Korea Co., Ltd.	1,781	3,640	2,094	1,546	-	599	356	-
Darfon Europe B.V.	219,038	295,909	273,982	21,927	240,788	(18,667)	(15,183)	-
Darfon Germany GmbH	5,243	4,595	0	4,595	0	0	(94)	-
Darfon Vietnam Co., Ltd.	292,558	960,831	691,442	269,389	0	(11,697)	(26,344)	-
Darfon Materials Corp.	27,716	31,570	3,774	27,796	0	(549)	1,796	-
Darfon Gemmy Corp.	559,100	659,837	5,061	654,776	0	(456)	38,805	-
Darad Innovation Corporation	475,000	1,265,386	658,295	607,091	835,497	22,423	27,488	-
Kenlight Sport Marketing Co., Ltd.	-	-	-	-	66,472	12,548	8,986	
Darfon Energy Technology Corp.	242,400	1,056,966	491,237	565,728	598,285	71,269	63,497	-

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 Electronics (Suzhou) Co., Ltd.	851,989	4,689,344	1,171,998	3,517,346	5,410,545	161,565	65,774	-
Huaian Darfon Electronics Co., Ltd.	1,505,770	4,258,370	1,860,562	2,397,808	6,279,105	126,964	206,999	-
Darfon precisions (Suzhou)Co., Ltd	30,730	508,733	48,339	463,113	0	(3,698)	7,082	-
Darfon Electronics (Chongqing) Co., Ltd.	307,300	2,032,625	1,168,319	864,306	3,927,024	69,221	94,380	-
BESV JAPAN Co., Ltd.	43,793	186,313	100,352	85,961	137,597	(3,024)	(7,796)	-
Unictron Technologies Corporation	478,753	2,230,247	540,227	1,690,020	1,462,060	264,338	269,773	5.68
Unicom Technologies, Inc.	29,756	12,904	-	12,904	-	-	(6,341)	-
WirelessCom Technologies (Shenzhen) Co., Ltd	27,811	47,851	35,759	12,092	54,311	(8,636)	(6,250)	-
Kenstone Metal Co., Ltd.	483,434	4,396,322	3,243,566	1,152,756	4,163,173	201,472	20,359	-
Kenstone Metal Company GmbH	361,371	1,025,214	882,497	142,717	1,730,337	(54,065)	(93,102)	-
KSI Handels Gmbh	87,853	97,314	10,231	87,083	36,720	3,046	2,912	-
Kenstone Vietnam Company Limited	475,406	1,289,400	987,175	302,225	579,629	(12,272)	(41,545)	-
Iron Ore Company Limited	148,235	372,073	167,761	204,312	420,330	11,576	10,575	-
Iron Star Company Limited	7,882	96,428	86,130	10,299	139,540	5,163	7,603	
TD HiTech Energy Inc.	420,885	761,873	177,382	584,491	671,318	21,197	37,183	-
Astro Tech Co., Ltd.	528,000	4,629,971	2,543,787	2,086,184	4,129,916	347,102	368,492	-
Astro Engineering Co., Ltd	577,385	596,940	0	596,940	0	0	65,920	-
Astro Engineering Vietnam Co., Ltd	872,463	1,064,363	467,423	596,940	1,076,843	154,840	65,919	-

Note: Darad Innovation Corporation (DTC) and Kenlight Sport Marketing Co., Ltd. (KSMC) have completed the merger on November 1, 2022. DTC is the surviving company and KSMC is the extinguishing company.

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, 2022 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 7, 2023

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, 2022 and 2021

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

Telephone: 886-3-250-8800

The independent auditors' 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.

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, 2022 and 2021, 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, 2022 and 2021, 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 Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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, 2022 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 industry the Group operates, the life cycle of 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, and the write-downs of inventories. 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 reasonableness of the Group’ s accounting policies of valuation of inventories.

2. Impairment of goodwill

   Please refer to note 4(o) 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(n) 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 estimation base and key assumptions, including the discount rate, expected revenue 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, 2022 and 2021, 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tzu-Chieh Tang and Huei-Chen Chang.

KPMG

Taipei, Taiwan (Republic of China)
March 7, 2023

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, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 3,368,030	10	3,045,203	9
1110	Financial assets at fair value through profit or loss－current (note 6(b))	399,052	1	457,461	1
1120	Financial assets at fair value through other comprehensive income －current (note 6(c))	349,051	1	271,389	1
1136	Financial assets at amortized cost－current (notes 6(d) and 8)	216,100	1	3,100	-
1170	Notes and accounts receivable, net (notes 6(e) and (z))	7,239,712	21	7,724,859	23
1180	Accounts receivable from related parties (notes 6(e), (z) and 7)	124,337	-	137,271	-
1200	Other receivables (note 6(e))	163,652	-	44,210	-
130X	Inventories (note 6(f))	8,288,403	25	8,538,835	26
1460	Non-current assets held for sale (note 6(g))	921,812	3	-	-
1470	Prepayments and other current assets	621,216	2	856,236	3
	Total current assets	21,691,365	64	21,078,564	63
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income －non-current (note 6(c))	1,122,031	3	1,213,707	4
1535	Financial assets at amortized cost－non-current (notes 6(d) and 8)	1,102	-	810	-
1550	Investments accounted for using equity method (note 6(h))	75,245	-	75,223	-
1600	Property, plant and equipment (notes 6(k) and 8)	8,154,487	24	7,843,550	24
1755	Right-of-use assets (notes 6(l) and 7)	902,245	3	972,784	3
1760	Investment property, net (note 6(m))	-	-	62,125	-
1780	Intangible assets (notes 6(i) and (n))	935,704	3	1,018,046	3
1840	Deferred income tax assets (note 6(v))	211,570	1	160,251	1
1915	Prepayments for equipment	263,504	1	403,631	1
1920	Refundable deposits	42,549	-	39,961	-
1975	Net defined benefit assets－non-current (note 6(u))	18,521	-	17,076	-
1990	Other non-current assets (notes 6(k) and (l))	218,864	1	309,546	1
	Total non-current assets	11,945,822	36	12,116,710	37
	Total assets	**$ 33,637,187**	**100**	**33,195,274**	**100**

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(o) and 8)	$ 5,786,396	17	5,039,971	15
2110	Short-term notes and bills payable (note 6(p))	99,584	-	-	-
2120	Financial liabilities at fair value through profit or loss－current (note 6(b))	662	-	23	-
2170	Notes and accounts payable (note 7)	4,160,462	12	6,684,209	20
2200	Other payables (notes 6(aa) and 7)	3,685,281	11	3,486,501	11
2250	Provisions－current (note 6(s))	132,692	1	110,716	1
2280	Lease liabilities－current (notes 6(r) and 7)	113,214	-	100,386	-
2322	Current portion of long-term debt (notes 6(q) and 8)	96,095	-	16,899	-
2399	Other current liabilities (note 6(z))	538,947	2	715,203	2
	Total current liabilities	14,613,333	43	16,153,908	49
	Non-current liabilities:				
2540	Long-term debt (notes 6(q) and 8)	4,587,713	14	3,623,951	11
2570	Deferred income tax liabilities (note 6(v))	163,453	1	177,942	-
2580	Lease liabilities－non-current (notes 6(r) and 7)	174,506	1	203,716	1
2640	Net defined benefit liabilities－non-current (note 6(u))	33,687	-	65,377	-
2670	Other non-current liabilities (note (i))	161,774	-	249,043	1
	Total non-current liabilities	5,121,133	16	4,320,029	13
	Total liabilities	19,734,466	59	20,473,937	62
	Equity attributable to shareholders of the Company (notes 6(c), (i) and (w)):				
3110	Common stock	2,800,000	8	2,800,000	8
3200	Capital surplus	4,116,058	12	4,132,767	12
	Retained earnings:				
3310	Legal reserve	1,234,562	4	1,116,990	3
3320	Special reserve	422,523	1	386,607	1
3350	Unappropriated earnings	1,997,724	6	1,828,344	6
		3,654,809	11	3,331,941	10
	Other equity:				
3410	Foreign currency translation differences	(297,877)	(1)	(765,143)	(2)
3420	Unrealized gains from financial assets measured at fair value through other comprehensive income	257,193	1	379,613	1
3445	Remeasurements of defined benefit plans	(15,632)	-	(36,993)	-
		(56,316)	-	(422,523)	(1)
	Equity attributable to shareholders of the Company	10,514,551	31	9,842,185	29
36XX	**Non-controlling interests (notes 6(i), (j) and (w))**	3,388,170	10	2,879,152	9
	Total equity	13,902,721	41	12,721,337	38
	Total liabilities and equity	**$ 33,637,187**	**100**	**33,195,274**	**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, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	**Net sales (notes 6(z), 7 and 14)**	$ 29,535,253	100	28,048,736	100
5000	**Cost of sales (notes 6(f), (k), (l), (n), (r), (s), (u), (y), (aa), 7 and 12)**	(24,524,594)	(83)	(23,377,424)	(83)
	Gross profit	5,010,659	17	4,671,312	17
5910	Less: Unrealized profit from sales	-	-	(6,341)	-
5950	**Realized Gross profit**	5,010,659	17	4,664,971	17
	Operating expenses (notes 6(e), (k), (l), (n), (r), (u), (y), (aa), 7 and 12):				
6100	Selling expenses	(1,365,518)	(5)	(1,326,187)	(5)
6200	Administrative expenses	(1,004,474)	(4)	(902,024)	(3)
6300	Research and development expenses	(999,700)	(3)	(946,171)	(4)
6450	Expected credit loss	(31,091)	-	(1,163)	-
6000	**Total operating expenses**	(3,400,783)	(12)	(3,175,545)	(12)
	Operating income	1,609,876	5	1,489,426	5
	Non-operating income and loss (notes 6(h), (m), (r), (t), (ab), 7 and 12):				
7100	Interest income	14,382	-	9,382	-
7010	Other income	223,960	1	217,258	1
7020	Other gains and losses	171,612	1	9,280	-
7050	Finance costs	(172,505)	(1)	(75,816)	-
7060	Share of profit (loss) of associates and joint ventures	(5,318)	-	4,208	-
	Total non-operating income and loss	232,131	1	164,312	1
7900	**Income before income tax**	1,842,007	6	1,653,738	6
7950	Income tax expense (note 6(v))	(388,187)	(1)	(352,116)	(1)
8200	**Net income**	1,453,820	5	1,301,622	5
	Other comprehensive income (notes 6(h), (v) and (w)):				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	27,155	-	(6,751)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(122,404)	-	71,412	-
8320	Share of profit (loss) of associates and joint ventures accounted for using equity method	(14,692)	-	17,758	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	(5,020)	-	1,443	-
		(114,961)	-	83,862	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	497,503	1	(79,866)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	2,929	-	(4,170)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		500,432	1	(84,036)	-
	Other comprehensive income for the year, net of income tax	385,471	1	(174)	-
8500	**Total comprehensive income for the year**	**$ 1,839,291**	**6**	**1,301,448**	**5**
	Net income attributable to:				
8610	Shareholders of the Company	$ 1,162,868	4	1,146,533	4
8620	Non-controlling interests	290,952	1	155,089	1
		$ 1,453,820	**5**	**1,301,622**	**5**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 1,529,075	5	1,139,806	4
8720	Non-controlling interests	310,216	1	161,642	1
		$ 1,839,291	**6**	**1,301,448**	**5**
	Earnings per share (in New Taiwan dollars) (note 6(x)):				
9750	Basic earnings per share	**$**	**4.15**		**4.09**
9850	Diluted earnings per share	**$**	**4.09**		**4.05**

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Company												
			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 Company	Non-controlling interests	Total equity
Balance at January 1, 2021	$ 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)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(105,663)	105,663	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(700,000)	(700,000)	-	-	-	-	(700,000)	-	(700,000)
Acquisition of subsidiary's additional interests	-	-	-	-	-	-	-	-	-	-	-	(480)	(480)
Disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	9,800	9,800
Difference between consideration and carrying amount arising from acquisition or disposal of shares of subsidiaries	-	7,092	-	-	-	-	-	-	-	-	7,092	(7,092)	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,013,755	1,013,755
Changes in ownership interest in subsidiaries	-	204,221	-	-	-	-	-	-	-	-	204,221	(204,221)	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,409)	(1,409)
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	12,627	12,627
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	587,399	587,399
Distribution of cash dividends 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
Net income in 2022	-	-	-	-	1,162,868	1,162,868	-	-	-	-	1,162,868	290,952	1,453,820
Other comprehensive income in 2022	-	-	-	-	-	-	467,266	(122,420)	21,361	366,207	366,207	19,264	385,471
Total comprehensive income in 2022	-	-	-	-	1,162,868	1,162,868	467,266	(122,420)	21,361	366,207	1,529,075	310,216	1,839,291
Appropriation of earnings:													
Legal reserve	-	-	117,572	-	(117,572)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	35,916	(35,916)	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(840,000)	(840,000)	-	-	-	-	(840,000)	-	(840,000)
Acquisition of subsidiary's additional interests	-	-	-	-	-	-	-	-	-	-	-	(180)	(180)
Changes in ownership interests in subsidiaries	-	6,928	-	-	-	-	-	-	-	-	6,928	(6,928)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	10,906	10,906
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	434,583	434,583
Decrease in non-controlling interests	-	(23,637)	-	-	-	-	-	-	-	-	(23,637)	(62,288)	(85,925)
Distribution of cash dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(177,291)	(177,291)
Balance at December 31, 2022	**$ 2,800,000**	**4,116,058**	**1,234,562**	**422,523**	**1,997,724**	**3,654,809**	**(297,877)**	**257,193**	**(15,632)**	**(56,316)**	**10,514,551**	**3,388,170**	**13,902,721**

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income before income tax	$ 1,842,007	1,653,738
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation	1,127,095	992,451
Amortization	106,706	101,557
Expected credit loss	31,091	1,163
Interest expense	172,505	75,816
Interest income	(14,382)	(9,382)
Dividend income	(130,069)	(68,070)
Share of losses (profits) of associates and joint ventures	5,318	(4,208)
Stock option compensation cost of subsidiaries	10,906	12,627
Losses (gains) on disposal of property, plant and equipment	2,773	(862)
Gains on disposal of investment properties	(2,202)	(1,909)
Gains on reversal of impairment losses on property, plant and equipment	(9,237)	-
Unrealized profit from sales	-	6,341
Losses (gains) on lease modifications	(1,117)	11
Total adjustments to reconcile profit or loss	1,299,387	1,105,535
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets mandatorily measured at fair value through profit or loss	34,042	8,076
Notes and accounts receivable	371,688	(679,354)
Accounts receivable from related parties	12,934	(13,830)
Other receivables	(36,987)	108,793
Inventories	250,432	(3,899,968)
Prepayments and other current assets	233,575	(163,960)
Total changes in operating assets	865,684	(4,640,243)
Changes in operating liabilities:		
Financial liabilities held for trading	639	(5)
Notes and accounts payable	(2,523,747)	634,346
Other payables	191,977	269,906
Provisions	21,976	11,339
Other current liabilities	(176,255)	148,131
Net defined benefit liabilities	(4,535)	(7,603)
Total changes in operating liabilities	(2,489,945)	1,056,114
Total changes in operating assets and liabilities	(1,624,261)	(3,584,129)
Total adjustments	(324,874)	(2,478,594)
Cash provided by (used in) operations	1,517,133	(824,856)
Interest received	14,295	9,440
Interest paid	(157,344)	(73,481)
Income taxes paid	(147,513)	(223,750)
Net cash provided by (used in) operating activities	1,226,571	(1,112,647)

(Continued)

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 (Continued)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from investing activities:		
Purchase of financial assets at fair value through other comprehensive income	(108,391)	(321,953)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	56,095
Purchase of financial assets at amortized cost	(217,563)	(47,773)
Proceeds from redemption of financial assets at amortized cost	4,271	45,773
Purchase of financial assets at fair value through profit or loss	(890,381)	(800,530)
Proceeds from disposal of financial assets at fair value through profit or loss	1,262,088	789,325
Additions to investments accounted for using equity method	(17,103)	-
Acquisition of subsidiaries, net of cash paid	-	(159,469)
Additions to property, plant and equipment (including prepayments for land and equipment)	(1,627,274)	(1,787,561)
Proceeds from disposal of property, plant and equipment	8,749	10,425
Additions to investment property	(137)	(100)
Proceeds from disposal of investment property	64,070	26,209
Increase in refundable deposits	(2,588)	(7,701)
Additions to intangible assets	(23,962)	(23,200)
Additions to right-of-use assets	-	(8,736)
Increase in other non-current assets	(3,630)	(126,500)
Dividends received	130,069	68,070
Net cash used in investing activities	(1,421,782)	(2,287,626)
Cash flows from financing activities:		
Increase in short-term borrowings	691,686	2,540,890
Increase (decrease) in short-term notes and bills payable	99,584	(439,721)
Increase in long-term debt	2,570,524	2,020,000
Repayments of long-term debt	(1,534,301)	(12,713)
Payment of lease liabilities	(125,896)	(106,918)
Increase (decrease) in other non-current liabilities	(87,269)	85,818
Cash dividends distributed to shareholders	(840,000)	(700,000)
Decrease in non-controlling interests	(85,925)	-
Distribution of cash dividends by subsidiaries to non-controlling interests	(177,291)	(80,865)
Acquisition of subsidiary’s additional interests	(180)	(480)
Proceeds from disposal of interests in subsidiaries (without losing control)	-	9,800
Capital injection from non-controlling interests	434,583	587,399
Net cash provided by financing activities	945,515	3,903,210
Effects of exchange rate changes	(427,477)	(60,417)
Net increase in cash and cash equivalents	322,827	442,520
Cash and cash equivalents at beginning of year	3,045,203	2,602,683
Cash and cash equivalents at end of year	**$ 3,368,030**	**3,045,203**

See accompanying notes to consolidated financial statements.

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 7, 2023.

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, 2022:

- 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"

(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, 2023, would not have a significant impact on its consolidated financial statements:

- 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"

(Continued)

(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"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments have removed the requirement for a right to be unconditional and instead now require that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	After reconsidering certain aspects of the 2020 amendments, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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"
- IFRS 16 "Requirements for Sale and Leaseback Transactions"

(Continued)

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.

(Continued)

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:

Name of Investor	Name of Investee	Main Business	Percentage of Ownership December 31, 2022	Percentage of Ownership December 31, 2021	Note
The Company	Darfon (BVI) Corporation (DFBVI)	Investment holding	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 components	100.00%	100.00%	
DFLB	Darfon Electronics Czech s.r.o (DFC)	Trading of electronic components	100.00%	100.00%	
DFLB	Darfon America Corp. (DFA)	Trading of electronic components	100.00%	100.00%	
DFLB	Huaian Darfon Electronics Co., Ltd. (DFH)	Manufacture and sale of the Company's components	100.00%	100.00%	
DFLB	Darfon Korea Co., Ltd. (DFK)	Trading of electronic components	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 components	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 components	100.00%	100.00%	
The Company	Darfon Energy Technology Corp. (DET)	Manufacturing and wholesale of batteries and electric components	87.00%	100.00%	Note 1
The Company/ DZL	Unictron Technologies Corporation (UTC)	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	46.75%	45.77%	

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership December 31, 2022	Percentage of Ownership December 31, 2021	Note
UTC	Unicom Technologies, Inc. (UTI)	Investment holding	46.75%	45.77%	
UTI	WirelessCom Technologies (Shenzhen) Co., Ltd. (UTZ)	Sale, design and marketing of wireless antennas for telecommunication and modules	46.75%	45.77%	
The Company/ DZL	Darad Innovation Corp. (DTC)	Manufacture and sale of E-bike and related components	69.19%	70.46%	
DTC	Kenlight Sport Marketing Co., Ltd. (KSMC)	Sale of bicycles and related components	-	70.46%	
DTC	Iron Ore Co., Ltd. (IOC)	Sale of bicycles and related components	52.58%	53.55%	
IOC	Iron Star Company Limited (ISC)	Sale of bicycles and related components	52.58%	-	Note 3
The Company	Kenstone Metal Co., Ltd. (KST)	Manufacture and sale of bicycles and related components	58.54%	60.00%	
KST	Kenstone Metal Company GmbH (KSG)	Assembly and sale of bicycles and related components	58.54%	60.00%	
KST	KSI Handels GmbH (KSI)	Acquisition, lease and management of movable property and real estate, and sale of bicycles and related components	58.54%	60.00%	
KST	Kestone Vietnam Co., Ltd. (KSV)	Manufacture and sale of bicycles and related components	58.54%	60.00%	
KST	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 components	46.36%	51.00%	Note 2
ATC	Astro Engineering Co,. Ltd. (ATB)	Investment holding	46.36%	51.00%	Note 2
ATB	Astro Engineering Vietnam Co., Ltd (ATV)	Manufacture and sale of bicycles and related components	46.36%	51.00%	Note 2

Note 1: DET was established in December 2021.

Note 2: 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 3: ISC was established in the second quarter of 2022.

(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.

(Continued)

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.

(Continued)

(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.

(Continued)

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 of 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.

(Continued)

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:

- 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.

(Continued)

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.

(Continued)

(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 calculated 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 condition 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 overhead is allocated based on the actual capacity of machinery and equipment. Net realizable value represents the estimated selling price in the ordinary course of business, less, all estimated costs of completion and necessary selling expenses.

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale. Immediately before the initial classification of the non-current assets (or disposal groups) as held for sale, the carrying amount of the assets (or all the assets and liabilities in the group) is measured in accordance with the Group's applicable accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value, less, costs to sell. Impairment losses on assets held for sale initially recognized, and any subsequent gains or losses on re-measurement are recognized in profit or loss; nevertheless, the reversal gains are not recognized in excess of any cumulative impairment loss. Intangible assets and property, plant and equipment are no longer amortized or depreciated when they are classified as assets held for sale.

(j) 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.

(Continued)

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.

(k) 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.

(Continued)

(l) 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.

(m) Leases

(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.

(Continued)

(n) Intangible assets

(i) Goodwill

Goodwill arising from the acquisition of subsidiaries is accounted for as intangible assets. Please refer to note 4(u) 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.

(o) 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.

(p) 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.

(q) 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.

(Continued)

(r) 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 expense 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.

(Continued)

(s) 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.

(t) 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.

(Continued)

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.

(u) 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.

(Continued)

(v) 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.

(w) 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 industry the Group operates, the life cycle of 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, and the write-downs of inventories. Particularly, the estimation of net realizable value requires the management's subjective judgements 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.

(Continued)

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	$ 7,453	6,438
Demand deposits and checking accounts	2,310,913	2,508,599
Time deposits with original maturities less than three months	1,045,469	522,942
Cash equivalents	4,195	7,224
	$ 3,368,030	3,045,203

(b) Financial instruments at fair value through profit or loss－current

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not designated for hedge accounting:		
Foreign currency forward contracts	$ 1,098	1,768
Foreign exchange swaps	261	-
Non-derivative financial assets:		
Open－end mutual funds	30,252	100,282
Structured deposits	367,441	355,411
	$ 399,052	457,461
Financial liabilities held for trading:		
Derivative instruments not designated for hedge accounting:		
Foreign currency forward contracts	$ (662)	(23)

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, 2022			
	Contract amount (in thousands)	Currency	Maturity Period
Foreign currency forward contracts	USD $ 5,000	CNY Buy / USD Sell	2023/01
Foreign currency forward contracts	USD $ 3,886	NTD Buy / USD Sell	2023/01～2023/03
Foreign currency forward contracts	USD $ 750	JPY Buy / USD Sell	2023/03
Foreign exchange swaps	USD $ 3,719	USD Swap in / TWD Swap out	2023/02～2023/03

(Continued)

	December 31, 2021		
	Contract amount (in thousands)	**Currency**	**Maturity Period**
Foreign currency forward contracts	USD $ 12,000	CNY Buy / USD Sell	2022/01
Foreign currency forward contracts	USD $ 4,845	NTD Buy / USD Sell	2022/01~2022/06

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

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income:		
Domestic listed stocks	$ 1,471,082	1,485,096
Current	$ 349,051	271,389
Non-current	1,122,031	1,213,707
	$ 1,471,082	1,485,096

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 the year ended December 31, 2022, no strategic investments were disposed and there were no transfers of any cumulative gain or loss within equity relating to these investments. For the year ended December 31, 2021, the Group sold certain investments measured at FVOCI at fair value of $56,095 and the realized gain on disposed of the investment accumulated in other comprehensive income of $29,189 have been reclassified from other equity to retained earnings.

(d) Financial assets at amortized costs

	December 31, 2022	December 31, 2021
Current:		
Time deposits with original maturities more than 3 months	$ 215,000	-
Restricted deposits	1,100	3,100
	$ 216,100	3,100
Non-current:		
Restricted deposits	$ 1,102	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.

(Continued)

(e) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes and accounts receivable	$ 7,322,361	7,780,468
Accounts receivable from related parties	124,337	137,271
	7,446,698	7,917,739
Less: loss allowance	(82,649)	(55,609)
	$ 7,364,049	7,862,130

(i) 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, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 6,041,809	0.29%	17,343
Past due 1-30 days	972,949	1.60%	15,519
Past due 31-60 days	328,882	4.09%	13,466
Past due 61-90 days	51,587	12.67%	6,537
Past due 91-120 days	36,267	40.20%	14,580
Past due over 121 days	15,204	100.00%	15,204
	$ 7,446,698		82,649

	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	100.00%	8,817
	$ 7,917,739		55,609

(Continued)

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

	2022	2021
Balance at January 1	$ 55,609	54,685
Impairment loss recognized	31,091	1,163
Write-off	(4,926)	-
Effect of exchange rate changes	875	(239)
Balance at December 31	$ 82,649	55,609

(iii) The Group entered into factoring contracts with financial institutions to sell its accounts receivable without recourse. According to these contracts, the Group is not responsible for any risk of uncollectible accounts receivable, but only for the loss due to commercial disputes. The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The receivables from the financial institutions were recognized as "other receivables" upon the derecognition of those accounts receivables. Details of these contracts at each reporting date were as follows:

	December 31, 2022					
Underwriting bank	Factored amount	Unpaid advance amount	Advance amount	Amount recognized in other receivables	Range of interest rates	Collateral
Taipei Fubon Bank	$ 82,368	82,368	-	82,368	-	-

(f) Inventories

	December 31, 2022	December 31, 2021
Raw materials	$ 4,454,602	5,074,006
Work in process	1,425,325	1,318,259
Finished goods and merchandise	2,408,476	2,146,570
	$ 8,288,403	8,538,835

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

	2022	2021
Cost of inventories sold	$ 23,920,288	22,963,302
Write-downs of inventories	326,066	183,767
Losses on scrap	278,240	230,355
	$ 24,524,594	23,377,424

The write-downs of inventories arose from the write-downs of inventories to net realizable value.

(g) Non-current assets held for sale

In December 2022, the Board of Directors of DFS approved a resolution to dispose its land use rights and buildings located at No. 99, Zhuyuan Road, Suzhou New District, Suzhou City in Mainland China. On December 21, 2022, DFS entered into an agreement with Management Committee of Suzhou High-tech Industrial Development Zone and Suzhou High-tech Zone (Huqiu District) Land Reserve Center, with a total purchase price of CNY 710,886 thousand (NT$3,131,950) and hence the related assets were reclassified as non-current assets held for sale. On December 31, 2022, non-current assets held for sale were detailed as follows:

	December 31, 2022
Property, plant and equipment (note 6(k))	$ 867,308
Right-of-use assets (note 6(l))	54,504
	$ 921,812

A disposal gain would be recognized when control of the related assets was transferred to the counterparty, which is expected to be completed within one year after the signed agreement and the prepayment amounted to CNY 215,000 thousand as of March 7, 2023.

(h) 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, 2022	December 31, 2021
Carrying amounts of joint ventures	$ 33,826	23,332
Carrying amounts of associates	41,419	51,891
	$ 75,245	**75,223**

	2022	2021
Attributable to the Group of joint ventures:		
Net income (loss)	$ (5,774)	4,431
Other comprehensive income	(836)	(3,827)
Total comprehensive income	**$ (6,610)**	**604**

	2022	2021
Attributable to the Group of associates:		
Net income (loss)	$ 456	(223)
Other comprehensive income	(10,927)	17,415
Total comprehensive income	**$ (10,471)**	**17,192**

(Continued)

(i) Subsidiaries and non-controlling interests

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

1) Consideration transferred

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:		
Cash		$ 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 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

(Continued)

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.

For the measurement of the fair value listed above, the required market assessment and other calculations have been completed, and the necessary adjustments regarding the provisional amount of original accounting for the acquisition of ATC have been recognized in the fourth quarter of 2021 to reflect the factual information that existed at the acquisition date.

3) Intangible assets

The above-mentioned intangible assets－patents are 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) Changes in ownership interest in subsidiaries without losing control

In 2022, DTC increased its share capital and reserved part of its new shares for subscription by its employees, which resulted in a decrease in the Group’s ownership interest in DTC.

In 2022, KST increased its share capital and reserved part of its new shares for subscription by its employees, which resulted in a decrease in the Group’s ownership interest in KST.

In 2022, the stock options exercised by AST’s employees resulted in a decrease in the Group’s ownership interest in AST.

In 2022, the stock options exercised by DET’s employees resulted in a decrease in the Group’s ownership interest in DET.

In May 2022, the Group acquired part of the equity of DTC for a cash consideration of $180, which resulted in an increase in the Group's ownership interest in DTC.

In July and August 2022, UTC repurchased its treasury stock from open market for a cash consideration of $85,925, which resulted in an increase in the Group's ownership interest in UTC.

In 2021, the Group disposed part of the equity of UTC for a consideration of $9,800 and 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.

The following table summarizes the impact of capital surplus from the abovementioned changes.

	2022	2021
Capital surplus arising from changes in ownership interests in subsidiaries	$ (16,709)	204,221
Capital surplus－difference between consideration and carrying amount arising from acquisition or disposal of shares of subsidiaries	-	7,092
	$ (16,709)	211,313

(j) 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, 2022**	**December 31, 2021**
KST	Taiwan	41.46%	40.00%
UTC	Taiwan	53.25%	54.23%
TDI	Taiwan	37.25%	37.25%
ATC	Taiwan	53.64%	49.00%

(Continued)

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.

(i) The summarized financial information of KST:

		December 31, 2022	December 31, 2021
Current assets	$	4,304,320	3,785,923
Non-current assets		945,602	904,766
Current liabilities		(3,807,678)	(3,533,691)
Non-current liabilities		(134,685)	(85,090)
Net assets	$	1,307,559	1,071,908
The carrying amount of non-controlling interests	$	486,589	375,194

		2022	2021
Net sales	$	6,006,875	3,490,856
Net income (loss)	$	7,001	(12,289)
Other comprehensive income		32,061	(12,703)
Total comprehensive income	$	39,062	(24,992)
Net income (loss) attributable to non-controlling interests	$	2,920	(4,916)
Total comprehensive income attributable to non-controlling interests	$	16,159	(9,997)
Cash flow from operating activities	$	(868,743)	(1,252,246)
Cash flow from investing activities		(5,934)	(234,223)
Cash flow from financing activities		829,973	1,141,123
Effects of foreign exchange rate changes		-	11,288
Net decrease in cash and cash equivalents	$	(44,704)	(334,058)
Cash dividends paid to non-controlling interests	$	-	-

(Continued)

(ii) The summarized financial information of UTC:

	December 31, 2022	December 31, 2021
Current assets	$ 1,573,193	1,815,578
Non-current assets	1,146,113	1,166,286
Current liabilities	(531,505)	(633,209)
Non-current liabilities	(60,866)	(69,921)
Net assets	$ 2,126,935	2,278,734
The carrying amount of non-controlling interests	$ 987,249	1,087,467

	2022	2021
Net sales	$ 1,498,552	1,705,810
Net income	$ 204,985	268,398
Other comprehensive income	(7,543)	570
Total comprehensive income	$ 197,442	268,968
Net income attributable to non-controlling interests	$ 110,389	131,843
Total comprehensive income attributable to non-controlling interests	$ 106,300	132,138
Cash flow from operating activities	$ 224,514	371,488
Cash flow from investing activities	(387,915)	(59,788)
Cash flow from financing activities	(355,169)	456,485
Effects of foreign exchange rate changes	280	79
Net increase (decrease) in cash and cash equivalents	$ (518,290)	768,264
Cash dividends paid to non-controlling interests	$ (142,796)	(76,170)

(iii) The summarized financial information of TDI:

	December 31, 2022	December 31, 2021
Current assets	$ 694,833	732,020
Non-current assets	134,396	147,505
Current liabilities	(157,963)	(206,068)
Non-current liabilities	(22,780)	(34,941)
Net assets	$ 648,486	638,516
The carrying amount of non-controlling interests	$ 222,731	219,017

(Continued)

	2022	2021
Net sales	$ 671,319	676,023
Net income	$ 34,811	18,612
Other comprehensive income	(8,004)	650
Total comprehensive income	$ 26,807	19,262
Net income attributable to non-controlling interests	$ 12,967	6,933
Total comprehensive income attributable to non-controlling interests	$ 9,986	7,175
Cash flow from operating activities	$ (50,894)	87,058
Cash flow from investing activities	51,740	(85,372)
Cash flow from financing activities	(28,809)	(11,703)
Net decrease in cash and cash equivalents	$ (27,963)	(10,017)
Cash dividends paid to non-controlling interests	$ (6,271)	-

(iv) The summarized financial information of ATC:

	December 31, 2022	December 31, 2021
Current assets	$ 2,943,347	2,050,646
Non-current assets	2,451,630	2,249,155
Current liabilities	(2,237,125)	(1,719,511)
Non-current liabilities	(395,698)	(277,971)
Net assets	$ 2,762,154	2,302,319
The carrying amount of non-controlling interests	$ 1,381,970	1,045,391

	2022	For the nine months ended December 31, 2021
Net sales	$ 4,130,129	1,876,901
Net income	$ 309,872	34,608
Other comprehensive income	10,672	29,956
Total comprehensive income	$ 320,544	64,564
Net income attributable to non-controlling interests	$ 153,446	16,958
Total comprehensive income attributable to non-controlling interests	$ 158,282	31,637
Cash flow from operating activities	$ (132,453)	(1,184,822)
Cash flow from investing activities	(334,514)	(557,761)
Cash flow from financing activities	529,987	1,708,978
Effects of foreign exchange rate changes	(9,675)	30,109
Net increase (decrease) in cash and cash equivalents	$ 53,345	(3,496)
Cash dividends paid to non-controlling interests	$ (28,224)	-

(Continued)

(k) Property, plant and equipment

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

		Land	Building	Machinery	Other equipment	Construction in progress and equipment to be inspected	Total
Cost:							
Balance at January 1, 2022	$	1,441,633	6,980,628	7,207,808	590,424	414,211	16,634,704
Additions		143,733	172,656	271,822	123,831	719,546	1,431,588
Disposals		-	(9,681)	(269,105)	(22,952)	(735)	(302,473)
Reclassification to non-current assets held for sale (note 6(g))		-	(2,037,980)	-	-	-	(2,037,980)
Other reclassification		101,283	84,176	336,220	12,235	(26,878)	507,036
Effect of exchange rate changes		-	198,137	281,964	7,006	43,301	530,408
Balance at December 31, 2022	$	1,686,649	5,387,936	7,828,709	710,544	1,149,445	16,763,283
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(i))		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
Accumulated depreciation and impairment losses:							
Balance at January 1, 2022	$	-	3,219,163	5,187,941	384,050	-	8,791,154
Depreciation		-	297,752	573,135	88,018	-	958,905
Reversal of Impairment losses		-	-	(9,237)	-	-	(9,237)
Disposals		-	(9,647)	(262,055)	(19,249)	-	(290,951)
Reclassification to non-current assets held for sale (note 6(g))		-	(1,170,672)	-	-	-	(1,170,672)
Effect of exchange rate changes		-	125,643	183,859	20,095	-	329,597
Balance at December 31, 2022	$	-	2,462,239	5,673,643	472,914	-	8,608,796
Balance at January 1, 2021	$	-	2,873,554	4,490,389	319,583	-	7,683,526
Acquisition through business combination (note 6(i))		-	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
Carrying amount:							
Balance at December 31, 2022	$	1,686,649	2,925,697	2,155,066	237,630	1,149,445	8,154,487
Balance at December 31, 2021	$	1,441,633	3,761,465	2,019,867	206,374	414,211	7,843,550

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 Company and UTC, respectively, could not be registered in their names due to regulations. The Group and the landowners had signed agreements, clarifying that the rights and obligations of the lands belong to the Group.

On December 31, 2021, the prepayment of $105,283 was made by the Group to acquire the lands in Miaoli and ChangHua and was included in other non-current assets. In 2022, the land transfer registration had been completed and the aforementioned prepayment was reclassified to property, plant and equipment.

(Continued)

(l) Right-of-use assets

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

		Land	Buildings	Transportation Equipment	Total
Cost:					
Balance at January 1, 2022	$	776,958	461,006	10,299	1,248,263
Additions		-	111,605	-	111,605
Disposals		-	(68,362)	(2,200)	(70,562)
Reclassification to non-current assets held for sale (note 6(g))		(62,447)	-	-	(62,447)
Effect of exchange rates changes		44,964	18,335	239	63,538
Balance at December 31, 2022	$	759,475	522,584	8,338	1,290,397
Balance at January 1, 2021	$	384,866	445,208	3,712	833,786
Acquisition through business combination (note 6(i))		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
Accumulated depreciation:					
Balance at January 1, 2022	$	76,218	195,797	3,464	275,479
Depreciation		39,937	125,026	2,833	167,796
Disposals		-	(58,879)	(1,930)	(60,809)
Reclassification to non-current assets held for sale (note 6(g))		(7,943)	-	-	(7,943)
Effect of exchange rate changes		1,595	11,902	132	13,629
Balance at December 31, 2022	$	109,807	273,846	4,499	388,152
Balance at January 1, 2021	$	41,161	120,981	1,431	163,573
Acquisition through business combination (note 6(i))		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
Carrying amount:					
Balance at December 31, 2022	$	649,668	248,738	3,839	902,245
Balance at December 31, 2021	$	700,740	265,209	6,835	972,784

On December 31, 2022 and 2021, purchase prices of $202,211 and $194,563, respectively, were fully paid by the Group’s subsidiary, ATV, to acquire the right-of-use assets of land in Vietnam. However, the rights were not transferred to ATV yet and the prepaymenys were recognized in non-current assets.

(Continued)

(m) Investment property

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

	Land	Buildings	Total
Cost:			
Balance at January 1, 2022	$ 52,359	17,426	69,785
Additions	-	137	137
Disposals	(52,359)	(17,563)	(69,922)
Balance at December 31, 2022	$ -	-	-
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
Accumulated depreciation and impairment losses:			
Balance at January 1, 2022	$ -	7,660	7,660
Depreciation	-	394	394
Disposals	-	(8,054)	(8,054)
Balance at December 31, 2022	$ -	-	-
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
Carrying amount:			
Balance at December 31, 2022	$ -	-	-
Balance at December 31, 2021	$ 52,359	9,766	62,125
Fair value:			
Balance at December 31, 2022			$ -
Balance at December 31, 2021			$ 75,619

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

For the years ended December 31, 2022 and 2021, the Group disposed its investment property to non-related parties. Net disposal proceeds amounted to $64,070 and $26,209, respectively, and the gains on disposal of property amounted to $2,202 and $1,909, respectively. As of December 31, 2022 and 2021, 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. The inputs used in the fair value measurement were classified to Level 3.

(n) Intangible assets

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

	Goodwill	Patents	Expertise	Customer relationship	Software	Total
Cost:						
Balance at January 1, 2022	$ 637,110	160,824	212,746	114,690	100,438	1,225,808
Additions	-	36	-	-	23,926	23,962
Disposals	-	-	-	-	(124)	(124)
Effect of exchange rate changes	-	-	-	-	1,902	1,902
Balance at December 31, 2022	$ 637,110	160,860	212,746	114,690	126,142	1,251,548
Balance at January 1, 2021	$ 465,868	35,836	217,475	114,690	46,561	880,430
Acquisition through business combination (note 6(i))	168,868	124,913	-	-	14,908	308,689
Adjustment of business combination during the measurement period	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
Accumulated amortization:						
Balance at January 1, 2022	$ -	20,728	94,233	45,399	47,402	207,762
Amortization	-	46,768	21,868	14,336	23,734	106,706
Disposals	-	-	-	-	(124)	(124)
Effect of exchange rate changes	-	-	-	-	1,500	1,500
Balance at December 31, 2022	$ -	67,496	116,101	59,735	72,512	315,844
Balance at January 1, 2021	$ -	14,994	40,477	32,342	18,590	106,403
Acquisition through business combination (note 6(i))	-	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
Carrying amounts:						
Balance at December 31, 2022	$ 637,110	93,364	96,645	54,955	53,630	935,704
Balance at December 31, 2021	$ 637,110	140,096	118,513	69,291	53,036	1,018,046

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

	2022	2021
Cost of sales	$ 6,688	6,820
Operating expenses	100,018	88,183
	$ 106,706	95,003

(Continued)

(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, 2022	December 31, 2021
UTC	$ 273,447	273,447
KST	133,924	133,924
ATC	168,868	168,868
Other CGUs without allocating significant goodwill	60,871	60,871
	$ 637,110	**637,110**

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. Except for CGU relating to UTC whose recoverable amount was determined based on its fair value less costs to sell, the recoverable amount of the other CGU was determined based on the value in use, and the related key assumptions were as follows:

	December 31, 2022	December 31, 2021
UTC：		
Revenue growth rate	-	9%~22%
Pre-tax discount rate	-	14.71%

	December 31, 2022	December 31, 2021
KST：		
Revenue growth rate	(32%)~10%	5%~29%
Pre-tax discount rate	12.22%	16.67%

	December 31, 2022	December 31, 2021
ATC：		
Revenue growth rate	5%~10%	5%~22%
Pre-tax discount rate	16.27%	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.

(Continued)

(o) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank borrowings	$ 5,786,396	4,710,651
Secured bank borrowings	-	329,320
	$ 5,786,396	5,039,971
Unused credit facilities	$ 10,491,800	10,951,121
Interest rate	1.7%~6.75%	0.60%~1.39%

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

(p) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Commercial paper payable	$ 100,000	-
Less: discount on commercial paper payable	(416)	-
	$ 99,584	-
Interest rate	2.2%	-

(q) Long-term debt

	December 31, 2022	December 31, 2021
Unsecured bank loans	$ 633,808	-
Secured bank loans	4,050,000	3,640,850
Less: current portion of long-term debt	(96,095)	(16,899)
	$ 4,587,713	3,623,951
Unused credit facilities	$ 4,250,433	2,491,493
Year to maturity	2023~2025	2022~2024
Interest rate	2.4%~6.1%	0.82%~1.60%

According to certain 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. For the years ended December 31, 2022 and 2021, 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.

(Continued)

(r) Lease liabilities

Lease liabilities were as follows:

	December 31, 2022	December 31, 2021
Current	$ 113,214	100,386
Non-current	$ 174,506	203,716

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

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest expense on lease liabilities	$ 10,722	10,890
Expenses relating to short-term leases	$ 53,287	47,290

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

	2022	2021
Total cash outflow for leases	$ 189,905	173,834

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 office 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.

(s) Warranty provisions－current

	2022	2021
Balance at January 1	$ 110,716	96,222
Acquisition through business combination	-	3,155
Additions	55,481	58,168
Amount utilized	(33,505)	(46,829)
Balance at December 31	$ 132,692	110,716

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.

(Continued)

(t) 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 (m) 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, 2022	December 31, 2021
Not later than 1 year	$ -	1,436

For the years ended December 31, 2022 and 2021, the rental income from investment property amounted to $1,542 and $1,970, respectively, and was recognized in other income. Please refer to note 6 (ab) for detailed information. For the years ended December 31, 2022 and 2021, related operating expenses amounted to $722 and $892, respectively.

(u) Employee benefits

(i) Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 166,361	183,487
Fair value of plan assets	(132,674)	(118,110)
Net defined benefit liabilities	$ 33,687	65,377

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ -	-
Fair value of plan assets	(18,521)	(17,076)
Net defined benefit assets	$ (18,521)	(17,076)

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.

(Continued)

As of December 31, 2022, and 2021, the Company and its domestic subsidiaries' labor pension fund deposited at Bank of Taiwan amounted to $151,195 and $135,186, respectively. Please 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:

	2022	2021
Defined benefit obligations at January 1	$ 183,487	184,705
Current service costs and interest expense	1,385	1,465
Remeasurement on the net defined benefit liabilities (assets):		
—Actuarial losses arising from changes in demographic assumptions	-	4,720
—Actuarial losses arising from experience adjustments	332	3,058
—Actuarial losses (gains) arising from changes in financial assumptions	(18,423)	284
Gain on curtailment	-	(1,296)
Benefits paid by the plan	(420)	(9,449)
Defined benefit obligations at December 31	$ 166,361	183,487

3) Movements of fair value of plan assets

The movements of fair value of plan assets of the Group were as follows:

	2022	2021
Fair value of plan assets at January 1	$ 135,186	135,253
Interest income	2,323	1,165
Remeasurement on the net defined benefit liabilities (assets):		
—Returns on plan assets (excluding the amounts included in the net interest expense)	9,064	1,311
Contributions by the employer	5,042	6,906
Benefits paid by the plan	(420)	(9,449)
Fair value of plan assets at December 31	$ 151,195	135,186

4) Changes in the effect of the asset ceiling

In 2022 and 2021, there was no effect of the asset ceiling.

(Continued)

5) Expenses recognized in profit or loss

	2022	2021
Current service costs	$ 25	135
Net interest expense on the net defined benefit liability (asset)	(963)	165
Gain on curtailment	-	(1,296)
	$ (938)	**(996)**
Cost of sales	$ 63	189
Operating expenses	(1,001)	111
Other income	-	(1,296)
	$ (938)	**(996)**

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.25%~1.75%	0.55%~0.75%
Future salary increases rate	2.00%~4.00%	2.00%~4.00%

The Group expects to make the contribution of $5,080 to the defined benefit plans in the year following December 31, 2022. The weighted average duration of the defined benefit plan ranges from 10.6 years to 14.7 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, 2022		
Discount rate	$ (4,167)	4,437
Future salary change	4,352	(4,187)
December 31, 2021		
Discount rate	(5,277)	5,476
Future salary change	5,320	(5,133)

(Continued)

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, 2022 and 2021, the Group recognized pension expenses of $281,877 and $246,489, respectively, in relation to the defined contribution plans.

(v) Income taxes

(i) The components of income tax expense were as follows:

	2022	2021
Current income tax expense		
Current period	$ 484,163	341,970
Adjustment for prior years	(25,148)	(5,495)
	459,015	336,475
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	(55,485)	54,909
Recognition of previously unrecognized tax losses	(8,213)	(1,530)
Changes in unrecognized deductible temporary differences	(7,130)	(37,738)
	(70,828)	15,641
	$ 388,187	352,116

In 2022 and 2021, there was no income tax recognized directly in equity.

In 2022 and 2021, the components of income tax expense (benefit) recognized in other comprehensive income were as follows:

	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	$ 5,020	(1,443)

(Continued)

Reconciliation of income tax expense and income before income tax for 2022 and 2021 was as follows:

	2022	2021
Income before income taxes	$ 1,842,007	1,653,738
Income tax using the Company's statutory tax rate	$ 368,401	330,748
Effect of different tax rates in foreign jurisdictions	22,210	14,337
Investment tax credits	(41,990)	(45,310)
Adjustments for prior-year income tax expense	(25,148)	(5,495)
Non-deductible expense	1,896	5,383
Recognition of previously unrecognized tax losses	(8,213)	(1,530)
Changes in unrecognized temporary differences	(7,130)	(37,738)
Additional income tax on undistributed earnings	5,596	5,612
Others	72,565	86,109
	$ 388,187	352,116

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2022	December 31, 2021
Deductible temporary differences	$ 518,901	456,979
Tax losses	50,643	58,856
	$ 569,544	515,835

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, 2022, the unrecognized tax losses and the respective expiry years were as follows:

Tax losses	Income tax effect of tax losses	Expiration year
$ 41,632	8,326	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
12,631	2,526	2031
5,733	1,147	2032
$ 253,217	50,643	

(Continued)

2) Unrecognized deferred income tax liabilities

	December 31, 2022	December 31, 2021
Aggregate taxable temporary differences associated with investments in subsidiaries	$ 975,886	906,834

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, 2022	$ 23,960	11,920	23,217	19,089	17,307	64,758	160,251
Recognized in profit or loss	300	(1,619)	853	5,062	1,412	50,331	56,339
Recognized in other comprehensive income	-	(5,020)	-	-	-	-	(5,020)
Balance at December 31, 2022	$ 24,260	5,281	24,070	24,151	18,719	115,089	211,570
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

Deferred income tax liabilities:

	Defined benefit assets	Intangible assets	Others	Total
Balance at January 1, 2022	$ 3,133	169,975	4,834	177,942
Recognized in profit or loss	-	(26,130)	11,641	(14,489)
Balance at December 31, 2022	$ 3,133	143,845	16,475	163,453
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

As of December 31, 2022, 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
$ 17,162	3,432	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 2020.

(Continued)

(w) Capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, 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	
	2022	**2021**
Balance at January 1 (Same as balance at December 31)	**280,000**	**280,000**

(ii) Capital surplus

	December 31, 2022	**December 31, 2021**
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 arising from acquisition or disposal of shares of subsidiaries	101,730	101,730
Recognition of changes in ownership interest in subsidiaries	212,064	228,773
	$ 4,116,058	**4,132,767**

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.

(Continued)

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.

3) Earnings distribution

The appropriation of cash dividends trough 2021 and 2020 earnings was approved by the Company’s Board of Directors on March 8, 2022, and on March 15, 2021, respectively. The resolved appropriations of the dividends were as follows:

	2021		**2020**	
	Dividend per share (NT$)	**Amount**	**Dividend per share (NT$)**	**Amount**
Dividends per share:				
Cash dividend	$ 3.0	840,000	2.5	700,000

On March 7, 2023, the Company’s Board of Directors approved the distribution of cash dividend as follows:

	2022	
	Dividend per share (NT$)	**Amount**
Dividends per share:		
Cash dividend	$ 3.0	840,000

(Continued)

Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(iv) Other equity items (net after tax)

	Foreign currency translation differences	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Remeasurement of defined benefit plans	Total
Balance at January 1, 2022	$ (765,143)	379,613	(36,993)	(422,523)
Foreign exchange differences arising from translation of foreign operations	465,935	-	-	465,935
Unrealized losses from financial assets at fair value through other comprehensive income	-	(114,927)	-	(114,927)
Remeasurement of defined benefit plans	-	-	21,361	21,361
Share of other comprehensive income of joint ventures and associates	1,331	(7,493)	-	(6,162)
Balance at December 31, 2022	$ (297,877)	257,193	(15,632)	(56,316)
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 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 other comprehensive income of joint ventures and associates	(2,871)	9,056	-	6,185
Balance at December 31, 2021	$ (765,143)	379,613	(36,993)	(422,523)

(v) Non-controlling interests (net after tax)

	2022	2021
Balance at January 1	$ 2,879,152	1,387,996
Equity attributable to non-controlling interests:		
Net income	290,952	155,089
Foreign currency translation differences	31,569	(2,643)
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	(7,477)	8,944
Remeasurements of defined benefit plans	773	252
Share of other comprehensive income loss of joint ventures and associates	(5,601)	-
Disposal of interests in subsidiaries	-	9,800
Acquisition of subsidiaries	-	1,013,755
Changes in ownership interests in subsidiaries	(6,928)	(204,221)
Difference between consideration and carrying amount arising from acquisition or disposal of shares of subsidiaries	-	(7,092)
Acquisition of subsidiary’ s additional interests	(180)	(480)
Compensation cost of stock option issued by subsidiaries	10,906	12,627
Capital injection from non-controlling interests	434,583	587,399
Decrease in non-controlling interests	(62,288)	(1,409)
Distribution of cash dividend by subsidiaries to non-controlling interests	(177,291)	(80,865)
Balance at December 31	$ 3,388,170	2,879,152

(Continued)

(x) Earnings per share (“EPS”)

The calculations of basic and diluted earnings per share were as follows:

(i) Basic earnings per share

	2022	2021
Net income attributable to ordinary shareholders of the Company	$ 1,162,868	1,146,533
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Basic earnings per share (in New Taiwan dollars)	$ 4.15	4.09

(ii) Diluted earnings per share

	2022	2021
Net income attributable to ordinary shareholders of the Company	$ 1,162,868	1,146,533
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Effect of dilutive potential ordinary shares (in thousands):		
Remuneration to employees	4,281	3,336
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares) (in thousands)	284,281	283,336
Diluted earnings per share (in New Taiwan dollars)	$ 4.09	4.05

(y) Share-based payment

The Group issued the following four employee stock option plans (ESOP):

(i) ESOP granted by subsidiaries

	2022 DET ESOP	2022 ATC ESOP	2022 KST issuance of new shares reserved for employee subscriptions	2021 UTC issuance of new shares reserved for employee subscriptions
Grant date	2022.10.10	2022.10.01	2022.03.04	2021.11.05
Number of shares granted (in thousands)	3,150	4,800	1,176	410
Exercise price (NT$ / Share)	$25.00	40.00	25.00	98.00
Each unit eligible to subscribe	1 share	1 share	1 share	1 share
Contract term	0.14 year	0.25 year	0.01 year	0.02 year
Vesting conditions	One-month, 100% vested	One-month, 100% vested	Immediately vested	Immediately vested
Qualified employees	Employees of DET	Employees of ATC or employees of the Company	Employees of KST or employees of the Company	Employees of UTC

(Continued)

(ii) The main inputs to measure the fair value of ESOPs at grant date

	2022 DET ESOP	**2022 ATC ESOP**	**2022 KST issuance of new shares reserved for employee subscriptions**	**2021 UTC issuance of new shares reserved for employee subscriptions**
Option pricing model	Binomial	Binomial	Black-Scholes	Black-Scholes
Fair value of stock options at grant date (NT$/per share)	0.2813	1.4505	2.60	Note 2
Fair value of common stock at grant date (NT$/per share)	23.39	39.16	27.65	Note 2
Exercise price (NT$/per share)	25.00	40.00	25.00	98.00
Expected life (years)	0.08 year	0.08 year	0.01 year	0.02 year
Risk-free interest rate (%)	1.01%	1.01%	0.37%	0.20%
Expected volatility (%) (Note 1)	29.15%	39.69%	41.19%	44.91%
Expected dividends (%) (Note 3)	-	-	-	-

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 as the above options have a very short expected life.

(iii) Movements in the number of options outstanding:

The information about the ESOP granted by DET was as follows:

	2022 ESOP	
	Number of shares (in thousands)	**Weighted-average exercise price (in NTD)**
Outstanding, beginning of year	-	$ -
Granted during the year	3,150	25.00
Exercised during the year	(3,150)	25.00
Outstanding, end of year	-	-
Exercisable, end of year	-	-

(Continued)

The information about the ESOP granted by ATC was as follows:

	2022 ESOP	
	Number of shares (in thousands)	**Weighted-average exercise price (in NTD)**
Outstanding, beginning of year	-	$ -
Granted during the year	4,800	40.00
Exercised during the year	(4,800)	40.00
Outstanding, end of year	-	-
Exercisable, end of year	-	

The information about the ESOP granted by KST was as follows:

	2022 Issuance of new shares reserved for employee subscriptions	
	Number of shares (in thousands)	**Weighted-average exercise price (in NTD)**
Outstanding, beginning of year	-	$ -
Granted during the year	1,176	25.00
Exercised during the year	(1,176)	25.00
Outstanding, end of year	-	-
Exercisable, end of year	-	-

The information about the ESOP granted by UTC was as follows:

	2021 Issuance of new shares reserved for employee subscriptions	
	Number of shares (in thousands)	**Weighted-average exercise price (in NTD)**
Outstanding, beginning of year	-	$ -
Granted during the year	410	98.00
Exercised during the year	(410)	98.00
Outstanding, end of year	-	-
Exercisable, end of year	-	-

(Continued)

(iv) Employee compensation cost:

The compensation cost recognized for the above-mentioned ESOPs was as follows:

	2022	2021
Expense resulting from employee stock options	$ 7,848	-
Expense resulting from cash subscription reserved for employee	3,058	12,627
Total	$ 10,906	12,627

The compensation cost recognized for the above-mentioned share-based payment arrangements was reported in cost of sales and operating expense.

(z) Revenue from contracts with customers

(i) Disaggregation of revenue

The Group recognizes revenue when control of the goods has been transferred to the customer.

Disaggregation of revenue is based on geographical location of customers.

	2022	2021
Primary geographical markets:		
Taiwan	$ 4,451,694	4,456,913
United States	2,075,932	1,216,158
Mainland China	12,376,104	14,916,797
Canada	1,977,686	1,839,037
Others	8,653,837	5,619,831
	$ 29,535,253	28,048,736
Major products and services lines:		
Peripheral electronic products	$ 12,574,726	15,013,300
Green energy products and passive components	16,960,527	13,035,436
	$ 29,535,253	28,048,736

(Continued)

(ii) Contract balances

		December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable (including related parties)	$	7,446,698	7,917,739	6,909,551
Less: loss allowance		(82,649)	(55,609)	(54,685)
	$	7,364,049	7,862,130	6,854,866
Contract liabilities (included in other current liabilities)	$	88,049	426,711	57,751

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 2022 and 2021 that were included in the balances of contract liabilities on January 1, 2022 and 2021, were $411,824 and $51,302, respectively.

(iii) Refund liabilities

		December 31, 2022	December 31, 2021
Other current liabilities－refund liabilities	$	396,870	276,737

(aa) 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, 2022 and 2021, the Company estimated its remuneration to employees amounting to $140,273 and $142,889, respectively, and the remuneration to directors amounting to $10,520 and $10,717, 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.

(Continued)

(ab) Non-operating income and loss

(i) Interest income

	2022	2021
Interest income from bank deposits	$ 13,925	8,295
Interest income from financial assets measured at amortized cost	457	1,087
	$ 14,382	9,382

(ii) Other income

	2022	2021
Rental income	$ 4,245	2,304
Dividend income	130,069	68,070
Subsidy	33,169	48,012
Other	56,477	98,872
	$ 223,960	217,258

(iii) Other gains and losses

	2022	2021
Gains (losses) on disposal of property, plant and equipment	$ (2,773)	862
Gains on disposal of investment	2,202	1,909
Gains (losses) on lease modification	1,117	(11)
Foreign exchange gains (losses), net	165,879	(25,050)
Gains (losses) on financial instruments measured at fair value through profit or loss	(1,591)	42,799
Gains on reversal of impairment losses on impairment of property, plant and equipment	9,237	-
Others	(2,459)	(11,229)
	$ 171,612	9,280

(iv) Finance costs

	2022	2021
Interest expense from bank loans	$ (161,733)	(64,926)
Interest expense on lease liabilities	(10,772)	(10,890)
	$ (172,505)	(75,816)

(Continued)

(ac) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign currency forward contracts	$ 1,098	1,768
Foreign exchange swaps	261	-
Open-end mutual funds	30,252	100,282
Structured deposits	367,441	355,411
Subtotal	399,052	457,461
Financial assets at fair value through other comprehensive income	1,471,082	1,485,096
Financial assets measured at amortized cost:		
Cash and cash equivalents	3,368,030	3,045,203
Financial assets at amortized cost	217,202	3,910
Notes and accounts receivable and other receivables (including related parties)	7,527,701	7,906,340
Refundable deposits	42,549	39,961
Subtotal	11,155,482	10,995,414
Total	$ 13,025,616	12,937,971

2) Financial liabilities

	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss:		
Foreign currency forward contracts	$ 662	23
Financial liabilities measured at amortized cost:		
Short-term borrowings	5,786,396	5,039,971
Short-term notes and bills payable	99,584	-
Notes and accounts payable and other payables (including related parties)	7,519,046	9,858,913
Lease liabilities	287,720	304,102
Long-term debt (including current portion)	4,683,808	3,640,850
Long-term payables (included in other non-current liabilities)	150,533	149,623
Guarantee deposits (included in other non-current liabilities)	11,241	99,420
Subtotal	18,538,328	19,092,879
Total	$ 18,538,990	19,092,902

(Continued)

(ii) 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.

(iii) Financial instruments that are measured at fair value

1) Fair value hierarchy

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, 2022				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial instruments:					
Foreign currency forward contracts	$ 1,098	-	1,098	-	1,098
Foreign exchange swaps	261	-	261	-	261
Non-derivative financial assets mandatorily measured at fair value through profit or loss:					
Open-end mutual fund	30,252	30,252	-	-	30,252
Structured deposits	367,441	-	367,441	-	367,441
Subtotal	399,052	30,252	368,800	-	399,052
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	1,471,082	1,471,082	-	-	1,471,082
Total	$ 1,870,134	1,501,334	368,800	-	1,870,134
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments:					
Foreign currency forward contracts	$ (662)	-	(662)	-	(662)

(Continued)

	December 31, 2021				
	Carrying amount	Fair value			
		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 mandatorily measured at fair value through profit or loss:					
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)

2) 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 structured deposits is determined with reference to the quotation from counterparties.

(Continued)

b) Derivative financial instruments

The fair value of derivative financial instruments is determined using the valuation techniques generally accepted by market participants. The fair value of foreign currency forward contracts and foreign exchange swaps contracts is usually determined by the forward exchange rate.

3) Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the years ended December 31, 2022 and 2021.

(ad) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including foreign 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 bank deposits recognized in financial assets at amortized costs. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets. As of December 31, 2022 and 2021, the Group's maximum exposure to credit risk amounted to $13,025,616 and $12,937,971, respectively.

The Group maintains cash and cash equivalents, other financial instruments and bank deposits recognized in financial assets at amortized cost with reputable financial institutions. Therefore, the exposure related to the potential default by those counter-parties is not considered significant.

The majority of the Group's customers are well-known international companies with high financial transparency. As of December 31, 2022 and 2021, 33% and 37%, 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 risk.

(Continued)

(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, 2022, and 2021, the Group had unused credit facilities of $14,742,233 and $13,442,614, respectively.

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, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	$ 5,846,965	5,846,965	-	-	-
Short-term notes and bills payable	100,000	100,000	-	-	-
Long-term debt (including current portion)	4,945,981	194,067	379,096	4,372,818	-
Notes and accounts payable and other payables (including related parties)	7,519,046	7,519,046	-	-	-
Lease liabilities	332,638	121,129	82,372	69,287	59,850
Long-term payables	150,533	-	81,494	69,039	-
Guarantee deposits	11,241	484	3,137	546	7,074
Subtotal	18,906,404	13,781,691	546,099	4,511,690	66,924
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	295,665	295,665	-	-	-
Inflow	(296,101)	(296,101)	-	-	-
Subtotal	(436)	(436)	-	-	-
Foreign exchange swaps:					
Outflow	114,024	114,024	-	-	-
Inflow	(114,285)	(114,285)	-	-	-
Subtotal	(261)	(261)	-	-	-
	$ 18,905,707	13,780,994	546,099	4,511,690	66,924
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

(Continued)

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

(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) Foreign 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.

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, 2022				
	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	$ 261,935	30.7300	8,049,263	1%	80,493
CNY	171,641	4.4057	756,199	1%	7,562
Financial liabilities					
Monetary items					
USD	111,146	30.7300	3,415,517	1%	34,155
CNY	233,701	4.4057	1,029,616	1%	10,296

(Continued)

		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

With varieties of functional currencies within the consolidated entities of the Group, the Group disclosed net realized and unrealized foreign exchange gains (losses) on monetary items in aggregate. Please refer to note 6(ab) for the information with respect to the foreign exchange gains (losses) for the years ended December 31, 2022 and 2021.

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.

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, 2022 and 2021, would have been $104,702 and $86,808, respectively, lower/higher, which mainly resulted from the loans and borrowings with floating interest rates.

3) Other market risk

Structured deposits held by the Group account for principal-guaranteed deposits. The investment target of open-end mutual funds held by the Group are mostly monetary funds or bond funds. The Group anticipates that there is no significant market risk related to the funds. The Group is exposed to the risk of price fluctuation due to the investment in equity securities measured at fair value (accounted for as financial assets at fair value through other comprehensive income).

Assuming a hypothetical increase or decrease of 1% in equity price of the equity investment at each reporting date, other comprehensive income for the years ended December 31, 2022 and 2021, would have increased or decreased by $14,711 and $14,851, respectively.

(Continued)

(ae) Capital management

In consideration of industry dynamics and future development, as well as external environment factors, the Group 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, 2022 and 2021, there were no changes in the Group's approach with respect to capital management.

(af) Investing and financing activities not affecting current cash flow

(i) Please refer to note 6(l) for a description of acquisition the right-of-use assets through lease.

(ii) Investing activities with partial cash payments were as follows:

	2022	2021
Additions to property, plant, and equipment	$ 1,431,588	1,364,914
Add: payables on equipment at January 1	265,225	110,505
Prepayment for equipment at December 31	263,504	403,631
Prepayments for land at December 31	-	105,283
Reclassification from prepayments for equipment and land	507,036	349,325
Less: payables on equipment at December 31	(323,419)	(265,225)
Prepayment for equipment at January 1	(403,631)	(191,694)
Prepayment for land at January 1	(105,283)	-
Effect of exchange rates changes	(7,746)	(89,178)
Cash paid during the year	$ 1,627,274	1,787,561

(iii) Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Non-cash changes: Additions of lease liabilities	Lease modifications	Fluctuation of foreign exchange rate	December 31, 2022
Short-term borrowings	$ 5,039,971	691,686	-	-	54,739	5,786,396
Short-term notes and bills payable	-	99,584	-	-	-	99,584
Long-term debt (including current portion)	3,640,850	1,036,223	-	-	6,735	4,683,808
Lease liabilities	304,102	(125,896)	111,605	(10,870)	8,779	287,720
Other non-current liabilities	249,043	(87,269)	-	-	-	161,774
Total liabilities from financing activities	$ 9,233,966	1,614,328	111,605	(10,870)	70,253	11,019,282

	January 1, 2021	Cash flows	Acquisition	Non-cash changes: Additions of lease liabilities	Lease modifications	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 activities	$ 4,883,612	4,087,356	213,603	85,325	(32,565)	(3,365)	9,233,966

(Continued)

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:	Subsidiary of Qisda
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
DFI Inc. ("DFI")	Subsidiary of Qisda
MetaAge Corp. ("MetaAge") (foremerly Sysage Technology Co., Ltd.)	Subsidiary of Qisda
Hitron Technologies (Sip), Inc. ("HT SZ")	Subsidiary of Qisda
Hitron Technologies Inc. ("HT")	Subsidiary of Qisda
Advancedtek International Corp. ("ADVANCEDTEK")	Subsidiary of Qisda (Note)
Alpha Networks Inc. ("Alpha")	Subsidiary of Qisda
Transnet Corporation ("Transnet")	Subsidiary of Qisda
Topview Optronics Corporation ("Topview")	Subsidiary of Qisda
Shiton Investment Co., Ltd.	Other related party
Silver Star Co., Ltd.	Other related party

Note 1: From January 2021, ADVANCEDTEK became a subsidiary of Qisda and the related party of the Group.

(Continued)

(b) Significant transactions with related parties

(i) Net Sales

The amounts of significant sales to related parties were as follows:

	2022	2021
Entity with significant influence over the Group	$ 5,948	471
Joint venture	178,756	215,054
Other related parties	194,569	233,026
	$ 379,273	448,551

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

The amounts of purchases from related parties were as follows:

	2022	2021
Other related parties	$ 16,713	-

The purchase prices to related parties are not comparable to the purchase prices for third-party vendors as the specifications of products were different, and it is conducted under the agreed purchase price and condition.

(iii) Leases

The Group leased land, plant and employee dormitories from related parties. The rental is paid monthly with reference to the nearby office rental rates. The additions of the right-of-use assets were $9,745 and $9,691 for the years ended December 31, 2022 and 2021, respectively.

The Group recognized the related interest expenses of $307 and $292 in 2022 and 2021, respectively.

(iv) Receivables

The Group’s receivables from related parties were as follows:

Account	Related-party categories	December 31, 2022	December 31, 2021
Accounts receivable from related parties	Entity with significant influence over the group	$ 1,794	129
	Joint venture	84,495	74,260
	Other related parties	38,048	62,882
		$ 124,337	137,271

(Continued)

(v) Payables

The Group's payables to related parties were as follows:

Account	Related-party categories	December 31, 2022	December 31, 2021
Account payables	Other related parties	$ 12,130	261
Other payables	Entity with significant influence over the group	$ 21	12
Other payables	Joint venture	-	144
Other payables	Other related parties	4,319	4,270
		$ 4,340	4,426
Lease liability	Other related parties	$ 7,723	7,544

(c) Compensation for key management personnel

	2022	2021
Short-term employee benefits	$ 281,482	247,674
Post-employment benefits	2,660	2,948
Share-based payment	3,525	4,849
	$ 287,667	255,471

Please refer to note 6(y) for detailed information.

8. Pledged assets

The carrying amounts of assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Land, buildings and plants	Credit lines of bank loans	$ 1,237,702	1,619,635
Time deposit	Guarantees for customs duties and credit limit of credit cards	2,202	3,910
		$ 1,239,904	1,623,545

The above-mentioned time deposits were included in "financial assets at amortized costs".

(Continued)

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, 2022	December 31, 2021
Guarantees for customs duties	$ 48,948	50,436
Performance bonds	68,153	84,332
	$ 117,101	134,768

(b) Significant unrecognized commitments

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	$ 302,169	887,033

10. Significant loss from disasters: None.

11. Significant subsequent events: None.

12. Others

Employee benefits, depreciation and amortization, categorized by function were as follows:

	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	3,341,642	1,702,652	5,044,294	3,469,758	1,530,916	5,000,674
Labor and health insurance	215,952	121,069	337,021	184,778	116,094	300,872
Pension	213,668	67,271	280,939	183,586	63,203	246,789
Other employees' benefits	101,677	51,928	153,605	121,302	71,965	193,267
Depreciation	948,142	178,559	1,126,701	780,444	211,506	991,950
Amortization	6,688	100,018	106,706	10,439	91,118	101,557

For the years ended December 31, 2022 and 2021, the depreciation of investment property of $394 and $501, respectively, were reported in non-operating income and loss.

(Continued)

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: Please refer to table 5.

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 6.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 7.

(ix) Transactions about derivative instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions: Please refer to table 8.

(b) Information on investees (excluding investments in Mainland China): Please refer to table 9.

(c) Information on investment in Mainland China: Please refer to table 10.

(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.

(Continued)

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:

	2022			
	Peripheral electronic products	**Green energy products and passive components**	**Adjustment and eliminations**	**Total**
Revenue from external customers	$ 12,574,726	16,960,527	-	29,535,253
Inter-segment Revenues	-	688,570	(688,570)	-
Total	**$ 12,574,726**	**17,649,097**	**(688,570)**	**29,535,253**

	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**

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.

(Continued)

(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		**2022**	**2021**
Revenues from external customers:			
Taiwan	$	4,451,694	4,456,913
United States		2,075,932	1,216,158
Mainland China		12,376,104	14,916,797
Canada		1,977,686	1,839,037
Others		8,653,837	5,619,831
	$	29,535,253	28,048,736

Region		**December 31, 2022**	**December 31, 2021**
Non-current assets:			
Taiwan	$	7,418,903	7,106,910
Mainland China		1,965,290	2,996,066
Others		1,090,611	506,706
	$	10,474,804	10,609,682

The aforementioned non-current assets do not include financial instruments, deferred income tax assets, and pension fund assets.

(d) Major customer information

For the year ended December 31, 2021, sales to individual customers accounting for more than 10% of the revenues in the consolidated statements of comprehensive income were as follows:

		2021
Sales to Customer A	$	3,244,131

For the year ended December 31, 2022, none of the sales to individual customers exceeded 10% of the revenues in the consolidated statements of comprehensive income.

(Continued)

Darfon Electronics Corp. and Subsidiaries
Financing provided to other parties
For the year ended December 31, 2022
(Amounts in thousands of NTD and foreign currencies)

Table 1

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 from related parties	Yes	65,640 (EUR 2,000)	-	-	3.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSG	Other receivables from related parties	Yes	82,050 (EUR 2,500)	-	-	3.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSG	Other receivables from related parties	Yes	40,967 (USD 1,194 and NTD 4,287)	-	-	3.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSG	Other receivables from related parties	Yes	67,606 (USD 2,200)	67,606 (USD 2,200)	67,606 (USD2,200)	4.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	153,650 (USD 5,000)	153,650 (USD 5,000)	122,920 (USD 4,000)	3.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	30,730 (USD 1,000)	30,730 (USD 1,000)	30,730 (USD 1,000)	3.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	55,314 (USD1,800)	55,314 (USD 1,800)	30,730 (USD 1,000)	4.00%	b	-	Operating requirements	-	-	-	461,102	461,102
2	DFS	DFQ	Other receivables from related parties	Yes	245,840 (USD 8,000)	-	-	1.30%	b	-	Operating requirements	-	-	-	1,406,938	1,406,938
2	DFS	DFQ	Other receivables from related parties	Yes	245,840 (USD 8,000)	245,840 (USD 8,000)	122,920 (USD 4,000)	4.73%	b	-	Operating requirements	-	-	-	1,406,938	1,406,938
2	DFS	ISC	Other receivables from related parties	Yes	79,303 (CNY18,000)	79,303 (CNY 18,000)	39,651 (CNY9,000)	3.65%	b	-	Operating requirements	-	-	-	1,406,938	1,406,938
2	DFS	DTC	Other receivables from related parties	Yes	153,650 (USD 5,000)	153,650 (USD 5,000)	76,825 (USD2,500)	4.65%	b	-	Operating requirements	-	-	-	1,406,938	1,406,938
3	DPS	DFQ	Other receivables from related parties	Yes	132,171 (CNY 30,000)	-	-	3.85%	b	-	Operating requirements	-	-	-	184,158	184,158
3	DPS	DFQ	Other receivables from related parties	Yes	132,171 (CNY 30,000)	132,171 (CNY 30,000)	132,171 (CNY 30,000)	3.70%	b	-	Operating requirements	-	-	-	184,158	184,158
4	DZL	DTC	Other receivables from related parties	Yes	47,000	-	-	1.30%	b	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	DTC	Other receivables from related parties	Yes	60,000	-	-	1.30%	b	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	DTC	Other receivables from related parties	Yes	64,000	64,000	64,000	1.30%	b	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	DTC	Other receivables from related parties	Yes	100,000	100,000	100,000	2.00%	b	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	KSMC	Other receivables from related parties	Yes	20,000	-	-	1.30%	b	-	Operating requirements	-	-	-	261,910	261,910
5	DTC	IOC	Other receivables from related parties	Yes	15,365 (USD 500)	-	-	3.20%	b	-	Operating requirements	-	-	-	242,837	242,837
5	DTC	IOC	Other receivables from related parties	Yes	15,365 (USD 500)	15,365 (USD 500)	-	4.00%	b	-	Operating requirements	-	-	-	242,837	242,837

Note 1： The aggregate financing amount and individual financing amount of KST to other parties 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 other parties 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 other parties 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 other parties 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 other parties shall not exceed 40% of the most recent net worth of DTC.
Note 6： Purpose of Fund Financing :
a. Business transaction purpose. Short-term Financing purpose.
Note 7： The above amounts were translated into New Taiwan dollars at the exchange rate of EUR$1=NT$32.82, US$1=NT$30.73 and CNY$1=NT$4.4057.
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)

For the year ended December 31, 2022

(In thousands of NTD / shares)

Table 2

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum Ownership during 2022		Note
				Number of Shares	Carrying Value	Percentage of Ownership	Fair Value	Number of Shares	Percentage of Ownership	
The Company	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income–non-current	39,859	1,122,031	2.03%	1,122,031	39,859	2.03%	-
DZL	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	5,887	165,719	0.30%	165,719	5,887	0.30%	-
DZL	Stock: Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income–current	102	7,997	0.03%	7,997	102	0.03%	-
DZL	Stock: DFI	Subsidiary of the entity with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	50	2,945	0.04%	2,945	50	0.04%	-
UTC	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	2,860	80,509	0.15%	80,509	2,860	0.15%	-
TDI	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	3,264	91,881	0.17%	91,881	3,264	10.00%	-
TDI	Fund: Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss－current	-	30,252	-	30,252	-	-	-
DPS	Bank of Suzhou─Principal protected currency deposit in CNY	-	Financial assets at fair value through profit or loss－current	-	367,441	-	367,441	-	-	-
KST	Stock: Haro Bicycle Corporation	-	Financial assets at fair value through other comprehensive income–non-current	26	-	10.00%	-	26	0.02%	-

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
For the year ended December 31, 2022
(In thousands of NTD and foreign currencies / shares)

Table 3

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter Party	Name of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Note 1)	Shares	Amount	Shares	Amount	Carrying Value	Gain (loss) on Disposal	Shares	Amount (Note 1)
DPS	Bank of Suzhou－Principal protected currency deposit in CNY	Financial assets at fair value through profit or loss－current	Bank of Suzhou	-	-	360,342 (CNY 81,790)	-	878,938 (CNY199,500)	-	873,003 (CNY 198,153)	871,839 (CNY 197,889)	1,164 (CNY 264)	-	367,441 (CNY83,401)

Note 1： The beginning and ending balance include adjustments of fair value.
Note 2： The above amounts were translated into New Taiwan dollars at the exchange rate of CN$1=NT$4.4057.

Darfon Electronics Corp. and Subsidiaries

Acquisitiontof real estate which exceeds $300 million or 20% of the paid-in capital

For the year ended December 31, 2022

(Amounts in thousands of NTD)

Table 4

Company name	Property name	Transaction Date	Transaction Amount	Status of Payment	Counter Party	Relationship with the Counter Party	If the Counter Party is a Related Party, Disclose the Previous Transfer Information				Price Reference	Purpose of Acquisition and Current Condition	Note
							Owner	Relationship with the Counter Party	Date of Transfer	Amount			
DFV	Buildings	August 1, 2021	794,277	597,878	MeiZic steel Building Co., Ltd Jianxing Viet Nam Construction Development Co., Ltd Best Sun Technology Co., Ltd R.J. Wu Architects and Engineers Acter Group Co., Ltd	-	-	-	-	-	Open bidding	Operating requirements	NA

Darfon Electronics Corp. and Subsidiaries

Disposal of real estate which exceeds $300 million or 20% of the paid-in capital

For the year ended December 31, 2022

(Amounts in thousands of NTD and foreign currencies)

Table 5

Company Name	Property Name	Transaction Date	Acquisition Date	Book Value	Transaction Amount	Status of payment	Gain or Loss on Disposal of Real Estate	Relation with the Counter Party	Counter Party	Purpose of Disposal	Price Reference	Note
DFS	Land use rights and buildings	December 21, 2022	Land use rights: December 2002 Buildings I: December 2005 Buildings II: August 2007 Buildings III: July 2009	921,812 (CNY 209,232)	3,131,950 (CNY 710,886) (Note 1)	CNY 215,000 thousand was received on January 15, 2023. CNY 142,000 thousand will be received by the end of April 2023. CNY 142,000 thousand will be received by the end of August 2023. CNY 211,886 thousand will be received within 1 month after the transfer in land use rights and buildings.	(Note 2)	-	Suzhou High-tech Zone (Huqiu District) Land Reserve Center Management Committee of Suzhou High-tech Industrial Development Zone	To activate assets and respond to the needs of urban construction and devleopment in Mainland China	Acquisition price regulated by local government	The transfer in land use rights and buildings will be completed by Decemeber 2023.

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of CNY$1=NT$4.4057.

Note 2: Gain or loss on disposal of the above real estate will be determined with the settlement of the related tax and expenses.

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, 2022
(Amounts in thousands of NTD)

Table 6

Company Name	Related Party	Nature of 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-subsudiary	(Sales)	(255,296)	2%	OA90 to OA135	Note 1	OA30 to OA135	53,755	1%	-
The Company	DFH	Parent-subsudiary	(Sales)	(105,188)	1%	OA90 to OA135	Normal price	OA30 to OA135	498,334	11%	-
The Company	DFA	Parent-subsudiary	(Sales)	(356,398)	2%	OA135	Normal price	OA30 to OA135	202,947	4%	-
The Company	DFC	Parent-subsudiary	(Sales)	(134,426)	1%	OA180	Normal price	OA30 to OA135	98,350	2%	-
The Company	DTC	Parent-subsudiary	(Sales)	(121,004)	1%	OA135	Normal price	OA30 to OA135	91,276	2%	-
The Company	DET	Parent-subsudiary	Purchases	131,397	1%	OA90	Normal price	OA30 to OA135	(101,696)	2%	-
The Company	DFS	Parent-subsudiary	Purchases	1,689,463 (Note 2)	13%	OA90 to OA135	Note 1	OA30 to OA135	(1,272,816)	27%	-
The Company	DFH	Parent-subsudiary	Purchases	6,194,156	48%	OA90 to OA135	Note 1	OA30 to OA135	(2,373,161)	50%	-
The Company	DFQ	Parent-subsudiary	Purchases	3,446,025	27%	OA90 to OA135	Note 1	OA30 to OA135	(790,526)	17%	-
The Company	DTC	Parent-subsudiary	Purchases	141,454	1%	OA135	Normal price	OA30 to OA135	(2,716)	0%	-
DET	The Company	Parent-subsudiary	(Sales)	(131,397)	22%	OA90	Normal price	OA30 to OA135	101,696	33%	-
DET	DFS	Parent-subsudiary	Purchases	311,566	66%	OA90	Normal price	OA30 to OA135	(301,793)	81%	-
DFS	DET	Affiliates	(Sales)	(311,566)	6%	OA90	Normal price	OA30 to OA135	301,793	14%	-
DFS	The Company	Parent-subsudiary	(Sales)	(1,689,463) (Note 2)	31%	OA90 to OA135	Note 1	OA30 to OA135	1,272,816	60%	-
DFS	DFH	Affiliates	(Sales)	(312,008)	6%	OA90 to OA135	Note 1	OA30 to OA135	112,909	5%	-
DFS	The Company	Parent-subsudiary	Purchases	255,296	7%	OA90 to OA135	Normal price	OA30 to OA135	(53,755)	7%	-
DFS	DFQ	Affiliates	Purchases	403,686	9%	OA90 to OA135	Note 1	OA30 to OA135	(52,206)	7%	-
DFH	The Company	Parent-subsudiary	(Sales)	(6,194,156)	99%	OA90 to OA135	Note 1	OA30 to OA135	2,373,161	98%	-
DFH	The Company	Parent-subsudiary	Purchases	105,188	2%	OA90 to OA135	Normal price	OA30 to OA135	(498,334)	33%	-
DFH	DFS	Affiliates	Purchases	312,008	7%	OA90 to OA135	Note 1	OA30 to OA135	(112,909)	8%	-
DFQ	DFS	Affiliates	(Sales)	(403,686)	9%	OA90 to OA135	Note 1	OA30 to OA135	52,206	6%	-
DFQ	The Company	Parent-subsudiary	(Sales)	(3,446,025)	88%	OA90 to OA135	Note 1	OA30 to OA135	790,526	89%	-
DFA	The Company	Parent-subsudiary	Purchases	356,398	97%	OA135	Normal price	OA30 to OA135	(202,947)	100%	-
DFC	The Company	Parent-subsudiary	Purchases	134,426	41%	OA180	Normal price	OA30 to OA135	(98,350)	91%	-
KST	KSG	Parent-subsudiary	(Sales)	(198,943)	4%	Individual Stipulation	Normal price	OA30 to OA120	623,493	43%	-
KST	KSV	Parent-subsudiary	(Sales)	(148,898)	3%	Individual Stipulation	Normal price	OA30 to OA120	188,327	13%	-
KSV	KST	Parent-subsudiary	Purchases	148,898	23%	Individual Stipulation	Normal price	OA30 to OA120	(188,327)	76%	-
KSG	KST	Parent-subsudiary	Purchases	198,943	17%	Individual Stipulation	Normal price	OA30 to OA120	(623,493)	87%	-
DTC	Dfeu	Affiliates	(Sales)	(359,133)	43%	OA135	Normal price	OA30 to OA135	277,806	69%	-
DTC	The Company	Parent-subsudiary	(Sales)	(141,454)	17%	OA135	Normal price	OA30 to OA135	2,716	1%	-

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, 2022
(Amounts in thousands of NTD)

Table 6

Company Name	Related Party	Nature of 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	
DTC	BESVJ	Joint ventures	(Sales)	(178,756)	21%	EOM60	Normal price	OA30 to OA135	84,495	21%	-
DTC	The Company	Parent-subsudiary	Purchases	121,004	10%	OA135	Normal price	OA30 to OA135	(91,276)	57%	-
Dfeu	DTC	Affiliates	Purchases	359,133	100%	OA135	Normal price	OA30 to OA135	(277,806)	99%	-
BESVJ	DTC	Joint ventures	Purchases	178,756	100%	EOM60	Normal price	OA30 to OA135	(84,495)	100%	-

Note 1： The products may vary from the product specification. There is no comparable transaction available.

Note 2： The sales from repurchasing after processing have been eliminated.

Note 3： Except for transactions between DTC and BESVJ (joint ventures), the above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Receivables from related parties which exceed $100 million or 20% of the paid-in capital
For the year ended December 31, 2022
(Amounts in thousands of NTD)

Table 7

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Note
					Amount	Action taken			
The Company	DFH	Parent-Subsidiary	498,334	0.17	163,544	-	203,688	-	-
The Company	DFA	Parent-Subsidiary	202,947	1.20	22,048	-	49,587	-	-
DET	The Company	Parent-Subsidiary	101,696	2.58	-	-	-	-	-
DFS	The Company	Parent-Subsidiary	1,272,816	1.22 (Note 2)	421,457	-	207,629	-	-
DFS	DET	Affiliates	301,793	2.06	100,269	-	100,269	-	-
DFS	DFH	Affiliates	112,909	2.14	26,638	-	26,322	-	-
DFS	DFQ	Affiliates	123,114	(Note 1)	-	-	-	-	-
DFH	The Company	Parent-Subsidiary	2,373,161	2.33	1,182,794	-	898,190	-	-
DFQ	The Company	Parent-Subsidiary	790,526	3.24	287,203	-	287,203	-	-
DPS	DFQ	Affiliates	135,255	(Note 1)	-	-	-	-	-
DZL	DTC	Affiliates	165,081	(Note 1)	-	-	-	-	-
KST	KSG	Parent-Subsidiary	623,493	0.33	-	-	-	-	-
KST	KSV	Parent-Subsidiary	188,327	1.03	-	-	-	-	-
KST	KSV	Parent-Subsidiary	187,194	(Note 1)	-	-	-	-	-
DTC	DFeu	Affiliates	277,806	2.52	-	-	-	-	-

Note 1： Since the receivables do not arise from selling and purchasing transactions, calculation of turnover rate is not applicable.
Note 2： Turnover rate is calculated based on the accounts receivable including the amount of repurchase after processing.
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 December 31, 2022

(Amounts in thousands of NTD)

Table 8

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Payment Terms	Percentage of Consolidated Operating Revenue or Total Assets (Note 4)
0	The Company	DFA	1	Sales	356,398	OA135	1%
0	The Company	DFH	1	Accounts receivable	498,334	OA135	1%
1	DFS	DFH	3	Sales	312,008	OA135	1%
1	DFS	DET	3	Sales	311,566	OA90	1%
1	DFS	The Company	2	Sales	1,689,463	OA135	6%
1	DFS	The Company	2	Accounts receivable	1,272,816	OA135	4%
2	DFH	The Company	2	Sales	6,194,156	OA135	21%
2	DFH	The Company	2	Accounts receivable	2,373,161	OA135	7%
3	DFQ	DFS	3	Sales	403,686	OA135	1%
3	DFQ	The Company	2	Sales	3,446,025	OA135	12%
3	DFQ	The Company	2	Accounts receivable	790,526	OA135	2%
4	KST	KSG	1	Accounts receivable	623,493	Individual Stipulation	2%
5	DTC	DFeu	3	Sales	359,133	OA135	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: The relationships with counterparties are as follows:

No. “1” represents the transactions from the Company to subsidiary.

No. “2” represents the transactions from subsidiary to the Company.

No. “3” represents the transactions between subsidiaries.

Note 3: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated operating revenue or total asstes.

The corresponding purchases and accounts payable are not disclosed.

Note 4: Percentage of consolidated operating revenue or total assets is based on 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, 2022
(In Thousands of NTD / shares)

Table 9

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Maximum percentage of Ownership during 2022		Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	DFBVI	BVI	Investment holding	317,103	317,103	34,150	100.00%	1,835,486	34,150	100.00%	34,690	34,690	The Company's subsidiary
The Company	DFLB	Malaysia	Investment holding	2,633,584	2,536,514	77,989	100.00%	5,631,763	77,989	100.00%	352,101	352,101	The Company's subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	6,969	6,969	2,772	100.00%	27,796	2,772	100.00%	1,796	1,796	The Company's subsidiary
The Company	DZL	Taiwan	Investment holding	550,000	450,000	55,910	100.00%	654,776	55,910	100.00%	38,805	38,805	The Company's subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related components	314,328	217,892	26,467	55.72%	338,304	26,467	58.07%	27,488	15,036	The Company's subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	21,927	6,200	100.00%	(15,183)	(15,183)	The Company's subsidiary
The Company	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	714,680	714,680	17,551	37.44%	904,996	17,551	37.44%	269,773	75,827	The Company's subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related components	819,960	720,000	28,300	58.54%	820,969	28,300	60.00%	20,359	4,081	The Company's subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	292,558	292,558	-	100.00%	269,389	-	100.00%	(26,344)	(26,344)	The Company's subsidiary
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	407,809	26,410	62.75%	425,756	26,410	62.75%	37,183	21,844	The Company's subsidiary
The Company	ATC	Taiwan	Manufacture and sale of bicycles and related components	1,224,000	1,224,000	24,480	46.36%	1,380,184	24,480	51.00%	368,492	156,426	The Company's subsidiary
The Company	DET	Taiwan	Manufacturing and wholesale of batteries and electric components	421,800	250,000	21,090	87.00%	492,236	21,090	100.00%	63,497	63,451	The Company's subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related components	77,138	45,300	6,398	13.47%	81,775	6,398	13.47%	27,488	-	The Company's 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	9.31%	234,754	4,361	9.31%	269,773	-	The Company's subsidiary
UTC	UTI	Mauritius	Investment holding	29,756	25,291	968	100.00%	11,048	968	100.00%	(6,341)	-	The Company's indirect subsidiary
KST	KSG	Germany	Assemble and sale of bicycles	361,371	361,371	-	100.00%	-	-	100.00%	(93,102)	-	The Company's indirect subsidiary

Darfon Electronics Corp. and Subsidiaries
Information on investees (excluding investments in Mainland China)
For the year ended December 31, 2022
(In Thousands of NTD / shares)

Table 9

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Maximum percentage of Ownership during 2022		Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
KST	KSI	Germany	Lease, purchase and management of movable property and immovable property ,and sale of bicycles and related components	87,853	87,853	-	100.00%	-	-	100.00%	2,912	-	The Company's indirect subsidiary
KST	KSV	Vietnam	Manufacture and sale of bicycles and related components	475,406	475,406	-	100.00%	-	-	100.00%	(41,545)	-	The Company's indirect subsidiary
DFLB	DFC	Czech Republic	Trading of electronic products	94,514	299	-	100.00%	197,956	-	100.00%	7,187	-	The Company's indirect subsidiary
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	48,920	200	100.00%	2,664	-	The Company's indirect subsidiary
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	1,547	10	100.00%	356	-	The Company's indirect subsidiary
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	463,113	1,000	100.00%	5,647	-	The Company's
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	-	-	100.00%	0	-	The Company's
DTC	BESVJ	Japan	Trading of green products	43,793	26,690	3	49.00%	33,826	3	49.00%	(7,796)	-	Joint ventures
DTC	IOC	Hong Kong	Agent of bicycles and related components	148,235	148,235	19,000	76.00%	155,277	19,000	76.00%	10,575	-	The Company's
DTC	KSMC (Note 2)	Taiwan	Manufacture and sale of bicycles and related components	-	47,465	-	-	-	4,500	100.00%	8,986	-	The Company's
ATC	Rich Glory International Inc.	Samoa	Investment holding	35,107	35,107	1,241	33.33%	41,419	1,241	33.33%	1,367	-	Associate
ATC	ATB	BVI	Investment holding	577,385	577,385	3	100.00%	596,940	3	100.00%	65,920	-	The Company's
ATB	ATV	Vietnam	Manufacture and sale of bicycles and related components	872,463	872,463	-	100.00%	596,940	-	100.00%	65,919	-	The Company's

Note 1: The above intercompany transactions within the Group have been eliminated when preparing the consolidated financial statements.
Note 2: In 2022, KSMC was merged into DTC and KSMC was dissolved.

Darfon Electronics Corp. and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2022
(In Thousands of NTD / shares)

Table 10

1. Name and main businesses and products of investee companies in Mainland China:

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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum % of ownership in 2022	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow				% of ownership			
DFS	Manufacture and sale of the Company's products	851,989 (USD 27,725) (Note 4)	(Note 1)	719,082 (USD 23,400)	-	-	719,082 (USD 23,400)	65,774	100.00%	100.00%	65,774	3,517,346	249,466 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,505,770 (USD 49,000)	(Note 1)	1,505,770 (USD 49,000)	-	-	1,505,770 (USD 49,000)	206,999	100.00%	100.00%	206,999	2,397,827	-
DPS	Mold development and manufacture	30,730 (USD 1,000)	(Note 1)	30,730 (USD 1,000)	-	-	30,730 (USD 1,000)	7,082	100.00%	100.00%	7,082	460,398	-
DFQ	Manufacture and sale of the Company's products	307,300 (USD 10,000)	(Note 1)	307,300 (USD 10,000)	-	-	307,300 (USD 10,000)	94,380	100.00%	100.00%	94,380	864,313	-
UTZ	Wireless antennas for telecommunication, components design and marketing	27,811 (USD 905)	(Note 1)	23,201 (USD 755)	4,610 (USD 150)	-	27,811 (USD 905)	(6,250)	100.00%	100.00%	(6,250)	10,236	-
ISC	Agent of bicycles and related components	7,882 (HKD 2,000)	(Note 3)	-	-	-	-	10,004	76.00%	76.00%	7,603	7,882	-

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 Company's auditors.

Note 3： The investment was from the operating capital of IOC.

Note 4： Including US$ 4,325 thousand from capitalization of retained earnings.

Darfon Electronics Corp. and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2022
(In Thousands of NTD / shares)

Table 10

2. Limits on investments in Mainland China:

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company	2,313,416 (USD 75,282)	2,415,593 (USD 78,607)	(Note)
DET	-	153,650 (USD 5,000)	339,467
UTC	27,811 (USD 905)	27,811 (USD 905)	1,014,012
DTC	-	5,990 (HKD 1,520)	364,255

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1=NT$30.73 and HKD$1=NT$3.941.
Note: Since the Company has obtained the certificate of headquarters operation, there is no upper limit on investments in Mainland China.

3. Significant transactions with investee companies in Mainland China:

For further information on the transactions between the Group entities and the above investee companies (the intercompany transactions) in 2022, please refer to “Information on significant transactions”.

Appendix 2

Stock Code：8163

DARFON ELECTRONICS CORP.

Parent-Company-Only Financial Statements With Independent Auditors' Report

For the Years Ended December 31, 2022 and 2021

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.：

Opinion

We have audited the parent-company-only financial statements of Darfon Electronics Corp. (the "Company"), which comprise the parent-company-only balance sheets as of December 31, 2022 and 2021, and the parent-company-only 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing 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 Auditors' 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant 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 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.

Key audit matters for the Company's parent-company-only financial statements for the year ended December 31, 2022 are stated as follows:

1. Valuation of inventories

   Please refer to note 4(g) for the accounting policies on inventory valuation, note 5(a) for uncertainty of accounting estimations and assumptions for inventory valuation, and not 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 rapid technological changes, 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 of inventory may exceed its net realizable value which lead to inventory depreciation loss. Particularly, the estimation of net realizable value requires the management's subjective judgements. 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 Company, 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 Company's accounting policies; and assessing the reasonableness of management's estimates of inventory provisions.

2. Assessment of impairment of goodwill from investments in subsidiaries

Please refer to note 4(m) for the accounting policies on impairment of –financial assets, note 5(b) for the uncertainty of accounting estimations and assumptions for goodwill impairment, 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 subject to impairment test annually or at the time there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill 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 out audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the assessment 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 Company's disclosure with respect to the related information on goodwill impairment.

Responsibility 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 going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that as 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, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess 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 or provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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. Evaluate 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. Obtain sufficient appropriate audit evidence regarding the financial information of the investees 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 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 parent-company-only financial statements for the year ended December 31, 2022 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 circumstance, 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 Tzu-Chieh Tang and Huei-Chen Chang.

KPMG

Taipei, Taiwan

Republic of China

March 7, 2023

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

DARFON ELECTRONICS CORP.

Parent-Company-Only Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets：				
1100	Cash and cash equivalents (note 6(a))	$ 898,836	4	64,900	-
1110	Financial assets at fair value through profit or loss－current (note 6(b))	617	-	1,203	-
1170	Notes and accounts receivable, net (note 6(d) and (o))	3,594,306	16	5,465,122	23
1180	Accounts receivable from related parties (note 6(d)、(o) and 7)	1,092,486	5	1,612,017	7
1212	Other receivables from related parties (note 7)	25,877	-	-	-
130X	Inventories (note 6(e))	1,012,387	4	1,400,176	6
1470	Prepayments and other current assets	87,139	-	91,971	1
	Total current assets	6,711,648	29	8,635,389	37
	Non-current assets：				
1517	Financial assets at fair value through other comprehensive income－none-current (note 6(c))	1,122,031	5	1,213,707	5
1550	Investments accounted for using equity method (note 6(f) and 7)	12,221,026	53	10,646,474	45
1600	Property, plant and equipment (note 6(g)、7 and 8)	2,749,848	12	2,746,869	12
1840	Deferred income tax assets (note 6(l))	73,009	-	103,068	-
1915	Prepayments for equipment	150,506	1	181,050	1
1920	Refundable deposits	1,080	-	1,080	-
1990	Other non-current assets	708	-	1,647	-
	Total non-current assets	16,318,208	71	14,893,895	63
	Total assets	**$ 23,029,856**	**100**	**23,529,284**	**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.

Parent-Company-Only Balance Sheets (Continued)

December 31, 2022 and 2021
(Expressed in thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities：				
2100	Short-term borrowings (note 8)	$ 1,864,000	8	2,222,548	9
2170	Notes and accounts payable	236,098	1	360,918	2
2180	Accounts payable from related parties (note 7)	4,540,922	20	5,768,066	25
2200	Other payables (note 6(p) and 7)	1,330,272	6	1,320,430	6
2250	Provision－current (note 6(j))	61,914	-	79,089	-
2300	Other current assets (note 6(o))	405,056	2	255,668	1
	Total current liabilities	8,438,262	37	10,006,719	43
	Non-current liabilities：				
2540	Long-term debt (note 6(i) and 8)	4,050,000	17	3,620,000	15
2640	Net defined benefit liability－non-current (note 6(k))	26,403	-	59,601	-
2670	Other non-current liabilities	640	-	779	-
	Total non-current liabilities	4,077,043	17	3,680,380	15
	Total liabilities	12,515,305	54	13,687,099	58
	Equity (note 6(f) and (m))：				
3110	Common stock	2,800,000	12	2,800,000	12
3200	Capital surplus	4,116,058	18	4,132,767	18
	Retained earnings：				
3310	Legal reserve	1,234,562	5	1,116,990	5
3320	Special reserve	422,523	2	386,607	1
3350	Unappropriated earnings	1,997,724	9	1,828,344	8
		3,654,809	16	3,331,941	14
	Other equity：				
3410	Foreign currency translation differences	(297,877)	(1)	(765,143)	(4)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	257,193	1	379,613	2
3445	Remeasurements of defined benefit	(15,632)	-	(36,993)	-
		(56,316)	-	(422,523)	(2)
	Total equity	10,514,551	46	9,842,185	42
	Total liabilities and equity	**$ 23,029,856**	**100**	**23,529,284**	**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.

Parent-Company-Only Comprehensive Income

December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	**Net sales (note 6(o) and 7)**	$ 14,372,374	100	17,702,426	100
5000	**Costs of sales (note 6(e)、(g)、(j)、(k)、(p)、7 and 12)**	(12,730,883)	(89)	(15,782,173)	(89)
5900	**Gross profit**	1,641,491	11	1,920,253	11
5910	Less：Unrealized (realized) profit on sales	61,315	1	(67,519)	(1)
5950	**Realized gross profit**	1,702,806	12	1,852,734	10
6000	**Operating expenses (note 6(d)、(g)、(k)、(p)、7 and 12)：**				
6100	Selling expenses	(463,256)	(3)	(436,720)	(2)
6200	Administrative expenses	(289,978)	(2)	(332,169)	(2)
6300	Research and development expenses	(489,195)	(4)	(505,952)	(3)
6000	**Total operating expenses**	(1,242,429)	(9)	(1,274,841)	(7)
6900	**Operating income**	460,377	3	577,893	3
7000	**None-operating income and expenses (note 6(f)、(g)、(q) and 7):**				
7100	Interest income	2,353	-	172	-
7010	Other income	115,198	1	72,452	-
7020	Other gains and losses	26,863	-	(20,245)	-
7050	Financial Costs	(75,387)	-	(45,912)	-
7070	Share of the profit of subsidiaries accounted for using equity method	722,530	5	690,925	4
	Total non-operating income and loss	791,557	6	697,392	4
7900	**Income before income tax**	1,251,934	9	1,275,285	7
7950	**Income tax expenses (note 6(l))**	(89,066)	(1)	(128,752)	(1)
8200	**Net income**	1,162,868	8	1,146,533	6
	Other comprehensive income (note 6(k)、(l) and (m))：				
8310	**Items that will not be reclassifies subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans	25,099	-	(7,216)	-
8316	Unrealized gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(91,676)	-	58,339	-
8330	Share of the other comprehensive income of subsidiaries accounted for using equity method	(29,462)	-	22,099	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	(5,020)	-	1,443	-
		(101,059)	-	74,665	-
8360	**Items that may be reclassifies subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	488,370	3	(74,547)	-
8380	Share of the other comprehensive income of subsidiaries and joint ventures accounted for using equity method	(21,104)	-	(6,845)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		467,266	3	(81,392)	-
	Other comprehensive income (loss) for the year, net of income tax	366,207	3	(6,727)	-
8500	**Total comprehensive income for the year**	**$ 1,529,075**	**11**	**1,139,806**	**6**
	Earnings per share(in New Taiwan dollars)(note 6(n))				
9750	**Basic earnings per share**	**$ 4.15**		**4.09**	
9850	**Diluted earnings per share**	**$ 4.09**		**4.05**	

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.

Parent-Company-Only of Statement of Changes in Equity

December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

			Retained earnings				Total other equity interest				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Unrealized gains (losses) from financial assets Measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total equity
Balance at January 1, 2021	$ 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)	-	-	-	-	-	-
Cash dividends	-	-	-	(105,663)	105,663	-	-	-	-	-	-
Cash dividends of preference share	-	-	-	-	(700,000)	(700,000)	-	-	-	-	(700,000)
Difference between consideration and carrying amount arising from acquisition or disposal of shares of subsidiaries	-	7,092	-	-	-	-	-	-	-	-	7,092
Changes in ownership interest in subsidiaries	-	204,221	-	-	-	-	-	-	-	-	204,221
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
Net income	-	-	-	-	1,162,868	1,162,868	-	-	-	-	1,162,868
Other comprehensive income	-	-	-	-	-	-	467,266	(122,420)	21,361	366,207	366,207
Total comprehensive income	-	-	-	-	1,162,868	1,162,868	467,266	(122,420)	21,361	366,207	1,529,075
Appropriation of earnings：											
Legal reserve	-	-	117,572	-	(117,572)	-	-	-	-	-	-
Special reserve	-	-	-	35,916	(35,916)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(840,000)	(840,000)	-	-	-	-	(840,000)
Changes in ownership interest in subsidiaries	-	(16,709)	-	-	-	-	-	-	-	-	(16,709)
Balance at December 31, 2022	**$ 2,800,000**	**4,116,058**	**1,234,562**	**422,523**	**1,997,724**	**3,654,809**	**(297,877)**	**257,193**	**(15,632)**	**(56,316)**	**10,514,551**

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.

Parent-Company-Only of Statement of Cash Flows

December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities：		
Income before income tax	$ 1,251,934	1,275,285
Adjustments：		
Adjustments to reconcile profit or loss：		
Depreciation	204,787	197,590
Amortization	793	2,211
Interest expense	75,387	45,912
Interest income	(2,353)	(172)
Dividend income	(99,648)	(54,839)
Employees' compensation from subsidiaries	4,541	3,468
Share of the profit of subsidiaries accounted for using equity method	(722,530)	(690,925)
Gains on disposal of property, plant, equipment and intangible assets	(4,722)	(4,900)
Impairment losses on property, plant and equipment	1,467	172
Unrealized (realized) profit from sales	(61,315)	67,519
Total adjustments to reconcile profit or loss	(603,593)	(433,964)
Changes in operating assets and liabilities：		
Changes in operating assets：		
Financial assets at fair value through profit or loss	586	7,369
Notes and accounts receivable	1,596,139	(731,365)
Notes and accounts receivable from related parties	519,531	(258,665)
Other receivable from related parties	(25,877)	-
Inventories	219,685	(63,790)
Prepayments and other current assets	3,708	14,087
Total changes in operating assets	2,313,772	(1,032,364)
Changes in operating liabilities：		
Notes and accounts payable	(124,820)	17,385
Notes and accounts payable from related parties	(1,023,991)	424,521
Other payables	40,950	175,641
Provisions	17,509	50
Other current liabilities	147,043	(76,802)
Net defined benefit liability	(3,875)	(3,780)
Total changes in operating liabilities	(947,184)	537,015
Total changes in operating assets and liabilities	1,366,588	(495,349)
Total adjustment	762,995	(929,313)
Cash provided by operations	2,014,929	345,972
Interest received	2,353	172
Interest paid	(72,341)	(45,190)
Income taxes paid	(42,151)	(113,370)
Net cash used in operating activities	1,902,790	187,584

(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.

Parent-Company-Only of Statement of Cash Flows (Continued)

December 31, 2022 and 2021

(Expressed in thousands of New Taiwan Dollars)

	2022	2021
Cash flows from investing activities：		
Purchase of financial assets at fair value through other comprehensive income	-	(96,985)
Purchase of investments accounted for using equity method	(393,465)	(1,675,330)
Disposal of investments accounted for using equity method	-	9,800
Proceed from capital reduction of equity-accounted investees	-	120,249
Additions to property, plant and equipment (including prepayments for equipment)	(199,012)	(454,247)
Proceeds from disposal of property, plant and equipment	3,085	1,543
Decrease in refundable deposits	-	403
Cash outflow from business division	(10)	-
Dividends received	289,233	189,373
Net cash used in investing activities	(300,169)	(1,905,194)
Cash flows from financing activities：		
Increase (decrease) in short-term borrowings	(358,548)	682,548
Decrease in short-term notes and bills payable	-	(439,721)
Increase in long-term debt	1,050,000	2,020,000
Repayments of long-term debt	(620,000)	-
Payment of lease liabilities	(137)	(163)
Cash dividends distributed to shareholders	(840,000)	(700,000)
Net cash provided by (used in) financing activities	(768,685)	1,562,664
Net increase (decrease) in cash and cash equivalents	833,936	(154,946)
Cash and cash equivalents at beginning of year	64,900	219,846
Cash and cash equivalents at end of year	$ 898,836	64,900

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 the Parent-Company-Only Financial Statement

December 31, 2022 and 2021

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

1. Organization and business

Darfon Electronics Corp. (the "Company") was incorporated on May 8, 1997, as a company limited by shares under 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 mainly engaged in the manufacture and sale of computer peripherals, electronic components and green energy related products.

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 7, 2023.

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 Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2022：

- 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"

(b) The impact of IFRS endorsed 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, 2023, would not have a significant impact on its parent-company-only financial statements：

- 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"

(Continued)

(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 per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The current IAS 1 stipulates that liabilities for which the enterprise does not have an unconditional right to defer settlement for at least twelve months after reporting period shall be classified as current. The amendment deletes the requirement that the right should be unconditional and instead requires that the right must exist and be substantive at the end of the reporting period. The amendment clarifies how the enterprise should classify the liabilities paid off by issuing its own equity instruments (such as convertible corporate bonds).	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Contractual Terms”	After reconsidering certain aspects of the IAS 1 amendments in 2020, the new amendment clarifies that only contractual terms in compliance on or before the reporting date affect the classification of a liability as current or non-current. The contractual terms to which a business is bound after the reporting date (that is, future terms) do not affect the classification of liabilities at that date. However, when non-current liabilities are subject to future contractual terms, companies need to disclose information to help users of financial statements understand the risk that such liabilities may be repaid within twelve months of the reporting date.	January 1, 2024

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and 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 endorsed by the FSC, to have a significant impact on its parent-company-only financial statements：

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFSR 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 16 “Requirements for Sale and Leaseback Transactions”

(Continued)

4. Summary of significant accounting policies

The significant accounting policies presented in the parent-company-only financial statements are summarized as follows, and have been applied consistently to all periods presented in these 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” (the “Regulations”).

(b) Basis of preparation

(i) Basis if measurement

The accompanying parent-company-only 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 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 the Company 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 (“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 Company's parent-company-only financial statements at the exchange rates at the reporting date. The income and expenses are translated into the presentation currency of the Company's parent-company-only 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 reclassifies 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 noon-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 lf 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 Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

- It is held within a business model whose objective is to hold 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.

(Continued)

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

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, notes and accounts receivable, other receivables and refundable deposits).

The Company measures loss allowances at an amount equal to lifetime (ECL), except for the following financial assets which are measured as 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 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 Company is exposed to credit risk.

(Continued)

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

The Company enters into transactions whereby it transfers assets recognized in its 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 agreements and the definition 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 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.

(Continued)

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 derecognized 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 financial asset; otherwise, it is classified as financial liability.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated 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 condition 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 overhead is allocated based on the actual capacity of machinery and equipment. Net realizable value represents the estimated selling price in the ordinary course of business, less, all estimated costs of completion and necessary selling expenses.

(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.

Continued)

Investment 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 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 kiss recognized forms part of the carrying amount of the investment. Ant 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 associate are recognized only to extent of unrelated investors' 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, 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 of 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. The carrying amount of an investment in a subsidiary includes the goodwill identified at the time of the original investment, less any accumulated impairment losses. 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.

(Continued)

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 reassess 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 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.

(Continued)

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 are depreciated based on the estimated useful lives of their significant component—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 reporting date, 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 modification in lease subject, scope of the lease or other terms.

When the lease liability is remeasured due to the aforementioned changes in the index or rate used to determine the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of the purchase, extension or termination options, 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, 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 represents 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.

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 recognized 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 software 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 5 to 10 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.

(Continued)

(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, 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 is indication 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 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.

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 of 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.

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.

(o) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The 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 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 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 benefit sill 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.

(Continued)

When the benefits of a plan are improved, the expense 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 recognized 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 related 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 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.

(Continued)

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 electronics industry, 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 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) Assessment of impairment of goodwill from investments in subsidiaries

The assessment of impairment of goodwill requires the Company to male subjective judgements 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

	December 31, 2022	December 31, 2021
Cash on hand	$ 753	935
Demand deposits and checking accounts	391,037	63,965
Time deposits with original maturities less than three months	507,046	-
	$ 898,836	64,900

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

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not designated for hedge accounting:		
Foreign currency forward contracts	$ 617	1,203

(Continued)

The Company 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, 2022		
Contract amount (in thousands)	**Currency**	**Maturity Period**
USD $ 5,000	CNY Buy / USD Sell	2023.01

December 31, 2021		
Contract amount (in thousands)	**Currency**	**Maturity Period**
USD $ 12,000	CNY Buy / USD Sell	2022.01

(c) Financial assets at fair value through other comprehensive income－non-current:

	December 31, 2022	**December 31, 2021**
Equity investments at fair value through other comprehensive income:		
Domestic listed stocks	$ 1,122,031	1,213,707

The Company 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.

No strategic investments were disposed for the years ended December 31, 2022 and 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(d) Notes and accounts receivable

	December 31, 2022	**December 31, 2021**
Notes and accounts receivable	$ 3,620,147	5,487,378
Less: less allowance	(25,841)	(22,256)
	3,594,306	5,465,122
Accounts receivable from related parties	1,092,486	1,612,017
	$ 4,686,792	7,077,139

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

(Continued)

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 2,673,773	0.29%	7,832
Past due 1-30 days	744,807	1.27%	9,468
Past due 31-60 days	200,009	3.58%	7,152
Past due 61-90 days	190	46.08%	87
Past due 91-120 days	1,066	93.78%	1,000
Past due over 121 days	302	100.00%	302
	$ 3,620,147		25,841

	December 31, 2021		
	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

As of December 31, 2022 and 2021, notes and accounts receivable from related parties were evaluated by the Company to have no expected credit losses and were analyzed as follows:

	December 31, 2022	December 31, 2021
Current	$ 790,562	1,313,375
Past due 1-30 days	169,357	210,899
Past due 31-60 days	96,637	76,618
Past due 61-90 days	26,190	10,959
Past due 91-120 days	-	1
Past due over 121 days	9,740	165
	$ 1,092,486	1,612,017

(Continued)

Movements of the loss allowance for December 31, 2022 and 2021 were as follows:

	2022	2021
Balance at January 1	$ 22,256	22,256
Impairment losses	3,585	-
Balance at December 31	$ 25,841	22,256

(e) Inventories

	December 31, 2022	December 31, 2021
Raw materials	$ 334,610	252,661
Work in process	35,909	56,022
Finished goods	641,868	1,091,493
	$ 1,012,387	1,400,176

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

	2022	2021
Cost of inventories sold	$ 12,671,145	15,669,399
Write-downs of inventories	59,738	111,401
Loss on scrap	-	1,373
	$ 12,730,883	15,782,173

The write-downs of inventories arise from the write-downs of inventories to net realizable value.

(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:

	December 31, 2022	December 31, 2021
Subsidiaries	$ 12,221,026	10,646,474

(i) Subsidiaries

Please refer to consolidated financial statements for the year ended December 31, 2022.

The following table summarized the amount recognized by the Company at its share of those subsidiaries:

	2022	2021
Subsidiaries	$ 722,530	690,925

(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. Thereafter, ATC and its subsidiaries have become the Company's subsidiaries. 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 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 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 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 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**

(Continued)

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 thousand according to the share transfer agreement. Additionally, other long-term share payables accounted to $143,471 thousand.

(iii) 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 thousand in 2021. The difference between consideration received and carrying amount of the interests disposed of amounted to $7,162 thousand 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) thousand was recognized as capital surplus.

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

In 2022, DTC increased its share capital and reserved the partial new shares for subscription by its employees, which resulted in a decrease in the Company's ownership interest in DTC.

In 2022, Kenstone Metal Co., Ltd. (KST) increased its share and reserved the partial new shares for subscription by its employees, which resulted in a decrease in the Company's ownership interest in KST.

In 2022, Astro Tech Co., Ltd. (ATC) exercised the stock options by its employees, which resulted in a decrease in the Company's ownership interest in ATC.

In 2022, Darfon Energy Technology Corp. (DET) exercised the stock options by its employees, which resulted in a decrease in the Company's ownership interest in DET.

In 2022, UTC brought back treasury stocks, which resulted in an increase in the Company's ownership interest in UTC.

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

Due to the above-mentioned changes in the ownership and equity of the subsidiary, the Company has increased the capital surplus by $(16,709) thousand and $204,221 thousand respectively in 2022 and 2021.

(v) Organizational restructuring under common control

Taking July 1, 2022 as the base date for the spin off, the Company spin off and transferred "the Energy Storage B.D." in Taiwan to DET, a subsidiary of the Company, and acquired its newly issued ordinary shares. This transaction is an organizational restructuring under common control. For the related information please refer to note 7(c).

(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, 2022 and 2021, the recoverable amount of CGU was determined based on the value in use, and the related key assumptions were as follows:

	December 31, 2022	December 31, 2021
UTC	$ 273,447	273,447
KST	133,924	133,924
ATC	168,868	168,868
Other CGU without significant goodwill	60,871	60,871
	$ 637,110	637,110

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 Company, the recoverable amount CGUs exceeded their carrying amount as of December 31, 2022 and 2021; as a result, no impairment loss was recognized. Except for the recoverable amount of a CGU of UTC on December 31, 2022, which is determined based on fair value less disposal costs, other recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

	December 31, 2022	December 31, 2021
UTC:		
Revenue growth rate	-	9%~22%
Discount rates	-	14.71%
KST:		
Revenue growth rate	(32%)~10%	5%~29%
Discount rates	12.22%	16.67%
ATC:		
Revenue growth rate	5%~10%	5%~22%
Discount rates	16.27%	16.55%

1) The cash flow projections were based on future financial budgets, covering a period of 5 years, which were approved by managements. Cash flows that beyond 5-year 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.

(Continued)

(g) 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, 2022	$	707,214	2,271,500	1,658,456	34,510	78,977	107,481	4,858,138
Additions		6,221	54,688	70,682	2,164	9,505	40,136	183,396
Disposals		-	-	(73,490)	(1,990)	(80)	-	(75,560)
Business spin-off (note 7(c))		-	-	(33,511)	(85)	(504)	(4,340)	(38,440)
Reclassification		-	22,902	24,626	1,610	(1,610)	(1,733)	45,795
Balance at December 31, 2022	$	713,435	2,349,090	1,646,763	36,209	86,288	141,544	4,973,329
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
Accumulated depreciation and impairment losses:								
Balance at January 1, 2022	$	-	1,179,176	850,881	21,351	59,861	-	2,111,269
Depreciation		-	74,634	121,195	4,264	4,555	-	204,648
Impairment losses		-	-	1,467	-	-	-	1,467
Business spin-off (note 7(c))		-	-	(19,751)	(85)	(504)	-	(20,340)
Disposals		-	-	(71,493)	(1,990)	(80)	-	(73,563)
Balance at December 31, 2022	$	-	1,253,810	882,299	23,540	63,832	-	2,223,481
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
Carrying amount:								
Balance at December 31, 2022	$	713,435	1,095,280	764,464	12,669	22,456	141,544	2,749,848
Balance at December 31, 2021	$	707,214	1,092,324	807,575	13,159	19,116	107,481	2,746,869

Please refer to note 8 for details of the land and building pledged as collateral to long-term debt and financing

Lands located in Miaoli could not be registered in the name of the Company due to regulations. The Company and the landowners has signed an agreement, clarifying that the rights and obligations of the lands belong to the company.

(h) Short-term borrowings

		December 31, 2022	December 31, 2021
Unsecured bank borrowings	$	1,864,000	2,222,548
Unused credit facilities	$	9,819,350	6,523,200
Interest rate		1.53%~2.02%	0.60%~1.00%

(Continued)

(i) Long-term debt

	December 31, 2022	December 31, 2021
Secured bank loans	$ 4,050,000	3,620,000
Less：current portion of long-term debt	-	-
	$ 4,050,000	**3,620,000**
Unused credit facilities	**$ 4,111,830**	**2,153,280**
Year to maturity	**114**	**112~113**
Interest rate	**1.63%~2.10%**	**0.82%~1.05%**

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, 2022 and 2021, 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.

(j) Warranty provisions

	2022	2021
Balance at January 1	$ 79,089	79,039
Additions	26,208	34,105
Amount utilized	(9,476)	(34,055)
Business spin-off (note 7(c))	(33,907)	-
Balance at December 31	**$ 61,914**	**79,089**

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.

(k) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and the fair value of plan assets are as follows:

	December 31, 2022	December 31, 2021
Present value of benefit obligations	$ 146,663	166,978
Fair value of plan assets	(120,260)	(107,377)
Net defined benefit liabilities	**$ 26,403**	**59,601**

(Continued)

The Company 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 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, 2022 and 2021, the Company's pension fund deposited at Bank of Taiwan amounted to $120,260 thousand and $107,377 thousand, 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

	2022	2021
Defined benefit obligations at January 1	$ 166,978	160,686
Current service costs and interest expense	1,374	1,332
Remeasurement on the net defined benefit liabilities		
－Demographic assumptions	-	4,720
－Actuarial losses (gains) arising from experience adjustments	359	3,549
－Actuarial losses (gains) arising from changes in financial assumptions	(17,291)	-
Benefits paid by the plan	(420)	(3,309)
Business spin-off (note 7(c))	(4,337)	-
Defined benefit obligations at December 31	**$ 146,663**	**166,978**

3) Movements of fair value of plan assets

	2022	2021
Fair value of plan assets at January 1	$ 107,377	104,521
Interest income	816	792
Remeasurement on the net defined benefit liabilities		
－Returns on plan assets (excluding the amounts included in the net interest expense)	8,167	1,053
Contributions by the employer	4,320	4,320
Benefits paid by the plan	(420)	(3,309)
Fair value of plan assets at December 31	**$ 120,260**	**107,377**

(Continued)

4) Changes in the effect of the asset ceiling

In 2022 and 2021, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

		2022	2021
Current service costs	$	138	135
Net interest expense on the net defined benefit liability		420	405
	$	558	540
Cost of sakes	$	155	148
Operating expenses		403	392
	$	558	540

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.750%	0.750%
Future salary increases rate	2.000%	2.000%

The Company expects to make contribution of $4,320 thousand to the defined benefit plans in the year following December 31, 2022. The weighted average duration of the defined benefit plans is 14.7 years.

7) Sensitivity analysis

The following table summarized 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, 2022			
Discount rate	$	(3,935)	4,089
Future salary change		4,002	(3,862)
December 31, 2021			
Discount rate		(4,993)	5,183
Future salary change		5,024	(4,864)

(Continued)

Each sensitively 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 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 Company have no legal or constructive obligation to pay any additional amounts after contributing a fixed amount.

For the years ended December 31, 2022 and 2021, the Company recognized pension expenses of $37,410 thousand and $36,526, respectively, in relation to the defined contribution plans.

(l) Income taxes

(i) The components of income tax expense were as follows:

	2022	2021
Current income tax expense		
Current period	$ 100,288	75,841
Adjustment for prior years	(22,228)	(295)
	78,060	75,546
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	45,477	97,677
Changes in unrecognized deductible temporary differences	(34,471)	(44,471)
	11,006	53,206
	$ 89,066	**128,752**

In 2022 and 2021, there was no income tax recognized directly in equity.

In 2022 and 2021, the components of income tax expense (benefit) recognized in other comprehensive income were as follows:

	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	**$ 5,020**	**(1,443)**

(Continued)

Reconciliation of income tax expense and income before income tax for 2022 and 2021 was as follows:

	2022	2021
Income before income taxes	$ 1,251,934	1,275,285
Income tax using the Company's statutory tax rate	$ 250,387	255,057
Investment income recorded under equity method	(75,453)	(32,033)
Investment tax credits	(34,014)	(39,036)
Adjustments for prior-year income tax expense	(22,228)	(295)
Changes in unrecognized temporary differences	(34,471)	(44,471)
Additional income tax on undistributed earnings	5,596	5,493
Others	(751)	(15,963)
	$ 89,066	128,752

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2022	December 31, 2021
Deductible temporary differences	$ 307,728	269,147
Tax losses	-	4,000
	$ 307,728	273,147

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.

2) Unrecognized deferred income tax liabilities

	December 31, 2022	December 31, 2021
Aggregate taxable temporary differences associated with investments in subsidiaries	$ 975,886	906,834

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

Changes in the amount of deferred income tax assets were as follows:

(Continued)

		Depreciation adjustments for tax purpose	Defined benefit liabilities	Deferred inter-comp any profits	Warranty provisions	Refund liabilities	Others	Total
Balance at January 1, 2022	$	23,960	11,920	22,957	15,818	17,307	11,106	103,068
Business spin-off (note 7(c))		-	-	-	(6,781)	-	(7,252)	(14,033)
Recognized in profit or loss		300	(1,619)	(489)	3,346	(8,628)	(3,916)	(11,006)
Recognized in other comprehensive income		-	(5,020)	-	-	-	-	(5,020)
Balance at December 31, 2022	**$**	**24,260**	**5,281**	**22,468**	**12,383**	**8,679**	**(62)**	**73,009**
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**

(iii) The R.O.C income tax authorities have examined and approved the income tax returns of the Company for all fiscal years through 2020.

(m)Capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, 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	
	2022	**2021**
Balance at January 1 (Same as balance at December 31)	**280,000**	**280,000**

(ii) Capital surplus

The Company’s capital reserve balance was as follows:

		December 31, 2022	December 31, 2021
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	101,730
Recognition of changes in ownership interest in subsidiaries		212,064	228,773
	$	**4,116,058**	**4,132,767**

(Continued)

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 in 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 currency year's earnings available for distribution are less than the amount of 2% of paid-on 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.

(Continued)

3) Earnings distribution

The appropriation of cash dividends through 2021 and 2020 earnings was approved by the Company's Board of Directors on March 8, 2022 and March 15, 2021, respectively. The resolved appropriations of the dividends were as follows:

	2021		2020	
	Dividend per share (NT$)	**Amount**	**Dividend per share (NT$)**	**Amount**
Dividends per share:				
Cash dividend	$ 3.0	840,000	2.5	700,000

On March 7, 2023, the Company's Board of Directors approved the distribution of cash dividend as follows:

	2022	
	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.

(iv) Other equity items (net after tax)

	Foreign currency translation differences	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Remeasurement of defined benefit plans	Total
Balance at January 1, 2022	$ (765,143)	379,613	(36,993)	(422,523)
Foreign exchange differences arising from translation of foreign operations	488,370	-	-	488,370
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	-	(91,676)	-	(91,676)
Remeasurement of defined benefit plans	-	-	20,079	20,079
Share of the other comprehensive income (loss) of subsidiaries	(21,104)	(30,744)	1,282	(50,566)
Balance at December 31, 2022	$ (297,877)	257,193	(15,632)	(56,316)
Balance at January 1, 2021	$ (683,751)	328,577	(31,433)	(386,607)
Foreign exchange differences arising from translation of foreign operations	(74,547)	-	-	(74,547)
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	-	58,339	-	58,339
Disposal of equity instruments designated at value through other comprehensive income from subsidiaries	-	(29,189)	-	(29,189)
Remeasurement of defined benefit plans	-	-	(5,773)	(5,773)
Share of the other comprehensive income (loss) of subsidiaries	(6,845)	21,886	213	15,254
Balance at December 31, 2021	$ (765,143)	379,613	(36,993)	(422,523)

(Continued)

(n) Earnings per share ("EPS")

The calculations of basic and diluted earnings per share were as follows:

(i) Basic earnings per share

	2022	2021
Net income attributable to ordinary shareholders of the Company	$ 1,162,868	1,146,533
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Basic earnings per share (in New Taiwan dollars)	$ 4.15	4.09

(ii) Diluted earnings per share

	2022	2021
Net income attributable to ordinary shareholders of the Company	$ 1,162,868	1,146,533
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Effect of dilutive potential ordinary shares (in thousand):		
Remuneration to employees in stock	4,281	3,336
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares) (in thousands)	284,281	283,336
Diluted earnings per share (in New Taiwan dollars)	$ 4.09	4.05

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

The Company's income is derived from the goods transferred at a certain point in time, and the income can be subdivided into the following regions according to the geographical location of customers:

	2022	2021
Primary geographical markets:		
Taiwan	$ 1,730,723	2,132,270
America	452,997	873,855
Mainland China	10,179,798	12,594,570
Others	2,008,856	2,101,731
	$ 14,372,374	17,702,426
Major products and services lines:		
Peripheral electronic products	$ 12,027,428	14,850,343
Green energy products and passive components	2,344,946	2,852,083
	$ 14,372,374	17,702,426

(Continued)

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable (including related parties)	$ 4,712,633	7,099,395	6,109,365
Less: loss allowance	(25,841)	(22,256)	(22,256)
	$ 4,686,792	7,077,139	6,087,109

For details on notes and accounts receivable (including related parties) and their loss allowance, please refer to note 6(d).

(iii) Refund liabilities

	December 31, 2022	December 31, 2021	January 1, 2021
Other current liabilities—refund liabilities	$ 393,597	236,537	315,172

(p) 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 of subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2022 and 2021, the Company estimated its remuneration to employees amounting to $140,273 thousand and $142,889 thousand, respectively, and the remuneration to directors amounting to $10,520 thousand and $10,717 thousand, 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. 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 estimated remuneration to employees and directors for 2022 and 2021 were the same as the amount estimated in the financial report, and paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(q) Non-operating income and loss

(i) Interest income

	2022	2021
Interest income from bank deposits	$ 2,353	172

(Continued)

(ii) Other income

	2022	2021
Rental income	$ 7,965	2,595
Dividend income	99,648	54,839
Other	7,585	15,018
	$ 115,198	**72,452**

(iii) Other gains and losses

	2022	2021
Gains (losses) on foreign currency net exchange	$ 15,758	(56,788)
Gain on financial instruments measured at fair value through profit or loss	8,020	33,376
Gains on disposal of property, plant and equipment	1,533	1,711
Gains on disposal of intangible assets	3,189	3,189
Impairment losses on impairment of impairment of property, plant and equipment	(1,467)	(172)
Others	(170)	(1,561)
	$ 26,863	**(20,245)**

(iv) Finance costs

	2022	2021
Interest expense		
Interest expense from bank loans	$ (75,382)	(45,906)
Interest expense on lease liabilities	(5)	(6)
	$ (75,387)	**(45,912)**

(r) Financial instruments

(i) Categories of financial instruments

1) Financial assets

(Continued)

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss:	$ 617	1,203
Financial assets at fair value through other comprehensive income	1,122,031	1,213,707
Financial assets measured at amortized cost:		
Cash and cash equivalents	898,836	64,900
Notes and accounts receivable and other receivables (including related parties)	4,712,669	7,077,139
Refundable deposits	1,080	1,080
Subtotal	5,612,585	7,143,119
Total	**$ 6,735,233**	**8,358,029**

2) Financial liabilities

	December 31, 2022	December 31, 2021
Financial liabilities measured at amortized cost:		
Short0term borrowings	$ 1,864,000	2,222,548
Notes and accounts payable and other payables (including related parties)	6,044,747	7,420,434
Long-term debts	4,050,000	3,620,000
Lease liabilities	351	488
Guarantee deposits	428	428
Total	**$ 11,959,526**	**13,263,898**

(ii) Financial instruments not measured at fair value

The Company's management believes that the carrying amounts of the Company's financial assets and liabilities classified as measured at amortized cost in the individual financial reports approximate their fair values.

(iii) Financial instruments measured at fair value

1) Fair value hierarchy for financial instruments

The financial instruments at fair value through profit and loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The table below analyze financial instruments that are 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:

(Continued)

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 assets or liabilities that are not based on observable market data (unobservable inputs).

	December 31, 2022				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss:					
Derivatives－					
Foreign currency forward contracts	$ 617	-	617	-	617
Financial assets measured at fair value through other comprehensive income:					
Domestic listed stocks	1,122,031	1,122,031	-	-	1,122,031
Total	$ 1,122,648	1,122,031	617	-	1,122,648

	December 31, 2021				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss:					
Derivatives－					
Foreign currency forward contracts	$ 1,203	-	1,203	-	1,203
Financial assets measured at fair value through other comprehensive income:					
Domestic listed stocks	1,213,707	1,213,707	-	-	1,213,707
Total	$ 1,214,910	1,213,707	1,203	-	1,214,910

2) Valuation techniques and assumptions used in fair value measurement

a) Non-derivative financial instruments

The fair value of financial instruments traded in active markets is determined with reference to quoted market prices.

Except for financial instruments in active markets, the fair value of other financial instruments is obtained by evaluation techniques or by referring to quotations from counterparties. The fair value obtained through evaluation techniques can be calculated by referring to the current fair value of other financial instruments with substantially similar conditions and characteristics, discounted cash flow method or other evaluation techniques, including the use of market information available on the reporting date.

(Continued)

The fair value of the listed stock with standard terms and conditions and traded in active markets which the Company holds is based on quoted market prices.

b) Derivative financial instruments

It is evaluated according to the evaluation model widely accepted by market participants. Foreign currency forward contracts are usually evaluated based on the current forward exchange rate.

3) Transfers between levels of the fair value hierarchy

There was no transfer among fair value hierarchies for the years ended December 31, 2022 and 2021.

(s) 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) due to business activities. The note expresses the Company's policies and procedures for measuring and managing these risks.

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 to monitor adherence to the risks and risk limits. Risk management policies and systems are reviewed regularly 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 act as a supervisory and report the review results to the Company's Board of Directors regularly.

(i) Credit risk

Credit risk refers to the risk of financial loss caused by the Company's financial asset transaction counterparty's failure to perform its contractual obligations, mainly from financial assets such as cash and equivalent cash and accounts receivable from customers. The maximum exposure to credit risk is equal to the carrying amount of the Company's financial assets. As of December 31, 2022 and 2021, the Company's maximum exposure to credit risk amounted to $6,735,233 thousand and $8,358,029 thousand, respectively.

The majority of the Company's customers are well-known international companies with high financial transparency. As of December 31, 2022 and 2021, 59% and 53%, respectively, of accounts receivable (excluded from related parties) are from four customers. In order to reduce credit risk of accounts receivable, the Company has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Company continuously evaluates the credit quality of customers and utilized insurance to minimize the credit risk.

(Continued)

(ii) Liquidity risk

Liquidity risk refers to the risk that the Company is unable to deliver cash or other financial assets to pay off financial liabilities and fail to perform relevant obligations. The Company regularly monitors the current and expected medium and long-term capital needs, and manages liquidity risk by maintain appropriate capital and bank financing lines. The Company's unused loan lines on December 31, 2022 and 2021 were $13,931,180 thousand and $8,676,480 thousand, respectively.

The table below summarized the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including the impact of estimated interest.

	Contractual cash flow	Within 1 year	1-2 years	2-5 years
December 31, 2022				
Non-derivative financial liabilities:				
Short-term borrowings	$ 1,879,884	1,879,884	-	-
Notes and accounts payable and other payables (including related parties)	6,044,747	6,044,747	-	-
Long-term payables	4,251,872	76,384	76,384	4,099,104
Lease liabilities	355	142	213	-
Subtotal	12,176,858	8,001,157	76,597	4,099,104
Derivative financial instruments:				
Foreign currency forward contracts－settled in gross				
Outflow	153,033	153,033	-	-
Inflow	(153,650)	(153,650)	-	-
Subtotal	(617)	(617)	-	-
	$ 12,176,241	**8,000,540**	**76,597**	**4,099,104**
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 payables	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**

(Continued)

The Company do not expect that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk refers to the risk that changes in market price, such as foreign exchange rate, interest rate and change in equity instrument prices, will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.

In order to manage market risks, the Company engages in derivatives transactions, and its use is regulated by policies approved by the Board of Directors. Generally, the Company adopts hedging operations to manage profit and loss fluctuations.

1) Currency risk

The Company is exposed to currency risks arising from sales, purchases and loan transactions that are not denominated in functional currency. In addition to using foreign currency borrowing to balance the net foreign currency position arising from purchases and sales, the Company also uses derivatives in a timely manner to ensure net foreign exchange exposure remains at an acceptable level.

At the reporting date, the carrying amounts of monetary assets and liabilities and non-monetary assets denominated in a non-functional currency of the Company is as follows:

	December 31, 2022				
	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	$ 150,341	30.730	4,619,979	1%	46,200
Non-monetary items					
USD	242,995	30.730	7,467,248	-	-
EUR	668	32.820	21,927	-	-
VND	206,884,669	0.0013	269,389	-	-
Financial liabilities					
Monetary items					
USD	148,569	30.730	4,565,525	1%	45,655

(Continued)

	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	$ 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

Within varieties of functional currencies of the Company, the Company disclosed net realized and unrealized foreign exchange gain (loss) on monetary items in aggregate. Please refer to note 6(q) for the information with respect to the foreign exchange gains (losses) for the years ended December 31, 2022 and 2021.

2) Interest rate risk

The Company's bank loans are based on floating interest rates. To deal with the risk of changes in loan interest rates, the Company mainly adopts regular assessments of bank and various currency loan interest rate, and maintain good relationships with financial institutions to obtain lower financing costs; at the same time, it cooperates with strengthening working capital management to reduce dependence on bank loans, diversifying the risk of interest rate changes.

The following sensitivity analysis if 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, 2022 and 2021, would have been $59,140 thousand and $58,425 thousand, respectively, lower/higher, which mainly resulted from the loans and borrowings with floating interest rates.

3) Equity financial instruments 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 on the reporting date. Assuming a hypothetical increases or decreases of 1% in equity price of the equity investment at each supporting date, the other comprehensive income for the years ended December 31, 2022 and 2021, would have increase or decrease by $11,220 thousand and $12,137, respectively.

(Continued)

(t) Capital management

In consideration of industry dynamics and future development, 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, 2022 and 2021, there were no changes in the Company's approach with respect to capital management.

(u) Investment and financing activities not affecting current cash flow

(i) Investing activities with only partial cash disbursements and receipts

		2022	2021
Purchase property, plant and equipment	$	183,396	291,486
Add: Equipment payable at the beginning of year		40,450	33,736
Equipment prepaid at the end of year		150,506	181,050
Reclassification of self-prepaid equipment payment		45,795	19,266
Business spin-off		1,707	-
Less: Equipment payable at the end of year		(41,792)	(40,450)
Equipment prepaid at the beginning of year		(181,050)	(30,841)
Current payment in cash	$	199,012	454,247

(ii) Reconciliation of liabilities arising from financing activities was as follows:

		January 1, 2022	Cash flows	December 31, 2022
Short-term borrowings	$	2,222,548	(358,548)	1,864,000
Long-term debt		3,620,000	430,000	4,050,000
Lease liabilities		488	(137)	351
Guarantee deposit		428	-	428
Total liabilities from financing activities	$	5,843,464	71,315	5,914,779

		January 1, 2021	Cash flows	December 31, 2021
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 deposit		428	-	428
Total liabilities from financing activities	$	3,580,800	2,262,664	5,843,464

(Continued)

7. Related-party transactions

(a) Related party name and categories

The followings are 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)	Subsidiary of the Company
Darfon (Labuan) Corporation (DFLB)	Subsidiary of the Company
Darfon Materials Corporation (DMC)	Subsidiary of the Company
Darfon Gemmy Corporation (DZL)	Subsidiary of the Company
Darad Innovation Corporation (DTC)	Subsidiary of the Company
Darfon Europe B.V. (DFeu)	Subsidiary of the Company
Darfon Germany GmbH (DFG)	Subsidiary of the Company
Darfon Electronics (Suzhou) Co., Ltd. (DFS)	Subsidiary of the Company
Darfon Electronics Czech s.r.o. (DFC)	Subsidiary of the Company
Darfon America Corp. (DFA)	Subsidiary of the Company
Huaian Darfon Electronics Co., Ltd. (DFH)	Subsidiary of the Company
Darfon Korea Co., Ltd. (DFK)	Subsidiary of the Company
Darfon Precision Holdings Co., Ltd. (DPH)	Subsidiary of the Company
Darfon Electronics (ChongQing) Co., Ltd. (DFQ)	Subsidiary of the Company
Darfon Precision Electronics (Suzhou) Co., Ltd. (DPS)	Subsidiary of the Company
Darfon Vietnam Co., Ltd.(DFV)	Subsidiary of the Company
Unictron Technologies Corporation (UTC)	Subsidiary of the Company
Unicom Technologies, Inc. (UTI)	Subsidiary of the Company
WirelessCom Technologies (Shenzhen) Co., Ltd. (UTZ)	Subsidiary of the Company
Kenstone Metal Co., Ltd. (KST)	Subsidiary of the Company
Kenlight Sport Marketing Co., Ltd (KSMC)	Subsidiary of the Company
Kenstone Metal Company GmbH(KSG)	Subsidiary of the Company
KSI Handels GmbH (KSI)	Subsidiary of the Company
Kenstone Vietnam Co., Ltd.(KSV)	Subsidiary of the Company
Iron Ore Co., Ltd (IOC)	Subsidiary of the Company
TD HiTech Energy Inc. (TDI)	Subsidiary of the Company
Astro Tech Co., Ltd. (ATC) (Note 1)	Subsidiary of the Company

(Continued)

Name of related party	Relationship with the Company
Astro Engineering Co., Ltd. (ATB) (Note 1)	Subsidiary of the Company
Astro Engineering Vietnam Co., Ltd.(ATV) (Note 1)	Subsidiary of the Company
Darfon Energy Technology Corp. (DET) (Note 2)	Subsidiary of the Company
BESV JAPAN Co., Ltd.(BESVJ)	Joint venture
Other Related Parties:	
Qisda (Suzhou) Co., Ltd. (QCSZ)	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd. (QCES)	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd. (QCOS)	Subsidiary of Qisda
Qisda Sdn.Bhd.(QLPG)	Subsidiary of Qisda
BenQ Healthcare Corp.	Subsidiary of Qisda
MetaAge Corp. (MetaAge, formerly known as Sysage Technology Co., Ltd.)	Subsidiary of Qisda
Advancedtek International Corp. (ADVANCEDTEK)	Subsidiary of Qisda
Topview Optronics Corporation (Topview)	Subsidiary of Qisda
Dfi Inc. (DFI)	Subsidiary of Qisda

Note 1: From April 1, 2021, ATC and ATB became subsidiaries of the Company.

Note 2: DET was established on December 21, 2021, which became a subsidiary of the Company.

(b) Significant transactions with related parties

(i) Net sales

1) The Company's significant sales to related parties are as follows:

	2022	2021
Entity with significant influence over the Company	$ 126	284
Subsidiaries	1,100,904	1,625,002
Other related parties	35,402	52,049
	$ 1,136,432	**1,677,335**

The sales prices and collection terms for related 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.

2) Technical royalty income

For the years ended December 31, 2022 and 2021, the Company licensed $253 thousand and $396 thousand, respectively, to its subsidiaries for the use of technology licenses developed by the Company.

(Continued)

(ii) Purchases

The Company's purchasing amounts from related parties were as follows:

	2022	2021
Subsidiary－DFH	$ 6,194,156	7,638,787
Subsidiary－DFQ	3,446,025	4,853,326
Subsidiary－DFS	1,689,463	2,429,147
Subsidiary－Others	272,414	25,314
	$ 11,602,058	14,946,574

There were no significant differences between the purchase prices for related parties and those for third-party suppliers. The payment terms were OA90 to OA135, and the general transactions were OA30 to OA90.

(iii) Property transactions

1) Acquisition of property, plant and equipment

The Company's purchases machinery equipment amounts from related parties were as follows:

	2022	2021
Subsidiaries	$ 1,467	172

2) Disposal of property, plant and equipment

The amounts the Company sold machinery equipment to related parties were as follows:

	2022		2021	
Related-Party categories	**Disposal Price**	**Deferred gain (loss) from disposal**	**Disposal Price**	**Deferred gain (loss) from disposal**
Subsidiaries	$ 3,069	1,073	200	(200)

The above net gain from the sale of equipment to subsidiaries is deferred and recognized over the useful lives of the equipment. As of December 31, 2022 and 2021, the deferred gain on the sale of machinery and equipment amounted to $368 thousand and $813 thousand, respectively, and was recorded as a reduction of investment using the equity method. The amortization of deferred benefits amounting to $445 thousand and $1,518 thousand for the years ended December 31, 2022 and 2021, respectively, was recognized in the gain on disposal of property, plant and equipment.

3) Disposal of intangible assets

The net gain from the sale of trademarks and patents to subsidiaries is deferred and recognized as an amortization over the useful lives of the asset. As of December 31, 2022 and 2021, the deferred gain on the sale of trademarks and patents amounted to $18,495 thousand and $21,684 thousand, 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, 2022 and 2021, which were recognized in the gain on disposal of intangible assets.

(Continued)

(iv) Rental income

The rental income of $7,965 thousand and $2,595 thousand for the years ended December 31, 2022 and 2021, respectively, from the leasing of office and factory buildings to the subsidiaries, which was recognized in “non-operating income and loss—other income”.

(v) Materials for sale

For the years ended December 31, 2022 and 2021, the Company sold materials purchased on behalf of the subsidiaries for $323,058 thousand and $327,002, respectively.

(vi) Receivables

The Company’s receivables from related parties were as follows:

Account	Related-party categories	December 31, 2022	December 31, 2021
Accounts receivable	Entity with significant influence over the Company	$ 4	129
	Subsidiaries	1,087,528	1,595,454
	Other related parties	4,954	16,434
		1,092,486	1,612,017
Other receivables	Subsidiaries	25,877	-
		$ 1,118,363	1,612,017

(vii) Payables

The Company’s payables from related parties were as follows:

Account	Related-party categories	December 31, 2022	December 31, 2021
Accounts payable	Subsidiary－DFH	$ 2,373,161	2,940,534
	Subsidiary－DFS	1,272,816	1,486,128
	Subsidiary－DFQ	790,526	1,340,542
	Subsidiary－DET	101,696	-
	Subsidiary－Others	2,723	862
		4,540,922	5,768,066
Other payables	Entity with significant influence over the Company	13	12
	Subsidiaries	4,932	1,808
	Joint venture	-	144
	Other related parties	408	832
		5,353	2,796
		$ 4,546,275	5,770,862

(Continued)

(c) Organizational restructuring

As stated in Note 6(f) of the consolidated financial statements. The Company spin off the related business of "the Energy Storage B.D." in Taiwan to the existing subsidiary DET on July 1, 2022 and acquired 8,590 thousand new shares for $20 par value per share, and the carrying amount of assets and liabilities related to the spin-off were as follows:

Assets:	
Cash	$ 10
Accounts receivable	274,677
Inventories	168,104
Other current assets	1,124
Fixed assets	18,100
Deferred income tax assets	14,033
Other non-current assets	1,952
Subtotal	478,000
Liabilities:	
Accounts payable	(203,153)
Warranty provision	(33,907)
Other payables	(46,226)
Other current liabilities	(18,577)
Net defined benefit liability	(4,337)
Subtotal	(306,200)
Net assets	**$ 171,800**

(d) Compensation for key management personnel

	2022	2021
Short-term employee benefits	$ 145,603	124,100
Post-employment benefits	1,098	1,109
	$ 146,701	**125,209**

8. Pledged assets

The carrying amounts of assets pledged as collateral are detailed below:

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Lands, buildings and plants	Long-term loan lines	**$ 1,237,702**	**1,290,316**

(Continued)

9. Significant commitments and contingencies

(a) The Company asked financial institutions to provide guarantee letters for the following purposes:

	December 31, 2022	December 31, 2021
Guarantees for customs duties	$ 5,500	7,500

(b) Significant unrecognized commitments

The unrecognized contractual commitment amount of the Company is as follows:

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	$ 144,082	194,417

10. Significant loss from disaster: None.

11. Significant subsequent events: None

12. Others

Employee benefits, depreciation and amortization, categorized by function were as follows:

	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	342,436	862,836	1,205,272	403,223	726,271	1,129,494
Labor and health insurance	22,665	53,480	76,145	22,197	52,620	74,817
Pension	9,126	28,842	37,968	8,957	28,109	37,066
Remuneration to directors	-	23,401	23,401	-	22,847	22,847
Other employees' benefits	10,353	29,633	39,986	9,875	37,933	47,808
Depreciation	146,507	58,280	204,787	138,429	59,161	197,590
Amortization	-	793	793	-	2,211	2,211

(Continued)

Additional information on the number of employees and employee welfare expenses of the Company is as follows:

	2022	2021
Number of employees	936	934
Number of directors (non-employees)	7	6
Average employee benefit expense	$ 1,463	1,389
Average employee salary expense	$ 1,297	1,217
Percentage of increase in average employee salary expense	6.57%	2.87%
Supervisors' remuneration	$ -	-

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) were as follows:

(a) 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 profits 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) General Manager's and Deputy General Managers' Remuneration

The salaries of the general manager and duty general managers of the Company are determined by the Compensation Committee in accordance with the "Material Compensation Policies and Principles" according to the "Compensation Committee Organizational Rules" and based on the duties and responsibilities of the general manager and duty general managers, 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 salary and compensation principle is to link responsibilities and performance results, and to provide market competitive salary and 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 operation 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.

(Continued)

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: Please refer to table 5.

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 6.

(viii)Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 7.

(ix) Transactions about derivative instruments: Please refer to note 6(b).

(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 / Shareholders' 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 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

Please refer to the consolidated financial statements for the year ended December 2022.

DARFON ELECTRONICS CORP.
Financing provided to other parties
For the year Ended December 31, 2022

Table 1 **(In Thousands of NTD/ERU/USD/CNY)**

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a Related Party	Highest Balance of Financing 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 from other related parties	Yes	65,640 (EUR 2,000)	-	-	3.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSG	Other receivables from other related parties	Yes	82,050 (EUR 2,500)	-	-	3.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSG	Other receivables from other related parties	Yes	40,967 (USD1,194 and NTD4,287)	-	-	3.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSG	Other receivables from other related parties	Yes	67,606 (USD2,200)	67,606 (USD2,200)	67,606 (USD2,200)	4.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from other related parties	Yes	153,650 (USD 5,000)	153,650 (USD 5,000)	122,920 (USD 4,000)	3.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from other related parties	Yes	30,730 (USD 1,000)	30,730 (USD 1,000)	30,730 (USD 1,000)	3.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from other related parties	Yes	55,314 (USD1,800)	55,314 (USD1,800)	30,730 (USD 1,000)	4.00%	2	-	Operating requirements	-	-	-	461,102	461,102
2	DFS	DFQ	Other receivables from other related parties	Yes	245,840 (USD 8,000)	-	-	1.30%	2	-	Operating requirements	-	-	-	1,406,938	1,406,938
2	DFS	DFQ	Other receivables from other related parties	Yes	245,840 (USD 8,000)	245,840 (USD 8,000)	122,920 (USD 4,000)	4.73%	2	-	Operating requirements	-	-	-	1,406,938	1,406,938
2	DFS	ISC	Other receivables from other related parties	Yes	79,303 (CNY18,000)	79,303 (CNY18,000)	39,651 (CNY9,000)	3.65%	2	-	Operating requirements	-	-	-	1,406,938	1,406,938
2	DFS	DTC	Other receivables from other related parties	Yes	153,650 (USD5,000)	153,650 (USD5,000)	76,825 (USD2,500)	4.65%	2	-	Operating requirements	-	-	-	1,406,938	1,406,938
3	DPS	DFQ	Other receivables from other related parties	Yes	132,171 (CNY 30,000)	-	-	3.85%	2	-	Operating requirements	-	-	-	184,158	184,158
3	DPS	DFQ	Other receivables from other related parties	Yes	132,171 (CNY 30,000)	132,171 (CNY 30,000)	132,171 (CNY 30,000)	3.70%	2	-	Operating requirements	-	-	-	184,158	184,158
4	DZL	DTC	Other receivables from other related parties	Yes	47,000	-	-	1.30%	2	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	DTC	Other receivables from other related parties	Yes	60,000	-	-	1.30%	2	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	DTC	Other receivables from other related parties	Yes	64,000	64,000	64,000	1.30%	2	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	DTC	Other receivables from other related parties	Yes	100,000	100,000	100,000	2.00%	2	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	KSMC	Other receivables from other related parties	Yes	20,000	-	-	1.30%	2	-	Operating requirements	-	-	-	261,910	261,910
5	DTC	IOC	Other receivables from other related parties	Yes	15,365 (USD 500)	-	-	3.20%	2	-	Operating requirements	-	-	-	242,837	242,837
5	DTC	IOC	Other receivables from other related parties	Yes	15,365 (USD 500)	15,365 (USD 500)	-	4.00%	2	-	Operating requirements	-	-	-	242,837	242,837

(Continued)

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:

Business transaction purpose.

Short-term financing purpose.

Note 7: The above amounts were translated into New Taiwan dollars at the exchange rate of EUR$1=NT$32.82, US$1=NT$30.73 and CN$1=NT$4.4057 according to the exchange rate on December 31, 2022.

DARFON ELECTRONICS CORP.

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates, and Jointly Controlled Entities)

For the year Ended December 31, 2022

Table 2

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Note
				Number of Shares (In Thousands 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－non-current	39,859	1,122,031	2.03%	1,122,031	-
DZL	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income－current	5,887	165,719	0.30%	165,719	-
DZL	Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income－current	102	7,997	0.03%	7,997	-
DZL	DFI	Subsidiary of investor with significant influence over the Group	Financial assets at fair value through other comprehensive income－current	50	2,945	0.04%	2,945	-
UTC	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income－current	2,860	80,509	0.15%	80,509	-
TDI	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income－current	3,264	91,881	0.17%	91,881	-
TDI	Jih Sun Money Market Fund Beneficiary Certificate	-	Financial assets at fair value through profit or loss－current	-	30,252	-	30,252	-
DPS	Bank of Suzhou—Principal protected currency deposit in CNY	-	Financial assets at fair value through profit or loss－current	-	367,441	-	367,441	-
KST	Haro Bicycle Corporation	-	Financial assets at fair value through other comprehensive income－non-current	26	-	10.00%	-	-

DARFON ELECTRONICS CORP.

Marketable Securities for Which the Accumulated Purchase or Sale Amounts Exceed $300 Million or 20% of the Paid in Capital

For the year Ended December 31, 2022

Table 3 **(Amount In Thousands of NTD/CNY)**

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter Party	Name of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Share (in thousands)	Amount (Note 1)	Share (in thousands)	Amount	Share (in thousands)	Amount	Carrying Value	Gain (loss) on disposal	Share (in thousands)	Amount (Note 1)
DPS	Bank of Suzhou—Principal protected currency deposit in CNY	Financial assets at fair value through profit or loss—current	Bank of Suzhou	-	-	360,342 (CNY81,790)	-	878,938 (CNY199,500)	-	873,003 (CNY198,153)	871,839 (CNY197,889)	1,164 (CNY264)	-	367,441 (CNY83,401)

Note 1: Adjustment measured at fair value included.

Note 2: The above amounts were translated into New Taiwan dollars at the exchange of CN$1=NT$4.4057 at December 31, 2022.

DARFON ELECTRONICS CORP.

Acquisition of Real Estate Which Exceed $300 Million or 20% of the Paid in Capital

For the year Ended December 31, 2022

Table 4

(Amount 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			
DFV	Buildings	2021.8.1	794,277	597,878	MeiZic steel Building Co., Ltd. Jianxing Viet Nam Construction Development Co., Ltd. Best Sun Technology Co., Ltd. R.J. Wu Architects and Engineers Acter Group Co., Ltd.	-	-	-	-	-	Open bidding	Operating requirements	NA

DARFON ELECTRONICS CORP.

Disposal of Real Estate Which Exceed $300 Million or 20% of the Paid in Capital

For the year Ended December 31, 2022

Table 5 **(Amount In Thousands of Shares)**

Company Name	Property Name	Transaction Date	Acquisition Date	Carrying Amount	Transaction Amount	Status of Payment	Gain and Loss of Disposal	Relationship with the Counter Party	Counter Party	Purpose of Acquisition	Price Reference	Notes
DFS	Land and Buildings	2022.12.21	Land: 2002.12 Phase 1: 2005.12 Phase 2: 2007.8 Phase 1: 2009.7	921,812 (CNY209,232)	3,131,950 (CNY710,886) (Note 1)	2023/1/15 received CNY215,000 At the end of 2023/4 received CNY142,000 At the end of 2023/8 Received CNY142,000 Received CNY211,886 after checking and handing over within 1 month	(Note 2)	-	Suzhou High-tech Zone (Huqiu District) Land Reserve Center Management Committee of Suzhou High-tech Industrial Development Zone	Revitalize assets and meet the needs of urban construction and development of local government units in mainland China	According to the purchase amount of the local government	Finish checking and handing over before December, 2023

Note 1: The above amounts were translated into New Taiwan dollars at the exchange of CN$1=NT$4.4057 at December 31, 2022.

Note 2: Disposal gains and losses will be calculated after the relevant taxes and fees are confirmed.

DARFON ELECTRONICS CORP.

Total Purchases From Sales and Sales to Related Parties Which Exceed $100 Million or 20% of the Paid in Capital

For the year Ended December 31, 2022

Table 6

Company Name	Related Party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes and Accounts Receivable (Payable)		Note
			Purchase /(Sale)	Amount	% of Total Purchase/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	DFS	Parent-subsidiary	Sales	(255,296)	2%	OA90 to OA13	Note 1	OA30 to OA135	53,755	1%	-
The Company	DFH	Parent-subsidiary	Sales	(105,188)	1%	OA90 to OA135	Normal price	OA30 to OA135	498,334	11%	-
The Company	DFA	Parent-subsidiary	Sales	(356,398)	2%	OA135	Normal price	OA30 to OA135	202,947	4%	-
The Company	DFC	Parent-subsidiary	Sales	(134,426)	1%	OA180	Normal price	OA30 to OA135	98,350	2%	-
The Company	DTC	Parent-subsidiary	Sales	(121,004)	1%	OA135	Normal price	OA30 to OA135	91,276	2%	-
The Company	DET	Parent-subsidiary	Purchases	131,397	1%	OA90	Normal price	OA30 to OA135	(101,696)	2%	-
The Company	DFS	Parent-subsidiary	Purchases	1,689,463 (Note 2)	13%	OA90 to OA135	Note 1	OA30 to OA135	(1,272,816)	27%	-
The Company	DFH	Parent-subsidiary	Purchases	6,194,156	48%	OA90 to OA135	Note 1	OA30 to OA135	(2,373,161)	50%	-
The Company	DFQ	Parent-subsidiary	Purchases	3,446,025	27%	OA90 to OA135	Note 1	OA30 to OA135	(790,526)	17%	-
The Company	DTC	Parent-subsidiary	Purchases	141,454	1%	OA135	Normal price	OA30 to OA135	(2,716)	0%	-
DET	The Company	Parent-subsidiary	Sales	(131,397)	22%	OA90	Normal price	OA30 to OA135	101,696	33%	-
DET	DFS	Parent-subsidiary	Purchases	311,566	66%	OA90	Normal price	OA30 to OA135	(301,793)	81%	-
DFS	DET	Affiliates	Sales	(311,566)	6%	OA90	Normal price	OA30 to OA135	301,793	14%	-
DFS	The Company	Parent-subsidiary	Sales	(1,689,463) (Note 2)	31%	OA90 to OA135	Note 1	OA30 to OA135	1,272,816	60%	-
DFS	DFH	Affiliates	Sales	(312,008)	6%	OA90 to OA135	Note 1	OA30 to OA135	112,909	5%	-
DFS	The Company	Parent-subsidiary	Purchases	255,296	7%	OA90 to OA135	Normal price	OA30 to OA135	(53,755)	7%	-
DFS	DFQ	Affiliates	Purchases	403,686	9%	OA90 to OA135	Note 1	OA30 to OA135	(52,206)	7%	-
DFH	The Company	Parent-subsidiary	Sales	(6,194,156)	99%	OA90 to OA135	Note 1	OA30 to OA135	2,373,161	98%	-
DFH	The Company	Parent-subsidiary	Purchases	105,188	2%	OA90 to OA135	Normal price	OA30 to OA135	(498,334)	33%	-
DFH	DFS	Affiliates	Purchases	312,008	7%	OA90 to OA135	Note 1	OA30 to OA135	(112,909)	8%	-

(Continued)

DARFON ELECTRONICS CORP.

Total Purchases From Sales and Sales to Related Parties Which Exceed $100 Million or 20% of the Paid in Capital

For the year Ended December 31, 2022

Table 6

Company Name	Related Party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes and Accounts Receivable (Payable)		Note
			Purchase /(Sale)	Amount	% of Total Purchase/ (Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
DFQ	DFS	Affiliates	Sales	(403,686)	9%	OA90 to OA135	Note 1	OA30 to OA135	52,206	6%	-
DFQ	The Company	Parent-subsidiary	Sales	(3,446,025)	88%	OA90 to OA135	Note 1	OA30 to OA135	790,526	89%	-
DFA	The Company	Parent-subsidiary	Purchases	356,398	97%	OA135	Normal price	OA30 to OA135	(202,947)	100%	-
DFC	The Company	Parent-subsidiary	Purchases	134,426	41%	OA180	Normal price	OA30 to OA135	(98,350)	91%	-
KST	KSG	Parent-subsidiary	Sales	(198,943)	4%	Individual stipulation	Normal price	OA30 to OA120	623,493	43%	-
KST	KSV	Parent-subsidiary	Sales	(148,898)	3%	Individual stipulation	Normal price	OA30 to OA120	188,327	13%	-
KSV	KST	Parent-subsidiary	Purchases	148,898	23%	Individual stipulation	Normal price	OA30 to OA120	(188,327)	76%	-
KSG	KST	Parent-subsidiary	Purchases	198,943	17%	Individual stipulation	Normal price	OA30 to OA120	(623,493)	87%	-
DTC	Dfeu	Affiliates	Sales	(359,133)	43%	OA135	Normal price	OA30 to OA135	277,806	69%	-
DTC	The Company	Parent-subsidiary	Sales	(141,454)	17%	OA135	Normal price	OA30 to OA135	2,716	1%	-
DTC	BESVJ	Joint ventures	Sales	(178,756)	21%	EOM60	Normal price	OA30 to OA135	84,495	21%	-
DTC	The Company	Parent-subsidiary	Purchases	121,004	10%	OA135	Normal price	OA30 to OA135	(91,276)	57%	-
Dfeu	DTC	Affiliates	Purchases	359,133	100%	OA135	Normal price	OA30 to OA135	(277,806)	99%	-
BESVJ	DTC	Joint ventures	Purchases	178,756	100%	EOM60	Normal price	OA30 to OA135	(84,495)	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

For the year Ended December 31, 2022

Table 7

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Note
					Amount	Action Taken			
The Company	DFH	Parent-Subsidiary	498,334	0.17	163,544	-	203,688	-	-
The Company	DFA	Parent-Subsidiary	202,947	1.20	22,048	-	49,587	-	-
DET	The Company	Parent-Subsidiary	101,696	2.58	-	-	-	-	-
DFS	The Company	Parent-Subsidiary	1,272,816	1.22 (note 2)	421,457	-	207,629	-	-
DFS	DET	Affiliates	301,793	2.06	100,269	-	100,269	-	-
DFS	DFH	Affiliates	112,909	2.14	26,638	-	26,322	-	-
DFS	DFQ	Affiliates	123,114	(note 1)	-	-	-	-	-
DFH	The Company	Parent-Subsidiary	2,373,161	2.33	1,182,794	-	898,190	-	-
DFQ	The Company	Parent-Subsidiary	790,526	3.24	287,203	-	287,203	-	-
DPS	DFQ	Affiliates	135,255	(note 1)	-	-	-	-	-
DZL	DTC	Affiliates	165,081	(note 1)	-	-	-	-	-
KST	KSG	Parent-Subsidiary	623,493	0.33	-	-	-	-	-
KST	KSV	Parent-Subsidiary	188,327	1.03	-	-	-	-	-
KST	KSV	Parent-Subsidiary	187,194	(note 1)	-	-	-	-	-
DTC	DFeu	Affiliates	277,806	2.52	-	-	-	-	-

Note 1: Since the receivables are not caused by selling and purchasing transactions, calculation of turnover rate is not applicable.

Note 2: The turnover ratio is calculated without deducting the repurchasing after processing amounts.

DARFON ELECTRONICS CORP.

Information on Investees (Excluding Investments in Mainland China)

For the year Ended December 31, 2022

Table 8 **(In Thousands of Shares)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount			
The Company	DFBVI	BVI	Investment holding	317,103	317,103	34,150	100.00%	1,835,486	34,690	34,690	Parent-Subsidiary
The Company	DFLB	Malaysia	Investment holding	2,633,584	2,536,514	77,989	100.00%	5,631,763	352,101	352,101	Parent-Subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	6,969	6,969	2,772	100.00%	27,796	1,796	1,796	Parent-Subsidiary
The Company	DZL	Taiwan	Investment holding	550,000	450,000	55,910	100.00%	654,776	38,805	38,805	Parent-Subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related products	314,328	217,892	26,467	55.72%	338,304	27,488	15,036	Parent-Subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	21,927	(15,183)	(15,183)	Parent-Subsidiary
The Company	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	714,680	714,680	17,551	37.44%	904,996	269,773	75,827	Parent-Subsidiary
The Company	KST	Taiwan	Manufacture, processing and trading of bicycles and related products	819,960	720,000	28,300	58.54%	820,969	20,359	4,081	Parent-Subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	292,558	292,558	-	100.00%	269,389	(26,344)	(26,344)	Parent-Subsidiary
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	407,809	26,410	62.75%	425,756	37,183	21,844	Parent-Subsidiary
The Company	ATC	Taiwan	Manufacture and sale of bicycles and related products	1,224,000	1,224,000	24,480	46.36%	1,380,184	368,492	156,426	Parent-Subsidiary
The Company	DET	Taiwan	Manufacturing and wholesale of batteries and electric components	421,800	250,000	21,090	87.00%	492,236	63,497	63,451	Parent-Subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related products	77,138	45,300	6,398	13.47%	81,775	27,488	-	Parent-Subsidiary

(Continued)

DARFON ELECTRONICS CORP.

Information on Investees (Excluding Investments in Mainland China)

For the year Ended December 31, 2022

Table 8 **(In Thousands of Shares)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount			
DZL	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	174,455	174,455	4,361	9.31%	234,754	269,773	-	Parent-Subsidiary
UTC	UTI	Mauritius	Investment holding	29,756	25,291	968	100.00%	11,048	(6,341)	-	Affiliates
KST	KSG	Germany	Assemble and sale of bicycles and related products	361,371	361,371	-	100.00%	-	(93,102)	-	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%	-	2,912	-	Affiliates
KST	KSV	Vietnam	Manufacture and sale of bicycles and related products	475,406	475,406	-	100.00%	-	(41,545)	-	Affiliates
DFLB	DFC	Czech	Trading of electronic products	94,514	299	-	100.00%	197,956	7,187	-	Affiliates
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	48,920	2,664	-	Affiliates
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	1,547	356	-	Affiliates
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	463,113	5,647	-	Affiliates
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	-	0	-	Affiliates
DTC	BESVJ	Japan	Trading of green products	43,793	26,690	3	49.00%	33,826	(7,796)	-	Joint Venture
DTC	IOC	Hong Kong	Agent of bicycles and related products	148,235	148,235	19,000	76.00%	155,277	10,575	-	Affiliates
DTC	KSMC (Note)	Taiwan	Manufacture and sale of bicycles and related products	-	47,465	-	-	-	8,986	-	Affiliates
ATC	Rich Glory International Inc.	Samoa	Investment holding	35,107	35,107	1,241	33.33%	41,419	1,367	-	Associates
ATC	ATB	BVI	Investment holding	577,385	577,385	3	100.00%	596,940	65,920	-	Affiliates

(Continued)

DARFON ELECTRONICS CORP.

Information on Investees (Excluding Investments in Mainland China)

For the year Ended December 31, 2022

Table 8 **(In Thousands of Shares)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Amount			
ATB	ATV	Vietnam	Manufacture and sale of bicycles and related products	872,463	872,463	-	100.00%	596,940	65,919	-	Affiliates

Note: In 2022, DTC absorbed and merged KSMC, which was an eliminated company.

DARFON ELECTRONICS CORP.
Information on Investees in Mainland China
For the year Ended December 31, 2022

Table 9 **(In Thousands of NTD/USD)**

. i. Name and main businesses and products of investee companies in Mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital		Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
DFS	Manufacture and sale of the Company's products	851,989 (USD 27,725) (Note 4)	(Note 1)	719,082 (USD 23,400)	-	-	719,082 (USD 23,400)	65,774	100.00%	65,774	3,517,346	249,466 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,505,770 (USD 49,000)	(Note 1)	1,505,770 (USD 49,000)	-	-	1,505,770 (USD 49,000)	206,999	100.00%	206,999	2,397,827	-
DPS	Mold development and manufacture	30,730 (USD 1,000)	(Note 1)	30,730 (USD 1,000)	-	-	30,730 (USD 1,000)	7,082	100.00%	7,082	460,398	-
DFQ	Manufacture and sale of the Company's products	307,300 (USD 10,000)	(Note 1)	307,300 (USD 10,000)	-	-	307,300 (USD 10,000)	94,380	100.00%	94,380	864,313	-
UTZ	Wireless antennas for telecommunication, components design and marketing	27,811 (USD 905)	(Note 1)	23,201 (USD 755)	4,610 (USD 150)	-	27,811 (USD 905)	(6,250)	100.00%	(6,250)	10,236	-
ISC	Agent of bicycles and related products	7,882 (HKD 2,000)	(Note 3)	-	-	-	-	10,004	76.00%	7,603	7,882	-

Note 1: Indirect investment in Mainland China is through a holding company established in a third party.
Note 2: Investment income or loss was recognized based on the audited financial statements by the Parent Company's auditors.
Note 3: It is invested in the Mainland China by IOC's own funds.
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, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company	2,313,416 (USD 75,282)	2,415,593 (USD 78,607)	(Note)
DET	-	153,650 (USD 5,000)	339,467
UTC	27,811 (USD 905)	27,811 (USD 905)	1,014,012
DTC	-	5,990 (HKD 1,520)	364,255

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1=NT$30.73.
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 transaction between the Company and investee companies (the intercompany transactions): please refer to "Information on significant transactions".

Darfon Electronics Corp.

Chairman：Su Kai-Chien