

Stock : 8163

DARFON ELECTRONICS CORP.

2023 Annual General Shareholders' Meeting

Meeting Agenda

(Translation)

Date: June 9, 2023

If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese language version shall prevail.

DARFON ELECTRONICS CORP.

2023 Annual General Shareholders' Meeting

Meeting Type: Physical shareholders meeting

Time: 9:00 a.m., Friday, June 9, 2023

Place: Chuto Hotel (No.398, Taoying Road, Taoyuan Dist., Taoyuan City, Taiwan)

Meeting Agenda:

Call the Meeting to Order

Chairperson Remarks

1. Reports Items

- (1) 2022 Business Report
- (2) Audit Committee's Review Report
- (3) Report on the Employees' and Directors' Remuneration in Year 2022
- (4) Proposal for 2022 Earnings Distribution of Cash Dividends Report
- (5) Completed Status Report for the Spin-off of "Energy Storage B.D." in Taiwan to Darfon Energy Technology Corp.

2. Proposals and Discussion

- (1) Adoption of the 2022 Business Report and Financial Statements
- (2) Adoption of the proposal for 2022 Earnings Distribution
- (3) Amendment to the "Rules of Procedures for Shareholder Meetings"

3. Questions and Motions

4. Adjournment

Attachment

1. 2022 Business Report
2. 2022 Profit Distribution Table
3. Comparison table for the "Rules of Procedures for Shareholder Meetings" before and after amendments
4. "Articles of Incorporation"
5. Shareholding of All Directors
6. "Rules of Procedures for Shareholder Meetings" before amendment

Reports Items:

1. 2022 Business Report

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 pedaled 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 1.45 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.

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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
Chairman & CEO

Josh Tsai
General Manager

Jery Lin
CFO

2. Audit Committee's Review Report

The Board of Directors has prepared the Company's Financial Statements for the year 2022 and issued the Audit Report jointly by two accountants, Tze-Chieh Tang and Huei-Chen Chang from the accounting firm of KPMG Taiwan, entrusted by the Board of Directors. The above-mentioned financial statements, business reports, and audit reports of accountant, etc., have been reviewed and determined to be correct and accurate by the Audit Committee of Darfon Electronics Corp., hereby submitted this report according to Article 14-1 of the Securities and Exchange Act and Article 219 of the Company Act. Report for inspection.

Sincerely,

Darfon Electronics Corp. – 2023 Annual General Shareholders' Meeting

Convener of the Audit Committee:

March 7, 2023



3. Report on the Employees' and Directors' Remuneration in Year 2022

The distribution of 2022 director's and employees' remuneration is stipulated in Articles of Incorporation, it is proposed to allocate NT\$10,520,453 for directors' remuneration and NT\$140,272,701 for employees' remuneration. The payment will be made in cash.

4. Proposal for 2022 Earnings Distribution of Cash Dividends Report

- (1) In accordance with the Articles of Incorporation, the distribution of earnings is distributed in the form of cash, the distribution may be approved by the Board of Directors and reported to the shareholders' meeting.
- (2) The Company distributes the retained distributable earnings for Year 2022 and distributes NT\$3 per ordinary share for cash dividends.
- (3) The cash dividend distribution to each shareholder will be paid to the rounded-down full NT dollar, and the Chairman of Board of Directors is authorized to determine the base date and distribution date of dividends and other related matters.
- (4) If the dividend distribution ratio is adjusted and need to be modified due to change if the Company's total number of outstanding common shares, the Chairman of Board of Directors has full authority to adjust the distribution ratio.

5. Completed Status Report for the Spin-off of "Energy Storage B.D." in Taiwan to Darfon Energy Technology Corp.

- (1) Pursuant to Article 7, Item 2 of the Business Mergers and Acquisitions Act, the Company's resolution on mergers and acquisitions in accordance with Article 36, Item 1 and 2 of the Business Mergers and Acquisitions Act, which is exempted from the resolution of the shareholders' meeting and the resolution does not need to be notified to shareholders, shall be submitted at the latest shareholders' meeting and report on mergers and acquisition.
- (2) In response to the future development, the implementation of professional division of labor, and the improvement of overall operational synergy and market competitiveness of the Group, the Company admitted the resolution of the Board of Directors on March 8, 2022, to spin-off the Company's "Energy Storage B.D." in Taiwan and transferred to the 100% owned subsidiary, Darfon Energy Technology Corp. (DET), and DET issued new shares to the Company as consideration.
- (3) The business value of the division and assignment in this division case is NT\$171,800,000. DET issued new shares at NT\$20 per share, totaling 8,590,000 ordinary shares issued to the Company.
- (4) The above spin-off has been implemented in accordance with the resolution of the Board of Directors. The base date of division is July 1, 2022, and DET completed the change registration on July, 26, 2022.

Proposals and Discussion

1. Adoption of the 2022 Business Report and Financial Statements

Explanation:

- (1) The Financial Statements for the year 2022 were audited by the independent auditors, Tze-Chieh Tang and Hwei-Chen Chang from KPMG. Taiwan Accounting Firm and were entrusted by the Board of Directors. It was deemed sufficient to articulated the financial position of Darfon Electronics Corp. as of December 31, 2022, and the financial results and cash flows for the year 2022, and the business report was attached.
- (2) For the Independent Auditors' Report and the Financial Statements, please refer to Attachment 1 (p4-19).

Resolution:

2. Adoption of the proposal for 2022 Earnings Distribution

Explanation:

The Company's 2022 Earnings Distribution Table was approved by the Board of Directors and sent to the Audit Committee for review. For the 2022 Earning Distribution Table please refer to Attachment 2 (p20)

Resolution:

3. Amendment to the “Rules of Procedures for Shareholder Meetings”

Explanation:

In line with the amendment to the “Rules of Procedures for Shareholder Meeting” from Taiwan-Stock-Governance No.1110004250 of Taiwan Stock Exchange Corporation on March 8, 2022, part of the articles of “Corporate Governance Best Practice Principles for TWSE/TPEs Listed Companies” and actual needs, it is proposed to amend the related articles of “Rules of Procedures for Shareholder Meeting”. For the comparison table for the Rules of Procedures for Shareholder Meetings before and after amendment, please refer to Attachment 3 (p21-22).

Resolution:

Questions and Motions

Adjournment

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

(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)

Assets		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
Current assets:					
1100	Cash and cash equivalents	\$ 3,368,030	10	3,045,203	9
1110	Financial assets at fair value through profit or loss - current	399,052	1	457,461	1
1120	Financial assets at fair value through other comprehensive income - current	349,051	1	271,389	1
1136	Financial assets at amortized cost - current	216,100	1	3,100	-
1170	Notes and accounts receivable, net	7,239,712	21	7,724,859	23
1180	Accounts receivable from related parties	124,337	-	137,271	-
1200	Other receivables	163,652	-	44,210	-
130X	Inventories	8,288,403	25	8,538,835	26
1460	Non-current assets held for sale	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	1,122,031	3	1,213,707	4
1535	Financial assets at amortized cost - non-current	1,102	-	810	-
1550	Investments accounted for using equity method	75,245	-	75,223	-
1600	Property, plant and equipment	8,154,487	24	7,843,550	24
1755	Right-of-use assets	902,245	3	972,784	3
1760	Investment property, net	-	-	62,125	-
1780	Intangible assets	935,704	3	1,018,046	3
1840	Deferred income tax assets	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	18,521	-	17,076	-
1990	Other non-current assets	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)

(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)

		<u>December 31, 2022</u>		<u>December 31, 2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Liabilities and Equity					
Current liabilities:					
2100	Short-term borrowings	\$ 5,786,396	17	5,039,971	15
2110	Short-term notes and bills payable	99,584	-	-	-
2120	Financial liabilities at fair value through profit or loss - current	662	-	23	-
2170	Notes and accounts payable	4,160,462	12	6,684,209	20
2200	Other payables	3,685,281	11	3,486,501	11
2250	Provisions - current	132,692	1	110,716	1
2280	Lease liabilities - current	113,214	-	100,386	-
2322	Current portion of long-term debt	96,095	-	16,899	-
2399	Other current liabilities	538,947	2	715,203	2
	Total current liabilities	<u>14,613,333</u>	<u>43</u>	<u>16,153,908</u>	<u>49</u>
Non-current liabilities:					
2540	Long-term debt	4,587,713	14	3,623,951	11
2570	Deferred income tax liabilities	163,453	1	177,942	-
2580	Lease liabilities - non-current	174,506	1	203,716	1
2640	Net defined benefit liabilities - non-current	33,687	-	65,377	-
2670	Other non-current liabilities	161,774	-	249,043	1
	Total non-current liabilities	<u>5,121,133</u>	<u>16</u>	<u>4,320,029</u>	<u>13</u>
	Total liabilities	<u>19,734,466</u>	<u>59</u>	<u>20,473,937</u>	<u>62</u>
Equity attributable to shareholders of the Company					
3110	Common stock	<u>2,800,000</u>	<u>8</u>	<u>2,800,000</u>	<u>8</u>
3200	Capital surplus	<u>4,116,058</u>	<u>12</u>	<u>4,132,767</u>	<u>12</u>
	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
		<u>3,654,809</u>	<u>11</u>	<u>3,331,941</u>	<u>10</u>
	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)	-
		<u>(56,316)</u>	<u>-</u>	<u>(422,523)</u>	<u>(1)</u>
	Equity attributable to shareholders of the Company	<u>10,514,551</u>	<u>31</u>	<u>9,842,185</u>	<u>29</u>
36XX	Non-controlling interests	<u>3,388,170</u>	<u>10</u>	<u>2,879,152</u>	<u>9</u>
	Total equity	<u>13,902,721</u>	<u>41</u>	<u>12,721,337</u>	<u>38</u>
	Total liabilities and equity	<u>\$ 33,637,187</u>	<u>100</u>	<u>33,195,274</u>	<u>100</u>

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated 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	\$ 29,535,253	100	28,048,736	100
5000 Cost of sales	<u>(24,524,594)</u>	<u>(83)</u>	<u>(23,377,424)</u>	<u>(83)</u>
Gross profit	5,010,659	17	4,671,312	17
5910 Less: Unrealized profit from sales	-	-	<u>(6,341)</u>	-
5950 Realized Gross profit	<u>5,010,659</u>	<u>17</u>	<u>4,664,971</u>	<u>17</u>
Operating expenses:				
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	<u>(31,091)</u>	-	<u>(1,163)</u>	-
6000 Total operating expenses	<u>(3,400,783)</u>	<u>(12)</u>	<u>(3,175,545)</u>	<u>(12)</u>
Operating income	<u>1,609,876</u>	<u>5</u>	<u>1,489,426</u>	<u>5</u>
Non-operating income and loss:				
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	<u>(5,318)</u>	-	<u>4,208</u>	-
Total non-operating income and loss	<u>232,131</u>	<u>1</u>	<u>164,312</u>	<u>1</u>
7900 Income before income tax	1,842,007	6	1,653,738	6
7950 Income tax expense	<u>(388,187)</u>	<u>(1)</u>	<u>(352,116)</u>	<u>(1)</u>
8200 Net income	<u>1,453,820</u>	<u>5</u>	<u>1,301,622</u>	<u>5</u>
Other comprehensive income:				
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	<u>(5,020)</u>	-	<u>1,443</u>	-
	<u>(114,961)</u>	-	<u>83,862</u>	-
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	-	-	-	-
	<u>500,432</u>	<u>1</u>	<u>(84,036)</u>	-
Other comprehensive income for the year, net of income tax	<u>385,471</u>	<u>1</u>	<u>(174)</u>	-
8500 Total comprehensive income for the year	<u>\$ 1,839,291</u>	<u>6</u>	<u>1,301,448</u>	<u>5</u>
Net income attributable to:				
8610 Shareholders of the Company	1,162,868	4	1,146,533	4
8620 Non-controlling interests	<u>290,952</u>	<u>1</u>	<u>155,089</u>	<u>1</u>
	<u>\$ 1,453,820</u>	<u>5</u>	<u>1,301,622</u>	<u>5</u>
Total comprehensive income attributable to:				
8710 Shareholders of the Company	1,529,075	5	1,139,806	4
8720 Non-controlling interests	<u>310,216</u>	<u>1</u>	<u>161,642</u>	<u>1</u>
	<u>\$ 1,839,291</u>	<u>6</u>	<u>1,301,448</u>	<u>5</u>
Earnings per share (in New Taiwan dollars)				
9750 Basic earnings per share	<u>\$ 4.15</u>		<u>4.09</u>	
9850 Diluted earnings per share	<u>\$ 4.09</u>		<u>4.05</u>	

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Changes in Equity

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to shareholders of the Company

	Retained earnings						Other equity			Equity attributable to Shareholders of the Company	Non-controlling interests	Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Foreign currency translation difference	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Remeasurements Of defined Benefit plans				
Balance at January 1, 2021	<u>\$ 2,800,000</u>	<u>3,921,454</u>	<u>1,024,037</u>	<u>492,270</u>	<u>1,339,912</u>	<u>2,856,219</u>	<u>(683,751)</u>	<u>328,577</u>	<u>(31,433)</u>	<u>(386,607)</u>	<u>9,191,066</u>	<u>1,387,996</u>	<u>10,579,062</u>
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	<u>2,800,000</u>	<u>4,132,767</u>	<u>1,116,990</u>	<u>386,607</u>	<u>1,828,344</u>	<u>3,331,941</u>	<u>(765,143)</u>	<u>379,613</u>	<u>(36,993)</u>	<u>(422,523)</u>	<u>9,842,185</u>	<u>2,879,152</u>	<u>12,721,337</u>
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	<u>\$ 2,800,000</u>	<u>4,116,058</u>	<u>1,234,562</u>	<u>422,523</u>	<u>1,997,724</u>	<u>3,654,809</u>	<u>(297,877)</u>	<u>257,193</u>	<u>(15,632)</u>	<u>(56,316)</u>	<u>10,514,551</u>	<u>3,388,170</u>	<u>13,902,721</u>

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Cash Flows

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	<u>2022</u>	<u>2021</u>
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	<u>1,299,387</u>	<u>1,105,535</u>
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	<u>865,684</u>	<u>(4,640,243)</u>
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	<u>(2,489,945)</u>	<u>1,056,114</u>
Total changes in operating assets and liabilities	<u>(1,624,261)</u>	<u>(3,584,129)</u>
Total adjustments	<u>(324,874)</u>	<u>(2,478,594)</u>
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	<u>1,226,571</u>	<u>(1,112,647)</u>
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	<u>(1,421,782)</u>	<u>(2,287,626)</u>
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	<u>945,515</u>	<u>3,903,210</u>
Effects of exchange rate changes	<u>(427,477)</u>	<u>(60,417)</u>
Net increase in cash and cash equivalents	<u>322,827</u>	<u>442,520</u>
Cash and cash equivalents at beginning of year	<u>3,045,203</u>	<u>2,602,683</u>
Cash and cash equivalents at end of year	<u>\$ 3,368,030</u>	<u>3,045,203</u>

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 for 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) of parent-company-only financial statements for the accounting policies on inventory valuation, note 5(a) of parent-company-only financial statements for uncertainty of accounting estimations and assumptions for inventory valuation, and note 6(e) of Parent-Company-Only Financial Statement 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) of parent-company-only financial statements for the accounting policies on impairment of financial assets, note 5(b) of parent-company-only financial statements 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 our 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 an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent-company-only financial statements.

As part of an audit in accordance with auditing standards, 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 CORPORATION

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
Current assets :					
1100	Cash and cash equivalents	\$ 898,836	4	64,900	-
1110	Financial assets at fair value through profit or loss— current	617	-	1,203	-
1170	Notes and accounts receivable, net	3,594,306	16	5,465,122	23
1180	Accounts receivable from related parties	1,092,486	5	1,612,017	7
1212	Other receivables from related parties	25,877	-	-	-
130X	Inventories	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—non-current	1,122,031	5	1,213,707	5
1550	Investments accounted for using equity method	12,221,026	53	10,646,474	45
1600	Property, plant and equipment	2,749,848	12	2,746,869	12
1840	Deferred income tax assets	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)

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

DARFON ELECTRONICS CORPORATION

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities :					
2100	Short-term borrowings	\$ 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	4,540,922	20	5,768,066	25
2200	Other payables	1,330,272	6	1,320,430	6
2250	Provision – current	61,914	-	79,089	-
2300	Other current assets	405,056	2	255,668	1
	Total current liabilities	8,438,262	37	10,006,719	43
Non-current liabilities :					
2540	Long-term debt	4,050,000	17	3,620,000	15
2640	Net defined benefit liability – non-current	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 :					
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

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

DARFON ELECTRONICS CORPORATION

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	\$ 14,372,374	100	17,702,426	100
5000 Costs of sales	(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 :				
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 :				
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	(89,066)	(1)	(128,752)	(1)
8200 Net income	1,162,868	8	1,146,533	6
Other comprehensive income :				
8310 Items that will not be reclassified 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 reclassified 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)				
9750 Basic earnings per share	\$ 4.15		4.09	
9850 Diluted earnings per share	\$ 4.09		4.05	

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

DARFON ELECTRONICS CORPORATION

Changes in Equity

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total other equity interest					Total equity
	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	
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	<u>2,800,000</u>	<u>4,132,767</u>	<u>1,116,990</u>	<u>386,607</u>	<u>1,828,344</u>	<u>3,331,941</u>	<u>(765,143)</u>	<u>379,613</u>	<u>(36,993)</u>	<u>(422,523)</u>	<u>9,842,185</u>
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	<u>\$ 2,800,000</u>	<u>4,116,058</u>	<u>1,234,562</u>	<u>422,523</u>	<u>1,997,724</u>	<u>3,654,809</u>	<u>(297,877)</u>	<u>257,193</u>	<u>(15,632)</u>	<u>(56,316)</u>	<u>10,514,551</u>

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

DARFON ELECTRONICS CORPORATION

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
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

DARFON Electronics Corp.
Profit Distribution Table
For the Year 2022

(Unit: NTDS\$)

Items	Amount
Unappropriated retained earnings of prior years	834,856,007
Add: Net profit after tax	1,162,868,135
Less: 10% provisioned as legal reserve	(116,286,813)
Add: Provisioned as special reserve	366,206,171
Distributable net profit	2,247,643,500
Distributable item:	
Shareholders' dividend – cash (NT\$3 per share)	(840,000,003)
Unappropriated retained earnings	1,407,643,497

Note: The cash dividend distribution to each shareholder will be paid to the rounded-downfall NT dollar. The aggregate unpaid cash dividend resulting from the above rounded-down will be distributed to shareholders in the descending order of decimal point and the ascending order of shareholder account numbers, until the total amount of the approved cash dividend has been fully distributed.

DARFON ELECTRONICS CORP.

**Comparison table for the Rules of Procedures for Shareholder Meetings
before and after amendment**

Article No	Before Amendment	After Amendment	Reason for Amendments
Article 2	Shareholders or their proxies attending the shareholders' meeting shall submit the attendance card for the purpose of signing in. the number of shares shall be calculated in accordance with the attendance cards.	Shareholders or their proxies attending the shareholders' meeting shall submit the attendance card for the purpose of signing in. the number of shares represented by shareholders or their proxies attending the Meeting shall be calculated in accordance with the attendance cards <u>plus the number of shares exercised by correspondence or electronic means.</u>	Amend according to laws and regulations
Article 4	The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.	The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m. <u>When the Company holds virtual-only shareholders' meeting, it is not restricted by the venue of the previous paragraph.</u>	Amend according to laws and regulations
Article 5-1 (Add)		<p><u>When the Company holds a shareholders meeting via virtual meeting, the following items shall be specified in the shareholders meeting concerning notice:</u></p> <ol style="list-style-type: none"> 1. <u>Methods that shareholders participate in the video conference and to exercise their rights.</u> 2. <u>Methods of dealing with obstacles caused by natural disasters, accidents, or other force majeure event to the virtual meeting, including at least the following items:</u> <ol style="list-style-type: none"> (1) <u>The date and time at which the meeting must be postponed or continue on the other day due to the occurrence of previous obstacles that cannot be ruled out.</u> (2) <u>Shareholders who have not registered to participate in the original shareholders' meeting via virtual meeting shall not participate in the postponed or continuous meeting on the other day.</u> (3) <u>To convene a hybrid shareholders' meeting, if the virtual meeting cannot be continued, after deducting the number of shares attending the virtual meeting, the total number of shares attended reaches the statutory quota for the meeting, the meeting should continue. The shareholders attend the virtual meeting.</u> (4) <u>Methods to deal with the situation where all the motions have been announced and provisional motions have not been made.</u> <p><u>To convene a virtual meeting, it shall specify the appropriate alternative measures for shareholders who have difficulty participating in the meeting.</u></p>	Amend according to laws and regulations

Article No	Before Amendment	After Amendment	Reason for Amendments
Article 7	The process of the Meeting shall be tape-recorded or videotaped, and these tapes or videos shall be preserved for at least one year.	The process of the Meeting shall be tape-recorded or videotaped, and these tapes or videos shall be preserved for at least one year. <u>Where a shareholders meeting is held online, the Company shall keep records of registration, sign-in, check-in, questioning, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end. The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.</u>	Amend according to laws and regulations
Article 11	Unless otherwise permitted by the chair, each shareholder shall not, for each discussion item, speak more than two times or longer than 5 minutes each time. In case the speech of any shareholder violates this provision or exceeds the scope of the discussion item, the chair may stop the speech of such shareholder.	Unless otherwise permitted by the chair, each shareholder shall not, for each discussion item, speak more than two times or longer than 5 minutes each time. In case the speech of any shareholder violates this provision or exceeds the scope of the discussion item, the chair may stop the speech of such shareholder. <u>Where a virtual shareholders meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words.</u>	Amend according to laws and regulations
Article 16	Except otherwise provided in the Company Act of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chair.	Except otherwise provided in the Company Act of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chair. <u>When this Corporation convenes a virtual shareholders meeting, after the chair declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chair announces the voting session ends or will be deemed abstained from voting. In the event of a virtual shareholders meeting, votes shall be counted at once after the chair announces the voting session ends, and results of votes and elections shall be announced immediately.</u>	Amend according to laws and regulations
Article 20	Ant matter not provided in the Rules and Procedures shall be handled in accordance with the Company Act of Republic of China and the Articles of Incorporation of the Company.	Ant matter not provided in the Rules and Procedures shall be handled in accordance with the Company Act of Republic of China, the Articles of Incorporation of the Company <u>and other related rules.</u>	Amend according to laws and regulations
Article 22 (Add)		Enacted on March 4, 1998 <u>The first amendment was made on June 9, 2023</u>	Add articles and revision dates according to actual needs.

DARFON ELECTRONICS CORP.

Articles of Incorporation

Chapter 1 General Provisions

- Article 1 The Company is organized as a company limited by shares in accordance with the Company Act of the Republic of China (the "Company Act") and the Company's English name is DARFON ELECTRONICS CORP.
- Article 2 The lines of business of the Company shall include the following:
1. CA05010 Powder Metallurgy
 2. CC01110 Computer and Peripheral Equipment Manufacturing
 3. CC01060 Wired Communication Mechanical Equipment Manufacturing
 4. CC01070 Wireless Communication Mechanical Equipment Manufacturing
 5. CC01080 Electronics Components Manufacturing
 6. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
 7. CQ01010 Mold and Die Manufacturing
 8. CC01040 Lighting Equipment Manufacturing
 9. F113050 Wholesale of Computers and Clerical Machinery Equipment
 10. F119010 Wholesale of Electronic Materials
 11. F401010 International Trade
 12. I103060 Management Consulting
 13. CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
 14. F401021 Controlled Telecommunications Radio-Frequency Devices and Materials Import
 15. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
 16. F113020 Wholesale of Electrical Appliances
 17. IG03010 Energy Technical Services
 18. D101060 self-usage power generation equipment utilizing renewable energy industry
 19. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval
- Article 3 The Company may provide guarantees or endorsements on behalf of third parties due to business or investment relationships with such third parties.
- Article 4 The total amount of the Company's investment is not subject to the restriction of Article 13 of the Company Act.
- Article 5 The head office of the Company shall be in Taoyuan, Taiwan, the Republic of China ("R.O.C."). Subject to the approval of the Board and other relevant authorities, the Company may, if necessary, set up branches or business offices at other appropriate place.
- Article 6 The company's announcement method is in accordance with the provisions of Article 28 of the Company Act.

Chapter 2 Shares

- Article 7 The company's total capital is rated at NT \$ 4.5 billion, divided into 450 million shares at NT \$ 10 per share. The council decided to issue in batches. 15 million shares are reserved in the aforementioned total shares as shares for issuing employee stock option certificates. The company may issue employee stock options at a stock price lower than the market price, or less than the actual share repurchases, with the consent of the shareholders' meeting representing more than half of the total number of issued shares and the presence of more than two-thirds of the shareholders' voting rights Average price transferred to employees.

Article 7-1 Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive treasury stock purchased by the Company.

Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive share subscription warrant of the Company.

Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive new shares issued by the Company.

Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive restricted stock.

Article 8 The share certificates of the Company shall be all in registered form. The share certificates shall be affixed with the signatures or personal seals of the director representing the company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws before issuance.

The Company may, pursuant to the applicable laws and regulations, deliver shares or other securities in book-entry form, instead of delivering physical certificates evidencing shares or other securities.

Article 9 The name change and transfer of the company's stocks shall cease within 60 days before the shareholders' general meeting, within 30 days before the shareholders' temporary meeting or within 5 days before the company's decision to distribute dividends and dividends or other benefits.

Chapter 3 Shareholders' Meetings

Article 10 Shareholders' meetings shall be of two types, ordinary meetings and extraordinary meetings. Ordinary meetings shall be convened annually by the Board within six months of the end of each fiscal year. Extraordinary meetings shall be convened in accordance with the relevant laws, whenever necessary.

Shareholders' meeting can be held by means of visual communication network or other methods promulgated by the central competent authority.

Article 11 Unless otherwise provided in applicable law and regulations, a resolution shall be adopted at a meeting attended by the shareholders holding and representing a majority of the total issued and outstanding shares and at which meeting a majority of the attending shareholders shall vote in favor of the resolution. In case a shareholder is unable to attend a shareholders' meeting, such shareholder may issue a proxy in the form issued by the Company, setting forth the scope of authorization by signing and affixing such shareholder's seal on the proxy form for the representative to be present on such shareholder's behalf. Except for trust enterprises or other stock transfer agencies approved by the securities authorities, if a person is designated as proxy by more than two shareholders, any of such person's voting rights representing in excess of 3% of the total issued and outstanding shares shall not be considered. The relevant matters related to the use and rescission of the proxy shall be conducted in accordance with the Company Act and applicable rules.

Chapter 4 Directors and Audit Committees

Article 12 Directors shall be elected from a slate of director candidates, which are nominated under the Candidate Nomination System, at shareholders' meetings. The independent directors are selected by the shareholders' meeting on the list of independent director candidates. The professional qualifications, shareholding, part-time restrictions, nomination and selection methods of the independent directors and other matters to be complied with shall be handled in accordance with relevant laws. The voting rights of shareholders shall have one voting right per share, unless otherwise provided by laws and regulations.

Article 12-1 The Company may take out liability insurance for the directors with respect to the liabilities resulting from exercising their duties during their terms of office. The Board is authorized to determine the compensation for the directors, taking into account the extent and value of the services provided for the Company's operation and with reference to the standards of local and overseas industry.

- Article 13 The Company shall have seven to nine directors. Within the entire Board, the Company shall have at least three independent directors on the Board. The shareholders' meeting shall elect the directors from among the nominees listed in the roster of director candidates. The term of office for all directors shall be three (3) years. The directors are eligible for re-election. The total shares held by the entire body of either directors shall not be less than a specified percentage in accordance with the regulation prescribed by the Competent Authority
- Article 13-1 The Company shall set up the Audit Committee organized by all of the independent directors in accordance with the Securities and Exchange Act.
- The composition of the audit committee, duties, rules of meeting procedure and other compliance matters shall comply with the regulations prescribed by the securities supervisory authorities.
- Article 14 The Board of Directors is organized by directors. The Chairman of the Board of Directors shall be elected from among the attending directors by a majority vote and with the attendance over two thirds of the seats in a meeting of the Board of Directors. As necessary, a Vice Chairman may be elected among the attending directors in the same manner. The Chairman of the Board shall externally have the authority to represent the Company.
- Article 15 Where a director is unable to attend a meeting of the Board, he may appoint another director to represent him by proxy in accordance with Article 208 of the Company Act. Each director may act as a proxy for one other director only. The meeting of the Board of Directors shall be convened in accordance with the Company Act.
- In calling a meeting of the Board of Directors, a notice may be given to each director by means of electronic mail or facsimile.

Chapter 5 Managerial Officer

- Article 16 The Company may appoint a multiple number of managerial officers whose appointment, dismissal and compensations shall be conducted in accordance with the Company Act.

Chapter 6 Accounting

- Article 17 The company's fiscal year is from January 1 to December 31 of the same year.
- Article 18 After the end of each fiscal year, the Board shall prepare and submit the following documents: (1) business report, (2) financial statements, (3) proposal for allocation of earnings or recovery of loss, which shall be submitted to the audit committee for verification 30 days before the shareholders' meeting. The audit committee issued a report to the shareholders' general meeting for approval.
- Article 19 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.

In order to consider the needs of future expansion of operation scale and cash flow when distributing dividends, the proportion of cash dividends distributed each year shall not be less than 10% of the total amount of cash and stock dividends distributed in the current year

Chapter 7 Supplementary Articles

Article 21 With respect to the matters not provided herein, the Company Act and other applicable laws and regulations shall govern.

Article 22 These Articles of Incorporation were enacted by the incorporators in the incorporators meeting held on April 30, 1997 and were effectively approved by the competent authority.

The first amendment was made on March 4, 1998.

The second amendment was made on April 29, 1999.

The third amendment was made on June 14, 1999.

The fourth amendment was made on March 29, 2000.

The fifth amendment was made on October 11, 2000.

The sixth amendment was made on March 8, 2001.

The seventh amendment was made on April 10, 2001.

The eighth amendment was made on April 19, 2002

The ninth amendment was made on May 8, 2003.

The tenth amendment was made on April 27, 2005.

The eleventh amendment was made on May 11, 2006.

The twelfth amendment was made on October 2, 2006.

The thirteenth amendment was made on May 15, 2007.

The fourteenth amendment was made on May 27, 2008.

The fifteenth amendment was made on June 10, 2009.

The sixteenth amendment was made on June 9, 2010.

The seventeenth amendment was made on June 15, 2011.

The eighteenth amendment was made on June 21, 2012.

The nineteenth amendment was made on June 24, 2015.

The twentieth amendment was made on June 17, 2016.

The twenty-first amendment was made on June 13, 2019.

The twenty-second amendment was made on June 18, 2020

The twenty-third amendment was made on June 16, 2022.

Shareholding of All Directors

1. The paid-in capital of the Company is \$2,800,000,010, totaling 280,000,001 shares. The minimum of shares to be held by all the directors is 12,000,000 shares in accordance with Article 26 the Securities and Exchange Law.
2. As of date of cessation of the shareholders' meeting on April 11, 2023, the actual number of shares hold by all directors of the Company was 64,108,114. The actual collective shareholding of directors was shown as below:

April 11, 2023

Position	First and Last Name	Shareholding (Shares)	Shareholding Ratio (%)
Chairman	Kai-Chien Su	4,058,447	1.45
Director	Kun-Yao Lee	1,525,729	0.54
Director	Chi-Hong Chen (Qisda Corporation)	58,004,667	20.72
Director	Chiu-Chin Hung (Qisda Corporation)	58,004,667	20.72
Director	Yao-Kun Tsai	519,271	0.19
Independent Director	Neng-Pai Lin	0	0.00
Independent Director	Kun-Ming Lee	0	0.00
Independent Director	Yu-Tien Lee	0	0.00
Independent Director	Hsiang-Ning Hu	0	0.00
Total		64,108,114	22.90

Rules of Procedures for Shareholder Meetings

Enacted on March 4, 1998

1. The Rules and Procedures for Shareholders' Meeting are enacted in accordance with the "Rules Governing the Conduct of Shareholders' meetings by Public Companies" promulgated by the Securities and Futures Commission, Ministry of Finance, (86) Tai-Tsai- Zheng (3) No.04109.
2. Shareholders or their proxies attending the shareholders' meeting (the "Meeting") shall submit the attendance card for the purpose of signing in. The number of shares represented by shareholders or their proxies attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders or their proxies plus the number of shares exercised by correspondence or electronic means.
3. The quorum required for the Meeting and the votes cast by the shareholders shall be calculated in accordance with the number of shares representing by shareholders attending the Meeting.
4. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
5. The chairman of the Board of Directors shall be the chair presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. In case the chairman of the Board of Directors is on leave or cannot exercise his power and authority for any reason, the vice chair shall act on behalf of the chair. In case the Company has no vice chairman, or the vice chairman is also on leave or unable to exercise his and authority for any reason, the chairman of the Board of Directors shall designate one of the directors to act on behalf of the chair. If the chairman does not make such designation, the directors shall elect from and among themselves an acting chair of the Board of Directors. If the Meeting is convened by the person other than the Board of Directors who is permitted to convene such Meeting, such person shall be the chair presiding the Meeting.
6. The Company may appoint designated counsel, Certified Public Accountant or other related persons to attend the Meeting.
7. The process of the Meeting shall be tape-recorded or videotaped and these tapes or videos shall be preserved for at least one year.
8. Chair shall call the Meeting to order at the time scheduled for the meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chair may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one-third of the total outstanding shares of the Company, tentative resolutions may be made in accordance with Paragraph 1, Article 175 of the Company Act of the Republic of China. If during the process of the Meeting the number of shares represented by the shareholders present becomes sufficient to constitute the quorum, the chair may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Act of the Republic of China.
9. The agenda of the Meeting shall be set by the Board of Directors, if the Meeting is convened by the Board of Directors. The Meeting shall proceed in accordance with the agenda unless otherwise resolved at the Meeting. During the Meeting, the chair may, at his/her discretion, set time for intermission. Unless otherwise resolved at the Meeting, the chair cannot announce adjournment of the Meeting before all the discussion items listed in the agenda are resolved. The shareholders cannot designate any other person as chair and continue the Meeting in the same or other place after the Meeting is adjourned.

10. When a shareholder presents at the Meeting wishes to speak, a speech note should be filled out with summary of the speech, the shareholder's number, and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chair. If any shareholder presenting the Meeting submits a speech note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the speech note, the contents of actual speech shall prevail. Unless otherwise permitted by the chair and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholder, otherwise the chair shall stop such interruption.
11. Unless otherwise permitted by the chair, each shareholder shall not, for each discussion item, speak more than two times or longer than 5 minutes each time. In case the speech of any shareholder violates this provision or exceeds the scope of the discussion item, the chair may stop the speech of such shareholder.
12. Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting. If a legal entity is a shareholder and designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.
13. After the speech of a shareholder, the chair may respond him/herself or appoint an appropriate person to respond.
14. The chair may announce to end the discussion of any discussion item and go into voting if the chair deems it appropriate.
15. The person(s) to monitor and the person(s) to count the ballots shall be appointed by the chair. The person(s) monitoring the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and recorded in the minutes of the Meeting.
16. Except otherwise provided in the Company Act of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chair.
17. If there is amendment to or substitute for a discussion item, the chair shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any of them has been adopted, the other shall be deemed vetoed and no further voting is necessary.
18. The chair may require or supervise the disciplinary officers or the security guards to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officer" for identification purpose.
19. In case of incident due to force majeure, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.
20. Any matter not provided in the Rules and Procedures shall be handled in accordance with the Company Act of Republic of China and the Articles of Incorporation of the Company.
21. The Rules and Procedures shall become effective from the date on which the Rules and Procedures are approved by the Meeting. The same shall apply to amendments to the Rules and Procedures