

**DARFON ELECTRONICS CORP. AND
SUBSIDIARIES**

**Consolidated Financial Statements
With Independent Auditors' Review Report**

For the Three Months Ended March 31, 2021 and 2020

Address: No. 167-1, Shan-Ying Road, Gueishan, Taoyuan, Taiwan
Telephone: 886-3-250-8800

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

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Independent Auditors' Review Report

To the Board of Directors of Darfon Electronics Corp.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Darfon Electronics Corp. and its subsidiaries (“the Company”) as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement on Auditing Standard No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4 (2), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$5,233,235 thousand and \$6,720,136 thousand, constituting 21.13% and 34.42% of the consolidated total assets; and the total liabilities amounting to \$2,065,010 thousand and \$2,825,555 thousand, constituting 14.22% and 26.88% of the consolidated total liabilities as of March 31, 2021 and 2020, respectively; as well as the total comprehensive income (loss) amounting to \$(21,449) thousand and \$(58,843) thousand, constituting (4.77)% and 32.27% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2021 and 2020, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have influenced by the financial statements of certain investee companies described in the Basis for Qualified Conclusion paragraph which were not reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Darfon and its subsidiaries as of March 31, 2021 and 2020, and the consolidated financial performance and the consolidated cash flows for the three months ended March 31, 2021 and 2020, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS No. 34 “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditors’ review report are Huei-Chen Chang and Wei-Ming Shih.

KPMG
Taipei, Taiwan
Republic of China
May 12, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

**Reviewed only, not audited in accordance with generally accepted auditing standards
as of March 31, 2021 and 2020**

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2021, December 31, 2020 and March 31, 2020

(Expressed in thousands of New Taiwan dollars)

Assets	March 31, 2021		December 31, 2020		March 31, 2020		
	Amount	%	Amount	%	Amount	%	
Current assets:							
1100	Cash and cash equivalents (note 6(a))	\$ 2,259,977	9	2,602,683	11	1,939,536	10
1110	Financial assets at fair value through profit or loss — current (note 6(b))	445,304	2	454,332	2	463,743	2
1120	Financial assets at fair value through other comprehensive income — current (note 6(c))	43,066	-	89,443	-	80,423	1
1136	Financial assets at amortized cost — current (notes 6(d) and 8)	47,838	-	1,100	-	76,054	-
1170	Notes and accounts receivable, net (notes 6(e) and (y))	6,453,566	26	6,731,425	28	4,896,845	25
1180	Accounts receivable from related parties (notes 6(e) & (y) and 7)	113,894	1	123,441	-	56,939	-
1200	Other receivables (note 7)	10,142	-	21,067	-	4,805	-
130X	Inventories (note 6(f))	5,212,099	21	4,336,702	18	3,088,064	16
1470	Prepayments and other current assets	752,422	3	622,890	3	481,747	3
	Total current assets	<u>15,338,308</u>	<u>62</u>	<u>14,983,083</u>	<u>62</u>	<u>11,088,156</u>	<u>57</u>
Non-current assets:							
1517	Financial assets at fair value through other comprehensive income-non-current (note 6(c))	1,252,146	5	1,058,383	4	541,073	3
1535	Financial assets at amortized cost — non-current (notes 6(d) and 8)	810	-	810	-	810	-
1550	Investments accounted for using equity method (note 6(g))	26,437	-	29,069	-	12,396	-
1600	Property, plant and equipment (notes 6(j) and 8)	6,067,651	25	6,045,946	25	5,924,849	30
1755	Right-of-use assets (note 6(k))	809,763	3	670,213	3	609,077	3
1760	Investment property, net (notes 6(l) and 8)	86,681	-	86,826	-	151,646	1
1780	Intangible assets (notes 6(h) and (m))	767,929	3	774,027	3	718,496	4
1840	Deferred income tax assets	196,649	1	196,023	1	226,500	1
1915	Prepayments for equipment	164,750	1	191,694	1	159,608	1
1920	Refundable deposits	37,868	-	32,260	-	56,029	-
1975	Net defined benefit asset — non-current	16,777	-	16,777	-	16,126	-
1990	Other non-current assets (note 6(k))	4,659	-	184,395	1	19,755	-
	Total non-current assets	<u>9,432,120</u>	<u>38</u>	<u>9,286,423</u>	<u>38</u>	<u>8,436,365</u>	<u>43</u>
	Total assets	<u>\$ 24,770,428</u>	<u>100</u>	<u>24,269,506</u>	<u>100</u>	<u>19,524,521</u>	<u>100</u>

(Continued)

See accompanying notes to the consolidated financial statements

**Reviewed only, not audited in accordance with generally accepted auditing standards
as of March 31, 2021 and 2020**

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

March 31, 2021, December 31, 2020 and March 31, 2020

(Expressed in thousands of New Taiwan dollars)

	March 31, 2021		December 31, 2020		March 31, 2020		
	Amount	%	Amount	%	Amount	%	
Liabilities and Equity							
Current liabilities:							
2100	Short-term borrowings (notes 6(n) and 8)	\$ 2,373,760	10	2,470,428	10	1,903,128	10
2110	Short-term notes and bills payable (note 6(o))	-	-	439,721	2	199,974	1
2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	11,150	-	28	-	48	-
2170	Notes and accounts payable (note 7)	5,694,991	23	5,321,074	22	3,544,027	18
2200	Other payables (notes 6(z) and 7)	3,407,481	14	2,815,639	12	2,850,620	15
2250	Provisions – non-current (note 6(r))	95,421	-	96,222	-	69,592	-
2280	Lease liabilities – current (notes 6(q) and 7)	96,402	-	94,838	-	70,608	-
2322	Long-term debt, current portion (note 6(p))	-	-	-	-	1,467	-
2399	Other current liabilities (note 6(y))	465,384	2	434,965	2	499,847	3
	Total current liabilities	<u>12,144,589</u>	<u>49</u>	<u>11,672,915</u>	<u>48</u>	<u>9,139,311</u>	<u>47</u>
Non-current liabilities:							
2540	Long-term debt (notes 6(p) and 8)	2,000,000	8	1,600,000	7	1,004,742	5
2570	Deferred income tax liabilities	68,900	1	72,675	-	78,003	1
2580	Lease liabilities – non-current (notes 6(q) and 7)	225,643	1	258,871	1	202,290	1
2640	Net defined benefit liability – non-current	64,277	-	66,229	-	73,180	-
2670	Other non-current liabilities	15,501	-	19,754	-	13,820	-
	Total non-current liabilities	<u>2,374,321</u>	<u>10</u>	<u>2,017,529</u>	<u>8</u>	<u>1,372,035</u>	<u>7</u>
	Total liabilities	<u>14,518,910</u>	<u>59</u>	<u>13,690,444</u>	<u>56</u>	<u>10,511,346</u>	<u>54</u>
Equity attributable to shareholders of the Parent (notes 6(h)& (v)):							
3110	Common stock	2,800,000	11	2,800,000	12	2,800,000	14
3200	Capital surplus	3,921,454	16	3,921,454	16	3,805,576	20
Retained earnings:							
3310	Legal reserve	1,024,037	4	1,024,037	4	934,042	5
3320	Special reserve	492,270	2	492,270	2	366,541	2
3350	Unappropriated earnings	870,356	4	1,339,912	6	726,678	3
		<u>2,386,663</u>	<u>10</u>	<u>2,856,219</u>	<u>12</u>	<u>2,027,261</u>	<u>10</u>
Other equity:							
3410	Foreign currency translation differences	(662,971)	(3)	(683,751)	(3)	(523,402)	(3)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	502,869	2	328,577	1	(231,985)	(1)
3445	Remeasurements of defined benefit	(31,433)	-	(31,433)	-	(31,323)	-
		<u>(191,535)</u>	<u>(1)</u>	<u>(386,607)</u>	<u>(2)</u>	<u>(786,710)</u>	<u>(4)</u>
	Equity attributable to shareholders of the Parent	<u>8,916,582</u>	<u>36</u>	<u>9,191,066</u>	<u>38</u>	<u>7,846,127</u>	<u>40</u>
36XX	Non-controlling interests (notes 6(h),(i)&(v))	<u>1,334,936</u>	<u>5</u>	<u>1,387,996</u>	<u>6</u>	<u>1,167,048</u>	<u>6</u>
	Total equity	<u>10,251,518</u>	<u>41</u>	<u>10,579,062</u>	<u>44</u>	<u>9,013,175</u>	<u>46</u>
	Total liabilities and equity	<u>\$ 24,770,428</u>	<u>100</u>	<u>24,269,506</u>	<u>100</u>	<u>19,524,521</u>	<u>100</u>

See accompanying notes to the consolidated financial statements

Reviewed only, not audited in accordance with generally accepted auditing standards
DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2021 and 2020
(Expressed in thousands of New Taiwan dollars)

		Three Months Ended March 31,			
		2021		2020	
		Amount	%	Amount	%
4000	Net sales (notes 6(y) and 7)	\$ 5,995,441	100	4,111,689	100
5000	Cost of sales (notes 6(f), (j), (k), (m), (q), (t), (x) & (z), 7 and 12)	(5,014,897)	(84)	(3,430,410)	(83)
	Gross profit	<u>980,544</u>	<u>16</u>	<u>681,279</u>	<u>17</u>
	Operating expenses (notes 6(e), (j), (k), (m), (q), (t), (x) & (z), 7 and 12):				
6100	Selling expenses	(302,177)	(5)	(249,234)	(6)
6200	Administrative expenses	(202,153)	(3)	(138,781)	(4)
6300	Research and development expenses	(211,332)	(4)	(165,101)	(4)
6000	Total operating expenses	<u>(715,662)</u>	<u>(12)</u>	<u>(553,116)</u>	<u>(14)</u>
	Operating income	<u>264,882</u>	<u>4</u>	<u>128,163</u>	<u>3</u>
	Non-operating income and loss (notes 6(g), (q) & (aa), 7 and 12):				
7010	Other income	34,990	1	23,040	1
7020	Other gains and losses	7,758	-	5,165	-
7050	Finance costs	(14,003)	-	(17,017)	-
7060	Share of profit (loss) of joint ventures	(869)	-	(140)	-
7100	Interest income	1,914	-	8,739	-
	Total non-operating income and loss	<u>29,790</u>	<u>1</u>	<u>19,787</u>	<u>1</u>
7900	Income before income tax	<u>294,672</u>	<u>5</u>	<u>147,950</u>	<u>4</u>
7950	Income tax expenses (note 6(u))	(68,922)	(1)	(37,796)	(1)
8200	Net income	<u>225,750</u>	<u>4</u>	<u>110,154</u>	<u>3</u>
	Other comprehensive income (loss) (notes 6(g) & (v)):				
8310	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	203,481	4	(270,308)	(6)
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
		<u>203,481</u>	<u>4</u>	<u>(270,308)</u>	<u>(6)</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations	22,567	-	(22,271)	(1)
8370	Share of the other comprehensive income of joint ventures	(1,763)	-	101	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		<u>20,804</u>	<u>-</u>	<u>(22,170)</u>	<u>(1)</u>
	Other comprehensive income (loss) for the year, net of income tax	<u>224,285</u>	<u>4</u>	<u>(292,478)</u>	<u>(7)</u>
8500	Total comprehensive income for the year	<u>\$ 450,035</u>	<u>8</u>	<u>(182,324)</u>	<u>(4)</u>
	Net income attributable to:				
8610	Shareholders of the Parent	\$ 201,255	3	100,574	3
8620	Non-controlling interests	24,495	1	9,580	-
		<u>\$ 225,750</u>	<u>4</u>	<u>110,154</u>	<u>3</u>
	Total comprehensive income attributable to:				
8710	Shareholders of the Parent	\$ 425,516	7	(193,866)	(4)
8720	Non-controlling interests	24,519	1	11,542	-
		<u>\$ 450,035</u>	<u>8</u>	<u>(182,324)</u>	<u>(4)</u>
	Earnings per share (in New Taiwan dollars) (note 6(w))				
9750	Basic earnings per share	<u>\$ 0.72</u>		<u>0.36</u>	
9850	Diluted earnings per share	<u>\$ 0.71</u>		<u>0.35</u>	

See accompanying notes to the consolidated financial statements

Reviewed only, not audited in accordance with generally accepted auditing standards
DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the Three Months Ended March 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the Parent						Other equity					Non-controlling interests	Total equity
	Common Stock	Capital Surplus	Retained earnings			Foreign currency Translation Differences	Unrealized gains (losses) from financial asset at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal	Equity attributable to shareholders of the Parent			
			Legal Reserve	Special Reserve	Unappropriated Earnings						Subtotal		
Balance at January 1, 2020	\$ 2,800,000	3,802,120	934,042	366,541	1,270,104	2,570,687	(499,270)	38,323	(31,323)	(492,270)	8,680,537	1,087,054	9,767,591
Net income	-	-	-	-	100,574	100,574	-	-	-	-	100,574	9,580	110,154
Other comprehensive income	-	-	-	-	-	-	(24,132)	(270,308)	-	(294,440)	(294,440)	1,962	(292,478)
Total comprehensive income	-	-	-	-	100,574	100,574	(24,132)	(270,308)	-	(294,440)	(193,866)	11,542	(182,324)
Appropriation of earnings:													
Cash dividends	-	-	-	-	(644,000)	(644,000)	-	-	-	-	(644,000)	-	(644,000)
Organizational restructuring	-	144	-	-	-	-	-	-	-	-	144	(144)	-
Acquisition of subsidiary's additional interest	-	3,312	-	-	-	-	-	-	-	-	3,312	(3,312)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	6,608	6,608
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	65,300	65,300
Balance at March 31, 2020	\$ 2,800,000	3,805,576	934,042	366,541	726,678	2,027,261	(523,402)	(231,985)	(31,323)	(786,710)	7,846,127	1,167,048	9,013,175
Balance at January 1, 2021	\$ 2,800,000	3,921,454	1,024,037	492,270	1,339,912	2,856,219	(683,751)	328,577	(31,433)	(386,607)	9,191,066	1,387,996	10,579,062
Net income	-	-	-	-	201,255	201,255	-	-	-	-	201,255	24,495	225,750
Other comprehensive income	-	-	-	-	-	-	20,780	203,481	-	224,261	224,261	24	224,285
Total comprehensive income	-	-	-	-	201,255	201,255	20,780	203,481	-	224,261	425,516	24,519	450,035
Appropriation of earnings:													
Cash dividends	-	-	-	-	(700,000)	(700,000)	-	-	-	-	(700,000)	-	(700,000)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,409)
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(76,170)
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	29,189	29,189	-	(29,189)	-	(29,189)	-	-	-
Balance at March 31, 2021	\$ 2,800,000	3,921,454	1,024,037	492,270	870,356	2,386,663	(662,971)	502,869	(31,433)	(191,535)	8,916,582	1,334,936	10,251,518

See accompanying notes to the consolidated financial statements

Reviewed only, not audited in accordance with generally accepted auditing standards
DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities:		
Income before income tax	\$ 294,672	147,950
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation	207,610	179,991
Amortization	17,858	17,170
Expected credit loss (or reversal gain)	(776)	(394)
Interest expense	14,003	17,017
Interest income	(1,914)	(8,739)
Share-based compensation cost	-	6,608
Share of losses of joint ventures	869	140
Losses on disposal of property, plant and equipment	7	196
Losses (gains) on lease modifications	245	(9)
Total adjustments to reconcile profit or loss	237,902	211,980
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets mandatorily measured at fair value through profit or loss	9,835	2,954
Decrease in notes and accounts receivable	278,635	873,227
Decrease (increase) in accounts receivable from related parties	9,547	(2,574)
Decrease (increase) in other receivable	10,899	(2,489)
Increase in inventories	(875,397)	(56,722)
(Increase) Decrease in prepayments and other current assets	(117,469)	27,011
Total changes in operating assets	(683,950)	841,407
Changes in operating liabilities:		
Increase in financial liabilities at fair value through profit or loss	11,122	48
Increase (decrease) in notes and accounts payable	373,917	(333,515)
Decrease in other payables	(262,736)	(273,960)
(Decrease) increase in provisions	(801)	2,009
Increase (decrease) in other current liabilities	30,419	(137,267)
(Decrease) increase in net defined benefit liability	(1,952)	370
Total changes in operating liabilities	149,969	(742,315)
Total changes in operating assets and liabilities	(533,981)	99,092
Total adjustments	(296,079)	311,072
Cash (used in) generated from operations	(1,407)	459,022
Interest received	1,940	11,439
Interest paid	(13,584)	(17,089)
Income taxes paid	(16,840)	(37,426)
Net cash (used in) provided by operating activities	(29,891)	415,946

(Continued)

See accompanying notes to the consolidated financial statements

Reviewed only, not audited in accordance with generally accepted auditing standards
DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)
For the Three Months Ended March 31, 2021 and 2020
(Expressed in thousands of New Taiwan dollars)

	Three Months Ended March 31,	
	2021	2020
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	56,095	-
Purchase of financial assets at amortized cost	(46,738)	(500)
Proceeds from redemption of financial assets at amortized cost	-	656,632
Purchase of financial assets at fair value through profit or loss	(202,113)	(463,523)
Proceeds from disposal of financial assets at fair value through profit or loss	201,306	347,032
Additions to property, plant and equipment (including prepayments for equipment)	(157,784)	(324,001)
Proceeds from disposal of property, plant and equipment	1,343	864
(Increase) decrease in refundable deposits	(5,608)	90,855
Additions to intangible assets	(4,212)	(12,000)
Additions to right-of-use assets	(8,736)	-
Increase in other non-current assets	-	2,266
Net cash flows (used in) provided by investing activities	(166,447)	297,625
Cash flows from financing activities:		
Decrease in short-term borrowings	(96,668)	(531,399)
Increase in short-term notes and bills payable	-	199,974
Decrease in short-term notes and bills payable	(439,721)	(199,989)
Increase in long-term debt	400,000	-
Repayments of long-term debt	-	(349)
Payment of lease liabilities	(25,293)	(22,363)
(Decrease) increase in other non-current liabilities	(4,253)	2,764
Capital injection from non-controlling interests	-	65,300
Net cash used in financing activities	(165,935)	(486,062)
Effects of exchange rate changes	19,567	(10,443)
Net (decrease) increase in cash and cash equivalents	(342,706)	217,066
Cash and cash equivalents at beginning of year	2,602,683	1,722,470
Cash and cash equivalents at end of year	\$ 2,259,977	1,939,536

See accompanying notes to the consolidated financial statements

Reviewed only, not audited in accordance with generally accepted auditing standards

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For The Three Months Ended March 31, 2021 and 2020

(Expressed in thousands of New Taiwan dollars, unless otherwise indicated)

1. Organization and business

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

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on May 12, 2021.

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

- (a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”).

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4, “Extension of the temporary exemption from applying IFRS 9”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform – Phase 2”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions After June 30,2021”

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

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

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

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

4. Summary of significant accounting policies

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and IAS 34, Interim Financial Reporting, as endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed by the FSC with effective dates.

Except as described below, the significant accounting policies applied in the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2020, and have been applied consistently to all periods presented in the consolidated financial statements. Refer to Note 4 of the consolidated financial statements for the year ended December 31, 2020 for the details.

(b) Basis of preparation

(i) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	Darfon (BVI) Corporation (DFBVI)	Trading of electronic products	100.00%	100.00%	100.00%	Note 1
The Company	Darfon (Labuan) Corporation (DFLB)	Investment holding	100.00%	100.00%	100.00%	-
The Company	Darfon Materials Corp. (DMC)	Manufacture and sale of LTCC, inductors and paste	100.00%	100.00%	100.00%	Note 1
The Company	Darfon Gemmy Corp. (DZL)	Investment holding	100.00%	100.00%	100.00%	Note 1
The Company/ DZL	Darad Innovation Corp. (DTC)	Manufacture and sale of E-bike and related products	70.35%	70.35%	80.75%	Note 1
The Company	Darfon Europe B.V.(DFeu)	Trading of green devices	100.00%	100.00%	100.00%	Note 1
DFBVI/DFLB	Darfon Electronics (Suzhou) Co., Ltd. (DFS)	Manufacture and sale of the Company’s products	100.00%	100.00%	100.00%	-
DFLB	Darfon Electronics Czech s.r.o (DFC)	Trading of electronic products	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon America Corp. (DFA)	Trading of electronic products	100.00%	100.00%	100.00%	Note 1

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Note
			March 31, 2021	December 31, 2020	March 31, 2020	
DFLB	Huaian Darfon Electronics Co., Ltd. (DFH)	Manufacture and sale of the Company's products	100.00%	100.00%	100.00%	-
DFLB	Darfon Korea Co., Ltd. (DFK)	Trading of electronic products	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon Precision Holdings Co., Ltd. (DPH)	Investment holding	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon Electronics, Chongqing (DFQ)	Manufacture and sale of the Company's products	100.00%	100.00%	100.00%	Note 1
DPH	Darfon Precision (Suzhou) Co., Ltd. (DPS)	Mold development and manufacture	100.00%	100.00%	100.00%	Note 1
DFeu	Darfon Germany GmbH (DFG)	Trading of green devices	100.00%	100.00%	100.00%	Note 1
The company/ DZL	Unictron Technologies Corporation (UTC)	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	50.28%	50.28%	55.42%	Note 1
UTC	Unicom Technologies, Inc. (UTI)	Investment holding	50.28%	50.28%	55.42%	Note 1
UTI	WirelessCom Technologies (Shenzhen) Co., Ltd. (UTZ)	Sale, design and marketing of wireless antennas for telecommunication and modules	50.28%	50.28%	55.42%	Note 1
The Company / UTC	San Jose Technology, Inc (STC)	Manufacture and processing of satellite locator, navigator and antenna, and the trading of telecommunications equipment.	-	50.28%	39.13%	Note 1 and 6
The Company	Kenstone Metal Co., Ltd. (KST)	Manufacture and sale of bicycles and related products	60.00%	60.00%	60.00%	Note 1
DTC	Kenlight Sport Marketing Co., Ltd. (KSMC)	Sale of bicycles and related products	70.35%	70.35%	80.75%	Note 1 and 2
KSMC	Tiger Develop Group Inc. (Tiger)	Investment holding	-	-	80.75%	Note 1、2 and 4
Tiger	K-Light Bikes Limited Liability Company (K-Light Bikes)	Sale of bicycles and related products	-	-	80.75%	Note 1、2 and 4
KST	Kenstone Metal Company GmbH (KSG)	Assembly and sale of bicycles and related products	60.00%	60.00%	60.00%	Note 1
KST	KSI Handels GmbH (KSI)	Acquisition, lease and management of movable property and real estate, and sale of bicycles and related products	60.00%	60.00%	60.00%	Note 1
KST	Kenstone Vietnam Co., Ltd. (KSV)	Manufacture and sale of bicycles and related products	60.00%	60.00%	60.00%	Note 1
DTC	Iron Ore Co., Ltd. (IOC)	Sale of bicycles and related products	53.47%	53.47%	61.37%	Note 1
The Company	TD HiTech Energy Inc (TDI)	Manufacture and sale of the High-power battery modules for electric bicycles	62.75%	62.75%	-	Note 1 and 3
The Company	Darfon Vietnam Co., Ltd (DFV)	Manufacture of electronic products	100.00%	100.00%	-	Note 1 and 5

Note 1: The aforementioned companies are non-significant subsidiaries, and their financial statements have not been reviewed for the three months ended March 31, 2020 and 2021, except that DFQ and UTC have been reviewed for the three months ended March 31, 2021.

Note 2: In January 2020, the Group introduced an organizational restructuring whereby KST sold all of its equity interest in KSMC to DTC.

Note 3: On August 25, 2020, the Group obtained control over TDI. Thus, TDI and its subsidiaries were included in the accompanying consolidated financial statements from the date the control commenced.

Note 4: Those companies were liquidated in 2020.

Note 5: DFV was established in December 2020.

Note 6: STC was merged into UTC in March 2021 and STC was dissolved.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(c) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially-determined pension cost rate at the end of prior fiscal year, adjusted for significant market fluctuations subsequent to the end of prior fiscal year and for significant curtailments, settlements, or other significant one-time events.

(d) Income taxes

The Company measures and discloses interim period income tax expense in accordance with paragraph B12 of IAS 34, Interim Financial Reporting.

Income tax expense for the period is best estimated by multiplying pre-tax income of the interim period by a projected annual effective tax rate, and is recognized as current tax expense.

Income taxes that are recognized directly in equity or other comprehensive income are measured in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases at the tax rates that are expected to be applied in the year in which the asset is realized or the liability is settled.

5. Critical Accounting Judgments and Key Sources of Estimations and Assumptions Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34, Interim Financial Reporting, as endorsed and issued into effect by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated financial statements, critical accounting judgments and key sources of estimations and assumptions uncertainty used by management in the application of accounting policies are consistent with those described in Note 5 of the consolidated financial statements for the year ended December 31, 2020

6. Description of Significant Accounts

Except as described below, the description of significant accounts in the accompanying consolidated financial statements is not materially different from those described in Note 6 of the consolidated financial statements for the year ended December 31, 2020.

(a) Cash and cash equivalents

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 5,823	5,662	4,662
Demand deposits and checking accounts	1,736,465	2,001,707	1,451,067
Time deposits with original maturities less than three months	509,367	590,998	483,807
Cash equivalents	8,322	4,316	-
	<u><u>\$ 2,259,977</u></u>	<u><u>2,602,683</u></u>	<u><u>1,939,536</u></u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

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

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	\$ 9	9,844	220
Non-derivative financial assets:			
Open-end mutual funds	100,111	100,034	-
Structured deposits	345,184	344,454	463,523
	\$ 445,304	454,332	463,743
Financial liabilities held for trading:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	\$ (11,150)	(28)	(48)

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

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

March 31, 2021		
Contract amount (in thousands)	Currency	Maturity Period
USD <u>41,000</u>	CNY Buy / USD Sell	2021.4~2021.8
USD <u>7,497</u>	NTD Buy / USD Sell	2021.4~2021.9
December 31, 2020		
Contract amount (in thousands)	Currency	Maturity Period
USD <u>32,080</u>	CNY Buy / USD Sell	2021.01~2021.04
USD <u>5,697</u>	NTD Buy / USD Sell	2021.01~2021.05
March 31, 2020		
Contract amount (in thousands)	Currency	Maturity Period
USD <u>1,870</u>	NTD Buy / USD Sell	2020.04

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

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

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March31,</u> <u>2020</u>
Equity investments at fair value through other comprehensive income:			
Domestic listed stocks	\$ 1,295,212	1,126,806	609,261
Domestic emerging stocks	-	21,020	12,235
	<u>\$ 1,295,212</u>	<u>1,147,826</u>	<u>621,496</u>
Current	\$ 43,066	89,443	80,423
Non-current	1,252,146	1,058,383	541,073
	<u>\$ 1,295,212</u>	<u>1,147,826</u>	<u>621,496</u>

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

For the three months ended March 31, 2021, the Group sold certain investments measured at FVOCI at fair value of \$56,095, and the realized gain on disposed of the investment accumulated in other comprehensive income of \$29,189 have been reclassified from other equity to retained earnings.

For the three months ended March 31, 2020, no strategic investments were disposed and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(d) Financial assets at amortized costs

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March31,</u> <u>2020</u>
Current:			
Time deposits with original maturities more than 3 months	\$ 46,738	-	29,800
Restricted deposits	1,100	1,100	46,254
	<u>\$ 47,838</u>	<u>1,100</u>	<u>76,054</u>
Non-current:			
Restricted deposits	<u>\$ 810</u>	<u>810</u>	<u>810</u>

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

Additionally, the above-mentioned restricted deposits held by the Group at March 31, 2020, mainly consisted of the earnings repatriated from offshore subsidiaries which were deposited in the segregated foreign exchange deposit accounts in accordance with “The Management, Utilization and Taxation of Repatriated Offshore Fund Acts” and other related regulations. The utilization of such account is limited to certain purposes. As of April 2020, the Group has fully utilized the above-mentioned restricted deposits pursuant to the specified investment plan, and has obtained the investment plan completion certificate from Ministry of Economic Affairs.

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

(e) Notes and accounts receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Notes and accounts receivable	\$ 6,507,411	6,786,110	4,946,966
Accounts receivable from related parties	<u>113,894</u>	<u>123,441</u>	<u>56,939</u>
	6,621,305	6,909,551	5,003,905
Less: loss allowance	<u>(53,845)</u>	<u>(54,685)</u>	<u>(50,121)</u>
	<u>\$ 6,567,460</u>	<u>6,854,866</u>	<u>4,953,784</u>

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

	March 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	\$ 5,477,008	0.29%	15,851
Past due 1-30 days	1,002,268	1.11%	11,092
Past due 31-60 days	124,861	12.23%	15,266
Past due 61-90 days	9,365	41.00%	3,840
Past due 91-120 days	435	98.39%	428
Past due over 121 days	<u>7,368</u>	100.00%	<u>7,368</u>
	<u>\$ 6,621,305</u>		<u>53,845</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

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

	March 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	\$ 4,536,123	0.13%	5,752
Past due 1-30 days	276,919	3.02%	8,352
Past due 31-60 days	107,274	8.69%	9,319
Past due 61-90 days	64,261	11.61%	7,462
Past due 91-120 days	3,647	97.48%	3,555
Past due over 121 days	15,681	100.00%	15,681
	<u>\$ 5,003,905</u>		<u>50,121</u>

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

	Three Months Ended March 31,	
	2021	2020
Balance at January 1	\$ 54,685	50,853
Impairment loss (reversal gain)	(776)	(394)
Effect of exchange rate changes	(64)	(338)
Balance at December 31	<u>\$ 53,845</u>	<u>50,121</u>

(f) Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 2,284,929	1,895,245	1,279,871
Work in process	938,130	530,147	703,110
Finished goods	1,989,040	1,911,310	1,105,083
	<u>\$ 5,212,099</u>	<u>4,336,702</u>	<u>3,088,064</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

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

	Three Months Ended March 31,	
	2021	2020
Cost of inventories sold	\$ 4,876,152	3,413,603
Write-down of inventories (Reversal of write-downs)	91,950	(8,036)
Loss on scrap	46,795	24,843
	<u>\$ 5,014,897</u>	<u>3,430,410</u>

The write-downs of inventories (reversal of write-downs) arising from the inventories at the end of the reporting period and then writes down the cost of inventories to net realizable value, and the use of raw material or sale of inventories were included in the cost of sales.

(g) Investments accounted for using equity method

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

	March 31, 2021	December 31, 2020	March 31, 2020
Carrying amount	<u>\$ 26,437</u>	<u>29,069</u>	<u>12,396</u>
	Three Months Ended March 31,		
	2021		2020
Attributable to the Group:			
Net Profit	\$ (869)	(140)	
Other comprehensive income	(1,763)	101	
Total comprehensive income	<u>\$ (2,632)</u>	<u>(39)</u>	

(h) Subsidiaries and non – controlling interests

(i) Acquisition of a subsidiary – TD HiTech Energy Inc. (“TDI”)

1) The cost of acquisition

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

The acquisition of TDI enabled the Group to accelerate its strategic layout with respect to the business development of eBike's battery, thereby expanding the Group's scale in the industry of green energy products.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

2) Identifiable net assets acquired in a business combination

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

Consideration transferred:

Cash	\$ 407,809
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)	213,486

Less: identifiable net assets acquired at fair value:

Cash and cash equivalents	\$ 317,650
Notes and accounts receivable, net	172,338
Other receivables	58
Inventories	135,808
Prepayments and other current assets	13,642
Property, plant and equipment	21,334
Prepayments for equipment	1,284
Right-of-use assets	57,052
Intangible assets — patents	856
Intangible assets — expertise	28,454
Intangible assets — computer software	2,207
Deferred income tax assets	9,251
Refundable deposits	1,843
Accounts payable	(75,598)
Other payables	(18,859)
Provisions-current	(13,861)
Other current liabilities	(16,026)
Lease liabilities (current and non-current)	(58,624)
Deferred income tax liabilities	(5,691)
	<u>573,118</u>
Goodwill	<u>\$ 48,177</u>

The Group continuously reviews the abovementioned items during the measurement period. For three months ended March 31, 2021, the adjustment of the abovementioned intangible assets and goodwill is recognized as below:

Decrease in intangible assets — expertise	\$ (4,729)
Decrease in deferred income tax liabilities	946
Decrease in non-controlling interests	<u>1,409</u>
Goodwill	<u>\$ (2,374)</u>

3) Intangible assets

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

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

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

In February 2020, UTC issued new shares for the stock options exercised by its employees, which resulted in a decrease in the Group's ownership interest in UTC.

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

In March 2020, IOC increased its share capital for cash. The capital injection was fully subscribed by DTC, resulting in an increase in the Group's ownership interest in IOC.

The Group recorded the impact of the aforementioned changes in ownership interest in subsidiaries as an increase to capital surplus of \$3,312.

(i) Subsidiaries that have material non-controlling interest

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

Subsidiary	Principal place of business /Registration country	The Percentage of ownership and voting rights held by non-controlling interests		
		March 31, 2021	December 31, 2020	March 31, 2020
KST	Taiwan	40.00%	40.00%	40.00%
UTC	Taiwan	49.72%	49.72%	44.58%
TDI	Taiwan	37.25%	37.25%	-

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

(i) The summarized financial information of KST:

	March 31, 2021	December 31, 2020	March 31, 2020
Current assets	\$ 1,925,373	1,787,758	1,210,767
Non-current assets	771,004	761,011	724,925
Current liabilities	(1,516,384)	(1,360,333)	(725,707)
Non-current liabilities	(85,874)	(90,361)	(82,500)
Net assets	<u>\$ 1,094,119</u>	<u>1,098,075</u>	<u>1,127,485</u>
The carrying amount of non-controlling interests	<u>\$ 384,078</u>	<u>385,190</u>	<u>397,425</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

	Three Months Ended March 31,	
	2021	2020
Net sales	\$ <u>771,655</u>	<u>438,050</u>
Net (loss) income	\$ (3,288)	2,603
Other comprehensive income	508	4,266
Total comprehensive income	\$ <u>(2,780)</u>	<u>6,869</u>
Net (loss) income attributable to non-controlling interests	\$ <u>(1,315)</u>	<u>1,041</u>
Total comprehensive income attributable to non-controlling interests	\$ <u>(1,112)</u>	<u>2,748</u>
Cash flow from operating activities	\$ (284,840)	(44,555)
Cash flow from investing activities	(30,250)	(8,222)
Cash flow from financing activities	(38,140)	14,684
Effects of foreign exchange rate changes	(214)	(2,192)
Net decrease in cash and cash equivalents	\$ <u>(353,444)</u>	<u>(40,285)</u>
Cash dividends paid to non-controlling interests	\$ -	-

(ii) The summarized financial information of UTC:

	March 31, 2021	December 31, 2020	March 31, 2020
Current assets	\$ 1,039,923	904,207	799,141
Non-current assets	1,188,112	1,199,158	1,320,210
Current liabilities	(672,069)	(434,683)	(362,154)
Non-current liabilities	(89,994)	(98,188)	(110,978)
Net assets	\$ <u>1,465,972</u>	<u>1,570,494</u>	<u>1,646,219</u>
The carrying amount of non-controlling interests	\$ <u>581,433</u>	<u>633,056</u>	<u>666,811</u>

	Three Months Ended March 31,	
	2021	2020
Net sales	\$ <u>387,593</u>	<u>304,761</u>
Net income	\$ 48,606	29,802
Other comprehensive income	84	(108)
Total comprehensive income	\$ <u>48,690</u>	<u>29,694</u>
Net income attributable to non-controlling interests	\$ <u>24,512</u>	<u>13,402</u>
Total comprehensive income attributable to non-controlling interests	\$ <u>24,546</u>	<u>13,355</u>
Cash flow from operating activities	\$ 61,416	56,621
Cash flow from investing activities	(14,095)	(3,414)
Cash flow from financing activities	53,162	8,291
Effects of foreign exchange rate changes	77	(104)
Net increase in cash and cash equivalents	\$ <u>100,560</u>	<u>61,394</u>
Cash dividends paid to non-controlling interests	\$ <u>76,170</u>	-

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(iii) The summarized financial information of TDI:

	March 31, 2021	December 31, 2020
Current assets	\$ 649,479	657,364
Non-current assets	158,080	165,141
Current liabilities	(142,529)	(153,279)
Non-current liabilities	(44,477)	(48,564)
	\$ 620,553	620,662
Net assets		
The carrying amount of non-controlling interests	\$ 212,326	213,251
		Three Months Ended March 31, 2021
Net sales		\$ 154,123
Net income		\$ 1,300
Other comprehensive income		-
Total comprehensive income		\$ 1,300
Net income attributable to non-controlling interests		\$ 484
Total comprehensive income attributable to non-controlling interests		\$ 484
Cash flow from operating activities		\$ 46,793
Cash flow from investing activities		-
Cash flow from financing activities		(3,033)
Net increase in cash and cash equivalents		\$ 43,760
Cash dividends paid to non-controlling interests		\$ -

(j) Property, plant and equipment

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

	Land	Building	Machinery	Other equipment	Equipment pending acceptance	Total
Cost:						
Balance at January 1, 2021	\$ 893,231	6,262,066	5,963,628	431,401	179,146	13,729,472
Additions	-	8,336	34,388	7,551	39,452	89,727
Disposals	-	-	(1,419)	(2,176)	-	(3,595)
Reclassification	-	5,644	177,735	(8,735)	(86,520)	88,124
Effect of exchange rate changes	-	12,355	18,424	353	360	31,492
Balance at March 31, 2021	\$ 893,231	6,288,401	6,192,756	428,394	132,438	13,935,220
Balance at January 1, 2020	\$ 893,058	6,243,838	5,300,343	402,517	279,161	13,118,917
Additions	85	20,495	217,386	8,543	1,070	247,579
Disposals	-	(214)	(18,073)	(3,370)	-	(21,657)
Reclassification	-	103,343	47,039	2,945	(93,588)	59,739
Effect of exchange rate changes	-	(1,004)	4,621	(1,374)	-	2,243
Balance at March 31, 2020	\$ 893,143	6,366,458	5,551,316	409,261	186,643	13,406,821

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

	Land	Building	Machinery	Other equipment	Equipment pending acceptance	Total
Accumulated depreciation and impairment losses:						
Balance at January 1, 2021	\$ -	2,873,554	4,490,389	319,583	-	7,683,526
Depreciation	-	61,181	105,928	8,166	-	175,275
Disposals	-	-	(1,419)	(826)	-	(2,245)
Reclassification	-	-	-	(6,231)	-	(6,231)
Effect of exchange rate changes	-	5,429	11,914	(99)	-	17,244
Balance at March 31, 2021	<u>\$ -</u>	<u>2,940,164</u>	<u>4,606,812</u>	<u>320,593</u>	<u>-</u>	<u>7,867,569</u>
Balance at January 1, 2020	\$ -	2,738,134	4,276,472	331,710	-	7,346,316
Depreciation	-	60,583	85,262	6,169	-	152,014
Disposals	-	(162)	(17,065)	(3,370)	-	(20,597)
Effect of exchange rate changes	-	(1,018)	6,302	(1,045)	-	4,239
Balance at March 31, 2020	<u>\$ -</u>	<u>2,797,537</u>	<u>4,350,971</u>	<u>333,464</u>	<u>-</u>	<u>7,481,972</u>
Carrying amount:						
Balance at March 31, 2021	<u>\$ 893,231</u>	<u>3,348,237</u>	<u>1,585,944</u>	<u>107,801</u>	<u>132,438</u>	<u>6,067,651</u>
Balance at January 1, 2021	<u>\$ 893,231</u>	<u>3,388,512</u>	<u>1,473,239</u>	<u>111,818</u>	<u>179,146</u>	<u>6,045,946</u>
Balance at March 31, 2020	<u>\$ 893,143</u>	<u>3,568,921</u>	<u>1,200,345</u>	<u>75,797</u>	<u>186,643</u>	<u>5,924,849</u>

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

(k) Right-of-use assets

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

	Land	Buildings	Transportation Equipment	Total
Cost:				
Balance at January 1, 2021	\$ 384,866	445,208	3,712	833,786
Additions	8,736	25,283	-	34,019
Disposals	-	(42,820)	(351)	(43,171)
Reclassification from other Non-current assets	176,897	-	-	176,897
Effect of exchange rate changes	(6,950)	(467)	-	(7,417)
Balance at March 31, 2021	<u>\$ 563,549</u>	<u>427,204</u>	<u>3,361</u>	<u>994,114</u>
Balance at January 1, 2020	\$ 389,974	253,271	1,161	644,406
Additions	-	83,597	-	83,597
Disposals	-	(21,494)	-	(21,494)
Effect of exchange rate changes	(3,471)	(4,327)	-	(7,798)
Balance at March 31, 2020	<u>\$ 386,503</u>	<u>311,047</u>	<u>1,161</u>	<u>698,711</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2021	\$ 41,161	120,981	1,431	163,573
Depreciation	6,482	25,446	262	32,190
Disposals	-	(11,047)	(351)	(11,398)
Effect of exchange rate changes	114	(128)	-	(14)
Balance at March 31, 2021	<u>\$ 47,757</u>	<u>135,252</u>	<u>1,342</u>	<u>184,351</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

	Land	Buildings	Transportation Equipment	Total
Balance at January 1, 2020	\$ 15,774	67,576	613	83,963
Depreciation	6,281	21,285	153	27,719
Disposals	-	(21,054)	-	(21,054)
Effect of exchange rate changes	(116)	(878)	-	(994)
Balance at March 31, 2020	<u>\$ 21,939</u>	<u>66,929</u>	<u>766</u>	<u>89,634</u>
Carrying amount:				
Balance at March 31, 2021	<u>\$ 515,792</u>	<u>291,952</u>	<u>2,019</u>	<u>809,763</u>
Balance at January 1, 2021	<u>\$ 343,705</u>	<u>324,227</u>	<u>2,281</u>	<u>670,213</u>
Balance at March 31, 2020	<u>\$ 364,564</u>	<u>244,118</u>	<u>395</u>	<u>609,077</u>

(l) Investment property

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

	Land	Buildings	Total
Carrying amount:			
Balance at March 31, 2021	<u>\$ 69,233</u>	<u>17,448</u>	<u>86,681</u>
Balance at January 1, 2021	<u>\$ 69,233</u>	<u>17,593</u>	<u>86,826</u>
Balance at March 31, 2020	<u>\$ 119,959</u>	<u>31,687</u>	<u>151,646</u>

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

There was no significant change in the Company's investment property for the three months ended March 31, 2021 and 2020. For the depreciation, refer to note 12(a). For other relevant information, refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2020.

The fair value of the Company's investment property was not materially different from those disclosed in note 6(l) of the consolidated financial statements for the year ended December 31, 2020.

Please refer to note 8 for details of investment property pledged as collateral for the credit lines of short-term borrowings.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(m) Intangible assets

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

	<u>Goodwill</u>	<u>Patents</u>	<u>Expertise</u>	<u>Customer relationship</u>	<u>Software</u>	<u>Total</u>
Costs:						
Balance at January 1, 2021	\$ 465,868	35,836	217,475	114,690	46,561	880,430
Acquisition through business combination (note 6(h))	2,374	-	(4,729)	-	-	(2,355)
Additions	-	-	-	-	4,212	4,212
Reclassification	-	-	-	-	13,534	13,534
Effect of exchange rate changes	-	-	-	-	(451)	(451)
Balance at March 31, 2021	<u>\$ 468,242</u>	<u>35,836</u>	<u>212,746</u>	<u>114,690</u>	<u>63,856</u>	<u>895,370</u>
Balance at January 1, 2020	\$ 417,691	31,436	189,021	114,690	119,417	872,255
Additions	-	-	-	-	12,000	12,000
Effect of exchange rate changes	-	-	-	-	(23)	(23)
Balance at March 31, 2020	<u>\$ 417,691</u>	<u>31,436</u>	<u>189,021</u>	<u>114,690</u>	<u>131,394</u>	<u>884,232</u>
Accumulated amortization:						
Balance at January 1, 2021	\$ -	14,994	40,477	32,342	18,590	106,403
Amortization	-	1,383	5,270	3,584	4,771	15,008
Reclassification	-	-	1,279	(1,279)	6,231	6,231
Effect of exchange rate changes	-	-	-	-	(201)	(201)
Balance at March 31, 2021	<u>\$ -</u>	<u>16,377</u>	<u>47,026</u>	<u>34,647</u>	<u>29,391</u>	<u>127,441</u>
Balance at January 1, 2020	\$ -	6,113	21,157	17,238	109,683	154,191
Amortization	-	1,310	4,534	3,776	1,924	11,544
Effect of exchange rate changes	-	-	-	-	1	1
Balance at March 31, 2020	<u>\$ -</u>	<u>7,423</u>	<u>25,691</u>	<u>21,014</u>	<u>111,608</u>	<u>165,736</u>
Carrying amount:						
Balance at March 31, 2021	<u>\$ 468,242</u>	<u>19,459</u>	<u>165,720</u>	<u>80,043</u>	<u>34,465</u>	<u>767,929</u>
Balance at January 1, 2021	<u>\$ 465,868</u>	<u>20,842</u>	<u>176,998</u>	<u>82,348</u>	<u>27,971</u>	<u>774,027</u>
Balance at March 31, 2020	<u>\$ 417,691</u>	<u>24,013</u>	<u>163,330</u>	<u>93,676</u>	<u>19,786</u>	<u>718,496</u>

Based on the results of impairment tests on goodwill conducted by the Group at December 31, 2020, the recoverable amount of CGUs exceeded their carrying amount; as a result, no impairment loss was recognized. Please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2020.

The impairment tests evaluated the expected revenue and profit of the respective CGUs to which the goodwill at March 31, 2021; as a result, no impairment loss was recognized.

(n) Short-term borrowings

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Unsecured bank borrowings	<u>\$ 2,373,760</u>	<u>2,470,428</u>	<u>1,903,128</u>
Unused credit facilities	<u>\$ 9,368,343</u>	<u>7,918,479</u>	<u>9,820,998</u>
Interest rate	<u>0.73%~1.75%</u>	<u>0.83%~1.25%</u>	<u>0.85%~8.25%</u>

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(o) Short-term notes and bills payable

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March31, 2020</u>
\$	-	440,000	200,000
Less: Discount on commercial paper payable	-	(279)	(26)
\$	<u>-</u>	<u>439,721</u>	<u>199,974</u>
Interest rate	<u>-</u>	<u>0.848%~0.858%</u>	<u>0.968%</u>

(p) Long-term debt

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March31, 2020</u>
Unsecured bank loans	\$ -	-	6,209
Secured bank loans	2,000,000	1,600,000	1,000,000
Less: current portion of long-term debt	-	-	(1,467)
Total	<u>\$ 2,000,000</u>	<u>1,600,000</u>	<u>1,004,742</u>
Unused credit facilities	<u>\$ 1,656,480</u>	<u>2,053,600</u>	<u>2,685,659</u>
Year to maturity	<u>112</u>	<u>112</u>	<u>110~113</u>
Interest rate	<u>0.99%~1.05%</u>	<u>0.99%~1.08%</u>	<u>0.984%~6.75%</u>

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

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

(q) Lease liabilities

Lease liabilities were as follows:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March31, 2020</u>
Current	<u>\$ 96,402</u>	<u>94,838</u>	<u>70,608</u>
Non-current	<u>\$ 225,643</u>	<u>258,871</u>	<u>202,290</u>

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

The amounts recognized in profit or loss were as follows:

	<u>Three Months Ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest on lease liabilities	<u>\$ 3,386</u>	<u>2,414</u>
Expenses relating to short-term leases	<u>\$ 6,427</u>	<u>6,003</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

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

	Three Months Ended March 31,	
	2021	2020
Total cash outflow for leases	\$ 43,842	30,780

Major terms of lease:

(i) Land and Buildings leases

The Group leases land and buildings for its factories, office premises and retail stores. The leases of land typically run for 5 to 50 years, office premises for 3 to 5 years, and retail stores for 3 years. Some leases include an option to extend the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

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

(r) Warranty provisions

	March 31, 2021	December 31, 2020	March 31, 2020
Warranty provisions	\$ 95,421	96,222	69,592

There was no significant change in the Company's warranty provisions for the three months ended March 31, 2021 and 2020. For other relevant information, refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2020.

(s) Operating lease of lessor

There was no significant additional operating leases in the Company for the three months ended March 31, 2021 and 2020. For other relevant information, refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2020.

(t) Employee benefits

(i) Defined benefit plans

Subsequent to December 31, 2020, there was no significant market volatility, significant curtailment, reimbursement and settlement or other significant one-time events. Therefore, the pension cost in the consolidated interim financial statements was measured and disclosed by the Company according to the pension cost valued by actuary as of December 31, 2020 and 2019.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

Expenses recognized in profit or loss

	Three Months Ended March 31,	
	2021	2020
Cost of sales	\$ 606	593
Operating expenses	1,052	1,110
	\$ 1,658	1,703

- (ii) Defined contribution plans
Expenses recognized in profit or loss

	Three Months Ended March 31,	
	2021	2020
Cost of sales	\$ 36,989	27,315
Operating expenses	15,020	12,592
	\$ 52,009	39,907

- (u) Income taxes

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

	Three Months Ended March 31,	
	2021	2020
Current income tax expense	\$ 71,791	40,592
Deferred income tax benefit	(2,869)	(2,796)
	\$ 68,922	37,796

- (ii) There were no income taxes expense (benefit) recognized directly in other comprehensive income for the three months ended March 31, 2021 and 2020.

- (iii) The R.O.C. income tax authorities have examined and approved the income tax returns of the Company for all fiscal years through 2018.

- (v) Capital and other equity

Except as described below, there was no significant change in the Company's capital and other equity for the three months ended March 31, 2021 and 2020. For other relevant information, refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2020.

- (i) Common stock

The Company's authorized common stock consisted of 450,000 thousand shares, of which 280,000 thousand shares were issued and outstanding as at March 31, 2021, December 31, 2020 and March 31, 2020. The par value of the Company's common stock is \$10 per share.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(ii) Capital surplus

The components of capital surplus were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Paid-in capital in excess of par value	\$ 3,563,940	3,563,940	3,563,940
Treasury stock transactions	238,180	238,180	238,180
Surplus from merger	144	144	144
Difference between consideration and carrying amount of subsidiaries acquired or disposed	94,638	94,638	-
Recognition of changes in ownership interest in subsidiaries	<u>24,552</u>	<u>24,552</u>	<u>3,312</u>
	<u>\$ 3,921,454</u>	<u>3,921,454</u>	<u>3,805,576</u>

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed as cash dividends based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years can be distributed as dividends to stockholders, pursuant to the appropriation of earnings proposed by the Board of Directors and approved by the stockholders. According to the Company's Articles of Incorporation, amended on June 18, 2020, distribution of earnings by way of cash dividends should be approved by the Board of Directors and then reported to the shareholders' meeting.

According to the Company's Articles of Incorporation, distribution of cash dividends by legal reserve or capital reserve should be approved by the Board of Directors and then reported to the shareholders' meeting.

As the Company is a technology- and capital-intensive enterprise with growing phase, the Company has adopted a remaining earnings appropriation method as its dividend policy in order to meet long-term capital needs and cash requirements of stockholders, and thereby maintain continuous development and steady growth. While the current year's earnings available for distribution equal the amount of 2% of paid-in capital, the dividend distributed shall not be less than 10% of current year's earnings available for distribution. No dividends will be distributed when the current year's earnings available for distribution are less than the amount of 2% of paid-in capital. Considering the future expansion of operation scale and cash flow requirements, the cash dividend cannot be less than 10% of the total distribution of cash dividend and stock dividend.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

1) Legal reserve

According to the Company Act, if the Company has no accumulated deficit, it may, pursuant to a resolution approved by the stockholders, distribute its legal reserve to shareholders by issuing new shares or by distributing cash for the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with Rule No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a special reserve equal to the total amount of items that are accounted for as deductions from stockholders' equity was set aside from current and prior-year earnings. This special reserve shall revert to retained earnings and be made available for distribution when the items that are accounted for as deductions from stockholders' equity are reversed in subsequent periods.

(iv) Earnings distribution

The appropriation of cash dividends through 2020 and 2019 earnings was approved by the Company's Board of Directors on March 15, 2021, and June 16, 2020, respectively. The resolved appropriations of the dividends were as follows:

	2020		2019	
	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
Dividends per share:				
Cash dividend	\$ 2.5	700,000	2.3	644,000

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

(v) Other equity items (net after tax)

	Foreign currency translation differences	Unrealized gains (loss) from financial assets at fair value through other comprehensive income	Remeasurement of defined benefit plans	Total
Balance at January 1, 2021	\$ (683,751)	328,577	(31,433)	(386,607)
Foreign exchange differences arising from translation of foreign operations	22,020	-	-	22,020
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	-	203,481	-	203,481
Disposal of equity instruments designated at fair value through other comprehensive income	-	(29,189)	-	(29,189)
Share of the other comprehensive income (loss) of joint ventures	(1,240)	-	-	(1,240)
Balance at March 31, 2021	\$ (662,971)	502,869	(31,433)	(191,535)
Balance at January 1, 2020	\$ (499,270)	38,323	(31,323)	(492,270)
Foreign exchange differences arising from translation of foreign operations	(24,214)	-	-	(24,214)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	-	(270,308)	-	(270,308)
Share of the other comprehensive income (loss) of joint ventures	82	-	-	82
Balance at March 31, 2020	\$ (523,402)	(231,985)	(31,323)	(786,710)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

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

	Three Months Ended March 31,	
	2021	2020
Balance at January 1	\$ 1,387,996	1,087,054
Equity attributable to non-controlling interests:		
Net income	24,495	9,580
Foreign currency translation differences	24	1,962
Organizational restructuring	-	(144)
Decrease in non-controlling interests (note(h))	(1,409)	-
Changes in ownership interests in subsidiaries	-	(3,312)
Compensation cost of stock option issued by subsidiaries	-	6,608
Capital injection from non-controlling interests	-	65,300
Distribution of cash dividend by subsidiaries to non-controlling interests	(76,170)	-
Balance at March 31	<u><u>\$ 1,334,936</u></u>	<u><u>1,167,048</u></u>

(w) Earnings per share (“EPS”)

(i) Basic earnings per share

	Three Months Ended March 31,	
	2021	2020
Net income attributable to ordinary shareholders of the Company	<u><u>\$ 201,255</u></u>	<u><u>100,574</u></u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u><u>280,000</u></u>	<u><u>280,000</u></u>
Basic earnings per share (in New Taiwan dollars)	<u><u>\$ 0.72</u></u>	<u><u>0.36</u></u>

(ii) Diluted earnings per share

	Three Months Ended	
	March 31,	
	2021	2020
Net income attributable to ordinary shareholders of the Company	<u><u>\$ 201,255</u></u>	<u><u>100,574</u></u>
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Effect of dilutive potential ordinary shares (in thousands):		
Remuneration to employees in stock	2,736	3,670
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares) (in thousands)	<u><u>282,736</u></u>	<u><u>283,670</u></u>
Diluted earnings per share (in New Taiwan dollars)	<u><u>\$ 0.71</u></u>	<u><u>0.35</u></u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(x) Share-based payment

Except as described below, there was no significant change in the Company's share-based payment for the three months ended March 31, 2021. For other relevant information, refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2020.

(i) The UTC issued the following employee stock option plan (ESOP):

	Three Months Ended March 31, 2020	
	Number of options (in thousands)	Weighted-average exercise price (in NTD)
Outstanding, beginning of year	1,600	\$ 20.00
Exercised during the year	(1,600)	20.00
Outstanding, end of year	-	-
Exercisable, end of year	-	-

(ii) Employee compensation cost:

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

	Three Months Ended March 31,	
	2021	2020
Compensation cost	\$ -	6,608

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

(y) Revenue from contracts with customers

(i) Disaggregation of revenue

	Three Months Ended March 31,	
	2021	2020
Primary geographical markets:		
Taiwan	\$ 917,057	584,574
America	201,520	214,558
Mainland China	3,495,562	2,530,594
Others	1,381,302	781,963
	\$ 5,995,441	4,111,689
Major products and services lines:		
Peripheral electronic products	\$ 3,485,056	2,621,428
Green energy products and passive components	2,510,385	1,490,261
	\$ 5,995,441	4,111,689

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(ii) Contract balances

	March 31, 2021	December 31, 2020	March31, 2020
Notes and accounts receivable (including related parties)	\$ 6,621,305	6,909,551	5,003,905
Less: loss allowance	(53,845)	(54,685)	(50,121)
	\$ 6,567,460	6,854,866	4,953,784
 Contract liabilities (included in other current liabilities)	 \$ 55,804	 57,751	 49,691

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

The major changes in the balance of contract liabilities were due to the timing difference between the satisfaction of performance obligation and the receipt of customer's payment.

For the three months ended March 31, 2021 and 2020, the amounts of revenue recognized that were included in the balances of contract liabilities on January 1, 2021 and 2020, were \$22,663 and \$17,988, respectively.

(iii) Refund liabilities

	March 31, 2021	December 31, 2020	March31, 2020
Other current liabilities — refund liabilities	\$ 363,564	315,172	349,862

(z) Remuneration to employees and directors

The Company's Article of Incorporation requires that annual earning shall first be offset against any deficit, then 5%~20% shall be allocated as employee remuneration and a maximum of 1% be allocated as directors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the Parent or subsidiaries of the Company who meet certain specific requirements.

For the three months ended March 31, 2021 and 2020, the Company estimated its remuneration to employees amounting to \$30,165 and \$14,917, respectively, and the remuneration to directors amounting to \$2,234 and \$1,105, respectively. The said amounts were calculated based on the net profits before tax of each period before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of the remuneration to employees and directors. The estimations are recognized as cost of sales or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.

For the years ended December 31, 2020, the Company estimated remuneration to employees and directors was amounting to \$117,614 and \$8,821, respectively and were all paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(aa) Non-operating income and loss

(i) Interest income

	Three Months Ended March 31,	
	2021	2020
Interest income from bank deposits	\$ 1,907	7,787
Interest income from financial assets measured at amortized cost	7	952
	<u>\$ 1,914</u>	<u>8,739</u>

(ii) Other income

	Three Months Ended March 31,	
	2021	2020
Rental income	\$ 590	1,935
Insurance claim	1,960	374
Subsidy	7,367	9,076
Other	25,073	11,655
	<u>\$ 34,990</u>	<u>23,040</u>

(iii) Other gains and losses

	Three Months Ended March 31,	
	2021	2020
Losses on disposal of property, plant and equipment	\$ (7)	(196)
(Loss) Gain on lease modification	(245)	9
Foreign exchange gains (losses), net	13,263	(632)
(Loss) Gain on financial assets and liabilities measured at fair value through profit or loss	(3,386)	6,242
Others	(1,867)	(258)
	<u>\$ 7,758</u>	<u>5,165</u>

(iv) Finance costs

	Three Months Ended March 31,	
	2021	2020
Interest expense from bank loans	\$ (10,617)	(14,603)
Interest expenses on lease liabilities	(3,386)	(2,414)
	<u>\$ (14,003)</u>	<u>(17,017)</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(ab) Financial instruments

Except as described below, there was no significant change in the fair value of the Consolidated Company's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For other relevant information, refer to note 6(ab) of the consolidated financial statements for the year ended December 31, 2020.

(i) Categories of financial instruments

1) Financial assets

	March 31, 2021	December 31, 2020	March 31, 2020
Financial assets at fair value through profit or loss:			
Financial assets mandatorily measured at fair value through profit or loss:			
Foreign currency forward contracts	\$ 9	9,844	220
Open-end mutual funds	100,034	100,034	-
Structured deposits	345,184	344,454	463,523
Subtotal	445,304	454,332	463,743
Financial assets at fair value through other comprehensive income	1,295,212	1,147,826	621,496
Financial assets measured at amortized cost:			
Cash and cash equivalents	2,259,977	2,602,683	1,939,536
Financial assets at amortized cost – current	47,838	1,100	76,054
Notes and accounts receivable and other receivables (including related parties)	6,577,602	6,875,933	4,958,589
Financial assets at amortized cost – non-current	810	810	810
Refundable deposits	37,868	32,260	56,029
Subtotal	8,924,095	9,512,786	7,031,018
Total	\$ 10,664,611	11,114,944	8,116,257

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

2) Financial liabilities

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contracts	\$ 11,150	28	48
Financial liabilities measured at amortized cost:			
Short-term borrowings	2,373,760	2,470,428	1,903,128
Short-term notes and bills payable	-	439,721	199,974
Notes and accounts payable and other payables (including related parties)	8,846,823	7,940,421	6,207,358
Long-term debt (including current portion)	2,000,000	1,600,000	1,006,209
Lease liabilities	<u>322,045</u>	<u>353,709</u>	<u>272,898</u>
Subtotal	<u>13,542,628</u>	<u>12,804,279</u>	<u>9,589,567</u>
Total	<u>\$ 13,553,778</u>	<u>12,804,307</u>	<u>9,589,615</u>

(ii) Liquidity risk

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest.

	<u>Contractual</u> <u>cash flow</u>	<u>Within 1</u> <u>year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
March 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$2,377,677	2,377,677	-	-	-
Long-term debt (including current portion)	2,052,933	20,547	20,547	2,011,839	-
Notes and accounts payable and other payables (including related parties)	8,846,823	8,846,823	-	-	-
Lease liabilities	<u>373,343</u>	<u>108,508</u>	<u>86,989</u>	<u>123,439</u>	<u>54,407</u>
Subtotal	<u>13,650,776</u>	<u>11,353,555</u>	<u>107,536</u>	<u>2,135,278</u>	<u>54,407</u>
Derivative financial instruments:					
Foreign currency forward contracts – settled in gross:					
Outflow	1,379,682	1,379,682	-	-	-
Inflow	<u>(1,368,541)</u>	<u>(1,368,541)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>11,141</u>	<u>11,141</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,661,917</u>	<u>11,364,696</u>	<u>107,536</u>	<u>2,135,278</u>	<u>54,407</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,474,148	2,474,148	-	-	-
Short-term notes and bills payable	440,000	440,000	-	-	-
Long-term debt (including current portion)	1,646,281	16,547	16,547	1,613,187	-
Notes and accounts payable and other payables (including related parties)	7,940,421	7,940,421	-	-	-
Lease liabilities	<u>409,425</u>	<u>107,030</u>	<u>95,888</u>	<u>151,920</u>	<u>54,587</u>
Subtotal	<u>12,910,275</u>	<u>10,978,146</u>	<u>112,435</u>	<u>1,765,107</u>	<u>54,587</u>
Derivative financial instruments:					
Foreign currency forward contracts — settled in gross:					
Outflow	1,075,095	1,075,095	-	-	-
Inflow	<u>(1,084,911)</u>	<u>(1,084,911)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>(9,816)</u>	<u>(9,816)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,900,459</u>	<u>10,968,330</u>	<u>112,435</u>	<u>1,765,107</u>	<u>54,587</u>
March 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 1,906,760	1,906,760	-	-	-
Short-term notes and bills payable	200,000	200,000	-	-	-
Long-term debt (including current portion)	1,023,582	12,358	946,115	65,109	-
Notes and accounts payable and other payables (including related parties)	6,207,358	6,207,358	-	-	-
Lease liabilities	<u>323,794</u>	<u>79,012</u>	<u>63,251</u>	<u>129,899</u>	<u>51,632</u>
Subtotal	<u>9,661,494</u>	<u>8,405,488</u>	<u>1,009,366</u>	<u>195,008</u>	<u>51,632</u>
Derivative financial instruments:					
Foreign currency forward contracts — settled in gross:					
Outflow	56,477	56,477	-	-	-
Inflow	<u>(56,649)</u>	<u>(56,649)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>(172)</u>	<u>(172)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,661,322</u>	<u>8,405,316</u>	<u>1,009,366</u>	<u>195,008</u>	<u>51,632</u>

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(iii) Currency risk

At the reporting date, the carrying amounts of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

		March 31, 2021				
Foreign currency (in thousands)	Exchange rate	New Taiwan Dollars (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)		
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	392,909	28.5300	11,209,694	1%	112,097
CNY		240,578	4.3359	1,043,122	1%	10,431
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		301,262	28.5300	8,595,005	1%	85,950
CNY		178,161	4.3359	772,488	1%	7,725
		December 31, 2020				
Foreign currency (in thousands)	Exchange rate	New Taiwan Dollars (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)		
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	416,510	28.3500	11,808,059	1%	118,081
CNY		316,402	4.3216	1,367,363	1%	13,674
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		276,689	28.3500	7,844,133	1%	78,441
CNY		174,692	4.3216	754,949	1%	7,549
		March 31, 2020				
Foreign currency (in thousands)	Exchange rate	New Taiwan Dollars (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)		
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	258,230	30.2540	7,812,490	1%	78,125
CNY		390,038	4.2611	1,661,991	1%	16,620
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		182,748	30.2540	5,528,858	1%	55,289
CNY		277,971	4.2611	1,184,462	1%	11,845

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

With varieties of functional currencies within the consolidated entities of the Group, the Group disclosed net realized and unrealized foreign exchange gain (loss) on monetary items in aggregate. Please refer to note 6(aa) for the information with respect to the foreign exchange gains (losses) for the three months ended March 31, 2021 and 2020.

(iv) Fair value

1) Financial instruments that are not measured at fair value

The Group's management considers that the carrying amounts of their financial assets and financial liabilities measured at amortized cost approximate their fair values.

2) Financial instruments that are measured at fair value

The Group's financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis.

The table below analyzes financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Carrying amount	March 31, 2021			Total
		Fair value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Derivative financial instruments—					
Foreign currency forward contracts	\$ 9	-	9	-	9
Non-derivative financial assets:					
Structured deposits	345,184	-	345,184	-	345,184
Open-end mutual fund	100,111	100,111	-	-	100,111
Subtotal	445,304	100,111	345,193	-	445,304
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	1,295,212	1,295,212	-	-	1,295,212
Domestic emerging stocks	<u>\$ 1,740,516</u>	<u>1,395,323</u>	<u>345,193</u>	<u>-</u>	<u>1,740,516</u>
Subtotal					
Total	<u>\$ (11,150)</u>	<u>-</u>	<u>(11,150)</u>	<u>-</u>	<u>(11,150)</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

	March 31, 2020				Total
	Carrying amount	Level 1	Fair value		
		Level 2	Level 3		
Financial liabilities at fair value through profit or loss: Derivative financial instruments— Foreign currency forward contracts	<u>\$ (48)</u>	<u>-</u>	<u>(48)</u>	<u>-</u>	<u>(48)</u>

3) Valuation techniques and assumptions used in fair value measurement

a) Non-derivative financial instruments

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

Except for the above-mentioned financial instruments traded in an active market, the fair value of other financial instruments is determined based on the valuation techniques or quotation from counterparties. The fair value using valuation techniques is determined by referring to (i) the current fair value of other financial instruments with similar conditions and characteristics, or (ii) discounted cash flow method, or (iii) other valuation techniques using the valuation model with available market data at the reporting date.

The Group uses the following methods in determining the fair value of its financial assets:

i) The fair values of listed stocks and open-end mutual fund with standard terms and conditions and traded on active markets are determined with reference to quoted market prices.

ii) The fair value of domestic emerging stock is determined based on the average stock price on the emerging market at the reporting date.

b) Derivative financial instruments

The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and that are readily available to the Group. The fair value of foreign currency forward contracts is computed individually by each contract using the valuation technique.

4) Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the three months ended March 31, 2021 and 2020.

(ac) Financial risk management

Both the goals and policies of the Company's financial risk management were not materially different from those disclosed in note 6(ac) of the consolidated financial statements for the year ended December 31, 2020.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(ad) Capital management

The objectives, policies and procedures of the Company's capital management were not materially different from those disclosed in note 6(ad) of the consolidated financial statements for the year ended December 31, 2020.

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

- 1) Please refer to note 6(k) for a description of acquisition the right-of-use assets through lease.
- 2) Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Non-cash changes			March 31, 2021
			Additions of lease liabilities	Lease modifications	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 2,470,428	(96,668)	-	-	-	2,373,760
Short-term notes and bills payable	439,721	(439,721)	-	-	-	-
Long-term debt (including current portion)	1,600,000	400,000	-	-	-	2,000,000
Lease liabilities	353,709	(25,293)	25,283	(31,528)	(126)	322,045
Other non-current liabilities	19,754	(4,253)	-	-	-	15,501
Total liabilities from financing activities	<u>\$ 4,883,612</u>	<u>(165,935)</u>	<u>25,283</u>	<u>(31,528)</u>	<u>(126)</u>	<u>4,711,306</u>

	January 1, 2020	Cash flows	Non-cash changes			March 31, 2020
			Additions of lease liabilities	Lease modifications	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 2,434,527	(531,399)	-	-	-	1,903,128
Short-term notes and bills payable	199,989	(15)	-	-	-	199,974
Long-term debt (including current portion)	1,006,501	(349)	-	-	57	1,006,209
Lease liabilities	215,928	(22,363)	83,597	(449)	(3,815)	272,898
Other non-current liabilities	11,056	2,764	-	-	-	13,820
Total liabilities from financing activities	<u>\$ 3,868,001</u>	<u>(551,362)</u>	<u>83,597</u>	<u>(449)</u>	<u>(3,758)</u>	<u>3,396,029</u>

7. Related-party transactions

(a) Related party name and categories

The followings are related parties that have had transactions with the Group during the reporting periods:

Name of related party	Relationship with the Group
Qisda Corporation ("Qisda")	The entity with significant influence over the Group
BESV Japan Co., Ltd. ("BESVJ")	Joint venture

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

Name of related party	Relationship with the Group
Other related parties:	
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd. (“QCES”)	Subsidiary of Qisda
Qisda Vietnam Co., Ltd (“QVH”)	Subsidiary of Qisda
Suzhou Super Pillar Automation Equipment Co.,Ltd. (“ACESZ”)	Subsidiary of Qisda
Qisda Sdn. Bhd. (“QLPG”)	Subsidiary of Qisda
BenQ Japan Co., Ltd. (“BQJP”)	Subsidiary of Qisda
BenQ Technology (Shanghai) Co., Ltd. (“BQls”)	Subsidiary of Qisda
BenQ Asia Pacific Corp. (“BQP”)	Subsidiary of Qisda
BenQ Material Corp. (“BMC”)	Subsidiary of Qisda
DFI Inc. (“DFI”)	Subsidiary of Qisda
Hitron Technologies (Sip), Inc.(“HT SZ”)	Subsidiary of Qisda(Note1)
Hitron Technologies Inc. (“HT”)	Subsidiary of Qisda(Note1)
Advancedtek International Corp. (“ADVANCEDTEK”)	Subsidiary of Qisda(Note2)
Shiton Investment Co., Ltd.	Other related party
Silver Star Co., Ltd.	Other related party

Note 1: From July 2020, HT became Subsidiary of Qisda, and the related party of the group.

Note 2: From January 2021, ADVANCEDTEK became Subsidiary of Qisda, and the related party of the group.

(b) Significant transactions with related parties

(i) Net Sales

	Three Months Ended March 31,	
	2021	2020
Entity with significant influence over the Group	\$ 164	37
Joint Venture	28,939	18,832
Other related parties	61,528	20,143
	\$ 90,631	39,012

The sales prices and collection terms for related parties were not significantly different from those of sales to third-party customers. The collection terms for related parties were EOM45 to EOM135 days.

(ii) Purchases and processing charges

	Three Months Ended March 31,	
	2021	2020
Other related parties	\$ -	170

There were no significant differences between the purchase prices for related parties and those for third-party suppliers. The payment terms of OA60 to OA75 days showed no significant difference between related parties and third-party suppliers.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(iii) Leases

For the three months ended March 31, 2021 and 2020, the Group leased an employee dormitory from a related party. A one-year contract was signed, in which the rental was referred to the market price in the adjacent area. The total value of the lease was \$8,927 and \$10,224, respectively.

The Group recognized interest expenses of \$76 and \$94 for the three months ended March 31, 2021 and 2020, respectively.

(iv) Receivables

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

<u>Account</u>	<u>Related-party categories</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts receivable from related parties	Entity with significant influence over the group	\$ 309	408	25
	Joint venture	24,513	35,016	32,723
	Other related parties	<u>89,072</u>	<u>88,017</u>	<u>24,191</u>
		<u>113,894</u>	<u>123,441</u>	<u>56,939</u>
Other payables	Entity with significant influence over the group	-	-	205
		<u>\$ 113,894</u>	<u>123,441</u>	<u>57,144</u>

(v) Payables

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

<u>Account</u>	<u>Related-party categories</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Account payables	Other related parties	\$ 257	263	189
Other payables	Entity with significant influence over the group	1,228	22	6
Other payables	Joint venture	103	110	-
Other payables	Other related parties	<u>6,722</u>	<u>3,875</u>	<u>6,717</u>
		<u>8,053</u>	<u>4,007</u>	<u>6,723</u>
Lease liability-current	Other related parties	<u>7,328</u>	-	<u>8,405</u>
Lease liability-non-current	Other related parties	<u>7,478</u>	<u>7,456</u>	-
		<u>\$ 23,116</u>	<u>11,726</u>	<u>15,317</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(c) Compensation for key management personnel

	Three Months Ended March 31,	
	2021	2020
Short-term employee benefits	\$ 48,998	38,290
Post-employment benefits	657	525
Share-based payment	-	3,758
	\$ 49,655	42,573

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

8. Pledged assets

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

Pledged assets	Pledged to secure	March 31, 2021	December 31, 2020	March 31, 2020
Land and buildings	Credit lines of bank loans	\$ 1,471,109	1,486,597	1,547,197
Time deposit	Guarantees for customs duties and credit limit of credit cards	1,910	1,910	1,910
		\$ 1,473,019	1,488,507	1,549,107

The above-mentioned time deposits were included in “Financial assets at amortized costs”.

9. Significant commitments and contingencies

The Group had the following significant commitments at each reporting date:

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

	March 31, 2021	December 31, 2020	March 31, 2020
Guarantees for customs duties	\$ 47,855	66,596	72,283

(b) Significant unrecognized commitments

	March 31, 2021	December 31, 2020	March 31, 2020
Acquisition of property, plant and equipment	\$ 324,220	177,007	139,063
Acquisition of right-of-use assets	-	9,945	-
	\$ 324,220	186,952	139,063

10. Significant loss from disasters: None.

11. Significant subsequent events:

On April 1, 2021, the Company acquired 51% equity ownership of Astro Tech Co., Ltd. (ATC) for each common share NT\$50 in cash, total amount \$1,224,000(24,480 thousand shares). The acquisition of ATC enabled the Group to improve its vertical integration with respect to the business development of eBike, and expand the Group’s scale in the industry of green energy products.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

12. Others

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

	Three Months Ended March 31,					
	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	777,004	339,561	1,116,565	521,589	296,142	817,731
Labor and health insurance	42,618	28,559	71,177	29,528	25,909	55,437
Pension	37,595	16,072	53,667	27,908	13,702	41,610
Other employees' benefits	11,945	26,943	38,888	33,516	13,527	47,043
Depreciation	165,412	42,053	207,465	147,772	31,961	179,733
Amortization	8,954	8,904	17,858	1,901	15,269	17,170

- (a) For the three Months Ended March 31, 2021 and 2020, the depreciation of investment property of \$145 and \$258, respectively, were reported in non-operating income and loss.
- (b) The Company's operations are not materially influenced by seasonality or cyclicity.

13. Additional disclosures

- (a) Information on significant transactions:
- (i) Financing provided to other parties: Please refer to table 1.
 - (ii) Guarantees and endorsement provided to other parties: None.
 - (iii) Marketable securities held (excluding investments in subsidiaries, associates, and jointly controlled entities): Please refer to table 2.
 - (iv) Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital: None.
 - (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: None.
 - (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None.
 - (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: Please refer to table 3.
 - (viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: Please refer to table 4.
 - (ix) Transactions about derivative instruments: Please refer to note 6(b).
 - (x) Business relationships and significant intercompany transactions: Please refer to table 5.
- (b) Information on investees (excluding investments in Mainland China): Please refer to table 6.
- (c) Information on investment in mainland China: Please refer to table 7.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements (Continued)

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Qisda Corporation		58,004,667	20.71%
BenQ Corporation		14,016,563	5.00%

Note: The information of major shareholders in this table was calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, based on the Company's common shares (including treasury stock) without physical registration for which the major shareholders own more than 5% of the total shares. The total common shares stated in the accompanying consolidated financial statements and the actual number of shares delivered without physical registration may vary due to the different use of calculation basis.

14. Segment information

The Group's operating segment information was as follows:

	Three Months Ended March 31, 2021			
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 3,485,056	2,510,385	-	5,995,441
Inter-segment Revenues	-	228,709	(228,709)	-
Total	<u>\$ 3,485,056</u>	<u>2,739,094</u>	<u>(228,709)</u>	<u>5,995,441</u>
	Three Months Ended March 31, 2020			
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 2,621,428	1,490,261	-	4,111,689
Inter-segment Revenues	-	79,758	(79,758)	-
Total	<u>\$ 2,621,428</u>	<u>1,570,019</u>	<u>(79,758)</u>	<u>4,111,689</u>

The Group did not allocate the costs, expenses, and non-recurring profits and losses to the peripheral electronic products department, as well as the green energy products and passive components department, because the Company operates in an OEM mode and considers long-term comprehensive development strategies, whereby reasonable selling prices and profits have been taken into consideration when pricing the product. Therefore, the operating segment's profits and losses are mainly evaluated based on revenue which are also used as the basis for performance evaluation. The reported amount was consistent with the information used by the operating decision-maker.

Darfon Electronics Corp. and Subsidiaries
Financing provided to other parties
For the three months ended March 31, 2021

Table 1 (In Thousands of NTD)

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the period	Range of Interest Rates During the period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reason for the Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	KST.	KSG	Other receivables - related parties	Yes	67,216 (EUR 2,000)	67,216 (EUR 2,000)	19,971 (EUR 594)	3.00%	2	-	Operating requirements	-	-	-	366,153	366,153
1	KST.	KSI	Other receivables - related parties	Yes	10,082 (EUR 300)	10,082 (EUR 300)	1,680 (EUR 50)	1.20%	2	-	Operating requirements	-	-	-	366,153	366,153
2	DFS	DFH	Other receivables - related parties	Yes	228,240 (USD 8,000)	228,240 (USD 8,000)	228,240 (USD 8,000)	1.30%	2	-	Operating requirements	-	-	-	1,229,926	1,229,926
2	DFS	DFQ	Other receivables - related parties	Yes	228,240 (USD 8,000)	228,240 (USD 8,000)	228,240 (USD 8,000)	1.30%	2	-	Operating requirements	-	-	-	1,229,926	1,229,926
3	DPS	DFQ	Other receivables - related parties	Yes	130,077 (CNY 30,000)	130,077 (CNY 30,000)	130,077 (CNY 30,000)	3.85%	2	-	Operating requirements	-	-	-	175,130	175,130

(Note 1) The aggregate financing amount and individual financing amount of KST to subsidiaries shall not exceed 40% of the most recent net worth of KST.

(Note 2) The aggregate financing amount and individual financing amount of DFS to subsidiaries shall not exceed 40% of the most recent net worth of DFS.

(Note 3) The aggregate financing amount and individual financing amount of DPS to subsidiaries shall not exceed 40% of the most recent net worth of DPS.

(Note 4) Purpose of Fund Financing:

a. Business transaction purpose.

b. Short-term Financing purpose.

(Note 5) The above amounts were translated into New Taiwan dollars at the exchange rate of EUR\$1=NT\$33.608, US\$1=NT\$28.53 and CN\$1=NT\$4.3359.

(Note 6) The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries

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

March 31, 2021

Table 2

(In Thousands of Shares)

Investing Note Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending balance				Note
				Number of Shares	Carrying Value	Percentage of Ownership	Fair Value	
The Company	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - non-current	36,559	1,252,146	1.86%	1,252,146	-
DZL	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	937	32,092	0.05%	32,092	-
DZL	Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income or loss - current	102	7,599	0.03%	7,599	-
DZL	DFI	Subsidiary of investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	50	3,375	0.04%	3,375	-
KST	HARO BICYCLE CORPORATION	-	Financial assets at fair value through other comprehensive income or loss - non-current	26	-	10.00%	-	-
TDI	Jih Sun Money Market Fund Beneficiary Certificate	-	Financial assets at fair value through profit or loss - current	-	100,111	-	100,111	-
DPS	Bank of Suzhou—Principal protected currency deposit in CNY	-	Financial assets at fair value through profit or loss - current	-	345,184	-	345,184	-

Darfon Electronics Corp. and Subsidiaries

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

For the three months ended March 31, 2021

Table 3

Company Name	Related Party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes and Accounts Receivable (Payable)		Note
			Purchase/(Sale)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit price	Payment Terms	Ending Balance	% of Total	
The Company	DFS	Parent-subsiary	Sales	(132,243)	(3)%	OA90	Normal price	OA30 to OA135	178,252	3%	-
The Company	DFA	Parent-subsiary	Sales	(170,498)	(4)%	OA135	Normal price	OA30 to OA135	378,115	6%	-
The Company	DFS	Parent-subsiary	Purchases	606,682	15%	OA90	Note 1	OA30 to OA135	(1,289,151)	21%	-
The Company	DFH	Parent-subsiary	Purchases	1,899,691	48%	OA90	Note 1	OA30 to OA135	(2,991,282)	50%	-
The Company	DFQ	Parent-subsiary	Purchases	1,056,467	26%	OA90	Note 1	OA30 to OA135	(1,265,030)	21%	-
DFS	The Company	Parent-subsiary	Sales	(606,682)	(33)%	OA90	Normal price	OA30 to OA135	1,289,151	60%	-
DFS	DFQ	Affiliates	Purchases	111,310	8%	OA90	Note 1	OA30 to OA135	(40,760)	3%	-
DFS	The Company	Parent-subsiary	Purchases	132,243	10%	OA90	Normal price	OA30 to OA135	(178,252)	12%	-
DFH	The Company	Parent-subsiary	Sales	(1,899,691)	(97)%	OA90	Normal price	OA30 to OA135	2,991,282	98%	-
DFQ	The Company	Parent-subsiary	Sales	(1,056,467)	(88)%	OA90	Normal price	OA30 to OA135	1,265,030	93%	-
DFQ	DFS	Affiliates	Sales	(111,310)	(9)%	OA90	Normal price	OA30 to OA135	40,760	3%	-
DFA	The Company	Parent-subsiary	Purchases	170,498	100%	OA135	Normal price	OA30 to OA135	(378,115)	100%	-
KST	KSG	Parent-subsiary	Sales	(122,251)	(16)%	OA210	Normal price	OA30 to OA120	281,535	36%	-
KSG	KST	Parent-subsiary	Purchases	122,251	57%	OA210	Normal price	OA30 to OA120	(281,535)	94%	-

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

Note 2: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Receivables From Related Parties which Exceed \$100 Million or 20% of the Paid in Capital
March 31, 2021

Table 4

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Note
					Amount	Action taken			
The Company	DFS	Parent-Subsidiary	178,252	(Note 1)	346	-	100,031	-	-
The Company	DFA	Parent-Subsidiary	378,115	1.72	610	-	61,769	-	-
The Company	DFH	Parent-Subsidiary	482,504	(Note 1)	52,811	-	105,244	-	-
The Company	DTC	Parent-Subsidiary	162,946	1.15	74,438	-	-	-	-
The Company	DFQ	Parent-Subsidiary	121,634	(Note 1)	-	-	26,744	-	-
DFS	The Company	Parent-Subsidiary	1,289,151	3.45	325,757	-	370,415	-	-
DFS	DFH	Affiliates	140,831	2.55	41,686	-	41,686	-	-
DFS	DFH	Affiliates	229,115	(Note 2)	-	-	-	-	-
DFS	DFQ	Affiliates	229,187	(Note 2)	-	-	-	-	-
DFH	The Company	Parent-Subsidiary	2,991,282	2.61	1,056,612	-	750,714	-	-
DFQ	The Company	Parent-Subsidiary	1,265,030	3.06	176,721	-	444,648	-	-
DPS	DFQ	Affiliates	134,487	(Note 2)	-	-	-	-	-
KST	KSG	Parent-Subsidiary	281,535	2.00	-	-	-	-	-

Note 1 : Since the amount of duplicated transactions has been eliminated, the receivables turnover ratio is not reported.

Note 2 : Since the receivables are not caused by selling and purchasing transactions, calculation of turnover rate is not applicable.

Note 3 : The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Business Relationships and Significant Intercompany Transactions
For the three months ended March 31, 2021

Table 5

No.(Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details (Note 3)			Percentage of Consolidated Total Operating Revenue or Total Assets (Note 4)
				Account	Amount	Transaction Terms	
0	The Company	DFS	1	Sales	132,243	OA90	2%
0	The Company	DFA	1	Sales	170,498	OA135	3%
0	The Company	DTC	1	Sales	43,238	OA90	1%
1	DFS	The Company	2	Sales	606,682	OA90	10%
1	DFS	DFH	3	Sales	87,609	OA90	1%
1	DFS	DFQ	3	Sales	56,118	OA90	1%
2	DFH	The Company	2	Sales	1,899,691	OA90	32%
2	DFH	DFQ	3	Sales	34,949	OA90	1
3	DFQ	The Company	2	Sales	1,056,467	OA90	18%
3	DFQ	DFS	3	Sales	111,310	OA90	2%
4	KST	KSG	3	Sales	122,251	OA210	2%
0	The Company	DFS	1	Accounts receivable	178,252	OA90	1%
0	The Company	DFA	1	Accounts receivable	378,115	OA90	2%
0	The Company	DFH	1	Accounts receivable	482,504	OA90	2%
0	The Company	DTC	1	Accounts receivable	162,946	OA90	1%
1	DFS	The Company	2	Accounts receivable	1,289,151	OA90	5%
1	DFS	DFH	3	Accounts receivable	140,831	OA90	1%
1	DFS	DFH	3	Other accounts receivable	229,114	-	1%
1	DFS	DFQ	3	Other accounts receivable	229,072	-	1%
2	DFH	The Company	2	Accounts receivable	2,991,282	OA90	12%
3	DFQ	The Company	2	Accounts receivable	1,265,030	OA90	5%

Darfon Electronics Corp. and Subsidiaries
Business Relationships and Significant Intercompany Transactions
For the three months ended March 31, 2021

Table 5

No.(Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenue or Total Assets (Note 4)
4	KST	KSG	3	Accounts receivable	281,535	OA210	1%
6	DPS	DFQ	3	Other accounts receivable	134,487	-	1%

(Note 1) Parties to the intercompany transactions are identified and numbered as follows :

1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

(Note 2) Relationships to counterparties were as follows:

1. The Company to subsidiary.
2. Subsidiary to the Company.
3. Subsidiary to subsidiary.

(Note 3) Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated net revenue or total assets. The corresponding purchases and accounts payable are not disclosed.

(Note 4) The transaction amount divided by consolidated operating revenues or consolidated total assets.

(Note 5) The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Information on Investees (Excluding Investments in Mainland China)
For the three months ended March 31, 2021

Table 6

(In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2021			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				March 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
The Company	DFBVI	BVI	Trading of electronic products	392,352	392,352	34,150	100.00%	1,698,061	62,192	62,192	Parent-Subsidiary
The Company	DFLB	Malaysia	Investment holding	2,536,514	2,536,514	74,589	100.00%	4,617,082	64,821	64,821	Parent-Subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	51,969	51,969	13,067	100.00%	71,407	(163)	(163)	Parent-Subsidiary
The Company	DZL	Taiwan	Investment holding	350,000	350,000	35,910	100.00%	493,678	4,103	4,103	Parent-Subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related products	217,412	217,412	19,995	57.96%	224,504	(220)	(128)	Parent-Subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	48,286	(7,919)	(7,919)	Parent-Subsidiary
The Company	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	717,318	717,318	17,651	40.32%	697,173	56,148	19,443	Parent-Subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related products	720,000	720,000	24,302	60%	710,041	51	(1,973)	Parent-Subsidiary
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	407,809	26,410	62.75%	408,227	1,736	816	Parent-Subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	292,558	14,812	-	100.00%	284,982	(1,074)	(1,074)	Parent-Subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related products	45,300	45,300	4,275	12.39%	47,992	(220)	(27)	Parent-Subsidiary
DZL	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	185,492	185,492	4,361	9.96%	187,366	56,148	4,651	Parent-Subsidiary
UTC	UTI	Mauritius	Investment holding	25,291	25,291	818	100.00%	23,153	(2,229)	(2,229)	Affiliates
UTC	STC (Note 1)	Taiwan	Manufacture and processing of satellite locator, navigator and antenna, and the trading of telecommunications equipment.	-	288,176	-	-	-	5,553	5,394	Affiliates
KST	KSG	Germany	Assemble and sale of bicycles and related products	157,604	157,604	-	100.00%	42,763	(3,440)	(3,440)	Affiliates

Darfon Electronics Corp. and Subsidiaries
Information on Investees (Excluding Investments in Mainland China)
For the three months ended March 31, 2021

Table 6

(In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31,2021			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				March 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
KST	KSI	Germany	Lease, purchase and management of movable property and immovable property ,and sale of bicycles and related products	87,853	87,853	-	100.00%	87,630	(288)	(288)	Affiliates
KST	KSV	Vietnam	Manufacture and sale of bicycles and related products	279,756	279,756	-	100.00%	384,098	(18,157)	(18,157)	Affiliates
DFLB	DFC	Czech Republic	Trading of electronic products	299	299	-	100.00%	49,516	(6,930)	(6,930)	Affiliates
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	39,414	1,132	1,132	Affiliates
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	840	3	3	Affiliates
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	442,559	2,067	2,067	Affiliates
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	4,882	(25)	(25)	Affiliates
DTC	BESVJ	Japan	Trading of green products	26,690	26,690	2	49.00%	26,437	(1,773)	(869)	Joint Venture
DTC	IOC	Hong Kong	Agent of bicycles and related products	148,235	148,235	19,000	76.00%	144,120	3,660	2,781	Affiliates
DTC	KSMC	Taiwan	Manufacture and sale of bicycles and related products	47,765	47,765	4,500	100.00%	52,269	3,719	3,719	Affiliates

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

Note 2 : The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Information on investments in Mainland China
For the three months ended March 31, 2021

Table 7

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

(In Thousands of NTD/USD)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital		Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2021	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of March 31, 2021	Accumulated Inward Remittance of Earnings as of March 31, 2021
					Outflow	Inflow						
DFS	Manufacture and sale of the Company's products	790,994 (USD 27,725) (Note 5)	(Note 1)	667,602 (USD 23,400)	-	-	667,602 (USD 23,400)	123,433	100.00%	123,433 (Note 3)	3,074,815	231,607 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,397,970 (USD 49,000)	(Note 1)	1,397,970 (USD 49,000)	-	-	1,397,970 (USD 49,000)	69,254	100.00%	69,254 (Note 3)	2,065,859	-
DPS	Mold development and manufacture	28,350 (USD 1,000)	(Note 1)	28,530 (USD 1,000)	-	-	28,530 (USD 1,000)	2,070	100.00%	2,070 (Note 2)	439,898	-
DFQ	Manufacture and sale of the Company's products	285,300 (USD 10,000)	(Note 1)	285,300 (USD 10,000)	-	-	285,300 (USD 10,000)	(61,303)	100.00%	(61,303) (Note 3)	562,255	-
UTZ	Wireless antennas for telecommunication, components design and marketing	21,540 (USD 755)	(Note 1)	21,540 (USD 755)	-	-	21,540 (USD 755)	(2,229)	100.00%	(2,229) (Note 4)	22,055	-

Note1 : Indirect investment in Mainland China is through a holding company established in a third country.

Note2 : Investment income or loss was recognized based on the financial statement, which were not reviewed by independent auditors.

Note3 : Investment income or loss was recognized based on the reviewed financial statements by the Parent company's auditors.

Note4 : Investment income or loss was recognized based on the reviewed financial statements by the auditors of UTC.

Note5 : Including US\$ 4,325 thousand from capitalization of retained earnings.

ii.Limits on investments in Mainland China:

Investor Company Name	Accumulated Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company	2,147,795 (USD 75,282)	2,242,658 (USD 78,607)	(Note)
UTC	21,540 (USD 755)	21,540 (USD 755)	564,985

The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$28.53

(Note) Since the Company has obtained the certificate of headquarters operation, there is no upper limit on investments in Mainland China.

iii.Significant transactions with investee companies in Mainland China:

The transactions between the Company and investee companies (the intercompany transactions) have been eliminated when preparing the consolidated financial statements; please refer to “Information on significant transactions” and “Business relationships and significant intercompany transactions”