

**DARFON ELECTRONICS CORP. AND  
SUBSIDIARIES**

**Consolidated Financial Statements  
With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2021 and 2020**

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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.

## Table of contents

<b>Contents</b>	<b>Page</b>
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flow	7
8. Notes to the Consolidated Financial Statements	
(1) Organization and business	8
(2) Approval of financial statements	8
(3) Application of New and Revised Accounting Standards and Interpretations	8~9
(4) Summary of significant accounting policies	9~12
(5) Critical accounting judgments and key sources of estimation and	12
(6) Description of Significant Accounts	12~46
(7) Related-party transactions	46~49
(8) Pledged assets	49
(9) Significant commitments and contingencies	49
(10) Significant loss from disaster	49
(11) Significant subsequent events	49
(12) Others	50
(13) Additional disclosures	
(a) Information of significant transactions	50~51,53~60
(b) Information of investees	51,61~62
(c) Information of investments in Mainland China	51,63~64
(d) Major shareholders information	51
(14) Segment information	51~52

## **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 June 30, 2021 and 2020, and the consolidated statements of comprehensive income for the three and six months ended June 30, 2021 and 2020, the consolidated statement of changes in equity and cash flows for the six months ended June 30, 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(b), 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 \$10,556,349 thousand and \$5,536,781 thousand, constituting 34.96% and 25.96% of the consolidated total assets; and the total liabilities amounting to \$5,070,775 thousand and \$1,736,788 thousand, constituting 27.06% and 14.28% of the consolidated total liabilities as of June 30, 2021 and 2020, respectively; as well as the total comprehensive income (loss) amounting to \$47,203 thousand, \$(864) thousand, \$25,754 thousand and \$(31,619) thousand, constituting 30.90%、(0.35)%、4.27% and (47.84)% of the consolidated total comprehensive income (loss) for the three and six months ended June 30, 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 June 30, 2021 and 2020, and the consolidated financial performance for the three and six months ended June 30, 2021 and 2020 and the consolidated cash flows for the six months ended June 30, 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  
August 6, 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 June 30, 2021 and 2020**

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2021, December 31, 2020 and June 30, 2020**

**(Expressed in thousands of New Taiwan dollars)**

	June 30, 2021		December 31, 2020		June 30, 2020		
	Amount	%	Amount	%	Amount	%	
<b>Assets</b>							
<b>Current assets:</b>							
1100	Cash and cash equivalents (note 6(a))	\$ 3,315,252	11	2,602,683	11	1,834,723	9
1110	Financial assets at fair value through profit or loss — current (note 6(b))	444,628	2	454,332	2	331,672	2
1120	Financial assets at fair value through other comprehensive income — current (note 6(c))	181,024	1	89,443	-	96,090	-
1136	Financial assets at amortized cost — current (notes 6(d) and 8)	46,873	-	1,100	-	1,100	-
1170	Notes and accounts receivable, net (notes 6(e) and (y))	7,673,715	25	6,731,425	28	6,277,529	29
1180	Accounts receivable from related parties (notes 6(e) & (y) and 7)	129,261	-	123,441	-	74,877	-
1200	Other receivables	23,823	-	21,067	-	8,330	-
130X	Inventories (note 6(f))	6,373,327	21	4,336,702	18	3,432,132	16
1470	Prepayments and other current assets	886,764	3	622,890	3	627,706	3
	<b>Total current assets</b>	<b>19,074,667</b>	<b>63</b>	<b>14,983,083</b>	<b>62</b>	<b>12,684,159</b>	<b>59</b>
<b>Non-current assets:</b>							
1517	Financial assets at fair value through other comprehensive income-non-current (note 6(c))	1,126,017	4	1,058,383	4	645,266	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))	63,325	-	29,069	-	27,569	-
1600	Property, plant and equipment (notes 6(j) and 8)	6,989,935	23	6,045,946	25	5,891,552	28
1755	Right-of-use assets (note 6(k))	1,000,370	3	670,213	3	638,075	3
1760	Investment property, net (notes 6(l) and 8)	86,534	-	86,826	-	87,121	1
1780	Intangible assets (notes 6(h) and (m))	1,173,778	4	774,027	3	707,919	3
1840	Deferred income tax assets	197,731	1	196,023	1	226,776	1
1915	Prepayments for equipment	240,272	1	191,694	1	168,015	1
1920	Refundable deposits	37,556	-	32,260	-	30,016	-
1975	Net defined benefit asset — non-current	16,777	-	16,777	-	16,126	-
1990	Other non-current assets (note 6(k))	188,109	1	184,395	1	208,538	1
	<b>Total non-current assets</b>	<b>11,121,214</b>	<b>37</b>	<b>9,286,423</b>	<b>38</b>	<b>8,647,783</b>	<b>41</b>
	<b>Total assets</b>	<b>\$ 30,195,881</b>	<b>100</b>	<b>24,269,506</b>	<b>100</b>	<b>21,331,942</b>	<b>100</b>

(Continued)

See accompanying notes to the consolidated financial statements

**Reviewed only, not audited in accordance with generally accepted auditing standards**  
**as of June 30, 2021 and 2020**

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets (Continued)**

**June 30, 2021, December 31, 2020 and June 30, 2020**

**(Expressed in thousands of New Taiwan dollars)**

	June 30, 2021		December 31, 2020		June 30, 2020		
	Amount	%	Amount	%	Amount	%	
<b>Liabilities and Equity</b>							
<b>Current liabilities:</b>							
2100	Short-term borrowings (notes 6(n) and 8)	\$ 4,248,763	14	2,470,428	10	2,386,183	11
2110	Short-term notes and bills payable (note 6(o))	-	-	439,721	2	199,867	1
2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	879	-	28	-	-	-
2170	Notes and accounts payable (note 7)	6,814,802	23	5,321,074	22	4,377,512	21
2200	Other payables (notes 6(z) and 7)	3,711,638	12	2,815,639	12	3,096,062	15
2250	Provisions – current (note 6(r))	108,060	-	96,222	-	73,456	-
2280	Lease liabilities – current (notes 6(q) and 7)	99,452	-	94,838	-	74,645	-
2322	Long-term debt, current portion (note 6(p))	16,838	-	-	-	440,000	2
2399	Other current liabilities (note 6(y))	484,463	2	434,965	2	577,834	3
	<b>Total current liabilities</b>	<b>15,484,895</b>	<b>51</b>	<b>11,672,915</b>	<b>48</b>	<b>11,225,559</b>	<b>53</b>
<b>Non-current liabilities:</b>							
2540	Long-term debt (notes 6(p) and 8)	2,512,628	8	1,600,000	7	560,000	3
2570	Deferred income tax liabilities	210,309	1	72,675	-	74,156	-
2580	Lease liabilities – non-current (notes 6(q) and 7)	217,590	1	258,871	1	216,438	1
2640	Net defined benefit liability – non-current	63,926	-	66,229	-	73,547	-
2670	Other non-current liabilities (notes 6(h))	246,570	1	19,754	-	13,704	-
	<b>Total non-current liabilities</b>	<b>3,251,023</b>	<b>11</b>	<b>2,017,529</b>	<b>8</b>	<b>937,845</b>	<b>4</b>
	<b>Total liabilities</b>	<b>18,735,918</b>	<b>62</b>	<b>13,690,444</b>	<b>56</b>	<b>12,163,404</b>	<b>57</b>
<b>Equity attributable to shareholders of the Parent (notes 6 (v)):</b>							
3110	Common stock	2,800,000	9	2,800,000	12	2,800,000	13
3200	Capital surplus	3,921,454	13	3,921,454	16	3,823,003	18
Retained earnings:							
3310	Legal reserve	1,024,037	3	1,024,037	4	1,024,037	5
3320	Special reserve	492,270	2	492,270	2	492,270	2
3350	Unappropriated earnings	1,180,696	4	1,339,912	6	758,942	4
		2,697,003	9	2,856,219	12	2,275,249	11
Other equity:							
3410	Foreign currency translation differences	(768,048)	(2)	(683,751)	(3)	(639,933)	(3)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	382,247	1	328,577	1	(112,125)	(1)
3445	Remeasurements of defined benefit	(31,433)	-	(31,433)	-	(31,323)	-
		(417,234)	(1)	(386,607)	(2)	(783,381)	(4)
	<b>Equity attributable to shareholders of the Parent</b>	<b>9,001,223</b>	<b>30</b>	<b>9,191,066</b>	<b>38</b>	<b>8,114,871</b>	<b>38</b>
36XX	<b>Non-controlling interests (notes 6(h),(i)&amp;(v))</b>	<b>2,458,740</b>	<b>8</b>	<b>1,387,996</b>	<b>6</b>	<b>1,053,667</b>	<b>5</b>
	<b>Total equity</b>	<b>11,459,963</b>	<b>38</b>	<b>10,579,062</b>	<b>44</b>	<b>9,168,538</b>	<b>43</b>
	<b>Total liabilities and equity</b>	<b>\$ 30,195,881</b>	<b>100</b>	<b>24,269,506</b>	<b>100</b>	<b>21,331,942</b>	<b>100</b>

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 and Six Months Ended June 30, 2021 and 2020**

	Three Months Ended June 30,				Six Months Ended June 30,				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Net sales (notes 6(y) and 7)	\$ 7,537,554	100	5,726,536	100	13,532,995	100	9,838,225	100
5000	Cost of sales (notes 6(f), (j), (k), (m), (q), (t), (x) & (z), 7 and 12)	(6,233,111)	(83)	(4,729,893)	(83)	(11,248,008)	(83)	(8,160,303)	(83)
	<b>Gross profit</b>	<u>1,304,443</u>	<u>17</u>	<u>996,643</u>	<u>17</u>	<u>2,284,987</u>	<u>17</u>	<u>1,677,922</u>	<u>17</u>
	<b>Operating expenses (notes 6(e), (j), (k), (m), (q), (t), (x) &amp; (z), 7 and 12):</b>								
6100	Selling expenses	(349,401)	(5)	(311,927)	(5)	(651,578)	(5)	(561,161)	(6)
6200	Administrative expenses	(239,521)	(3)	(177,221)	(3)	(441,674)	(3)	(316,002)	(3)
6300	Research and development expenses	(249,197)	(3)	(201,006)	(4)	(460,529)	(4)	(366,107)	(4)
6000	<b>Total operating expenses</b>	<u>(838,119)</u>	<u>(11)</u>	<u>(690,154)</u>	<u>(12)</u>	<u>(1,553,781)</u>	<u>(12)</u>	<u>(1,243,270)</u>	<u>(13)</u>
	<b>Operating income</b>	<u>466,324</u>	<u>6</u>	<u>306,489</u>	<u>5</u>	<u>731,206</u>	<u>5</u>	<u>434,652</u>	<u>4</u>
	<b>Non-operating income and loss (notes 6(g), (l), (q) &amp; (aa), 7 and 12):</b>								
7100	Interest income	1,985	-	18,086	-	3,899	-	26,825	-
7010	Other income	18,783	-	30,231	-	53,773	-	53,271	1
7020	Other gains and losses	2,911	-	(17,636)	-	10,669	-	(12,471)	-
7050	Finance costs	(18,193)	-	(15,008)	-	(32,196)	-	(32,025)	-
7060	Share of profit (loss) of joint ventures	2,862	-	1,839	-	1,993	-	1,699	-
	<b>Total non-operating income and loss</b>	<u>8,348</u>	<u>-</u>	<u>17,512</u>	<u>-</u>	<u>38,138</u>	<u>-</u>	<u>37,299</u>	<u>1</u>
7900	<b>Income before income tax</b>	<u>474,672</u>	<u>6</u>	<u>324,001</u>	<u>5</u>	<u>769,344</u>	<u>5</u>	<u>471,951</u>	<u>5</u>
7950	<b>Income tax expenses (note 6(u))</b>	<u>(93,318)</u>	<u>(1)</u>	<u>(73,803)</u>	<u>(1)</u>	<u>(162,240)</u>	<u>(1)</u>	<u>(111,599)</u>	<u>(1)</u>
8200	<b>Net income</b>	<u>381,354</u>	<u>5</u>	<u>250,198</u>	<u>4</u>	<u>607,104</u>	<u>4</u>	<u>360,352</u>	<u>4</u>
	<b>Other comprehensive income (loss) (notes 6(g) &amp; (v)):</b>								
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(120,386)	(2)	119,860	2	83,095	1	(150,448)	(2)
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
		<u>(120,386)</u>	<u>(2)</u>	<u>119,860</u>	<u>2</u>	<u>83,095</u>	<u>1</u>	<u>(150,448)</u>	<u>(2)</u>
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>								
8361	Exchange differences on translation of foreign operations	(107,520)	(1)	(121,636)	(2)	(84,953)	(1)	(143,907)	(1)
8370	Share of the other comprehensive income of joint ventures	(673)	-	1	-	(2,436)	-	102	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
		<u>(108,193)</u>	<u>(1)</u>	<u>(121,635)</u>	<u>(2)</u>	<u>(87,389)</u>	<u>(1)</u>	<u>(143,805)</u>	<u>(1)</u>
	<b>Other comprehensive income (loss) for the year, net of income tax</b>	<u>(228,579)</u>	<u>(3)</u>	<u>(1,775)</u>	<u>-</u>	<u>(4,294)</u>	<u>-</u>	<u>(294,253)</u>	<u>(3)</u>
8500	<b>Total comprehensive income for the year</b>	<u>\$ 152,775</u>	<u>2</u>	<u>248,423</u>	<u>4</u>	<u>602,810</u>	<u>4</u>	<u>66,099</u>	<u>1</u>
	<b>Net income attributable to:</b>								
8610	Shareholders of the Parent	\$ 310,340	4	247,988	4	511,595	3	348,562	4
8620	Non-controlling interests	71,014	1	2,210	-	95,509	1	11,790	-
		<u>\$ 381,354</u>	<u>5</u>	<u>250,198</u>	<u>4</u>	<u>607,104</u>	<u>4</u>	<u>360,352</u>	<u>4</u>
	<b>Total comprehensive income attributable to:</b>								
8710	Shareholders of the Parent	\$ 84,641	1	251,317	4	510,157	4	57,451	1
8720	Non-controlling interests	68,134	1	(2,894)	-	92,653	-	8,648	-
		<u>\$ 152,775</u>	<u>2</u>	<u>248,423</u>	<u>4</u>	<u>602,810</u>	<u>4</u>	<u>66,099</u>	<u>1</u>
	<b>Earnings per share (in New Taiwan dollars) (note 6(w))</b>								
9750	Basic earnings per share	<u>\$ 1.11</u>		<u>0.89</u>		<u>1.83</u>		<u>1.24</u>	
9850	Diluted earnings per share	<u>\$ 1.10</u>		<u>0.88</u>		<u>1.81</u>		<u>1.23</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 Six Months Ended June 30, 2021 and 2020**

**(Expressed in thousands of New Taiwan dollars)**

	Equity attributable to shareholders of the Parent						Other equity						
	Common Stock	Capital Surplus	Retained earnings			Subtotal	Foreign currency Translation Differences	Unrealized gains (losses) from financial asset at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal	Equity attributable to shareholders of the Parent	Non- controlling interests	Total equity
			Legal Reserve	Special Reserve	Unappropriated Earnings								
<b>Balance at January 1, 2020</b>	\$ 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	-	-	-	-	348,562	348,562	-	-	-	-	348,562	11,790	360,352
Other comprehensive income	-	-	-	-	-	-	(140,663)	(150,448)	-	(291,111)	(291,111)	(3,142)	(294,253)
Total comprehensive income	-	-	-	-	348,562	348,562	(140,663)	(150,448)	-	(291,111)	57,451	8,648	66,099
Appropriation of earnings:													
Legal reserve	-	-	89,995	-	(89,995)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	125,729	(125,729)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(644,000)	(644,000)	-	-	-	-	(644,000)	-	(644,000)
Organizational restructuring	-	144	-	-	-	-	-	-	-	-	144	(144)	-
Acquisition of subsidiary's additional interest	-	-	-	-	-	-	-	-	-	-	-	(53,706)	(53,706)
Difference between consideration and carrying amount of subsidiaries acquired	-	8,574	-	-	-	-	-	-	-	-	8,574	(8,574)	-
Changes in ownership interest in subsidiaries	-	12,165	-	-	-	-	-	-	-	-	12,165	(12,165)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	21,218	21,218
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	65,300	65,300
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(53,964)	(53,964)
<b>Balance at June 30, 2020</b>	<b>\$ 2,800,000</b>	<b>3,823,003</b>	<b>1,024,037</b>	<b>492,270</b>	<b>758,942</b>	<b>2,275,249</b>	<b>(639,933)</b>	<b>(112,125)</b>	<b>(31,323)</b>	<b>(783,381)</b>	<b>8,114,871</b>	<b>1,053,667</b>	<b>9,168,538</b>
<b>Balance at January 1, 2021</b>	<b>\$ 2,800,000</b>	<b>3,921,454</b>	<b>1,024,037</b>	<b>492,270</b>	<b>1,339,912</b>	<b>2,856,219</b>	<b>(683,751)</b>	<b>328,577</b>	<b>(31,433)</b>	<b>(386,607)</b>	<b>9,191,066</b>	<b>1,387,996</b>	<b>10,579,062</b>
Net income	-	-	-	-	511,595	511,595	-	-	-	-	511,595	95,509	607,104
Other comprehensive income	-	-	-	-	-	-	(84,297)	82,859	-	(1,438)	(1,438)	(2,856)	(4,294)
Total comprehensive income	-	-	-	-	511,595	511,595	(84,297)	82,859	-	(1,438)	510,157	92,653	602,810
Appropriation of earnings:													
Cash dividends	-	-	-	-	(700,000)	(700,000)	-	-	-	-	(700,000)	-	(700,000)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,058,739	1,058,739
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,409)	(1,409)
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(79,239)	(79,239)
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	29,189	29,189	-	(29,189)	-	(29,189)	-	-	-
<b>Balance at June 30, 2021</b>	<b>\$ 2,800,000</b>	<b>3,921,454</b>	<b>1,024,037</b>	<b>492,270</b>	<b>1,180,696</b>	<b>2,697,003</b>	<b>(768,048)</b>	<b>382,247</b>	<b>(31,433)</b>	<b>(417,234)</b>	<b>9,001,223</b>	<b>2,458,740</b>	<b>11,459,963</b>

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 Six Months Ended June 30, 2021 and 2020**  
**(Expressed in thousands of New Taiwan dollars)**

	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 769,344	471,951
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit or loss:</b>		
Depreciation	460,176	366,373
Amortization	49,711	32,965
Expected credit loss	1,109	628
Interest expense	32,196	32,025
Interest income	(3,899)	(26,825)
Share-based compensation cost	-	21,218
Share of losses of joint ventures	(1,993)	(1,699)
Losses on disposal of property, plant and equipment	554	8,136
Losses on disposal of investment property	-	1,051
Losses on disposal of investments	-	2,042
Losses (gains) on lease modifications	245	(5)
Total adjustments to reconcile profit or loss	538,099	435,909
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets mandatorily measured at fair value through profit or loss	7,898	2,128
Increase in notes and accounts receivable	(628,156)	(508,479)
Increase in accounts receivable from related parties	(5,820)	(20,512)
Decrease (increase) in other receivable	129,216	(6,126)
Increase in inventories	(1,734,460)	(400,790)
Increase in prepayments and other current assets	(194,169)	(118,879)
Total changes in operating assets	(2,425,491)	(1,052,658)
Changes in operating liabilities:		
Increase in financial liabilities at fair value through profit or loss	851	-
Increase in notes and accounts payable	765,202	500,105
Decrease in accounts payable from related parties	(263)	(135)
Decrease in other payables	(98,246)	(64,353)
Increase in provisions	8,683	3,903
Decrease in other current liabilities	(91,860)	(57,310)
(Decrease) increase in net defined benefit liability	(2,303)	737
Total changes in operating liabilities	582,064	382,947
Total changes in operating assets and liabilities	(1,843,427)	(669,711)
<b>Total adjustments</b>	<b>(1,305,328)</b>	<b>(233,802)</b>
Cash (used in) generated from operations	(535,984)	238,149
Interest received	3,921	29,637
Interest paid	(31,390)	(32,315)
Income taxes paid	(123,967)	(118,345)
<b>Net cash (used in) provided by operating activities</b>	<b>(687,420)</b>	<b>117,126</b>

**(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 Six Months Ended June 30, 2021 and 2020**

**(Expressed in thousands of New Taiwan dollars)**

	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from investing activities:</b>		
Purchase of financial assets at fair value through other comprehensive income	(132,215)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	56,095	-
Purchase of financial assets at amortized cost	(45,773)	(500)
Proceeds from redemption of financial assets at amortized cost	-	731,586
Purchase of financial assets at fair value through profit or loss	(444,403)	(600,998)
Proceeds from disposal of financial assets at fair value through profit or loss	446,209	617,404
Purchase of investments accounted for using equity method	-	(13,333)
Acquisition of subsidiaries, net of cash received	(159,469)	-
Additions to property, plant and equipment (including prepayments for equipment)	(460,198)	(550,990)
Proceeds from disposal of property, plant and equipment	5,209	24,071
Proceeds from disposal of investment property	-	63,252
(Increase) decrease in refundable deposits	(5,296)	116,868
Additions to intangible assets	(15,546)	(12,698)
Additions to right-of-use assets	(8,736)	-
Increase in other non-current assets	(23,668)	(191,069)
<b>Net cash flows (used in) provided by investing activities</b>	<b>(787,791)</b>	<b>183,593</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	1,749,682	(48,344)
Increase in short-term notes and bills payable	-	199,867
Decrease in short-term notes and bills payable	(439,721)	(199,989)
Increase in long-term debt	900,000	-
Repayments of long-term debt	(4,231)	(6,507)
Payment of lease liabilities	(51,930)	(43,552)
Increase in other non-current liabilities	83,345	2,648
Additions to interests in subsidiaries	-	(53,706)
Capital injection from non-controlling interests	-	65,300
<b>Net cash provided by (used in) financing activities</b>	<b>2,237,145</b>	<b>(84,283)</b>
<b>Effects of exchange rate changes</b>	<b>(49,365)</b>	<b>(104,183)</b>
<b>Net increase in cash and cash equivalents</b>	<b>712,569</b>	<b>112,253</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,602,683</b>	<b>1,722,470</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 3,315,252</b>	<b>1,834,723</b>

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 Six Months Ended June 30, 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 August 6, 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) Impact of the IFRS issued by the FSC but not yet effective

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

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

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

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

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective Date Issued by IASB</u>
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.

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

#### **4. Summary of significant accounting policies**

- (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.

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

(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
			June 30, 2021	December 31, 2020	June 30, 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	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
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	Darfon Vietnam Co., Ltd.(DFV)	Manufacture of electronic products	100.00%	100.00%	-	Note 1and5
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%	54.22%	Note 1
UTC	Unicom Technologies, Inc. (UTI)	Investment holding	50.28%	50.28%	54.22%	Note 1
UTI	WirelessCom Technologies (Shenzhen) Co., Ltd. (UTZ)	Sale, design and marketing of wireless antennas for telecommunication and modules	50.28%	50.28%	54.22%	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%	54.22%	Note 1and6

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

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Note
			June 30, 2021	December 31, 2020	June 30, 2020	
The Company/ DZL	Darad Innovation Corp. (DTC)	Manufacture and sale of E-bike and related products	70.35%	70.35%	80.75%	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
DTC	Iron Ore Co., Ltd. (IOC)	Sale of bicycles and related products	53.47%	53.47%	61.37%	Note 1
The Company	Kenstone Metal Co., Ltd. (KST)	Manufacture and sale of bicycles and related products	60.00%	60.00%	60.00%	Note 1
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
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	Astro Tech Co., Ltd. (ATC)	Manufacture and sale of bicycles and related products	51.00%	-	-	Note 1 and 7
ATC	Astro Engineering Co., Ltd (ATB)	Investment holding	51.00%	-	-	Note 1 and 7
ATB	Astro Engineering Vietnam Co., Ltd (ATV)	Manufacture and sale of bicycles and related products	51.00%	-	-	Note 1 and 7

Note 1: The aforementioned companies are non-significant subsidiaries, and their financial statements have not been reviewed for the six months ended June 30, 2020 and 2021, except that DFQ has been reviewed for the six months ended June 30, 2020; DFQ and UTC have been reviewed for the six months ended June 30, 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.

Note 7: On April 1, 2021, the Group obtained control over ATC. Thus, ATC and its subsidiaries were included in the accompanying consolidated financial statements from the date the control commenced.

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

(d) 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.

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

(e) 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

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>
Cash on hand	\$ 7,389	5,662	4,657
Demand deposits and checking accounts	2,681,335	2,001,707	1,318,038
Time deposits with original maturities less than three months	618,694	590,998	507,662
Cash equivalents	7,834	4,316	4,366
	<u>\$ 3,315,252</u>	<u>2,602,683</u>	<u>1,834,723</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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	\$ 1,946	9,844	1,046
Non-derivative financial assets:			
Open-end mutual funds	100,111	100,034	-
Structured deposits	342,571	344,454	330,626
	<u>\$ 444,628</u>	<u>454,332</u>	<u>331,672</u>

Financial liabilities held for trading:

Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	<u>\$ (879)</u>	<u>(28)</u>	<u>-</u>

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:

<u>June 30, 2021</u>		
<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity Period</u>
USD <u>51,000</u>	CNY Buy / USD Sell	2021.7~2021.10
USD <u>8,369</u>	NTD Buy / USD Sell	2021.7~2021.12
<u>December 31, 2020</u>		
<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity Period</u>
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
<u>June 30, 2020</u>		
<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity Period</u>
USD <u>8,000</u>	CNY Buy / USD Sell	2020.07
USD <u>1,594</u>	NTD Buy / USD Sell	2020.10



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

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

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Equity investments at fair value through other comprehensive income:			
Domestic listed stocks	\$ 1,307,041	1,126,806	726,898
Domestic emerging stocks	-	21,020	14,458
	<u><b>\$ 1,307,041</b></u>	<u><b>1,147,826</b></u>	<u><b>741,356</b></u>
Current	\$ 181,024	89,443	96,090
Non-current	<u>1,126,017</u>	<u>1,058,383</u>	<u>645,266</u>
	<u><b>\$ 1,307,041</b></u>	<u><b>1,147,826</b></u>	<u><b>741,356</b></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 six months ended June 30, 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 six months ended June 30, 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>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Current:			
Time deposits with original maturities more than 3 months	\$ 45,773	-	-
Restricted deposits	<u>1,100</u>	<u>1,100</u>	<u>1,100</u>
	<u><b>\$ 46,873</b></u>	<u><b>1,100</b></u>	<u><b>1,100</b></u>
Non-current:			
Restricted deposits	<u><b>\$ 810</b></u>	<u><b>810</b></u>	<u><b>810</b></u>

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

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

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

(e) Notes and accounts receivable

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Notes and accounts receivable	\$ 7,729,288	6,786,110	6,328,355
Accounts receivable from related parties	<u>129,261</u>	<u>123,441</u>	<u>74,877</u>
	7,858,549	6,909,551	6,403,232
Less: loss allowance	<u>(55,573)</u>	<u>(54,685)</u>	<u>(50,826)</u>
	<b><u>\$ 7,802,976</u></b>	<b><u>6,854,866</u></b>	<b><u>6,352,406</u></b>

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:

	<u>June 30, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance</u>
Current	\$ 7,491,592	0.26%	19,318
Past due 1-30 days	169,971	1.94%	3,294
Past due 31-60 days	139,102	2.08%	2,900
Past due 61-90 days	43,067	35.67%	15,363
Past due 91-120 days	3,031	96.07%	2,912
Past due over 121 days	<u>11,786</u>	<u>100.00%</u>	<u>11,786</u>
	<b><u>\$ 7,858,549</u></b>		<b><u>55,573</u></b>
	<u>December 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance</u>
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	<u>12,487</u>	<u>100.00%</u>	<u>12,487</u>
	<b><u>\$ 6,909,551</u></b>		<b><u>54,685</u></b>

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

	<b>June 30, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance</b>
Current	\$ 6,228,009	0.25%	15,724
Past due 1-30 days	61,215	3.49%	2,135
Past due 31-60 days	87,186	14.49%	12,633
Past due 61-90 days	8,560	26.75%	2,290
Past due 91-120 days	2,275	90.42%	2,057
Past due over 121 days	15,987	100.00%	15,987
	<b>\$ 6,403,232</b>		<b>50,826</b>

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

	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 54,685	50,853
Impairment loss	1,109	628
Effect of exchange rate changes	(221)	(655)
Balance at December 31	<b>\$ 55,573</b>	<b>50,826</b>

(f) Inventories

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Raw materials	\$ 3,246,307	1,895,245	1,466,966
Work in process	1,034,159	530,147	581,574
Finished goods	2,092,861	1,911,310	1,383,592
	<b>\$ 6,373,327</b>	<b>4,336,702</b>	<b>3,432,132</b>

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Cost of inventories sold	\$ 6,146,305	4,662,589	11,022,457	8,076,192
Write-down of inventories (Reversal of write-downs)	21,280	(2,064)	113,230	(10,100)
Loss on scrap	65,526	69,368	112,321	94,211
	<b>\$ 6,233,111</b>	<b>4,729,893</b>	<b>11,248,008</b>	<b>8,160,303</b>

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.

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

(g) Investments accounted for using equity method

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>	
Carrying amount of joint ventures	\$ 27,762	29,069	27,569	
Carrying amount of associates	35,563	-	-	
	<b><u>\$ 63,325</u></b>	<b><u>29,069</u></b>	<b><u>27,569</u></b>	
	<b><u>Three Months Ended June 30,</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>Six Months Ended June 30,</u></b>
	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Attributable to the Group of joint ventures:				
Net Profit	\$ 2,862	1,839	1,993	1,699
Other comprehensive income	(673)	1	(2,436)	102
Total comprehensive income	<b><u>\$ 2,189</u></b>	<b><u>1,840</u></b>	<b><u>(443)</u></b>	<b><u>1,801</u></b>
Attributable to the Group of associates:				
Net Profit	\$ 864	-	864	-
Other comprehensive income	-	-	-	-
Total comprehensive income	<b><u>\$ 864</u></b>	<b><u>-</u></b>	<b><u>864</u></b>	<b><u>-</u></b>

(h) Subsidiaries and non – controlling interests

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

1) The cost of acquisition

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

The acquisition of ATC enabled the Group to improve its vertical integration with respect to the business development of E-bike's manufacture, thereby 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 April 4, 2021 (the acquisition date), the fair value of the identifiable assets acquired and liabilities assumed from the acquisition were as follows:

Consideration transferred:

Share capital increase by cash	\$ 1,224,000
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)	1,058,739

Less: identifiable net assets acquired at fair value:

Cash and cash equivalents	\$ 1,533,552
Notes and accounts receivable, net	315,243
Other receivables	131,994
Inventories	302,165
Prepayments and other current assets	57,605
Investments accounted for using equity method	34,699
Property, plant and equipment	918,964
Right-of-use assets	222,106
Intangible assets – patents	1,674
Intangible assets – customer relationship	154,241
Intangible assets – expertise technology	130,756
Intangible assets – computer software	14,486
Other non-current assets	177,393
Short-term borrowings	(28,653)
Accounts payable	(728,789)
Other payables (Note)	(597,489)
Provisions – current	(3,155)
Other current liabilities	(141,358)
Long-term borrowings (including current portion)	(34,383)
Lease liabilities (including current and non-current)	(7,096)
Deferred income tax liabilities	(149,792)
Long-term Payables	<u>(143,471)</u>
(included in other non-current liabilities)(Note)	<u>2,160,692</u>

Goodwill **\$ 122,047**

Note:the cash outflow from acquisition included the payment \$469,021 according to the share transfer agreement and other payable \$143,471.

The Group continuously reviews the abovementioned items during the measurement period. If there is any new information obtained within one year from the acquisition date about facts and circumstances that existed as of the acquisition date, for which the abovementioned provisional amounts recognized should be adjusted or additional provision should be recognized at the acquisition date, the accounting for the business combination will be modified.

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

3) Intangible assets

The above-mentioned intangible asset- customer relationship and expertise are amortized on a straight-line basis over the estimated economic useful life of 10.75 and 3 years separately.

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

4) Pro forma information

From April 1, 2021 (the acquisition date) to June 30, 2021, ATC and its subsidiaries had contributed the revenue of \$923,710 and the net income of \$59,545 to the Group's results. If this acquisition had occurred on January 1, 2021, the management estimates that the consolidated revenue would have been \$14,349,707, and consolidated income after income tax would have been \$653,187.

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

1) The cost of acquisition

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

The acquisition of TDI enabled the Group to accelerate its strategic layout with respect to the business development of E-bike's battery, thereby 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 six months ended June 30, 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.

(iii) Acquisitions of material non-controlling interests

In June 2020, UTC exchanged 0.20 shares for 1 share of STC and used \$53,706 of cash to acquire all the additional equity of STC resulting in an increase in the Group's equity holding to STC. The difference between consideration and carrying amount of STC amounted to \$8,574 was recognized as capital surplus.

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

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

In 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 \$12,165 for the six months ended June 30, 2020.

(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		
		June 30, 2021	December 31, 2020	June 30, 2020
KST	Taiwan	40.00%	40.00%	40.00%
UTC	Taiwan	49.72%	49.72%	45.78%
TDI	Taiwan	37.25%	37.25%	-
ATC	Taiwan	49.00%	-	-

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

(i) The summarized financial information of KST:

	June 30, 2021	December 31, 2020	June 30, 2020
Current assets	\$ 2,633,546	1,787,758	1,394,567
Non-current assets	835,774	761,011	756,693
Current liabilities	(2,305,581)	(1,360,333)	(935,873)
Non-current liabilities	(81,332)	(90,361)	(100,778)
Net assets	<u>\$ 1,082,407</u>	<u>1,098,075</u>	<u>1,114,609</u>
The carrying amount of non-controlling interests	<u>\$ 379,393</u>	<u>385,190</u>	<u>392,274</u>



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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net sales	<u>\$ 892,427</u>	<u>504,283</u>	<u>1,664,082</u>	<u>942,333</u>
Net loss	\$ (2,812)	(2,907)	(6,100)	(304)
Other comprehensive income	(8,900)	(9,969)	(8,392)	(5,703)
Total comprehensive income	<u>\$ (11,712)</u>	<u>(12,876)</u>	<u>(14,492)</u>	<u>(6,007)</u>
Net loss attributable to non-controlling interests	<u>\$ (1,125)</u>	<u>(1,163)</u>	<u>(2,440)</u>	<u>(122)</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ (4,685)</u>	<u>(5,151)</u>	<u>(5,797)</u>	<u>(2,403)</u>
Cash flow from operating activities	\$ (295,351)	(140,855)	(580,191)	(185,410)
Cash flow from investing activities	(89,979)	(5,093)	(120,229)	(13,315)
Cash flow from financing activities	376,010	99,475	337,870	114,159
Effects of foreign exchange rate changes	(9,354)	(4,631)	(9,568)	(6,823)
Net decrease in cash and cash equivalents	<u>\$ (18,674)</u>	<u>(51,104)</u>	<u>(372,118)</u>	<u>(91,389)</u>
Cash dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(ii) The summarized financial information of UTC:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Current assets	\$ 1,282,042	904,207	814,948
Non-current assets	1,177,883	1,199,158	1,225,887
Current liabilities	(839,675)	(434,683)	(455,893)
Non-current liabilities	(82,032)	(98,188)	(105,297)
Net assets	<u>\$ 1,538,218</u>	<u>1,570,494</u>	<u>1,479,645</u>
The carrying amount of non-controlling interests	<u>\$ 617,699</u>	<u>633,056</u>	<u>558,369</u>

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net sales	<u>\$ 436,669</u>	<u>254,239</u>	<u>824,262</u>	<u>559,000</u>
Net income (loss)	\$ 72,370	(5,222)	120,976	24,580
Other comprehensive income	(123)	(423)	(39)	(531)
Total comprehensive income	<u>\$ 72,247</u>	<u>(5,645)</u>	<u>120,937</u>	<u>24,049</u>
Net income (loss) attributable to non-controlling interests	<u>\$ 36,328</u>	<u>(649)</u>	<u>60,840</u>	<u>12,753</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 36,267</u>	<u>(842)</u>	<u>60,813</u>	<u>12,513</u>
Cash flow from operating activities	\$ 132,214	40,556	193,630	97,177
Cash flow from investing activities	(16,263)	83,119	(30,358)	79,705
Cash flow from financing activities	106,692	(69,585)	159,854	(61,294)
Effects of foreign exchange rate changes	(112)	(423)	(35)	(527)
Net increase in cash and cash equivalents	<u>\$ 222,531</u>	<u>53,667</u>	<u>323,091</u>	<u>115,061</u>
Cash dividends paid to non-controlling interests	<u>\$ -</u>	<u>51,077</u>	<u>76,170</u>	<u>51,077</u>

(iii) The summarized financial information of TDI:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Current assets	\$ 690,056	657,364
Non-current assets	154,233	165,141
Current liabilities	(174,969)	(153,279)
Non-current liabilities	(41,288)	(48,564)
Net assets	<u>\$ 628,032</u>	<u>620,662</u>
The carrying amount of non-controlling interests	<u>\$ 215,111</u>	<u>213,251</u>

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

	<b>Three Months Ended June 30,</b>	<b>Six Months Ended June 30,</b>
	<b>2021</b>	
Net sales	<u>\$ 184,987</u>	<u>339,110</u>
Net income	\$ 6,847	8,147
Other comprehensive income	632	632
Total comprehensive income	<u>\$ 7,479</u>	<u>8,779</u>
Net income attributable to non-controlling interests	<u>\$ 2,551</u>	<u>3,035</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 2,786</u>	<u>3,270</u>
Cash flow from operating activities	\$ 9,736	56,529
Cash flow from investing activities	(27,299)	(27,299)
Cash flow from financing activities	3,033	-
Net increase(decrease) in cash and cash equivalents	<u>\$ (14,530)</u>	<u>29,230</u>
Cash dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

(iv) The summarized financial information of ATC:

	<b>June 30, 2021</b>
Current assets	\$ 2,615,597
Non-current assets	1,763,386
Current liabilities	(1,850,927)
Non-current liabilities	<u>(180,513)</u>
Net assets	<u>\$ 2,347,543</u>
The carrying amount of non-controlling interests	<u>\$ 1,090,493</u>

	<b>Three Months Ended June 30,2021</b>
Net sales	<u>\$ 923,710</u>
Net income	\$ 59,545
Other comprehensive income	5,258
Total comprehensive income	<u>\$ 64,803</u>
Net income attributable to non-controlling interests	<u>\$ 29,177</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 31,754</u>
Cash flow from operating activities	\$ (511,005)
Cash flow from investing activities	(36,713)
Cash flow from financing activities	(33,861)
Effects of foreign exchange rate changes	5,258
Net decrease in cash and cash equivalents	<u>\$ (576,321)</u>
Cash dividends paid to non-controlling interests	<u>\$ -</u>

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

(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
<b>Cost:</b>						
Balance at January 1, 2021	\$ 893,231	6,262,066	5,963,628	431,401	179,146	13,729,472
Acquisition through business combination (note 6(h))	177,647	499,198	577,170	76,418	-	1,330,433
Additions	-	16,508	68,079	40,755	95,958	221,300
Disposals	-	(4,066)	(52,358)	(13,641)	-	(70,065)
Reclassification	-	9,694	355,943	(3,428)	(150,687)	211,522
Effect of exchange rate changes	-	(36,994)	(32,777)	(1,157)	(191)	(71,119)
Balance at June 30, 2021	<u>\$ 1,070,878</u>	<u>6,746,406</u>	<u>6,879,685</u>	<u>530,348</u>	<u>124,226</u>	<u>15,351,543</u>
Balance at January 1, 2020	\$ 893,058	6,243,838	5,300,343	402,517	279,161	13,118,917
Additions	173	9,638	355,486	22,763	-	388,060
Disposals	-	(82,471)	(49,708)	(8,438)	(3,197)	(143,814)
Reclassification	-	125,948	85,305	2,945	(92,200)	121,998
Effect of exchange rate changes	-	(62,055)	(58,499)	(4,377)	-	(124,931)
Balance June 30, 2020	<u>\$ 893,231</u>	<u>6,234,898</u>	<u>5,632,927</u>	<u>415,410</u>	<u>183,764</u>	<u>13,360,230</u>
<b>Accumulated depreciation and impairment losses:</b>						
Balance at January 1, 2021	\$ -	2,873,554	4,490,389	319,583	-	7,683,526
Acquisition through business combination (note 6(h))	-	103,229	295,768	12,472	-	411,469
Depreciation	-	133,512	228,690	27,560	-	389,762
Disposals	-	(2,902)	(49,109)	(12,291)	-	(64,302)
Reclassification	-	-	-	(6,231)	-	(6,231)
Effect of exchange rate changes	-	(22,083)	(29,216)	(1,317)	-	(52,616)
Balance at June 30, 2021	<u>\$ -</u>	<u>3,085,310</u>	<u>4,936,522</u>	<u>339,776</u>	<u>-</u>	<u>8,361,608</u>
Balance at January 1, 2020	\$ -	2,738,134	4,276,472	331,710	-	7,346,316
Depreciation	-	119,989	176,046	12,690	-	308,725
Disposals	-	(53,997)	(49,219)	(8,391)	-	(111,607)
Effect of exchange rate changes	-	(29,954)	(40,875)	(3,927)	-	(74,756)
Balance at June 30, 2020	<u>\$ -</u>	<u>2,774,172</u>	<u>4,362,424</u>	<u>332,082</u>	<u>-</u>	<u>7,468,678</u>
<b>Carrying amount:</b>						
Balance at June 30, 2021	<u>\$ 1,070,878</u>	<u>3,661,096</u>	<u>1,943,163</u>	<u>190,572</u>	<u>124,226</u>	<u>6,989,935</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 June 30, 2020	<u>\$ 893,231</u>	<u>3,460,726</u>	<u>1,270,503</u>	<u>83,328</u>	<u>183,764</u>	<u>5,891,552</u>

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

A land located in ChangHua, which is a property of the subsidiary, UTC, couldn't be registered in the name of the company due to regulations. The company and the landowner had signed an agreement, clarifying that the rights and obligations of the land belongs to the company.

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

(k) Right-of-use assets

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

	<u>Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Total</u>
<b>Cost:</b>				
Balance at January 1, 2021	\$ 384,866	445,208	3,712	833,786
Acquisition through business combination (note 6(h))	220,410	7,096	-	227,506
Additions	8,736	35,796	6,252	50,784
Disposals	-	(42,932)	(351)	(43,283)
Reclassification from other Non-current assets	176,897	-	-	176,897
Effect of exchange rate changes	(15,918)	(2,712)	(105)	(18,735)
Balance at June 30, 2021	<u>\$ 774,991</u>	<u>442,456</u>	<u>9,508</u>	<u>1,226,955</u>
Balance at January 1, 2020	\$ 389,974	253,271	1,161	644,406
Additions	11,096	134,658	-	145,754
Disposals	-	(37,101)	(195)	(37,296)
Effect of exchange rate changes	(5,561)	(6,603)	-	(12,164)
Balance at June 30, 2020	<u>\$ 395,509</u>	<u>344,225</u>	<u>966</u>	<u>740,700</u>
<b>Accumulated depreciation and impairment losses:</b>				
Balance at January 1, 2021	\$ 41,161	120,981	1,431	163,573
Acquisition through business combination (note 6(h))	5,400	-	-	5,400
Depreciation	15,781	53,055	1,286	70,122
Disposals	-	(11,074)	(351)	(11,425)
Effect of exchange rate changes	(136)	(936)	(13)	(1,085)
Balance at June 30, 2021	<u>\$ 62,206</u>	<u>162,026</u>	<u>2,353</u>	<u>226,585</u>
Balance at January 1, 2020	\$ 15,774	67,576	613	83,963
Depreciation	12,749	44,113	306	57,168
Disposals	-	(36,660)	(195)	(36,855)
Effect of exchange rate changes	(210)	(1,441)	-	(1,651)
Balance at June 30, 2020	<u>\$ 28,313</u>	<u>73,588</u>	<u>724</u>	<u>102,625</u>
<b>Carrying amount:</b>				
Balance at June 30, 2021	<u>\$ 712,785</u>	<u>280,430</u>	<u>7,155</u>	<u>1,000,370</u>
Balance at January 1, 2021	<u>\$ 343,705</u>	<u>324,227</u>	<u>2,281</u>	<u>670,213</u>
Balance at June 30, 2020	<u>\$ 367,196</u>	<u>270,637</u>	<u>242</u>	<u>638,075</u>

On June 30, 2020, the group paid the prepayment of 95%, \$193,800 (included in other non-current assets), to acquire the right-of-use assets of land in Vietnam. In March 2021, the group reclassified the aforementioned non-current assets as right-of-use assets, after fulfilling the residual amount of the payment.

On June 30, 2021, the subsidiary, ATV, paid 100% payment \$173,888 to acquire the right-of-use assets of land in Vietnam. However, the right hasn't been transferred yet, so it's still listed under non-current assets.

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

(l) Investment property

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

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Cost:			
Balance at January 1, 2021 (same as balance at June 30,2021)	<b>\$ 69,233</b>	<b>29,467</b>	<b>98,700</b>
Balance at January 1, 2020	\$ 119,959	54,528	174,487
Disposals	(50,726)	(25,061)	(75,787)
Balance at June 30,2020	<b>\$ 69,233</b>	<b>29,467</b>	<b>98,700</b>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2021	\$ -	11,874	11,874
Depreciation	-	292	292
Balance at June 30,2021	<b>\$ -</b>	<b>12,166</b>	<b>12,166</b>
Balance at January 1, 2020	\$ -	22,583	22,583
Depreciation	-	480	480
Disposals	-	(11,484)	(11,484)
Balance at June 30,2020	<b>\$ -</b>	<b>11,579</b>	<b>11,579</b>
Carrying amount:			
Balance at June 30,2021	<b>\$ 69,233</b>	<b>17,301</b>	<b>86,534</b>
Balance at January 1, 2021	<b>\$ 69,233</b>	<b>17,593</b>	<b>86,826</b>
Balance at June 30,2020	<b>\$ 69,233</b>	<b>17,888</b>	<b>87,121</b>
Fair value:			
Balance at June 30,2021			<b>\$ 102,119</b>
Balance at January 1, 2021			<b>\$ 108,908</b>
Balance at June 30,2020			<b>\$ 105,287</b>

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

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>
<b>Costs:</b>						
Balance at January 1, 2021	\$ 465,868	35,836	217,475	114,690	46,561	880,430
Acquisition through business combination (note 6(h))	122,047	1,688	130,756	154,241	14,908	423,640
Adjustment of business combination during the measurement period(note 6(h))	2,374	-	(4,729)	-	-	(2,355)
Additions	-	-	-	-	15,546	15,546
Reclassification	-	-	-	-	13,534	13,534
Effect of exchange rate changes	-	-	-	-	1,804	1,804
Balance at June 30, 2021	<u>\$ 590,289</u>	<u>37,524</u>	<u>343,502</u>	<u>268,931</u>	<u>92,353</u>	<u>1,332,599</u>
Balance at January 1, 2020	\$ 417,691	31,436	189,021	114,690	119,417	872,255
Additions	-	-	-	-	12,698	12,698
Effect of exchange rate changes	-	-	-	-	(17)	(17)
Balance at June 30, 2020	<u>\$ 417,691</u>	<u>31,436</u>	<u>189,021</u>	<u>114,690</u>	<u>132,098</u>	<u>884,936</u>
<b>Accumulated amortization:</b>						
Balance at January 1, 2021	\$ -	14,994	40,477	32,342	18,590	106,403
Acquisition through business combination (note 6(h))	-	14	-	-	422	436
Amortization	-	2,808	21,633	10,755	8,536	43,732
Reclassification	-	-	1,279	(1,279)	6,231	6,231
Effect of exchange rate changes	-	-	-	-	2,019	2,019
Balance at June 30,2021	<u>\$ -</u>	<u>17,816</u>	<u>63,389</u>	<u>41,818</u>	<u>35,798</u>	<u>158,821</u>
Balance at January 1, 2020	\$ -	6,113	21,157	17,238	109,683	154,191
Amortization	-	2,620	9,067	7,552	3,584	22,823
Effect of exchange rate changes	-	-	-	-	3	3
Balance at June 30,2020	<u>\$ -</u>	<u>8,733</u>	<u>30,224</u>	<u>24,790</u>	<u>113,270</u>	<u>177,017</u>
<b>Carrying amount:</b>						
Balance at June 30,2021	<u>\$ 590,289</u>	<u>19,708</u>	<u>280,113</u>	<u>227,113</u>	<u>56,555</u>	<u>1,173,778</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 June 30,2020	<u>\$ 417,691</u>	<u>22,703</u>	<u>158,797</u>	<u>89,900</u>	<u>18,828</u>	<u>707,919</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 o 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 June 30, 2021; as a result, no impairment loss was recognized.

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

(n) Short-term borrowings

	June 30, 2021	December 31, 2020	June30, 2020
Unsecured bank borrowings	\$ 4,248,763	2,470,428	2,386,183
Unused credit facilities	\$ 7,847,120	7,918,479	9,607,328
Interest rate	0.6%~1.43%	0.83%~1.25%	0.815%~1.15%

(o) Short-term notes and bills payable

	June 30, 2021	December 31, 2020	June30, 2020
Commercial paper payable	\$ -	440,000	200,000
Less: Discount on commercial paper payable	-	(279)	(133)
	\$ -	439,721	199,867
Interest rate	-	0.848%~0.858%	0.868%

(p) Long-term debt

	June 30, 2021	December 31, 2020	June30, 2020
Unsecured bank loans	\$ 29,466	-	-
Secured bank loans	2,500,000	1,600,000	1,000,000
Less: current portion of long-term debt	(16,838)	-	(440,000)
Total	\$ 2,512,628	1,600,000	560,000
Unused credit facilities	\$ 2,245,888	2,053,600	2,672,960
Year to maturity	2023~2024	2023	2021~2024
Interest rate	0.824%~1.6%	0.99%~1.08%	0.989%~1.08%

According to the loan agreements, the Group is required to maintain certain financial ratios, including current ratio, net liability ratio, financial liability ratio, interest coverage ratio and tangible net worth, calculated based on its annual audited consolidated financial statements and semi-annual reviewed consolidated financial statements. On June 30, 2021, December 31, 2020 and June 30, 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:

	June 30, 2021	December 31, 2020	June 30, 2020
Current	\$ 99,452	94,838	74,645
Non-current	\$ 217,590	258,871	216,438

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



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

The amounts recognized in profit or loss were as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	<u>\$ 2,201</u>	<u>2,694</u>	<u>5,587</u>	<u>5,108</u>
Expenses relating to short-term leases	<u>\$ 9,976</u>	<u>5,213</u>	<u>16,403</u>	<u>10,729</u>

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

	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<u>\$ 82,656</u>	<u>59,389</u>

Major terms of lease:

(i) Land and Buildings leases

The Group leases land and buildings for its factories, office premises and retail stores. The leases of land typically run for 5 to 50 years, factories and office premises for 1 to 7 years, and retail stores for 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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Warranty provisions	<u>\$ 108,060</u>	<u>96,222</u>	<u>73,456</u>

There was no significant change in the Company's warranty provisions for the six months ended June 30, 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 lease in the Company for the six months ended June 30, 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cost of sales	\$ 621	1,444	1,227	2,037
Operating expenses	1,086	258	2,138	1,368
	<b>\$ 1,707</b>	<b>1,702</b>	<b>3,365</b>	<b>3,405</b>

(ii) Defined contribution plans

Expenses recognized in profit or loss

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cost of sales	\$ 46,232	27,941	83,221	55,256
Operating expenses	16,021	13,330	31,041	25,922
	<b>\$ 62,253</b>	<b>41,271</b>	<b>114,262</b>	<b>81,178</b>

(u) Income taxes

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Current income tax expense	\$ 100,386	76,573	172,177	117,165
Deferred income tax benefit	(7,068)	(2,770)	(9,937)	(5,566)
	<b>\$ 93,318</b>	<b>73,803</b>	<b>162,240</b>	<b>111,599</b>

(ii) There were no income taxes expense (benefit) recognized directly in other comprehensive income and equity for the six months ended June 30, 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 2019.

(v) Capital and other equity

Except as described below, there was no significant change in the Company's capital and other equity for the six months ended June 30, 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 June 30, 2021, December 31, 2020 and June 30, 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:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
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	8,574
Recognition of changes in ownership interest in subsidiaries	24,552	24,552	12,165
	<b><u>\$ 3,921,454</u></b>	<b><u>3,921,454</u></b>	<b><u>3,823,003</u></b>

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

(iii) Retained earnings

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

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

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

**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 appropriations of other dividends were approved by the Company's shareholders' meeting on June 18, 2020. The resolved appropriations of the dividends were as follows:

	2020		2019	
	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
Legal reserve				<u>\$ 89,995</u>
Special reserve				<u>\$ 125,729</u>
Dividends per share:				
Cash dividend	\$ 2.5	<u>700,000</u>	2.3	<u>644,000</u>

The Company's shareholders' meeting is scheduled for resolving appropriations of other dividends on August 24, 2021.

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	(82,583)	-	-	(82,583)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	-	82,859	-	82,859
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	(1,714)	-	-	(1,714)
Balance at June 30, 2021	<u>\$ (768,048)</u>	<u>382,247</u>	<u>(31,433)</u>	<u>(417,234)</u>

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

	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, 2020	\$ (499,270)	38,323	(31,323)	(492,270)
Foreign exchange differences arising from translation of foreign operations	(140,745)	-	-	(140,745)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	-	(150,448)	-	(150,448)
Share of the other comprehensive income (loss) of joint ventures	82	-	-	82
Balance at June 30, 2020	<u>\$ (639,933)</u>	<u>(112,125)</u>	<u>(31,323)</u>	<u>(783,381)</u>

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

	Six Months Ended June 30,	
	2021	2020
Balance at January 1	\$ 1,387,996	1,087,054
Equity attributable to non-controlling interests:		
Net income	95,509	11,790
Foreign currency translation differences	(3,091)	(3,142)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	235	-
Organizational restructuring	-	(144)
Acquisition of subsidiary's additional interests	-	(53,706)
Acquisition of subsidiaries	1,058,739	-
Difference of consideration and carrying amount of subsidiaries acquired or disposed	-	(8,574)
Decrease in non-controlling interests (note(h))	(1,409)	-
Changes in ownership interests in subsidiaries	-	(12,165)
Compensation cost of stock option issued by subsidiaries	-	21,218
Capital injection from non-controlling interests	-	65,300
Distribution of cash dividend by subsidiaries to non-controlling interests	(79,239)	(53,964)
Balance at June 30	<u>\$ 2,458,740</u>	<u>1,053,667</u>

(w) Earnings per share ("EPS")

(i) Basic earnings per share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income attributable to ordinary shareholders of the Company	<u>\$ 310,340</u>	<u>247,988</u>	<u>511,595</u>	<u>348,562</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>280,000</u>	<u>280,000</u>	<u>280,000</u>	<u>280,000</u>
Basic earnings per share (in New Taiwan dollars)	<u>\$ 1.11</u>	<u>0.89</u>	<u>1.83</u>	<u>1.24</u>

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

(ii) Diluted earnings per share

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net income attributable to ordinary shareholders of the Company	<u>\$ 310,340</u>	<u>247,988</u>	<u>511,595</u>	<u>348,562</u>
Weighted-average number of ordinary shares outstanding(in thousands)	280,000	280,000	280,000	280,000
Effect of dilutive potential ordinary shares (in thousands):				
Remuneration to employees in stock	1,640	1,395	2,684	2,980
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares)(in thousands)	<u>281,640</u>	<u>281,395</u>	<u>282,684</u>	<u>282,980</u>
Diluted earnings per share (in New Taiwan dollars)	<u>\$ 1.10</u>	<u>0.88</u>	<u>1.81</u>	<u>1.23</u>

(x) Share-based payment

Except as described below, there was no significant change in the Company's share-based payment for the six months ended June 30, 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):

	<b>Six Months Ended June 30,2020</b>			
	<b>2019 second ESOP</b>		<b>2019 first ESOP</b>	
	<b>Number of options (in thousands)</b>	<b>Weighted-average exercise price (in NTD)</b>	<b>Number of options (in thousands)</b>	<b>Weighted-average exercise price (in NTD)</b>
Outstanding, beginning of year	-	\$ -	1,600	\$ 20.00
Granted during the year	750	20.00	-	-
Exercised during the year	-	-	<u>(1,600)</u>	20.00
Outstanding, end of year	<u>750</u>	20.00	<u>-</u>	-
Exercisable, end of year	<u>750</u>	20.00	<u>-</u>	-

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

(ii) Employee compensation cost

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Compensation cost	<u>\$ -</u>	<u>14,610</u>	<u>-</u>	<u>21,218</u>

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Primary geographical markets:				
Taiwan	\$ 1,196,866	740,348	2,113,923	1,324,922
America	359,487	205,659	561,007	420,217
Mainland China	3,748,708	3,781,505	7,244,270	6,312,099
Others	<u>2,232,493</u>	<u>999,024</u>	<u>3,613,795</u>	<u>1,780,987</u>
	<u>\$ 7,537,554</u>	<u>5,726,536</u>	<u>13,532,995</u>	<u>9,838,225</u>
Major products and services lines:				
Peripheral electronic products	\$ 3,627,950	4,012,529	7,113,006	6,633,957
Green energy products and passive components	<u>3,909,604</u>	<u>1,714,007</u>	<u>6,419,989</u>	<u>3,204,268</u>
	<u>\$ 7,537,554</u>	<u>5,726,536</u>	<u>13,532,995</u>	<u>9,838,225</u>

(ii) Contract balances

	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
Notes and accounts receivable (including related parties)	\$ 7,858,549	6,909,551	6,403,232
Less: loss allowance	<u>(55,573)</u>	<u>(54,685)</u>	<u>(50,826)</u>
	<u>\$ 7,802,976</u>	<u>6,854,866</u>	<u>6,352,406</u>
Contract liabilities (included in other current liabilities)	<u>\$ 170,866</u>	<u>57,751</u>	<u>37,470</u>

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.

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

For the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the amounts of revenue recognized that were included in the balances of contract liabilities on January 1, 2021 and 2020, were \$23,607, \$8,654, \$46,270 and \$26,642, respectively.

(iii) Refund liabilities

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Other current liabilities—refund liabilities	<u>\$ 273,678</u>	<u>315,172</u>	<u>447,445</u>

(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 June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the Company estimated its remuneration to employees amounting to \$45,129, \$37,891, \$75,294 and \$52,808, respectively, and the remuneration to directors amounting to \$3,343, \$2,807, \$5,577 and \$3,912, 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.

(aa) Non-operating income and loss

(i) Interest income

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 1,976	18,086	3,883	25,873
Interest income from financial assets measured at amortized cost	9	-	16	952
	<u>\$ 1,985</u>	<u>18,086</u>	<u>3,899</u>	<u>26,825</u>



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

(ii) Other income

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Rental income	\$ 81	190	671	2,125
Insurance claim	-	-	1,960	374
Subsidy	5,936	21,776	13,303	30,852
Other	12,766	8,265	37,839	19,920
	<b>\$ 18,783</b>	<b>30,231</b>	<b>53,773</b>	<b>53,271</b>

(iii) Other gains and losses

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Losses on disposal of property, plant and equipment	\$ (547)	(7,940)	(554)	(8,136)
Losses on disposal of investment property	-	(1,051)	-	(1,051)
Losses on disposal of investments	-	(2,042)	-	(2,042)
(Loss) gain on lease modification	-	(4)	(245)	5
Foreign exchange losses, net	(19,066)	(12,723)	(5,803)	(13,355)
Gain on financial assets and liabilities measured at fair value through profit or loss	27,152	10,410	23,766	16,652
Others	(4,628)	(4,286)	(6,495)	(4,544)
	<b>\$ 2,911</b>	<b>(17,636)</b>	<b>10,669</b>	<b>(12,471)</b>

(iv) Finance costs

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Interest expense from bank loans	\$ (15,992)	(12,314)	(26,609)	(26,917)
Interest expenses on lease liabilities	(2,201)	(2,694)	(5,587)	(5,108)
	<b>\$ (18,193)</b>	<b>(15,008)</b>	<b>(32,196)</b>	<b>(32,025)</b>

**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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Financial assets at fair value through profit or loss:			
Financial assets mandatorily measured at fair value through profit or loss:			
Foreign currency forward contracts	\$ 1,946	9,844	1,046
Open-end mutual funds	100,111	100,034	-
Structured deposits	342,571	344,454	330,626
Subtotal	<u>444,628</u>	<u>454,332</u>	<u>331,672</u>
Financial assets at fair value through other comprehensive income	<u>1,307,041</u>	<u>1,147,826</u>	<u>741,356</u>
Financial assets measured at amortized cost:			
Cash and cash equivalents	3,315,252	2,602,683	1,834,723
Financial assets at amortized cost – current	46,873	1,100	1,100
Notes and accounts receivable and other receivables (including related parties)	7,826,799	6,875,933	6,360,736
Financial assets at amortized cost – non-current	810	810	810
Refundable deposits	37,556	32,260	30,016
Subtotal	<u>11,227,290</u>	<u>9,512,786</u>	<u>8,227,385</u>
<b>Total</b>	<b><u>\$ 12,978,959</u></b>	<b><u>11,114,944</u></b>	<b><u>9,300,413</u></b>

2) Financial liabilities

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contracts	\$ 879	28	-

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Financial liabilities measured at amortized cost:			
Short-term borrowings	4,248,763	2,470,428	2,386,183
Short-term notes and bills payable	-	439,721	199,867
Notes and accounts payable and other payables (including related parties)	10,264,206	7,940,421	7,296,611
Lease liabilities	317,042	353,709	291,083
Long-term debt (including current portion)	2,529,466	1,600,000	1,000,000
Long-term Payables (included in other non-current liabilities)	143,471	-	-
Guarantee deposits (included in other non-current liabilities)	103,099	19,754	17,931
Subtotal	<u>17,606,047</u>	<u>12,824,033</u>	<u>11,191,675</u>
Total	<u><b>\$ 17,606,926</b></u>	<u><b>12,824,061</b></u>	<u><b>11,191,675</b></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.

	<b>Contractual cash flow</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>
<b>June 30,2021</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 4,258,381	4,258,381	-	-	-
Long-term debt (including current portion)	2,593,345	40,258	35,838	2,517,249	-
Notes and accounts payable and other payables (including related parties)	10,264,206	10,264,206	-	-	-
Lease liabilities	364,645	111,309	91,350	107,988	53,998
Long-term Payables	143,471	-	74,432	69,039	-
Guarantee deposits	103,099	89,653	7,293	-	6,153
Subtotal	<u>17,727,147</u>	<u>14,763,807</u>	<u>208,913</u>	<u>2,694,276</u>	<u>60,151</u>
Derivative financial instruments:					
Foreign currency forward contracts – settled in gross:					
Outflow	1,382,446	1,382,446	-	-	-
Inflow	(1,383,513)	(1,383,513)	-	-	-
Subtotal	<u>(1,067)</u>	<u>(1,067)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 17,726,080</b></u>	<u><b>14,762,740</b></u>	<u><b>208,913</b></u>	<u><b>2,694,276</b></u>	<u><b>60,151</b></u>

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

	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
<b>December 31, 2020</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,474,148	2,474,148	-	-	-
Short-term notes and bills payable	440,000	440,000	-	-	-
Long-term debt (including current portion)	1,646,281	16,547	16,547	1,613,187	-
Notes and accounts payable and other payables (including related parties)	7,940,421	7,940,421	-	-	-
Lease liabilities	409,425	107,030	95,888	151,920	54,587
Guarantee deposits	19,754	301	13,300	-	6,153
Subtotal	<u>12,930,029</u>	<u>10,978,447</u>	<u>125,735</u>	<u>1,765,107</u>	<u>60,740</u>
Derivative financial instruments:					
Foreign currency forward contracts – settled in gross:					
Outflow	1,075,095	1,075,095	-	-	-
Inflow	(1,084,911)	(1,084,911)	-	-	-
Subtotal	<u>(9,816)</u>	<u>(9,816)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 12,920,213</u></b>	<b><u>10,968,631</u></b>	<b><u>125,735</u></b>	<b><u>1,765,107</u></b>	<b><u>60,740</u></b>
<b>June 30, 2020</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,389,754	2,389,754	-	-	-
Short-term notes and bills payable	200,000	200,000	-	-	-
Long-term debt (including current portion)	1,012,735	450,374	501,477	60,884	-
Notes and accounts payable and other payables (including related parties)	7,296,611	7,296,611	-	-	-
Lease liabilities	343,049	85,904	75,019	123,006	59,120
Guarantee deposits	17,931	4,228	7,550	-	6,153
Subtotal	<u>11,260,080</u>	<u>10,426,871</u>	<u>584,046</u>	<u>183,890</u>	<u>65,273</u>
Derivative financial instruments:					
Foreign currency forward contracts – settled in gross:					
Outflow	284,571	284,571	-	-	-
Inflow	(285,617)	(285,617)	-	-	-
Subtotal	<u>(1,046)</u>	<u>(1,046)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 11,259,034</u></b>	<b><u>10,425,825</u></b>	<b><u>584,046</u></b>	<b><u>183,890</u></b>	<b><u>65,273</u></b>

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):

<b>June 30, 2021</b>					
	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>New Taiwan Dollars (in thousands)</b>	<b>Change in magnitude</b>	<b>Pre-tax effect on profit or loss (in thousands)</b>
<b><u>Financial assets</u></b>					
<u>Monetary items</u>					
USD	\$ 442,605	27.8680	12,334,516	1%	123,345
CNY	234,760	4.3073	1,011,182	1%	10,112
<b><u>Financial liabilities</u></b>					
<u>Monetary items</u>					
USD	319,894	27.8680	8,914,806	1%	89,148
CNY	161,228	4.3073	694,457	1%	6,945
<b>December 31, 2020</b>					
	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>New Taiwan Dollars (in thousands)</b>	<b>Change in magnitude</b>	<b>Pre-tax effect on profit or loss (in thousands)</b>
<b><u>Financial assets</u></b>					
<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
<b><u>Financial liabilities</u></b>					
<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
<b>June 30, 2020</b>					
	<b>Foreign currency (in thousands)</b>	<b>Exchange rate</b>	<b>New Taiwan Dollars (in thousands)</b>	<b>Change in magnitude</b>	<b>Pre-tax effect on profit or loss (in thousands)</b>
<b><u>Financial assets</u></b>					
<u>Monetary items</u>					
USD	\$ 344,104	29.6600	10,206,125	1%	102,061
CNY	389,305	4.1893	1,630,915	1%	16,309
<b><u>Financial liabilities</u></b>					
<u>Monetary items</u>					
USD	239,838	29.6600	7,113,595	1%	71,136
CNY	272,802	4.1893	1,142,849	1%	11,428

**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 June 30, 2020 and 2019 and for the six months ended June 30, 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).

	June 30, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Derivative financial instruments—					
Foreign currency forward contracts	\$ 1,946	-	1,946	-	1,946
Non-derivative financial assets:					
Structured deposits	342,571	-	342,571	-	342,571
Open-end mutual fund	100,111	100,111	-	-	100,111
Subtotal	444,628	100,111	344,517	-	444,628
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	1,307,041	1,307,041	-	-	1,307,041
Total	<b>\$ 1,751,669</b>	<b>1,407,152</b>	<b>344,517</b>	<b>-</b>	<b>1,751,669</b>
Financial liabilities at fair value through profit or loss: Derivative financial instruments—					
Foreign currency forward contracts	<b>\$ (879)</b>	<b>-</b>	<b>(879)</b>	<b>-</b>	<b>(879)</b>

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

		December 31, 2020				
		Carrying	Fair value			
		amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:						
Derivative financial instruments –						
Foreign currency forward contracts	\$	9,844	-	9,844	-	9,844
Non-derivative financial assets:						
Structured deposits		344,454	-	344,454	-	344,454
Open-end mutual fund		100,034	100,034	-	-	100,034
Subtotal		<u>454,332</u>	<u>100,034</u>	<u>354,298</u>	-	<u>454,332</u>
Financial assets at fair value through other comprehensive income:						
Domestic listed stocks		1,126,806	1,126,806	-	-	1,126,806
Domestic emerging stocks		21,020	-	21,020	-	21,020
Subtotal		<u>1,147,826</u>	<u>1,126,806</u>	<u>21,020</u>	-	<u>1,147,826</u>
Total		<u>\$ 1,602,158</u>	<u>1,226,840</u>	<u>375,318</u>	-	<u>1,602,158</u>
Derivative financial instruments – Foreign currency forward contracts	\$	<u>(28)</u>	-	<u>(28)</u>	-	<u>(28)</u>
		June 30, 2021				
		Carrying	Fair value			
		amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:						
Derivative financial instruments – Foreign currency forward contracts						
	\$	1,046	-	1,046	-	1,046
Non-derivative financial assets:						
Structured deposits		<u>330,626</u>	-	<u>330,626</u>	-	<u>330,626</u>
Subtotal		<u>331,672</u>	-	<u>331,672</u>	-	<u>331,672</u>
Financial assets at fair value through other comprehensive income:						
Domestic listed stocks		726,898	726,898	-	-	726,898
Domestic emerging stocks		14,458	-	14,458	-	14,458
Subtotal		<u>741,356</u>	<u>726,898</u>	<u>14,458</u>	-	<u>741,356</u>
Total		<u>\$ 1,073,028</u>	<u>726,898</u>	<u>346,130</u>	-	<u>1,073,028</u>

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

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 six months ended June 30, 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.

(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

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



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

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

	January 1, 2021	Cash flows	Acquisition	Non-cash changes			June 30, 2021
				Additions of lease liabilities	Lease modifications	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 2,470,428	1,749,682	28,653	-	-	-	4,248,763
Short-term notes and bills payable	439,721	(439,721)	-	-	-	-	-
Long-term debt (including current portion)	1,600,000	895,769	34,383	-	-	(686)	2,529,466
Lease liabilities	353,709	(51,930)	7,096	42,048	(31,613)	(2,268)	317,042
Other non-current liabilities	19,754	83,345	143,471	-	-	-	246,570
Total liabilities from financing activities	<u>\$ 4,883,612</u>	<u>2,237,145</u>	<u>213,603</u>	<u>42,048</u>	<u>(31,613)</u>	<u>(2,954)</u>	<u>7,341,841</u>

	January 1, 2020	Cash flows	Acquisition	Non-cash changes			June 30, 2020
				Additions of lease liabilities	Lease modifications	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 2,434,527	(48,344)	-	-	-	-	2,386,183
Short-term notes and bills payable	199,989	(122)	-	-	-	-	199,867
Long-term debt (including current portion)	1,006,501	(6,507)	-	-	-	6	1,000,000
Lease liabilities	215,928	(43,552)	-	145,754	(446)	(26,601)	291,083
Other non-current liabilities	11,056	2,648	-	-	-	-	13,704
Total liabilities from financing activities	<u>\$ 3,868,001</u>	<u>(95,877)</u>	<u>-</u>	<u>145,754</u>	<u>(446)</u>	<u>(26,595)</u>	<u>3,890,837</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
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. (“BQIs”)	Subsidiary of Qisda
BenQ Asia Pacific Corp. (“BQP”)	Subsidiary of Qisda

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

Name of related party	Relationship with the Group
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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Entity with significant influence over the Group	\$ 62	13	226	50
Joint Venture	65,392	32,854	94,331	51,686
Other related parties	65,951	32,924	127,479	53,067
	<b>\$ 131,405</b>	<b>65,791</b>	<b>222,036</b>	<b>104,803</b>

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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Other related parties	\$ -	89	-	259

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

(iii) Disposal of Property plant and equipment

In May 2020, the Group sold buildings to other related parties at a consideration of \$22,000, resulting in a loss of \$1,856. As of June 30, 2020, the property title has been transferred and related receivables were all collected.

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

(iv) Leases

In 2021, 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 \$9,691.

In 2020, the Group leased land, plant and employee dormitories from related parties with lease period of one-to-nine years. The rental was referred to the market price of lease terms in the adjacent area. The total value of the lease was \$39,358.

The Group recognized interest expenses of \$193 and \$211 for the six months ended June 30, 2021 and 2020, respectively.

(v) Receivables

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

<b>Account</b>	<b>Related-party categories</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Accounts receivable from related parties	Entity with significant influence over the group	\$ 218	408	11
	Joint venture	54,645	35,016	40,723
	Other related parties	74,398	88,017	34,143
		<u>\$ 129,261</u>	<u>123,441</u>	<u>74,877</u>

(vi) Payables

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

<b>Account</b>	<b>Related-party categories</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Account payables	Other related parties	\$ -	263	280
Other payables	Entity with significant influence over the group	1	22	29
Other payables	Joint venture	151	110	440
Other payables	Other related parties	6,246	3,875	4,274
		<u>6,398</u>	<u>4,007</u>	<u>4,743</u>
Lease liability-current	Other related parties	4,876	-	5,461
Lease liability-non-current	Other related parties	7,500	7,456	7,500
		<u>\$ 18,774</u>	<u>11,726</u>	<u>17,984</u>

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

(c) Compensation for key management personnel

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 69,083	40,748	118,081	79,038
Post-employment benefits	794	525	1,451	1,050
Share-based payment	-	9,409	-	12,424
	<b><u>\$ 69,877</u></b>	<b><u>50,682</u></b>	<b><u>119,532</u></b>	<b><u>92,512</u></b>

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

**8. Pledged assets**

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

<b>Pledged assets</b>	<b>Pledged to secure</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Land and buildings	Credit lines of bank loans	\$ 1,318,399	1,486,597	1,517,809
Time deposit	Credit limit of credit cards and guarantees for customs duties	1,910	1,910	1,910
		<b><u>\$ 1,320,309</u></b>	<b><u>1,488,507</u></b>	<b><u>1,519,719</u></b>

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:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Guarantees for customs duties	<b><u>\$ 47,112</u></b>	<b><u>66,596</u></b>	<b><u>71,318</u></b>

(b) Significant unrecognized commitments

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Acquisition of property, plant and equipment	\$ 843,793	177,007	114,446
Acquisition of right-of-use assets	-	9,945	10,117
	<b><u>\$ 843,793</u></b>	<b><u>186,952</u></b>	<b><u>124,563</u></b>

**10. Significant loss from disasters: None.**

**11. Significant subsequent events: None.**

**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 June 30,					
	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	845,698	418,158	1,263,856	749,766	351,408	1,101,174
Labor and health insurance	40,912	29,433	70,345	30,726	21,585	52,311
Pension	46,853	17,107	63,960	29,385	13,588	42,973
Other employees' benefits	33,233	16,725	49,958	40,726	19,034	59,760
Depreciation	199,040	53,379	252,419	154,315	31,845	186,160
Amortization	(4,982)	36,835	31,853	1,725	14,070	15,795

	Six Months Ended June 30,					
	2021			2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	1,622,702	757,719	2,380,421	1,271,355	647,550	1,918,905
Labor and health insurance	83,530	57,992	141,522	60,254	47,494	107,748
Pension	84,448	33,179	117,627	57,293	27,290	84,583
Other employees' benefits	45,178	43,668	88,846	74,242	32,561	106,803
Depreciation	364,452	95,432	459,884	302,087	63,806	365,893
Amortization	3,972	45,739	49,711	3,626	29,339	32,965

- (a) For the six Months Ended June 30, 2021 and 2020, the depreciation of investment property of \$292 and \$480, 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: Please refer to table 3.
  - (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: Please refer to table 4.

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

- (vi) Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: None.
- (vii) Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: Please refer to table 5.
- (viii) Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: Please refer to table 6.
- (ix) Transactions about derivative instruments: Please refer to note 6(b).
- (x) Business relationships and significant intercompany transactions: Please refer to table 7.
- (b) Information on investees (excluding investments in Mainland China): Please refer to table 8.
- (c) Information on investment in mainland China: Please refer to table 9.
- (d) Major shareholders:

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:

	<b>Three Months Ended June 30, 2021</b>			
	<b>Peripheral electronic products</b>	<b>Green energy products and passive components</b>	<b>Adjustment and eliminations</b>	<b>Total</b>
Revenue from external customers	\$ 3,627,950	3,909,604	-	7,537,554
Inter-segment Revenues	-	186,565	(186,565)	-
Total	<b>\$ 3,627,950</b>	<b>4,096,169</b>	<b>(186,565)</b>	<b>7,537,554</b>
	<b>Three Months Ended June 30, 2020</b>			
	<b>Peripheral electronic products</b>	<b>Green energy products and passive components</b>	<b>Adjustment and eliminations</b>	<b>Total</b>
Revenue from external customers	\$ 4,012,529	1,714,007	-	5,726,536
Inter-segment Revenues	-	172,924	(172,924)	-
Total	<b>\$ 4,012,529</b>	<b>1,886,931</b>	<b>(172,924)</b>	<b>5,726,536</b>

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

<b>Six Months Ended June 30,2021</b>				
	<b>Peripheral electronic products</b>	<b>Green energy products and passive components</b>	<b>Adjustment and eliminations</b>	<b>Total</b>
Revenue from external customers	\$ 7,113,006	6,419,989	-	13,532,995
Inter-segment Revenues	-	415,274	(415,274)	-
<b>Total</b>	<b>\$ 7,113,006</b>	<b>6,835,263</b>	<b>(415,274)</b>	<b>13,532,995</b>
<b>Six Months Ended June 30,2020</b>				
	<b>Peripheral electronic products</b>	<b>Green energy products and passive components</b>	<b>Adjustment and eliminations</b>	<b>Total</b>
Revenue from external customers	\$ 6,633,957	3,204,268	-	9,838,225
Inter-segment Revenues	-	252,682	(252,682)	-
<b>Total</b>	<b>\$ 6,633,957</b>	<b>3,456,950</b>	<b>(252,682)</b>	<b>9,838,225</b>

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 six months ended June 30, 2021**

**Table1**

(In Thousands of NTD)

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the period	Range of Interest Rates During the period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reason for the Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	KST	KSG	Other receivables - related parties	Yes	66,604 (EUR 2,000)	66,604 (EUR 2,000)	43,921 (EUR 1,319)	3.00%	2	-	Operating requirements	-	-	-	366,153	366,153
1	KST	KSI	Other receivables - related parties	Yes	9,991 (EUR 300)	9,991 (EUR 300)	1,665 (EUR 50)	1.20%	2	-	Operating requirements	-	-	-	366,153	366,153
2	DFS	DFH	Other receivables - related parties	Yes	222,944 (USD 8,000)	222,944 (USD 8,000)	222,944 (USD 8,000)	1.30%	2	-	Operating requirements	-	-	-	1,222,565	1,222,565
2	DFS	DFQ	Other receivables - related parties	Yes	222,944 (USD 8,000)	222,944 (USD 8,000)	222,944 (USD 8,000)	1.30%	2	-	Operating requirements	-	-	-	1,222,565	1,222,565
3	DPS	DFQ	Other receivables - related parties	Yes	129,219 (CNY 30,000)	-	-	3.85%	2	-	Operating requirements	-	-	-	173,976	173,976
3	DPS	DFQ	Other receivables - related parties	Yes	129,219 (CNY 30,000)	129,219 (CNY 30,000)	129,219 (CNY 30,000)	3.85%	2	-	Operating requirements	-	-	-	173,976	173,976

(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:

1. Business transaction purpose.
2. Short-term Financing purpose.

(Note 5) The above amounts were translated into New Taiwan dollars at the exchange rate of EUR\$1=NT\$33.302, US\$1=NT\$27.868 and CN\$1=NT\$4.3073

(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)**

**June 30, 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	1,126,017	1.86%	1,126,017	-
DZL	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	4,857	149,596	0.25%	149,596	-
DZL	Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income or loss - current	102	7,752	0.03%	7,752	-
DZL	DFI	Subsidiary of investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	50	3,225	0.04%	3,225	-
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	-
TDI	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	664	20,451	0.03%	20,451	-
DPS	Bank of Suzhou—Principal protected currency deposit in CNY	-	Financial assets at fair value through profit or loss - current	-	342,571	-	342,571	-

**Darfon Electronics Corp. and Subsidiaries**

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

**For the six months ended June 30, 2021**

**Table 3**

(Amounts in Thousands of NTD/CNY)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Carrying Value	Gain (loss) on disposal	Shares (in thousands)	Amount (Note 1)
The Company	ATC stock	Investment accounted for using equity method	-	-	-	-	24,480	1,224,000	-	-	-	-	24,480	1,257,050
DPS	Bank of Suzhou—Principal protected currency deposit in CNY	Financial assets at fair value through profit or loss-current	Bank of Suzhou	-	-	343,313 (CNY79,705)	-	439,345 (CNY102,000)	-	445,185 (CNY103,356)	439,345 (CNY102,000)	5,840 (CNY1,356)	-	342,571 (CNY79,533)

Note 1 : The ending balance includes shares of profits/losses of investees and other related adjustment.

Note 2 : The above amounts were translated into New Taiwan dollars at the exchange rate of CN\$1=NT\$4.3073.

**Darfon Electronics Corp. and Subsidiaries**

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

**For the six months ended June 30, 2021**

**Table 4**

**(In Thousands of Shares)**

Company name	Property Name	Transaction Date	Transaction Amount	Status of payment	Counter Party	Relationship with the Counter party	Ending balance				Price Reference	Purpose of Acquisition and Current Condition	Notes
							Owner	Relationship with the Counter party	Date of Transfer	Amount			
ATC	Land and buildings	2021.5.7	420,000	42,000	CITY TOOLS CO., LTD.	-	-	-	-	-	Refer to appraisal report evaluated by the professional appraisal institution	Operating requirements	NA

**Darfon Electronics Corp. and Subsidiaries**

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

**For the six months ended June 30, 2021**

**Table 5**

Company Name	Related Party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes and Accounts Receivable (Payable)		Note
			Purchase/(Sale)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit price	Payment Terms	Ending Balance	% of Total	
The Company	DFS	Parent-subsiary	Sales	(259,660)	(3)%	OA90	Normal price	OA30 to OA135	206,492	3%	-
The Company	DFA	Parent-subsiary	Sales	(375,793)	(4)%	OA135	Normal price	OA30 to OA135	437,028	7%	-
The Company	DFS	Parent-subsiary	Purchases	1,267,707	16%	OA90	Note 1	OA30 to OA135	(1,154,416)	22%	-
The Company	DFH	Parent-subsiary	Purchases	3,606,915	46%	OA90	Note 1	OA30 to OA135	(2,554,163)	49%	-
The Company	DFQ	Parent-subsiary	Purchases	2,211,357	28%	OA90	Note 1	OA30 to OA135	(1,120,725)	22%	-
DFS	The Company	Parent-subsiary	Sales	(1,267,707)	(37)%	OA90	Normal price	OA30 to OA135	1,154,416	56%	-
DFS	DFH	Affiliates	Sales	(162,012)	(5)%	OA90	Normal price	OA30 to OA135	116,621	6%	-
DFS	DFQ	Affiliates	Purchases	239,642	9%	OA90	Note 1	OA30 to OA135	(41,751)	3%	-
DFS	The Company	Parent-subsiary	Purchases	259,660	10%	OA90	Normal price	OA30 to OA135	(206,492)	15%	-
DFH	The Company	Parent-subsiary	Sales	(3,606,915)	(98)%	OA90	Normal price	OA30 to OA135	2,554,163	99%	-
DFH	DFS	Affiliates	Purchases	162,012	6%	OA90	Normal price	OA30 to OA135	(116,621)	6%	-
DFQ	The Company	Parent-subsiary	Sales	(2,211,357)	(88)%	OA90	Normal price	OA30 to OA135	1,120,725	93%	-
DFQ	DFS	Affiliates	Sales	(239,642)	(10)%	OA90	Normal price	OA30 to OA135	41,751	3%	-
DFA	The Company	Parent-subsiary	Purchases	375,793	100%	OA135	Normal price	OA30 to OA135	(437,028)	100%	-
KST	KSG	Parent-subsiary	Sales	(257,813)	(16)%	OA210	Normal price	OA30 to OA120	387,373	38%	-
KSG	KST	Parent-subsiary	Purchases	257,813	53%	OA210	Normal price	OA30 to OA120	(387,373)	93%	-

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**  
**June 30, 2021**

**Table 6**

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	206,492	(Note 1)	-	-	78,066	-	-
The Company	DFA	Parent-Subsidiary	437,028	1.76	130,980	-	66,070	-	-
The Company	DFH	Parent-Subsidiary	439,047	(Note 1)	34,946	-	79,416	-	-
The Company	DTC	Parent-Subsidiary	125,328	1.14	63,330	-	2,205	-	-
The Company	DFQ	Parent-Subsidiary	145,680	(Note 1)	33,058	-	26,123	-	-
DFS	The Company	Parent-Subsidiary	1,154,416	3.75	180,967	-	103,745	-	-
DFS	DFH	Affiliates	116,621	2.58	-	-	-	-	-
DFS	DFH	Affiliates	224,532	(Note 2)	-	-	-	-	-
DFS	DFQ	Affiliates	224,492	(Note 2)	-	-	-	-	-
DFH	The Company	Parent-Subsidiary	2,554,163	2.68	865,036	-	601,094	-	-
DFQ	The Company	Parent-Subsidiary	1,120,725	3.38	101,987	-	101,987	-	-
DPS	DFQ	Affiliates	129,813	(Note 2)	-	-	-	-	-
KST	KSG	Parent-Subsidiary	387,373	1.73	-	-	-	-	-

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 six months ended June 30, 2021**

**Table 7**

No.(Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenue or Total Assets (Note 4)
0	The Company	DFS	1	Sales	259,660	OA90	2%
0	The Company	DFC	1	Sales	71,028	OA180	1%
0	The Company	DFA	1	Sales	375,793	OA135	3%
0	The Company	DTC	1	Sales	74,654	OA90	1%
1	DFS	The Company	2	Sales	1,267,707	OA90	9%
1	DFS	DFH	3	Sales	162,012	OA90	1%
1	DFS	DFQ	3	Sales	91,130	OA90	1%
2	DFH	The Company	2	Sales	3,606,915	OA90	27%
3	DFQ	The Company	2	Sales	2,211,357	OA90	16%
3	DFQ	DFS	3	Sales	239,642	OA90	2%
4	KST	KSG	3	Sales	257,813	OA210	2%
5	DTC	DFeu	3	Sales	96,415	OA135	1%
0	The Company	DFS	1	Accounts receivable	206,492	OA90	1%
0	The Company	DFA	1	Accounts receivable	437,028	OA135	1%
0	The Company	DFH	1	Accounts receivable	439,047	OA90	1%
1	DFS	The Company	2	Accounts receivable	1,154,416	OA90	4%
1	DFS	DFH	3	Other accounts receivable	224,532	-	1%
1	DFS	DFQ	3	Other accounts receivable	224,492	-	1%

**Darfon Electronics Corp. and Subsidiaries**  
**Business Relationships and Significant Intercompany Transactions**  
**For the six months ended June 30, 2021**

**Table 7**

No.(Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenue or Total Assets (Note 4)
2	DFH	The Company	2	Accounts receivable	2,554,163	OA90	8%
3	DFQ	The Company	2	Accounts receivable	1,120,725	OA90	4%
4	KST	KSG	3	Accounts receivable	387,373	OA210	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 six months ended June 30, 2021**

**Table 8**

(In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2021			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				June 30, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
The Company	DFBVI	BVI	Trading of electronic products	317,103	392,352	34,150	100.00%	1,610,092	88,873	88,873	Parent-Subsidiary
The Company	DFLB	Malaysia	Investment holding	2,536,514	2,536,514	74,589	100.00%	4,567,236	68,817	68,817	Parent-Subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	51,969	51,969	13,067	100.00%	70,716	(854)	(854)	Parent-Subsidiary
The Company	DZL	Taiwan	Investment holding	350,000	350,000	35,910	100.00%	439,586	12,132	12,132	Parent-Subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related products	217,412	217,412	19,995	57.96%	219,801	5,745	3,330	Parent-Subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	44,815	(11,024)	(11,024)	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%	726,148	136,060	48,468	Parent-Subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related products	720,000	720,000	24,302	60%	703,014	579	(3,660)	Parent-Subsidiary
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	407,809	26,410	62.75%	412,921	9,176	5,112	Parent-Subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	292,558	14,812	-	100.00%	277,447	(2,729)	(2,729)	Parent-Subsidiary
The Company	ATC	Taiwan	Manufacture and sale of bicycles and related products	1,224,000	-	24,480	51.00%	1,257,050	76,501	30,368	
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related products	45,300	45,300	4,275	12.39%	46,986	5,745	712	Parent-Subsidiary
DZL	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	174,455	174,455	4,361	9.96%	194,371	136,060	11,668	Parent-Subsidiary
UTC	UTI	Mauritius	Investment holding	25,291	25,291	818	100.00%	20,032	(6,377)	(6,377)	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%	38,672	(2,380)	(2,380)	Affiliates



**Darfon Electronics Corp. and Subsidiaries**  
**Information on Investees (Excluding Investments in Mainland China)**  
**For the six months ended June 30, 2021**

Table 8

(In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2021			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				June 30, 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%	85,242	(1,834)	(1,834)	Affiliates
KST	KSV	Vietnam	Manufacture and sale of bicycles and related products	279,756	279,756	-	100.00%	354,704	(39,770)	(39,770)	Affiliates
DFLB	DFC	Czech Republic	Trading of electronic products	299	299	-	100.00%	48,872	(8,540)	(8,540)	Affiliates
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	40,180	2,828	2,828	Affiliates
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	832	14	14	Affiliates
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	441,454	3,946	3,946	Affiliates
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	4,812	(51)	(51)	Affiliates
DTC	BESVJ	Japan	Trading of green products	26,690	26,690	2	49.00%	27,762	2,303	1,129	Joint Venture
DTC	IOC	Hong Kong	Agent of bicycles and related products	148,235	148,235	19,000	76.00%	148,395	13,307	10,113	Affiliates
DTC	KSMC	Taiwan	Manufacture and sale of bicycles and related products	47,765	47,765	4,500	100.00%	56,335	7,785	7,785	Affiliates
ATC	Rich Glory International Inc.	Samoa	Investment holding	35,107	-	1,862	33.33%	35,563	864	864	Affiliates
ATC	ATB	BVI	Investment holding	577,385	-	3,000	100.00%	557,648	(8,116)	(8,116)	Affiliates
ATB	ATV	Vietnam	Manufacture and sale of bicycles and related products	872,463	-	-	100.00%	557,647	(8,116)	(8,116)	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 six months ended June 30, 2021**

**Table 9**

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

(In Thousands of NTD/USD)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2021	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of June 30, 2021	Accumulated Inward Remittance of Earnings as of June 30, 2021
					Outflow	Inflow						
DFS	Manufacture and sale of the Company's products	772,640 (USD 27,725) (Note 5)	(Note 1)	652,111 (USD 23,400)	-	-	652,111 (USD 23,400)	177,106	100.00%	177,106 (Note 3)	3,056,412	226,232 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,365,532 (USD 49,000)	(Note 1)	1,365,532 (USD 49,000)	-	-	1,365,532 (USD 49,000)	55,500	100.00%	55,500 (Note 3)	2,038,332	-
DPS	Mold development and manufacture	27,868 (USD 1,000)	(Note 1)	27,868 (USD 1,000)	-	-	27,868 (USD 1,000)	4,015	100.00%	4,015 (Note 2)	438,920	-
DFQ	Manufacture and sale of the Company's products	278,680 (USD 10,000)	(Note 1)	278,680 (USD 10,000)	-	-	278,680 (USD 10,000)	(70,930)	100.00%	(70,930) (Note 3)	548,473	-
UTZ	Wireless antennas for telecommunication, components design and marketing	21,040 (USD 755)	(Note 1)	21,040 (USD 755)	-	-	21,040 (USD 755)	(6,207)	100.00%	(6,207) (Note 4)	19,129	-

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.

**Table 9**

ii.Limits on investments in Mainland China:

<b>Investor Company Name</b>	<b>Accumulated Investment in Mainland China as of June 30, 2021</b>	<b>Investment Amounts Authorized by Investment Commission, MOEA</b>	<b>Upper Limit on Investment Authorized by Investment Commission, MOEA</b>
The Company	2,097,959 (USD 75,282)	2,190,620 (USD 78,607)	(Note)
UTC	21,040 (USD 755)	21,040 (USD 755)	612,858

The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$27.868

(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”.