Stock Code:8163

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Consolidated Financial Statements

## With Independent Auditors' Report
## For the Years Ended December 31, 2021 and 2020

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

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

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# Representation Letter

The entities that are required to be included in the combined financial statements of Darfon Electronics Corp. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, " Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Darfon Electronics Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Darfon Electronics Corp.
Kai-Chien Su
Chairman
March 8, 2022

# Independent Auditors' Report

To the Board of Directors of Darfon Electronics Corp.:

## Opinion

We have audited the consolidated financial statements of Darfon Electronics Corp. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and interpretations developed by the International Financial Reporting Interpretations Committee (" IFRSs" ) or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

1. Valuation of inventories

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

2. Business combination

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

3. Impairment of goodwill

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

**Other Matter**

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

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs, IASs, IFRC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor' s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2022

**Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Consolidated Balance Sheets

## December 31, 2021 and 2020

## (Expressed in Thousands of New Taiwan Dollars)

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

(Continued)

See accompanying notes to consolidated financial statements.

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

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Consolidated Balance Sheets (Continued)

## December 31, 2021 and 2020

## (Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

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

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

## For the years ended December 31, 2021 and 2020

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

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

See accompanying notes to consolidated financial statements.

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

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

## For the years ended December 31, 2021 and 2020

## (Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

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

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

## For the years ended December 31, 2021 and 2020

## (Expressed in Thousands of New Taiwan Dollars)

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

(Continued)

See accompanying notes to consolidated financial statements.

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

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows (Continued)

## For the years ended December 31, 2021 and 2020

## (Expressed in Thousands of New Taiwan Dollars)

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

See accompanying notes to consolidated financial statements.

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

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars, Except for Per Share Information And Otherwise Specified)**

## 1. Organization and business

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

## 2. Authorization of the consolidated financial statements

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

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

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

## 4. Summary of significant accounting policies

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

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the Company.

(Continued)

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

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

(ii) List of subsidiaries in the consolidated financial statements

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

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

(Continued)

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

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

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

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

(Continued)

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

(d) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period (" the reporting date" ), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

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

(ii) Foreign operations

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

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the accumulated exchange differences related to that foreign operation are reclassified to profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences is reclassified to non-controlling interests. For a partial disposal of the Group' s ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the monetary item is, in substance, a part of net investment in that foreign operation, and the related foreign exchange gains and losses thereon are recognized as other comprehensive income.

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

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

(i) It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is expected to be realized within twelve months after the reporting period; or
(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

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

(i) It is expected to be settled in the normal operating cycle;
(ii) It is held primarily for the purpose of trading;
(iii) It is due to be settled within twelve months after the reporting period; or
(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash consists of cash on hand, checking deposits, and demand deposits. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the aforesaid criteria and are not held for investing purposes are also classified as cash equivalents.

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

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

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

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

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

All financial assets not classified as measured at amortized cost or at FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend and interest income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial assets on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, other receivables and refundable deposits).

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

- debt securities that are determined to have low credit risk at the reporting date; and
- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(Continued)

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

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

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

The Group enters into transactions whereby it transfers assets recognized in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets; in these cases, the transferred assets are not derecognized.

(ii) Financial liabilities

1) Classification of debt or equity

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

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

2) Financial liabilities

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

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled, or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of a financial liability derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iii) Offsetting of financial assets and liabilities

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

(iv) Derivative financial instruments

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

(h) Inventories

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

(Continued)

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

(i) Joint arrangements

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

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

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(Continued)

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

(iii) Depreciation

Depreciation is calculated on the cost of assets less their residual values and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives for property, plant and equipment are as follows: machinery and equipment: 2 to 10 years; furniture, fixtures, and other equipment: 1 to 10 years; buildings－main structure and other equipment pertaining to buildings: 4 to 40 years; buildings－electronic and air-conditioning facilities: 20 to 30 years.

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

(k) Investment property

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

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

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

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

(l) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

(Continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of the Group's assessment on whether it will exercise an option to purchase the underlying asset, or;
- there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an extension or termination option; or
- there is any lease modification in lease subject, scope of the lease or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss for any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

(m) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

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

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

(n) Impairment of non-financial assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. Goodwill arising from a business combination is allocated to cash-generating units (“CGUs”) or groups of CGUs that are expected to benefit from the synergies of the combination.

(Continued)

The recoverable amount of an individual asset or CGU is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(o) Provisions

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

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

(p) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

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

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

A receivable is recognized when the goods are delivered, as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(Continued)

(ii) Royalties

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

(iii) Financing components

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

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

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

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

(iii) Short-term employee benefits

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

(r) Share-based payment

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

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

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

(s) Income taxes

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

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

(ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) Taxable temporary differences arising on the initial recognition of goodwill.

(Continued)

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(t) Business combination

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

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

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

(Continued)

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

(u) Earnings per share ("EPS")

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

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions on the allocation of resources to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

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

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

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

(a) Valuation of inventory

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

(Continued)

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(b) Impairment of goodwill

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

**6. Significant account disclosures**

(a) Cash and cash equivalents

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

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

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

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

(Continued)

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

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

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

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

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

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

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

(Continued)

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(d) Financial assets at amortized costs

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

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

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

(e) Notes and accounts receivable

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

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

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

(Continued)

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

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

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

(f) Inventories

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

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

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

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

(Continued)

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

(g) Investments accounted for using equity method

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

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

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

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

(h) Subsidiaries and non-controlling interests

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

1) The cost of acquisition

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

(Continued)

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

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

2) Identifiable net assets acquired in a business combination

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

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

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

(Continued)

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

3) Intangible assets

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

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

4) Pro forma information

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

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

1) The cost of acquisition

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

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

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

2) Identifiable net assets acquired in a business combination

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

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

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

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

(Continued)

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

3) Intangible assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

(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 | |
|---|---|---|---|
| | | December 31, 2021 | December 31, 2020 |
| KST | Taiwan | 40.00 % | 40.00 % |
| UTC | Taiwan | 54.23 % | 49.72 % |
| TDI | Taiwan | 37.25 % | 37.25 % |
| ATC | Taiwan | 49.00 % | - |

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

1) The summarized financial information of KST:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current assets | $ 3,785,923 | 1,787,758 |
| Non-current assets | 904,766 | 761,011 |
| Current liabilities | (3,533,691) | (1,360,333) |
| Non-current liabilities | (85,090) | (90,361) |
| Net assets | **$ 1,071,908** | **1,098,075** |
| The carrying amount of non-controlling interests | **$ 375,194** | **385,190** |
| | **2021** | **2020** |
| Net sales | **$ 3,490,856** | **2,277,582** |
| Net loss | $ (12,289) | (15,548) |
| Other comprehensive income | (12,703) | (8,169) |
| Total comprehensive income | **$ (24,992)** | **(23,717)** |
| Net loss attributable to non-controlling interests | **$ (4,916)** | **(6,219)** |
| Total comprehensive income attributable to non-controlling interests | **$ (9,997)** | **(9,487)** |
| Cash flow from operating activities | $ (1,252,246) | (208,131) |
| Cash flow from investing activities | (234,223) | (83,195) |
| Cash flow from financing activities | 1,141,123 | 485,371 |
| Effects of foreign exchange rate changes | 11,288 | 11,643 |
| Net increase (decrease) in cash and cash equivalents | **$ (334,058)** | **205,688** |
| Cash dividends paid to non-controlling interests | **$ -** | **-** |

(Continued)

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

2) The summarized financial information of UTC:

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

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

3) The summarized financial information of TDI:

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

(Continued)

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

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

4) The summarized financial information of ATC:

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

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

(Continued)

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(j) Property, plant and equipment

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

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

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

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

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

(k) Right-of-use assets

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

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

(Continued)

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

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

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

(l) Investment property

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

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

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

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

(Continued)

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

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

(m) Intangible assets

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

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

(Continued)

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

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

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

(ii) Impairment test on goodwill

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

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

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

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

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

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

(Continued)

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

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

2) The estimation of discount rate is based on the weighted average cost of capital.

(n) Short-term borrowings

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

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

(o) Short-term notes and bills payable

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

(p) Long-term debt

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

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

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

(Continued)

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

(q) Lease liabilities

Lease liabilities were as follows:

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

Please refer to note 6(ab) for maturity analysis.
The amounts recognized in profit or loss were as follows:

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

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

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

Major terms of lease:

(i) Land and Buildings leases

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

(ii) Other leases

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

(r) Warranty provisions

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

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

(Continued)

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

(s) Operating lease of lessor

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

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

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

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

The direct operating expenses are as follows:

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

(t) Employee benefits

(i) Defined benefit plans

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

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

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

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

The Company and its domestic subsidiaries make defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pension benefits for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive a payment based on years of service and average salary for the six months prior to the employee's retirement.

(Continued)

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

1) Composition of plan assets

The pension fund (the "Fund") contributed by the Company and its domestic subsidiaries is managed and administered by the Bureau of Labor Funds of the Ministry of Labor (the "Bureau of Labor Funds"). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, with regard to the utilization of the Fund, minimum annual earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

As of December 31, 2021, and 2020, the Company and its domestic subsidiaries' labor pension fund deposited at Bank of Taiwan amounted to $135,186 and $135,253, respectively. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the Fund.

2) Movements in present value of defined benefit obligations

The movements in present value of the defined benefit obligations of the Group were as follows:

| | 2021 | 2020 |
|---|---|---|
| Defined benefit obligations at January 1 | $ 184,705 | 185,434 |
| Current service costs and interest expense | 1,465 | 2,181 |
| Remeasurement on the net defined benefit liabilities (assets): | | |
| ─Actuarial losses (gains) arising from changes in demographic assumptions | 4,720 | - |
| ─Actuarial losses (gains) arising from experience adjustments | 3,058 | (3,817) |
| ─Actuarial losses (gains) arising from changes in financial assumptions | 284 | 7,984 |
| Gain on curtailment | (1,296) | - |
| Benefits paid by the Group and the plan | (9,449) | (7,077) |
| Defined benefit obligations at December 31 | **$ 183,487** | **184,705** |

(Continued)

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

3) Movements of fair value of plan assets

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

| | 2021 | 2020 |
|---|---|---|
| Fair value of plan assets at January 1 | $ 135,253 | 128,750 |
| Interest income | 1,165 | 1,924 |
| Remeasurement on the net defined benefit liabilities (assets): | | |
| —Returns on plan assets (excluding the amounts included in the net interest expense) | 1,311 | 3,763 |
| Contributions by the employer | 6,906 | 5,335 |
| Benefits paid by the plan | (9,449) | (4,519) |
| Fair value of plan assets at December 31 | **$ 135,186** | **135,253** |

4) Changes in the effect of the asset ceiling

In 2021 and 2020, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

| | 2021 | 2020 |
|---|---|---|
| Current service costs | $ 135 | 128 |
| Net interest expense on the net defined benefit liability (asset) | 165 | 129 |
| Gain on curtailment | (1,296) | - |
| | **$ (996)** | **257** |
| Cost of sales | $ 189 | 254 |
| Operating expenses | 111 | 3 |
| Other income | (1,296) | - |
| | **$ (996)** | **257** |

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Discount rate | 0.55%~0.75% | 0.75%~0.80% |
| Future salary increases rate | 2.00%~4.00% | 2.00%~4.00% |

The Group expects to make the contribution of $5,260 to the defined benefit plans in the year following December 31, 2021. The weighted average duration of the defined benefit plan ranges from 11.5 years to 15.34 years.

(Continued)

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

7) Sensitivity analysis

The following table summarizes the impact of a change in the assumptions on the present value of the defined benefit obligation.

| | Increase (decrease) in present value of defined benefit obligations | |
|---|---|---|
| | **0.25% Increase** | **0.25% Decrease** |
| December 31, 2021 | | |
| Discount rate | $ (5,277) | 5,476 |
| Future salary change | 5,320 | (5,133) |
| December 31, 2020 | | |
| Discount rate | (5,718) | 5,946 |
| Future salary change | 5,772 | (5,565) |

Each sensitivity analysis considers the change in one assumption at a time, leaving the other assumptions unchanged. This approach shows the isolated effect of changing one individual assumption but does not take into account that some assumptions are interrelated. The method used to carry out the sensitivity analysis is the consistent with the calculation of the net defined benefit liabilities recognized in the balance sheets.

The method and assumption used to carry out the sensitivity analysis is the same as in the prior year.

(ii) Defined contribution plans

The Company and its domestic subsidiaries contribute monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group have no legal or constructive obligation to pay any additional amounts after contributing a fixed amount. Foreign subsidiaries make contributions in compliance with their respective local regulations.

For the years ended December 31, 2021 and 2020, the Group recognized pension expenses of $246,489 and $178,889, respectively, in relation to the defined contribution plans.

(Continued)

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

(u) Income taxes

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

| | | 2021 | 2020 |
|---|---|---|---|
| Current income tax expense | | | |
| Current period | $ | 341,970 | 223,021 |
| Adjustment for prior years | | (5,495) | 22,510 |
| | | 336,475 | 245,531 |
| Deferred income tax expense (benefit) | | | |
| Origination and reversal of temporary differences | | 54,909 | 63,116 |
| Recognition of previously unrecognized tax losses | | (1,530) | (3,721) |
| Changes in unrecognized deductible temporary differences | | (37,738) | (33,582) |
| | | 15,641 | 25,813 |
| | **$** | **352,116** | **271,344** |

In 2021 and 2020, there was no income tax recognized directly in equity.

In 2021 and 2020, the components of income tax expense (benefit) recognized in other comprehensive income were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurements of the defined benefit plans | **$** | **(1,443)** | **(96)** |

Reconciliation of income tax expense and income before income tax for 2021 and 2020 was as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Income before income taxes | **$** | **1,653,738** | **1,224,691** |
| Income tax using the Company's statutory tax rate | $ | 330,748 | 244,938 |
| Effect of different tax rates in foreign jurisdictions | | 14,337 | 16,654 |
| Investment tax credits | | (45,310) | (35,077) |
| Adjustments for prior-year income tax expense | | (5,495) | 22,510 |
| Non-deductible expense | | 5,383 | 5,294 |
| Recognition of previously unrecognized tax losses | | (1,530) | (3,721) |
| Changes in unrecognized temporary differences | | (37,738) | (33,582) |
| Additional income tax on undistributed earnings | | 5,612 | 1,382 |
| Others | | 86,109 | 52,946 |
| | **$** | **352,116** | **271,344** |

(Continued)

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

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Deductible temporary differences | $ 425,830 | 338,447 |
| Tax losses | 58,856 | 66,460 |
| | **$ 484,686** | **404,907** |

The management believed that it is not probable that future taxable profits will be available against which the temporary differences and tax losses can be utilized; therefore, no deferred income tax assets were recognized for above-mentioned items.

As of December 31, 2021, the unrecognized tax losses and the respective expiry years were as follows:

| Tax losses | Income tax effect of tax losses | Expiration year |
|---|---|---|
| $ 9,797 | 1,959 | 2022 |
| 70,490 | 14,098 | 2023 |
| 30,310 | 6,062 | 2024 |
| 28,022 | 5,604 | 2025 |
| 50,232 | 10,046 | 2026 |
| 49,115 | 9,823 | 2027 |
| 17,859 | 3,572 | 2028 |
| 9,549 | 1,910 | 2029 |
| 8,134 | 1,627 | 2030 |
| 20,773 | 4,155 | 2031 |
| **$ 294,281** | **58,856** | |

2) Unrecognized deferred income tax liabilities

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Aggregate taxable temporary differences associated with investments in subsidiaries | **$ 906,834** | **800,682** |

The Group is able to control the timing of reversal of the temporary differences associated with investments in subsidiaries. As management believed that it is probable that the temporary differences will not reverse in the foreseeable future, such temporary differences were not recognized as deferred income tax liabilities.

(Continued)

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

3) Recognized deferred income tax assets and liabilities

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

Deferred income tax assets:

| | Depreciation adjustments for tax purposes | Defined benefit liabilities | Deferred inter-company profits | Warranty provisions | Refund liabilities | Others | Total |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2021** | $ 22,944 | 12,313 | 56,872 | 16,259 | 18,106 | 69,529 | 196,023 |
| Recognized in profit or loss | 1,016 | (1,836) | (33,655) | 2,830 | (799) | (4,771) | (37,215) |
| Recognized in other comprehensive income | - | 1,443 | - | - | - | - | 1,443 |
| **Balance at December 31, 2021** | **$ 23,960** | **11,920** | **23,217** | **19,089** | **17,307** | **64,758** | **160,251** |
| **Balance at January 1, 2020** | $ 21,581 | 13,432 | 102,080 | 13,517 | 18,106 | 57,588 | 226,304 |
| Recognized in profit or loss | 1,363 | (1,215) | (45,208) | 2,291 | - | 3,141 | (39,628) |
| Recognized in other comprehensive income | - | 96 | - | - | - | - | 96 |
| Acquisition through business combination | - | - | - | 451 | - | 8,800 | 9,251 |
| **Balance at December 31, 2020** | **$ 22,944** | **12,313** | **56,872** | **16,259** | **18,106** | **69,529** | **196,023** |

Deferred income tax liabilities:

| | Defined benefit assets | Intangible assets | Others | Total |
|---|---|---|---|---|
| **Balance at January 1, 2021** | $ 3,073 | 66,506 | 3,096 | 72,675 |
| Recognized in profit or loss | 60 | (23,372) | 1,738 | (21,574) |
| Recognized through business combination | - | 126,841 | - | 126,841 |
| **Balance at December 31, 2021** | **$ 3,133** | **169,975** | **4,834** | **177,942** |
| **Balance at January 1, 2020** | $ 2,944 | 73,136 | 4,719 | 80,799 |
| Recognized in profit or loss | 129 | (12,321) | (1,623) | (13,815) |
| Recognized through business combination | - | 5,691 | - | 5,691 |
| **Balance at December 31, 2020** | **$ 3,073** | **66,506** | **3,096** | **72,675** |

As of December 31, 2021, the tax loss carryforwards for which deferred income tax assets were recognized and the expiration year was as follows:

| Tax loss | Income tax effect of tax loss carryforwards | Expiration year |
|---|---|---|
| **$ 29,533** | **5,907** | 2026 |

(iii) The R.O.C. income tax authorities have examined and approved the income tax returns of the Company for all fiscal years through 2019.

(Continued)

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

(v) Capital and other equity

(i) Common stock

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

The movements in outstanding shares of common stock were as follows (in thousands of shares):

| | Common stock | |
|---|---|---|
| | **2021** | **2020** |
| Balance at January 1 (Same as balance at December 31) | **280,000** | **280,000** |

(ii) Capital surplus

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Paid-in capital in excess of par value | $ 3,563,940 | 3,563,940 |
| Treasury stock transactions | 238,180 | 238,180 |
| Surplus from merger | 144 | 144 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | 101,730 | 94,638 |
| Recognition of changes in ownership interest in subsidiaries | 228,773 | 24,552 |
| | **$ 4,132,767** | **3,921,454** |

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

(iii) Retained earnings

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

(Continued)

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

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

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

1) Legal reserve

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

2) Special reserve

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

(iv) Earnings distribution

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

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

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

On March 8, 2022, the Company' s Board of Directors approved the distribution of cash dividend as follows:

| | 2021 | |
|---|---|---|
| | Dividend per share (NT$) | Amount |
| Dividends per share: | | |
| Cash dividend | $ 3.0 | **840,000** |

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

(v) Other equity items (net after tax)

| | Foreign currency translation differences | Unrealized gains (loss) from financial assets at fair value through other comprehensive income | Remeasurement of defined benefit plans | Total |
|---|---|---|---|---|
| Balance at January 1, 2021 | $ (683,751) | 328,577 | (31,433) | (386,607) |
| Foreign exchange differences arising from translation of foreign operations | (78,521) | - | - | (78,521) |
| Unrealized gains (loss) from financial assets at fair value through other comprehensive income | - | 71,169 | - | 71,169 |
| Disposal of equity instruments designated at fair value through other comprehensive income | - | (29,189) | - | (29,189) |
| Remeasurement of defined benefit plans | - | - | (5,560) | (5,560) |
| Share of the other comprehensive income (loss) of joint ventures and associates | (2,871) | 9,056 | - | 6,185 |
| Balance at December 31, 2021 | **$ (765,143)** | **379,613** | **(36,993)** | **(422,523)** |
| Balance at January 1, 2020 | $ (499,270) | 38,323 | (31,323) | (492,270) |
| Foreign exchange differences arising from translation of foreign operations | (184,454) | - | - | (184,454) |
| Unrealized gains (loss) from financial assets at fair value through other comprehensive income | - | 316,001 | - | 316,001 |
| Disposal of equity instruments designated at fair value through other comprehensive income | - | (25,747) | - | (25,747) |
| Remeasurement of defined benefit plans | - | - | (110) | (110) |
| Share of the other comprehensive income (loss) of joint ventures | (27) | - | - | (27) |
| Balance at December 31, 2020 | **$ (683,751)** | **328,577** | **(31,433)** | **(386,607)** |

(Continued)

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

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

| | 2021 | 2020 |
|---|---|---|
| Balance at January 1 | $ 1,387,996 | 1,087,054 |
| Equity attributable to non-controlling interests: | | |
| Net income | 155,089 | 49,562 |
| Foreign currency translation differences | (2,643) | (7,109) |
| Unrealized gain (loss) from financial assets at fair value through other comprehensive income | 8,944 | - |
| Remeasurements of defined benefit plans | 252 | (198) |
| Organizational restructuring | - | (144) |
| Acquisition of subsidiary's additional interests | (480) | (54,247) |
| Disposition of interests in subsidiaries | 9,800 | 115,720 |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | (7,092) | (94,638) |
| Acquisition of subsidiaries | 1,013,755 | 213,486 |
| Changes in ownership interests in subsidiaries | (204,221) | (24,552) |
| Compensation cost of stock option issued by subsidiaries | 12,627 | 23,765 |
| Capital injection from non-controlling interests | 587,399 | 134,300 |
| Decrease in non-controlling interests (Note 6(h)) | (1,409) | - |
| Distribution of cash dividend by subsidiaries to non-controlling interests | (80,865) | (55,003) |
| | **$ 2,879,152** | **1,387,996** |

(w) Earnings per share ("EPS")

The calculations of basic and diluted earnings per share for the years ended December 31, 2021 and 2020 were as follows:

(i) Basic earnings per share

| | 2021 | 2020 |
|---|---|---|
| Net income attributable to ordinary shareholders of the Company | **$ 1,146,533** | **903,785** |
| Weighted-average number of ordinary shares outstanding (in thousands) | **280,000** | **280,000** |
| Basic earnings per share (in New Taiwan dollars) | **$ 4.09** | **3.23** |

(Continued)

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

(ii) Diluted earnings per share

| | 2021 | 2020 |
|---|---|---|
| Net income attributable to ordinary shareholders of the Company | $ 1,146,533 | 903,785 |
| Weighted-average number of ordinary shares outstanding (in thousands) | 280,000 | 280,000 |
| Effect of dilutive potential ordinary shares (in thousands): | | |
| Remuneration to employees in stock | 3,336 | 3,503 |
| Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares) (in thousands) | 283,336 | 283,503 |
| Diluted earnings per share (in New Taiwan dollars) | $ 4.05 | 3.19 |

(x) Share-based payment

On December 31, 2021, the Group issued the following four employee stock option plans (ESOP):

(i) ESOP granted by subsidiaries

| | 2021 UTC issuance of new shares reserved for employee subscriptions | 2020 DTC ESOP | 2019 UTC second ESOP | 2019 UTC first ESOP |
|---|---|---|---|---|
| Grant date | 2021.11.5 | 2020.9.30 | 2020.6.1 | 2019.12.20 |
| Number of shares granted (in thousands) | 410 | 4,500 | 750 | 1,600 |
| Exercise price (NT$ / Share) | $98.00 | 12.00 | 20.00 | 20.00 |
| Each unit eligible to subscribe | 1 share | 1 share | 1 share | 1 share |
| Contract term | 0.02 year | 0.08 year | 0.25 year | 0.25 year |
| Vesting conditions | Immediately vested | Immediately vested | One-month, 100% vested | One-month, 100% vested |
| Qualified employees | Employees of UTC | Employees of DTC or employees of the Parent or subsidiaries of DTC | Employees of UTC or employees of the Parent or subsidiaries of UTC | Employees of UTC or employees of the Parent or subsidiaries of UTC |

(Continued)

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

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

The main inputs that DTC and UTC used to measure the fair value of their employee stock options are as follows:

| | 2021 UTC issuance of new shares reserved for employee subscriptions | 2020 DTC ESOP | 2019 UTC second ESOP | 2019 UTC first ESOP |
|---|---|---|---|---|
| Option Pricing Model | Black–scholes | Binomial | Black–scholes | Binomial |
| Fair value of stock options at grant date (NT$/per share) | (Note 2) | $0.566 | 19.48 | 8.26 |
| Fair value of common stock at grant date (NT$/per share) | (Note 2) | 12.02 | 39.92 | 28.21 |
| Exercise price (NT$/per share) | 98.00 | 12.00 | 20.00 | 20.00 |
| Expected life (years) | 0.02 year | 0.08 year | 0.25 year | 0.25 year |
| Risk-free interest rate | 0.20% | 0.22% | 0.28% | 0.47% |
| Expected volatility (Note 1) | 44.91% | 40.55% | 45.65% | 32.52% |
| Expected dividends | - | - (Note 3) | 6.71% | - (Note 4) |

Note 1: Expected volatility was determined based on the historical volatility of comparable companies.

Note 2: In accordance with article 10 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, UTC safeguarded common stock to place in collective custody from six months to two years voluntarily or mandatorily. The fair value of stock options at grant date ranged from $16.55 to $33.82. The fair value of common stock in collective custody at grant date ranged from $114.57 to $131.82.

Note 3: No dividends were expected to be paid in 2020 as DTC's expected life of options was only 1 month.

Note 4: No dividends were expected to be paid in 2019 as UTC's expected life of options was only 3 months.

(Continued)

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

(iii) Movements in the number of options outstanding:

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

| | 2021 | |
|---|---|---|
| | Issuance of new shares reserved for employee subscriptions | |
| | Number of options (in thousands) | Weighted-average exercise price (in NTD) |
| Outstanding, beginning of year | - | $ - |
| Granted during the year | 410 | 98.00 |
| Exercised during the year | (410.00) | 98.00 |
| Outstanding, end of year | - | - |
| Exercisable, end of year | - | - |

| | 2020 | | | |
|---|---|---|---|---|
| | 2019 second ESOP | | 2019 first ESOP | |
| | Number of options (in thousands) | Weighted-average exercise price (in NTD) | Number of options (in thousands) | Weighted-average exercise price (in NTD) |
| Outstanding, beginning of year | - | $ - | 1,600 | $ 20.00 |
| Granted during the year | 750 | 20.00 | - | - |
| Exercised during the year | (750) | 20.00 | (1,600) | 20.00 |
| Outstanding, end of year | - | - | - | - |
| Exercisable, end of year | - | - | - | - |

The information about the ESOPs granted by DTC was as follows:

| | 2020 ESOP | |
|---|---|---|
| | Number of options (in thousands) | Weighted-average exercise price (in NTD) |
| Outstanding, beginning of year | - | $ - |
| Exercised during the year | 4,500 | 12.00 |
| Expired during the year | (4,500) | 12.00 |
| Outstanding, end of year | - | - |
| Exercisable, end of year | - | - |

(Continued)

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

(iv) Employee compensation cost:

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

| | 2021 | 2020 |
|---|---|---|
| Expense resulting from employee stock options | $ - | 23,765 |
| Expense resulting from cash subscription reserved for employee | 12,627 | - |
| Total | **$ 12,627** | **23,765** |

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

(y) Revenue from contracts with customers

(i) Disaggregation of revenue

| | 2021 | 2020 |
|---|---|---|
| Primary geographical markets: | | |
| Taiwan | $ 4,456,913 | 2,984,740 |
| America | 1,216,158 | 935,948 |
| Mainland China | 14,916,797 | 14,214,843 |
| Canada | 1,839,037 | 1,382,258 |
| Others | 5,619,831 | 2,831,739 |
| | **$ 28,048,736** | **22,349,528** |
| Major products and services lines: | | |
| Peripheral electronic products | $ 15,013,300 | 14,731,090 |
| Green energy products and passive components | 13,035,436 | 7,618,438 |
| | **$ 28,048,736** | **22,349,528** |

(ii) Contract balances

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|---|---|---|---|
| Notes and accounts receivable (including related parties) | $ 7,917,739 | 6,909,551 | 5,874,896 |
| Less: loss allowance | (55,609) | (54,685) | (50,853) |
| | **$ 7,862,130** | **6,854,866** | **5,824,043** |
| Contract liabilities (included in other current liabilities) | **$ 426,711** | **57,751** | **47,136** |

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

(Continued)

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

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

The amounts of revenue recognized in 2021 and 2020 that were included in the balances of contract liabilities on January 1, 2021 and 2020, were $51,302 and $42,826, respectively.

(iii) Refund liabilities

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
|---|---|---|---|
| Other current liabilities－refund liabilities | $ 236,537 | 315,172 | 488,256 |

(z) Remuneration to employees and directors

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

For the years ended December 31, 2021 and 2020, the Company estimated its remuneration to employees amounting to $142,889 and $117,614, respectively, and the remuneration to directors amounting to $10,717 and $8,821, respectively. The said amounts were calculated based on the net profits before tax of each period before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of the remuneration to employees and directors. The estimations are recognized as cost of sales or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.
The above-mentioned estimated remuneration to employees and directors was the same as the amount resolved by the Board of Directors and were all paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(aa) Non-operating income and loss

(i) Interest income

| | 2021 | 2020 |
|---|---|---|
| Interest income from bank deposits | $ 8,295 | 39,422 |
| Interest income from financial assets measured at amortized cost | 1,087 | 4,460 |
| | $ 9,382 | 43,882 |

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

(ii) Other income

| | | 2021 | 2020 |
|---|---|---|---|
| Rental income | $ | 2,304 | 2,315 |
| Dividend income | $ | 68,070 | 32,152 |
| Subsidy | | 48,012 | 53,270 |
| Other | | 98,872 | 45,511 |
| | **$** | **217,258** | **133,248** |

(iii) Other gains and losses

| | | 2021 | 2020 |
|---|---|---|---|
| Gains (losses) on disposal of property, plant and equipment | $ | 862 | (3,637) |
| Gains (losses) on disposal of investment property | | 1,909 | (1,051) |
| Losses on disposal of investment | | - | (2,217) |
| Gain (loss) on lease modification | | (11) | 67 |
| Foreign exchange losses, net | | (25,050) | (25,418) |
| Gain on financial assets and liabilities measured at fair value through profit or loss | | 42,799 | 18,902 |
| Impairment losses on impairment of property, plant and equipment | | - | (75) |
| Others | | (11,229) | (9,793) |
| | **$** | **9,280** | **(23,222)** |

(iv) Finance costs

| | | 2021 | 2020 |
|---|---|---|---|
| Interest expense from bank loans | $ | (64,926) | (55,383) |
| Interest expense on lease liabilities | | (10,890) | (11,427) |
| | **$** | **(75,816)** | **(66,810)** |

(Continued)

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

(ab) Financial instruments

(i) Categories of financial instruments

1) Financial assets

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial assets at fair value through profit or loss: | | |
| Financial assets mandatorily measured at fair value through profit or loss: | | |
| Foreign currency forward contracts | $ 1,768 | 9,844 |
| Open-end mutual funds | 100,282 | 100,034 |
| Structured deposits | 355,411 | 344,454 |
| Subtotal | 457,461 | 454,332 |
| Financial assets at fair value through other comprehensive income | 1,485,096 | 1,147,826 |
| Financial assets measured at amortized cost: | | |
| Cash and cash equivalents | 3,045,203 | 2,602,683 |
| Financial assets at amortized cost－current | 3,910 | 1,910 |
| Notes and accounts receivable and other receivables (including related parties) | 7,906,340 | 6,875,933 |
| Refundable deposits | 39,961 | 32,260 |
| Subtotal | 10,995,414 | 9,512,786 |
| Total | **$ 12,937,971** | **11,114,944** |

2) Financial liabilities

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial liabilities at fair value through profit or loss: | | |
| Foreign currency forward contracts | $ 23 | 28 |
| Financial liabilities measured at amortized cost: | | |
| Short-term borrowings | 5,039,971 | 2,470,428 |
| Short-term notes and bills payable | - | 439,721 |
| Notes and accounts payable and other payables (including related parties) | 9,858,913 | 7,940,421 |
| Lease liabilities | 304,102 | 353,709 |
| Long-term debt (including current portion) | 3,640,850 | 1,600,000 |
| Long-term payables (included in other non-current liability) | 149,623 | - |
| Guarantee deposits (included in other non-current liability) | 99,420 | 19,754 |
| Subtotal | 19,092,879 | 12,824,033 |
| Total | **$ 19,092,902** | **12,824,061** |

(Continued)

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

(ii) Credit risk

The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets. As of December 31, 2021 and 2020, the Group's maximum exposure to credit risk amounted to $12,857,361 and $11,114,944, respectively.

The majority of the Group's customers are well-known international companies with high financial transparency. As of December 31, 2021 and 2020, 37% and 40%, respectively, of accounts receivable are from four customers. In order to reduce credit risk of accounts receivable, the Group has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

(iii) Liquidity risk

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

| | Contractual cash flow | Within 1 year | 1-2 years | 2-5 years | Over 5 years |
|---|---|---|---|---|---|
| **December 31, 2021** | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Short-term borrowings | $ 5,055,830 | 5,055,830 | - | - | - |
| Long-term debt (including current portion) | 3,703,533 | 44,411 | 880,239 | 2,778,883 | - |
| Notes and accounts payable and other payables (including related parties) | 9,858,913 | 9,858,913 | - | - | - |
| Lease liabilities | 339,679 | 107,660 | 91,464 | 82,071 | 58,484 |
| Long-term payables | 149,623 | - | 80,584 | 69,039 | - |
| Guarantee deposits | 99,420 | 87,995 | 3,925 | 439 | 7,061 |
| Subtotal | 19,206,998 | 15,154,809 | 1,056,212 | 2,930,432 | 65,545 |
| Derivative financial instruments: | | | | | |
| Foreign currency forward contracts－settled in gross: | | | | | |
| Outflow | 468,363 | 468,363 | - | - | - |
| Inflow | (470,108) | (470,108) | - | - | - |
| Subtotal | (1,745) | (1,745) | - | - | - |
| | **$ 19,205,253** | **15,153,064** | **1,056,212** | **2,930,432** | **65,545** |

(Continued)

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

| | | | | | |
|---|---|---|---|---|---|
| **December 31, 2020** | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Short-term borrowings | $ 2,474,148 | 2,474,148 | - | - | - |
| Short-term notes and bills payable | 440,000 | 440,000 | - | - | - |
| Long-term debt (including current portion) | 1,646,281 | 16,547 | 16,547 | 1,613,187 | - |
| Notes and accounts payable and other payables (including related parties) | 7,940,421 | 7,940,421 | - | - | - |
| Lease liabilities | 409,425 | 107,030 | 95,888 | 151,920 | 54,587 |
| Guarantee deposits | 19,754 | 301 | 13,300 | - | 6,153 |
| Subtotal | 12,930,029 | 10,978,447 | 125,735 | 1,765,107 | 60,740 |
| Derivative financial instruments: | | | | | |
| Foreign currency forward contracts－settled in gross | | | | | |
| Outflow | 1,075,095 | 1,075,095 | - | - | - |
| Inflow | (1,084,911) | (1,084,911) | - | - | - |
| Subtotal | (9,816) | (9,816) | - | - | - |
| | **$ 12,920,213** | **10,968,631** | **125,735** | **1,765,107** | **60,740** |

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

(iv) Currency risk

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

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | **Foreign currency (in thousands)** | **Exchange rate** | **New Taiwan Dollars (in thousands)** | **Change in magnitude** | **Pre-tax effect on profit or loss (in thousands)** |
| **Financial assets** | | | | | |
| Monetary items | | | | | |
| USD | $ 449,986 | 27.6800 | 12,455,612 | 1 % | 124,556 |
| CNY | 235,572 | 4.3454 | 1,023,655 | 1 % | 10,237 |
| **Financial liabilities** | | | | | |
| Monetary items | | | | | |
| USD | 366,430 | 27.6800 | 10,142,782 | 1 % | 101,428 |
| CNY | 165,678 | 4.3454 | 719,937 | 1 % | 7,199 |

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

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Foreign currency (in thousands) | Exchange rate | New Taiwan Dollars (in thousands) | Change in magnitude | Pre-tax effect on profit or loss (in thousands) |
| **Financial assets** | | | | | |
| Monetary items | | | | | |
| USD | $ 416,510 | 28.3500 | 11,808,059 | 1 % | 118,081 |
| CNY | 316,402 | 4.3216 | 1,367,363 | 1 % | 13,674 |
| **Financial liabilities** | | | | | |
| Monetary items | | | | | |
| USD | 276,689 | 28.3500 | 7,844,133 | 1 % | 78,441 |
| CNY | 174,692 | 4.3216 | 754,949 | 1 % | 7,549 |

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

(v) Interest rate risk

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period.

If the interest rate had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the years ended December 31, 2021 and 2020, would have been $86,808 and $45,101, respectively, lower/higher, which mainly resulted from the loans and borrowings with floating interest rates.

(vi) Fair value

1) Financial instruments that are not measured at fair value

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

2) Financial instruments that are measured at fair value

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

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

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

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss: | | | | | |
| Derivative financial instruments— Foreign currency forward contracts | $ 1,768 | - | 1,768 | - | 1,768 |
| Non-derivative financial assets: | | | | | |
| Open-end mutual fund | 100,282 | 100,282 | - | - | 100,282 |
| Structured deposits | 355,411 | - | 355,411 | - | 355,411 |
| Subtotal | 457,461 | 100,282 | 357,179 | - | 457,461 |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Domestic listed stocks | $ 1,485,096 | 1,485,096 | - | - | 1,485,096 |
| Total | **$ 1,942,557** | **1,585,378** | **357,179** | **-** | **1,942,557** |
| Financial liabilities at fair value through profit or loss: | | | | | |
| Derivative financial instruments– | | | | | |
| Foreign currency forward contracts | **$ (23)** | **-** | **(23)** | **-** | **(23)** |

(Continued)

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

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss: | | | | | |
| Derivative financial instruments— Foreign currency forward contracts | $ 9,844 | - | 9,844 | - | 9,844 |
| Non-derivative financial assets: | | | | | |
| Open-end mutual fund | 100,034 | 100,034 | - | - | 100,034 |
| Structured deposits | 344,454 | - | 344,454 | - | 344,454 |
| Subtotal | 454,332 | 100,034 | 354,298 | - | 454,332 |
| Financial assets at fair value through other comprehensive income: | | | | | |
| Domestic listed stocks | 1,126,806 | 1,126,806 | - | - | 1,126,806 |
| Domestic emerging stocks | 21,020 | - | 21,020 | - | 21,020 |
| Subtotal | 1,147,826 | 1,126,806 | 21,020 | - | 1,147,826 |
| Total | **$ 1,602,158** | **1,226,840** | **375,318** | **-** | **1,602,158** |
| Derivative financial instruments– | | | | | |
| Foreign currency forward contracts | **(28)** | **-** | **(28)** | **-** | **(28)** |

3) Valuation techniques and assumptions used in fair value measurement

a) Non-derivative financial instruments

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

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

(Continued)

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

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

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

iii) The fair value of structured deposits is determined with reference to the quotation from counterparties.

b) Derivative financial instruments

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

4) Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the years ended December 31, 2021 and 2020.

(ac) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group's policies and procedures to measure and manage those risks below.

The Company's Board of Directors is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group's management monitors and reviews the financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Board of Directors.

(Continued)

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

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, which arises principally from the Group's cash and cash equivalents, structured deposits, receivables from customers, and other financial assets. The Group maintains cash and cash equivalents and other financial instruments with reputable financial institutions. Therefore, the exposure related to the potential default by those counter-parties is not considered significant.

The Group have established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. Additionally, the Group continuously evaluate the credit quality of customers and utilize insurance to minimize the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling their financial liabilities by delivering cash or another financial asset. The Group manages liquidity risk by monitoring regularly the current and estimated mid-term to long-term cash demand, and by maintaining adequate cash and banking facilities. As of December 31, 2021, and 2020, the Group had unused credit facilities of $13,442,614 and $9,972,079, respectively.

(iii) Market risk

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

The Group utilizes derivative financial instruments to manage foreign currency risks and the volatility of profit or loss. All such transactions are carried out within the guidelines set by the Board of Directors.

1) Currency risk

The Group is exposed to currency risk arising from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. In order to maintain the net foreign currency exposure at the acceptable level, the Group utilizes foreign currency borrowings as well as the derivate instruments to balance the said exposure arising from the sales and purchase transactions.

2) Interest rate risk

The Group' s short-term borrowings and long-term borrowings carried floating interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintain good relationships with financial institutions to obtain lower financing costs. The Group also manages working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

(Continued)

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

3) Equity financial instruments price risk

The Group is exposed to the risk of price fluctuation in the securities market due to investment in equity financial instruments.

The sensitivity analysis in relation to equity financial instruments' price risk is calculated based on changes in fair value at the reporting date.

Assuming a hypothetical increase or decrease of 1% in equity price of the equity investment at each reporting date, the other comprehensive income for the years ended December 31, 2021 and 2020, would have increased or decreased by $14,851 and $11,478, respectively.

(ad) Capital management

In consideration of industry dynamics and future development, as well as external environment factors, the Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, research and development activities, dividend payments, and other business requirements of continuing operations.

For the years ended December 31, 2021 and 2020, there were no changes in the Group's approach with respect to capital management.

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

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

| | | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|---|
| | January 1, 2021 | Cash flows | Acquisition | Additions of lease liabilities | Lease modifications | Fluctuation of foreign exchange rate | December 31, 2021 |
| Short-term borrowings | $ 2,470,428 | 2,540,890 | 28,653 | - | - | - | 5,039,971 |
| Short-term notes and bills payable | 439,721 | (439,721) | - | - | - | - | - |
| Long-term debt (including current portion) | 1,600,000 | 2,007,287 | 34,383 | - | - | (820) | 3,640,850 |
| Lease liabilities | 353,709 | (106,918) | 7,096 | 85,325 | (32,565) | (2,545) | 304,102 |
| Other non-current liabilities | 19,754 | 85,818 | 143,471 | - | - | - | 249,043 |
| Total liabilities from financing acclivities | $ 4,883,612 | 4,087,356 | 213,603 | 85,325 | (32,565) | (3,365) | 9,233,966 |

| | | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|---|
| | January 1, 2020 | Cash flows | Acquisition | Additions of lease liabilities | Lease modifications | Fluctuation of foreign exchange rate | December 31, 2020 |
| Short-term borrowings | $ 2,434,527 | 35,901 | - | - | - | - | 2,470,428 |
| Short-term notes and bills payable | 199,989 | 239,732 | - | - | - | - | 439,721 |
| Long-term debt (including current portion) | 1,006,501 | 593,582 | - | - | - | (83) | 1,600,000 |
| Lease liabilities | 215,928 | (88,248) | 58,624 | 176,613 | (4,785) | (4,423) | 353,709 |
| Other non-current liabilities | 11,056 | 8,698 | - | - | - | - | 19,754 |
| Total liabilities from financing acclivities | $ 3,868,001 | 789,665 | 58,624 | 176,613 | (4,785) | (4,506) | 4,883,612 |

(Continued)

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

## 7. Related-party transactions

(a) Related party name and categories

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

| Name of related party | Relationship with the Group |
|---|---|
| Qisda Corporation ("Qisda") | The entity with significant influence over the Group |
| BESV Japan Co., Ltd. ("BESVJ") | Joint venture |
| Other related parties: | |
| Qisda (Suzhou) Co., Ltd. ("QCSZ") | Subsidiary of Qisda |
| Qisda Optronics (Suzhou) Co., Ltd. ("QCOS") | Subsidiary of Qisda |
| Qisda Electronics (Suzhou) Co., Ltd. ("QCES") | Subsidiary of Qisda |
| Qisda Vietnam Co., Ltd (QVH) | Subsidiary of Qisda |
| Suzhou Super Pillar Automation Equipment Co., Ltd. ("ACESZ") | Subsidiary of Qisda |
| Qisda Sdn. Bhd. ("QLPG") | Subsidiary of Qisda |
| BenQ Japan Co., Ltd. ("BQJP") | Subsidiary of Qisda |
| BenQ Technology (Shanghai) Co., Ltd. ("BQls") | Subsidiary of Qisda |
| BenQ Asia Pacific Corp. ("BQP") | Subsidiary of Qisda |
| BenQ Material Corp. ("BMC") | Subsidiary of Qisda |
| BenQ Healthcare Corp. | Subsidiary of Qisda |
| DFI Inc. ("DFI") | Subsidiary of Qisda |
| Sysage Technology Co., Ltd. | Subsidiary of Qisda |
| Hitron Technologies (Sip), Inc. ("HT SZ") | Subsidiary of Qisda (Note1) |
| Hitron Technologies Inc. ("HT") | Subsidiary of Qisda (Note1) |
| Advancedtek International Corp. ("ADVANCEDTEK") | Other related party (Note2) |
| Shiton Investment Co., Ltd. | Other related party |
| Silver Star Co., Ltd. | Subsidiary of Qisda |

Note 1: From July 2020, HT became a subsidiary of Qisda and the related party of the Group.

Note 2: From January 2021, ADVANCEDTEK became a subsidiary of Qisda and the related party of the Group.

(Continued)

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

(b) Significant transactions with related parties

(i) Net Sales

| | 2021 | 2020 |
|---|---|---|
| Entity with significant influence over the Group | $ 471 | 724 |
| Joint Venture | 215,054 | 133,996 |
| Other related parties | 233,026 | 167,307 |
| | **$ 448,551** | **302,027** |

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

(ii) Purchases and processing charges

| | 2021 | 2020 |
|---|---|---|
| Other related parties | **$ -** | **795** |

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

(iii) Disposal of Property plant and equipment

In May 2020, the Group sold buildings to other related parties at a consideration of $22,000, resulting in a loss of $1,856. As of December 31, 2020, the property title has been transferred and related receivables were all collected.

(iv) Leases

The Group leased land, plant and employee dormitories from related parties. The rental was referred to the market price of lease terms in the adjacent area. The additions of the right-of-use assets were $9,691 and $38,714 for the years ended December 31, 2021 and 2020, respectively.

The Group recognized interest expenses of $292 and $254 in 2021 and 2020, respectively.

(v) Receivables

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

| Account | Related-party categories | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Accounts receivable from related parties | Entity with significant influence over the group | $ 129 | 408 |
| | Joint venture | 74,260 | 35,016 |
| | Other related parties | 62,882 | 88,017 |
| | | **$ 137,271** | **123,441** |

(Continued)

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

(vi) Payables

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

| Account | Related-party categories | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Account payables | Other related parties | $ 261 | 263 |
| Other payables | Entity with significant influence over the group | 12 | 22 |
| Other payables | Joint venture | 144 | 110 |
| Other payables | Other related parties | 4,270 | 3,875 |
| | | 4,426 | 4,007 |
| Lease liability－non-current | Other related parties | 7,544 | 7,456 |
| | | **$ 12,231** | **11,726** |

(c) Compensation for key management personnel

| | 2021 | 2020 |
|---|---|---|
| Short-term employee benefits | $ 247,674 | 185,379 |
| Post-employment benefits | 2,948 | 2,257 |
| Share-based payment | 4,849 | 15,387 |
| | **$ 255,471** | **203,023** |

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

## 8. Pledged assets

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

| Pledged assets | Pledged to secure | December 31, 2021 | December 31, 2020 |
|---|---|---|---|
| Land ,buildings and plants | Credit lines of bank loans | $ 1,619,635 | 1,486,597 |
| Time deposit | Guarantees for customs duties and credit limit of credit cards | 3,910 | 1,910 |
| | | **$ 1,623,545** | **1,488,507** |

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

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

## 9. Significant commitments and contingencies

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

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Guarantees for customs duties | $ 50,436 | 66,596 |
| Performance bonds | 84,332 | - |
| | **$ 134,768** | **66,596** |

(b) Significant unrecognized commitments

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Acquisition of property, plant and equipment | $ 887,033 | 177,007 |
| Acquisition of right-of-use assets | - | 9,945 |
| | **$ 887,033** | **186,952** |

## 10. Significant loss from disasters: None.

## 11. Significant subsequent events

In response to the group future development, work specialization, improvment of operating synergies and market competitiveness, the Board of Directors approved to spin off "the Energy Storage B.D." in Taiwan to its subsidiary Darfon Energy Technology Corp. ("DET") on March 8, 2022, and the estimated value of the business transferred was $171,800. DET will issue 8,590 thousand shares at a value of $20 (dollars) per share to the Company. The spin off date is currently set on July 1, 2022.

## 12. Others

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

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits: | | | | | | |
| Salaries | 3,469,758 | 1,530,916 | 5,000,674 | 2,647,759 | 1,409,330 | 4,057,089 |
| Labor and health insurance | 184,778 | 116,094 | 300,872 | 140,732 | 97,531 | 238,263 |
| Pension | 183,586 | 63,203 | 246,789 | 125,311 | 53,835 | 179,146 |
| Other employees' benefits | 121,302 | 71,965 | 193,267 | 114,793 | 61,363 | 176,156 |
| Depreciation | 780,444 | 211,506 | 991,950 | 627,430 | 136,466 | 763,896 |
| Amortization | 10,439 | 91,118 | 101,557 | 22,756 | 44,852 | 67,608 |

For the years ended December 31, 2021 and 2020, the depreciation of investment property of $501 and $775, respectively, were reported in non-operating income and loss.

(Continued)

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**13. Additional disclosures**

(a) Information on significant transactions:

(i) Financing provided to other parties: Please refer to table 1.

(ii) Guarantees and endorsement provided to other parties: None.

(iii) Marketable securities held (excluding investments in subsidiaries, associates, and jointly controlled entities): Please refer to table 2.

(iv) Marketable securities for which the accumulated purchase or sale amounts exceed $300 million or 20% of the paid-in capital: Please Refer to table 3.

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital: Please refer to table 4.

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None.

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 5.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 6.

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

(x) Business relationships and significant intercompany transactions: Please refer to table 7.

(b) Information on investees (excluding investments in Mainland China): Please refer to table 8.

(c) Information on investment in mainland China: Please refer to table 9.

(d) Major shareholders:

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

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

(Continued)

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

## 14. Segment information

(a) General information

The group has two reportable segments, peripheral electronic products and Green energy products and passive components. The peripheral electronic products department is mainly engaged in the research, design, manufacturing, and sale of computer peripherals and electronic components. The Green energy products and passive components department is mainly engaged in the research, design, manufacturing, and sale of green energy products and integrated components.

(b) The Group's operating segment information was as follows:

| | 2021 | | | |
|---|---|---|---|---|
| | Peripheral electronic products | Green energy products and passive components | Adjustment and eliminations | Total |
| Revenue from external customers | $ 15,013,300 | 13,035,436 | - | 28,048,736 |
| Inter-segment Revenues | - | 959,912 | (959,912) | - |
| Total | **$ 15,013,300** | **13,995,348** | **(959,912)** | **28,048,736** |

| | 2020 | | | |
|---|---|---|---|---|
| | Peripheral electronic products | Green energy products and passive components | Adjustment and eliminations | Total |
| Revenue from external customers | $ 14,731,090 | 7,618,438 | - | 22,349,528 |
| Inter-segment Revenues | - | 706,922 | (706,922) | - |
| Total | **$ 14,731,090** | **8,325,360** | **(706,922)** | **22,349,528** |

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

(Continued)

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

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

| Region | 2021 | 2020 |
|---|---|---|
| Revenues from external customers: | | |
| Taiwan | $ 4,456,913 | 2,984,740 |
| America | 1,216,158 | 935,948 |
| Mainland China | 14,916,797 | 14,214,843 |
| Canada | 1,839,037 | 1,382,258 |
| Others | 5,619,831 | 2,831,739 |
| | **$ 28,048,736** | **22,349,528** |

| Region | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-current assets: | | |
| Taiwan | $ 7,106,910 | 4,053,226 |
| Mainland China | 2,996,066 | 3,837,590 |
| Others | 506,706 | 62,285 |
| | **$ 10,609,682** | **7,953,101** |

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

(d) Major customer information

Sales to individual customer representing more than 10% of the consolidated revenue were as follows:

| | 2021 | 2020 |
|---|---|---|
| Sales to Customer A | **$ 3,244,131** | **3,459,900** |

**Darfon Electronics Corp. and Subsidiaries**
**Financing provided to other parties**
**For the year ended December 31, 2021**

**Table 1**

**(In Thousands of NTD/EUR/USD/CNY)**

| No. | Name of Lender | Name of Borrower | Financial Statement Account | Is a related Party | Highest Balance of Financing to Other Parties During the Period | Ending Balance | Actual Usage Amount During the period | Range of Interest Rates During the period | Purpose of Fund Financing for the Borrower | Transaction Amounts | Reason for the Short-term Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company | Financing Company's Total Financing Amount Limits |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | KST | KSG | Other receivables from related parties | Yes | 62,888 (EUR 2,000) | - | - | 3.00% | b | - | Operating requirements | - | - | - | 361,499 | 361,499 |
| 1 | KST | KSG | Other receivables from related parties | Yes | 62,888 (EUR 2,000) | 62,888 (EUR 2,000) | 64,218 (EUR 2,042) | 3.00% | b | - | Operating requirements | - | - | - | 361,499 | 361,499 |
| 1 | KST | KSG | Other receivables from related parties | Yes | 78,610 (EUR 2,500) | 78,610 (EUR 2,500) | 72,964 (EUR 2,320) | 3.00% | b | - | Operating requirements | - | - | - | 361,499 | 361,499 |
| 1 | KST | KSG | Other receivables from related parties | Yes | 37,326 (USD1,194 and NTD4,287) | 37,326 (USD1,194 and NTD4,287) | 37,326 (USD1,194 and NTD4,287) | 3.00% | b | - | Operating requirements | - | - | - | 361,499 | 361,499 |
| 1 | KST | KSI | Other receivables from related parties | Yes | 9,433 (EUR 300) | - | - | 1.20% | b | - | Operating requirements | - | - | - | 361,499 | 361,499 |
| 2 | DFS | DFH | Other receivables from related parties | Yes | 221,440 (USD 8,000) | - | - | 1.30% | b | - | Operating requirements | - | - | - | 1,232,729 | 1,232,729 |
| 2 | DFS | DFQ | Other receivables from related parties | Yes | 221,440 (USD 8,000) | - | - | 1.30% | b | - | Operating requirements | - | - | - | 1,232,729 | 1,232,729 |
| 2 | DFS | DFQ | Other receivables from related parties | Yes | 221,440 (USD 8,000) | 221,440 (USD 8,000) | 110,720 (USD4,000) | 1.30% | b | - | Operating requirements | - | - | - | 1,232,729 | 1,232,729 |
| 3 | DPS | DFQ | Other receivables from related parties | Yes | 130,362 (CNY 30,000) | - | - | 3.85% | b | - | Operating requirements | - | - | - | 178,870 | 178,870 |
| 3 | DPS | DFQ | Other receivables from related parties | Yes | 130,362 (CNY 30,000) | 130,362 (CNY 30,000) | 130,362 (CNY 30,000) | 3.85% | b | - | Operating requirements | - | - | - | 178,870 | 178,870 |
| 4 | DZL | DTC | Other receivables from related parties | Yes | 47,000 | 47,000 | 47,000 | 1.30% | b | - | Operating requirements | - | - | - | 236,830 | 236,830 |
| 4 | DZL | DTC | Other receivables from related parties | Yes | 60,000 | 60,000 | 60,000 | 1.30% | b | - | Operating requirements | - | - | - | 236,830 | 236,830 |
| 4 | DZL | KSMC | Other receivables from related parties | Yes | 20,000 | 20,000 | - | 1.30% | b | - | Operating requirements | - | - | - | 236,830 | 236,830 |
| 5 | DTC | IOC | Other receivables from related parties | Yes | 13,840 (USD 500) | 13,840 (USD 500) | - | 3.20% | b | - | Operating requirements | - | - | - | 149,046 | 149,046 |

Note 1： The aggregate financing amount and individual financing amount of KST to subsidiaries shall not exceed 40% of the most recent net worth of KST.
Note 2： The aggregate financing amount because of business transaction purpose of DFS to subsidiaries shall not exceed 40% of the most recent net worth of DFS.
Individual financing amount limits are limited to business transactions between the two parties.
Note 3： The aggregate financing amount and individual financing amount of DPS to subsidiaries shall not exceed 40% of the most recent net worth of DPS.
Note 4： The aggregate financing amount and individual financing amount of DZL to subsidiaries shall not exceed 40% of the most recent net worth of DZL.
Note 5： The aggregate financing amount and individual financing amount of DTC to subsidiaries shall not exceed 40% of the most recent net worth of DTC.
Note 6： Purpose of Fund Financing :
a. Business transaction purpose.
b. Short-term Financing purpose.
Note 7： The above amounts were translated into New Taiwan dollars at the exchange rate of EUR$1=NT$31.444 ,US$1=NT$27.68 and CN$1=NT$4.3454.
Note 8： The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

**Darfon Electronics Corp. and Subsidiaries**
**Marketable Securities Held (Excluding Investments in Subsidiaries, Associates, and Jointly Controlled Entities)**
**December 31, 2021**

**Table 2**

| Investing Company | Marketable Securities Type and Name | Relationship with the Securities Issuer | Financial Statement Account | Ending Balance | | | | Maximum percentage of Ownership during 2021 | | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares (In Thousands of Shares) | Carrying Value | Percentage of Ownership | Fair Value | Number of Shares (In Thousands of Shares) | Percentage of Ownership | |
| The Company | Qisda Corp. | Investor with significant influence over the Group | Financial assets at fair value through other comprehensive income–non-current | 39,859 | 1,213,707 | 2.03% | 1,213,707 | 39,859 | 2.03% | - |
| DZL | Qisda Corp. | Investor with significant influence over the Group | Financial assets at fair value through other comprehensive income–current | 5,887 | 179,259 | 0.30% | 179,259 | 5,887 | 0.30% | - |
| DZL | Wistron NeWeb Corporation | - | Financial assets at fair value through other comprehensive income–current | 102 | 7,956 | 0.03% | 7,956 | 102 | 0.03% | - |
| DZL | DFI | Subsidiary of investor with significant influence over the Group | Financial assets at fair value through other comprehensive income–current | 50 | 3,055 | 0.04% | 3,055 | 50 | 0.04% | - |
| KST | HARO BICYCLE CORPORATION | - | Financial assets at fair value through other comprehensive income–non-current | 26 | - | 10.00% | - | 26 | 10.00% | - |
| TDI | Jih Sun Money Market Fund Beneficiary Certificate | - | Financial assets at fair value through profit or loss－current | - | 100,282 | - | 100,282 | - | - | - |
| TDI | Qisda Corp. | Investor with significant influence over the Group | Financial assets at fair value through other comprehensive income–current | 2,664 | 81,119 | 0.14% | 81,119 | 2,664 | 0.14% | - |
| DPS | Bank of Suzhou─Principal protected currency deposit in CNY | - | Financial assets at fair value through profit or loss－current | - | 355,411 | - | 355,411 | - | - | - |

**Darfon Electronics Corp. and Subsidiaries**
**Marketable Securities for Which the Accumulated Purchase or Sale Amounts Exceed $300 Million or 20% of the Paid in Capital**
**For the year ended December 31, 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 | 1,256,928 |
| DPS | Bank of Suzhou─ Principal protected currency deposit in CNY | Financial assets at fair value through profit or loss─ current | Bank of Suzhou | - | - | 346,350 (CNY79,705) | - | 795,208 (CNY183,000) | - | 796,624 (CNY183,326) | 786,517 (CNY181,000) | 10,107 (CNY2,326) | - | 355,411 (CNY81,790) |

Note 1： The ending balance includes shares of profits/losses of investees and other related adjustment.
Note 2： The above amounts were translated into New Taiwan dollars at the exchange rate of CN$1=NT$4.3454

**Darfon Electronics Corp. and Subsidiaries**
**Acquisitiontof real estate which exceeds $300 million or 20% of the paid-in capital**
**For the year ended December 31, 2021**

**Table 4**

**(In thousands of Shares)**

| Company name | Property name | Transaction Date | Transaction Amount | Status of payment | Counter Party | Relationship with the Counter party | Ending balance | | | | Price Reference | Purpose of Acquisition and Current Condition | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relationship with the Counter party | Date of transfer | Amount | | | |
| ATC | Land and buildings | 2021.5.7 | 420,000 | 420,000 | CITY TOOLS CO., LTD. | - | - | - | - | - | Refer to appraisal report evaluated by the professional appraisal institution | Operating requirements | NA |
| DFV | Buildings | 2021.8.1 | 556,037 | 118,403 | MeiZic steel Building Co., Ltd<br>Jianxing Viet Nam Construction Development Co., Ltd<br>Best Sun Technology Co., Ltd<br>R.J. Wu Architects and Engineers | - | - | - | - | - | Open bidding | Operating requirements | NA |

**Darfon Electronics Corp. and Subsidiaries**
**Total Purchases From and Sales To Related Parties Which Exceed $100 Million or 20% of the Paid in Capital**
**For the year ended December 31, 2021**

**Table 5**

| Company Name | Related Party | Relationship | Transaction Details | | | | Transactions with Terms Different from Others | | Notes and Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase /(Sale) | Amount | % of Total Purchases/(Sales) | Payment Terms | Unit price | Payment Terms | Ending Balance | % of Total | |
| The Company | DFS | Parent-subsudiary | Sales | (461,206) | (3)% | OA90 | Normal price | OA30 to OA135 | 103,329 | 1% | - |
| The Company | DFC | Parent-subsudiary | Sales | (163,196) | (1)% | OA180 | Normal price | OA30 to OA135 | 118,001 | 2% | - |
| The Company | DFA | Parent-subsudiary | Sales | (752,297) | (4)% | OA135 | Normal price | OA30 to OA135 | 393,398 | 6% | - |
| The Company | DFS | Parent-subsudiary | Purchases | 2,429,147(Note 2) | 15% | OA90 | Note 1 | OA30 to OA90 | (1,486,128) | 24% | - |
| The Company | DFH | Parent-subsudiary | Purchases | 7,638,787 | 46% | OA90 | Note 1 | OA30 to OA90 | (2,940,534) | 48% | - |
| The Company | DFQ | Parent-subsudiary | Purchases | 4,853,326 | 29% | OA90 | Note 1 | OA30 to OA90 | (1,340,542) | 22% | - |
| DFS | The Company | Parent-subsudiary | Sales | (3,928,008) | (35)% | OA90 | Normal price | OA30 to OA135 | 1,486,128 | 62% | - |
| DFS | DFH | Affiliates | Sales | (368,476) | (5)% | OA90 | Normal price | OA30 to OA135 | 179,132 | 7% | - |
| DFS | DFQ | Affiliates | Sales | (172,461) | (2)% | OA90 | Normal price | OA30 to OA135 | 76,788 | 3% | - |
| DFS | The Company | Parent-subsudiary | Purchases | 461,206 | 8% | OA90 | Normal price | OA30 to OA135 | (103,329) | 8% | - |
| DFS | DFQ | Affiliates | Purchases | 459,236 | 8% | OA90 | Note 1 | OA30 to OA135 | (62,083) | 5% | - |
| DFH | The Company | Parent- | Sales | (7,638,787) | (98)% | OA90 | Normal price | OA30 to OA135 | 2,940,534 | 98% | - |
| DFH | DFS | Affiliates | Purchases | 368,476 | 7% | OA90 | | | (179,132) | 7% | - |
| DFQ | The Company | Parent-subsudiary | Sales | (4,853,326) | (89)% | OA90 | Normal price | OA30 to OA135 | 1,340,542 | 94% | - |
| DFQ | DFS | Affiliates | Sales | (459,236) | (8)% | OA90 | Normal price | OA30 to OA135 | 62,083 | 4% | - |
| DFQ | DFS | Affiliates | Purchases | 172,461 | 4% | OA90 | Normal price | OA30 to OA135 | (76,788) | 5% | - |
| DFA | The Company | Parent-subsudiary | Purchases | 752,297 | 98% | OA135 | Normal price | OA30 to OA135 | (393,398) | 100% | - |
| DFC | The Company | Parent-subsudiary | Purchases | 163,196 | 61% | OA180 | Normal price | OA30 to OA135 | (118,001) | 96% | - |
| KST | KSG | Parent-subsudiary | Sales | (688,306) | (19)% | OA210 | Normal price | OA30 to OA120 | 586,465 | 61% | - |
| KST | KSV | Parent-subsudiary | Sales | (106,898) | (3)% | OA90 | Normal price | OA30 to OA120 | 99,843 | 10% | - |
| KSG | KST | Parent-subsudiary | Purchases | 688,306 | 64% | OA210 | Normal price | OA30 to OA120 | (586,465) | 65% | - |
| KSV | KST | Parent-subsudiary | Purchases | 106,898 | 39% | OA90 | Normal price | OA30 to OA120 | (99,843) | 82% | - |

**Darfon Electronics Corp. and Subsidiaries**
**Total Purchases From and Sales To Related Parties Which Exceed $100 Million or 20% of the Paid in Capital**
**For the year ended December 31, 2021**

**Table 5**

| Company Name | Related Party | Relationship | Transaction Details | | | | Transactions with Terms Different from Others | | Notes and Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase /(Sale) | Amount | % of Total Purchases/(Sales) | Payment Terms | Unit price | Payment Terms | Ending Balance | % of Total | |
| DTC | DFeu | Affiliates | Sales | (107,153) | (27)% | OA135 | Normal price | OA30 to OA135 | 7,415 | 9% | - |
| DTC | BESVJP | Affiliates | Sales | (215,054) | (54)% | EOM60 | Normal price | OA30 to OA135 | 74,260 | 85% | - |
| Dfeu | DTC | Affiliates | Purchases | 107,153 | 100% | OA135 | Normal price | OA30 to OA135 | (7,415) | 100% | - |
| BESVJP | DTC | Affiliates | Purchases | 215,054 | 99% | EOM60 | Normal price | OA30 to OA135 | (74,260) | 100% | - |

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

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

Note 3： The sales from repurchasing after processing have been reduced.

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

**Table 6**

| Company Name | Related Party | Nature of Relationship | Ending Balance | Turnover Ratio | Overdue | | Amounts Received in Subsequent Period | Loss Allowance | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | | |
| The Company | DFS | Parent-Subsidiary | 103,329 | (Note 1) | - | - | - | - | - |
| The Company | DFA | Parent-Subsidiary | 393,398 | 1.86 | 25,191 | - | 25,191 | - | - |
| The Company | DFH | Parent-Subsidiary | 722,535 | (Note 1) | 163,454 | - | 163,381 | - | - |
| The Company | DTC | Parent-Subsidiary | 201,508 | (Note 1) | 56,743 | - | 53,161 | - | - |
| The Company | DFQ | Parent-Subsidiary | 118,001 | 1.62 | 18,332 | - | 12,595 | - | - |
| DFS | The Company | Parent-Subsidiary | 1,486,128 | 3.28 | - | - | - | - | - |
| DFS | DFH | Affiliates | 179,132 | 2.35 | - | - | - | - | - |
| DFS | DFQ | Affiliates | 110,769 | (Note 2) | - | - | - | - | - |
| DFH | The Company | Parent-Subsidiary | 2,940,534 | 2.64 | 630,714 | - | 630,709 | - | - |
| DFQ | The Company | Parent-Subsidiary | 1,340,542 | 3.42 | - | - | - | - | - |
| DPS | DFQ | Affiliates | 133,527 | (Note 2) | - | - | - | - | - |
| KST | KSG | Parent-Subsidiary | 586,465 | 1.73 | - | - | - | - | - |
| KST | KSG | Parent-Subsidiary | 178,437 | (Note 2) | - | - | - | - | - |
| DZL | DTC | Affiliates | 107,365 | (Note 2) | - | - | - | - | - |

Note 1： Since the amount of duplicated transactions has been eliminated, the receivables turnover ratio is not reported
Note 2： Since the receivables are not caused by selling and purchasing transactions, calculation of turnover rate is not applicable
Note 3： The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

**Darfon Electronics Corp. and Subsidiaries**
**Business Relationships and Significant Intercompany Transactions**
**For the Year Ended at December 31, 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 | 461,206 | OA90 | 2% |
| 0 | The Company | DFC | 1 | Sales | 163,196 | OA180 | 1% |
| 0 | The Company | DFA | 1 | Sales | 752,297 | OA135 | 3% |
| 1 | DFS | The Company | 2 | Sales | 3,928,008 | OA90 | 14% |
| 1 | DFS | DFH | 3 | Sales | 368,476 | OA90 | 1% |
| 1 | DFS | DFQ | 3 | Sales | 172,461 | OA90 | 1% |
| 2 | DFH | The Company | 2 | Sales | 7,638,787 | OA90 | 27% |
| 3 | DFQ | The Company | 2 | Sales | 4,853,326 | OA90 | 17% |
| 3 | DFQ | DFS | 3 | Sales | 459,236 | OA90 | 2% |
| 4 | KST | KSG | 3 | Sales | 688,306 | OA210 | 2% |
| 0 | The Company | DFA | 1 | Accounts receivable | 393,398 | OA135 | 1% |
| 0 | The Company | DFH | 1 | Accounts receivable | 722,535 | OA90 | 2% |
| 0 | The Company | DFQ | 1 | Accounts receivable | 201,508 | OA90 | 1% |
| 1 | DFS | The Company | 2 | Accounts receivable | 1,486,128 | OA90 | 4% |
| 1 | DFS | DFH | 3 | Accounts receivable | 179,132 | OA90 | 1% |
| 2 | DFH | The Company | 2 | Accounts receivable | 2,940,534 | OA90 | 9% |
| 3 | DFQ | The Company | 2 | Accounts receivable | 1,340,542 | OA90 | 4% |

**Darfon Electronics Corp. and Subsidiaries**
**Business Relationships and Significant Intercompany Transactions**
**For the Year Ended at December 31, 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) |
| 4 | KST | KSG | 3 | Accounts receivable | 586,465 | OA210 | 2% |
| 4 | KST | KSG | 3 | Other accounts receivable | 178,437 | - | 1% |

(Note 1) Parties to the intercompany transactions are identified and numbered as follows：
1. “0” represents the Company.
2. Subsidiaries are numbered from “1”.

(Note 2) Relationships to counterparties were as follows:
1. The Company to subsidiary.
2. Subsidiary to the Company.
3. Subsidiary to subsidiary.

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

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

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

**Darfon Electronics Corp. and Subsidiaries**
**Information on Investees (Excluding Investments in Mainland China)**
**For the Year Ended December 31, 2021**

**Table 8**

**(In Thousands of Shares)**

| Investor | Investee | Location | Main Businesses and Products | Investment Amount | | Balance as of December 31,2021 | | | Maximum percentage of Ownership during 2021 | | Net Income (Losses) of the Investee | Investment Income (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of Ownership | Carrying Value | Shares | Percentage of Ownership | | | |
| The Company | DFBVI | BVI | Trading of electronic products | 317,103 | 392,352 | 31,450 | 100.00% | 1,622,358 | 34,150 | 100.00% | 112,238 | 112,238 | Parent-Subsidiary |
| The Company | DFLB | Malaysia | Investment holding | 2,536,514 | 2,536,514 | 74,589 | 100.00% | 4,956,257 | 74,589 | 100.00% | 441,630 | 441,630 | Parent-Subsidiary |
| The Company | DMC | Taiwan | Manufacture and sale of LTCC, inductors and paste | 6,969 | 51,969 | 2,772 | 100.00% | 26,000 | 13,067 | 100.00% | (570) | (570) | Parent-Subsidiary |
| The Company | DZL | Taiwan | Investment holding | 450,000 | 350,000 | 45,910 | 100.00% | 592,074 | 45,910 | 100.00% | 33,736 | 33,736 | Parent-Subsidiary |
| The Company | DTC | Taiwan | Manufacture and trading of E-bike and related products | 217,892 | 217,412 | 20,035 | 58.07% | 216,377 | 20,035 | 58.07% | 1,970 | 1,144 | Parent-Subsidiary |
| The Company | DFeu | Netherlands | Trading of green products | 219,038 | 219,038 | 6,200 | 100.00% | 36,183 | 6,200 | 100.00% | (17,393) | (17,393) | Parent-Subsidiary |
| The Company | UTC | Taiwan | Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components | 714,680 | 717,318 | 17,551 | 36.66% | 946,337 | 17,651 | 40.32% | 291,024 | 103,896 | Parent-Subsidiary |
| The Company | KST | Taiwan | Manufacture and trading of bicycles and related products | 720,000 | 720,000 | 24,302 | 60% | 696,714 | 24,302 | 60.00% | 1,068 | 7,373 | Parent-Subsidiary |
| The Company | TDI | Taiwan | Manufacture and trading of battery for high power application | 407,809 | 407,809 | 26,410 | 62.75% | 419,499 | 26,410 | 62.75% | 20,827 | 11,679 | Parent-Subsidiary |
| The Company | DFV | Vietnam | Manufacture of electronic products | 292,558 | 14,812 | - | 100.00% | 275,248 | - | 100.00% | (5,714) | (5,714) | Parent-Subsidiary |
| The Company | ATC | Taiwan | Manufacture and sale of bicycles and related products | 1,224,000 | - | 24,480 | 51.00% | 1,256,928 | 24,480 | 51.00% | 109,545 | 17,650 | |
| The Company | DET | Taiwan | Manufacturing and wholesale of batteries and electric components | 250,000 | - | 12,500 | 100.00% | 250,003 | 12,500 | 100.00% | 3 | 3 | |
| DZL | DTC | Taiwan | Manufacture and trading of E-bike and related products | 45,300 | 45,300 | 4,275 | 12.39% | 46,167 | 4,275 | 12.39% | 1,970 | 244 | Parent-Subsidiary |
| DZL | UTC | Taiwan | Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components | 174,445 | 174,445 | 4,361 | 9.11% | 244,930 | 4,361 | 9.96% | 291,024 | 255,116 | Parent-Subsidiary |
| UTC | UTI | Mauritius | Investment holding | 25,291 | 25,291 | 818 | 100.00% | 13,134 | 818 | 100.00% | (11,088) | (11,088) | Affiliates |
| UTC | STC (Note 1) | Taiwan | Manufacture and processing of satellite locator, navigator and antenna, and the trading of telecommunications equipment | - | 288,175 | - | - | - | 15,810 | 100.00% | 5,553 | 5,394 | Affiliates |
| KST | KSG | Germany | Assemble and sale of bicycles and related products | 361,371 | 157,604 | - | 100.00% | 241,301 | - | 100.00% | (19,052) | (19,052) | Affiliates |

**Darfon Electronics Corp. and Subsidiaries**
**Information on Investees (Excluding Investments in Mainland China)**
**For the Year Ended December 31, 2021**

**Table 8**

**(In Thousands of Shares)**

| Investor | Investee | Location | Main Businesses and Products | Investment Amount | | Balance as of December 31,2021 | | | Maximum percentage of Ownership during 2021 | | Net Income (Losses) of the Investee | Investment Income (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2021 | December 31, 2020 | Shares | Percentage of Ownership | Carrying Value | Shares | Percentage of Ownership | | | |
| KST | KSI | Germany | Lease, purchase and management of movable property and immovable property ,and sale of bicycles and related products | 87,853 | 87,853 | - | 100.00% | 80,531 | - | 100.00% | (1,312) | (1,312) | Affiliates |
| KST | KSV | Vietnam | Manufacture and sale of bicycles and related products | 475,406 | 279,756 | - | 100.00% | 321,451 | - | 100.00% | (74,474) | (74,474) | Affiliates |
| DFLB | DFC | Czech Republic | Trading of electronic products | 299 | 299 | - | 100.00% | 69,679 | - | 100.00% | 13,698 | 13,698 | Affiliates |
| DFLB | DFA | America | Trading of electronic products | 6,364 | 6,364 | 200 | 100.00% | 39,829 | 200 | 100.00% | 2,737 | 2,737 | Affiliates |
| DFLB | DFK | South Korea | Trading of electronic products | 1,781 | 1,781 | 10 | 100.00% | 863 | 10 | 100.00% | 90 | 90 | Affiliates |
| DFLB | DPH | BVI | Investment holding | 29,314 | 29,314 | 1,000 | 100.00% | 449,689 | 1,000 | 100.00% | 8,299 | 8,299 | Affiliates |
| DFeu | DFG | Germany | Trading of green products | 5,243 | 5,243 | - | 100.00% | 4,496 | - | 100.00% | (100) | (100) | Affiliates |
| DTC | BESVJ | Japan | Trading of green products | 26,690 | 26,690 | 2 | 49.00% | 23,332 | 2 | 49.00% | 9,043 | 4,431 | Joint Venture |
| DTC | IOC | Hong Kong | Agent of bicycles and related products | 148,235 | 148,235 | 19,000 | 76.00% | 143,364 | 19,000 | 76.00% | 15,368 | 11,680 | Affiliates |
| DTC | KSMC | Taiwan | Manufacture and sale of bicycles and related products | 47,765 | 47,765 | 4,500 | 100.00% | 66,084 | 4,500 | 100.00% | 17,534 | 17,534 | Affiliates |
| ATC | Rich Glory International | Samoa | Investment holding | 35,107 | - | 1,862 | 33.33% | 51,891 | 1,862 | 33.33% | 390 | (237) | Associates |
| ATC | ATB | BVI | Investment holding | 577,385 | - | 3,000 | 100.00% | 509,420 | 3,000 | 100.00% | (69,433) | (50,129) | Affiliates |
| ATB | ATV | Vietnam | Manufacture and sale of bicycles and related products | 872,463 | - | - | 100.00% | 509,420 | - | 100.00% | (69,433) | (50,129) | Affiliates |

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

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

**Darfon Electronics Corp. and Subsidiaries**
**Information on investments in Mainland China**
**For the Year Ended December 31, 2021**

**Table 9**

i.Name and main businesses and products of investee companies in Mainland China: **(In Thousands of NTD/USD)**

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | | Accumulated Outflow of Investment from Taiwan as of January 1, 2021 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2021 | Net Income (Loss) of Investee | % of Ownership of Direct or Indirect Investment | Maximum % of ownership in 2021 | Investment Income (Loss) | Carrying Value as of December 31, 2021 | Accumulated Inward Remittance of Earnings as of December 31, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | % of ownership | | | |
| DFS | Manufacture and sale of the Company's products | 767,428 (USD 27,725) (Note 4) | (Note 1) | 647,712 (USD 23,400) | - | - | 647,712 (USD 23,400) | 222,920 | 100.00% | 100.00% | 222,920 (Note 2) | 3,081,822 | 224,706 (USD 8,118) |
| DFH | Manufacture and sale of the Company's products | 1,356,320 (USD 49,000) | (Note 1) | 1,356,320 (USD 49,000) | - | - | 1,356,320 (USD 49,000) | 166,281 | 100.00% | 100.00% | 166,281 (Note 2) | 2,167,030 | - |
| DPS | Mold development and manufacture | 27,680 (USD 1,000) | (Note 1) | 27,680 (USD 1,000) | - | - | 27,680 (USD 1,000) | 8,369 | 100.00% | 100.00% | 8,369 (Note 2) | 447,175 | - |
| DFQ | Manufacture and sale of the Company's products | 276,800 (USD 10,000) | (Note 1) | 276,800 (USD 10,000) | - | - | 276,800 (USD 10,000) | 144,428 | 100.00% | 100.00% | 144,428 (Note 2) | 767,958 | - |
| UTZ | Wireless antennas for telecommunication, components design and | 20,898 (USD 755) | (Note 1) | 20,898 (USD 755) | - | - | 20,898 (USD 755) | (10,835) | 100.00% | 100.00% | (10,835) (Note 3) | 12,319 | - |

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 audited financial statements by the Parent company's auditors.
Note3： Investment income or loss was recognized based on the audited financial statements by the auditors of UTC.
Note4： Including US$ 4,325 thousand from capitalization of retained earnings.

ii.Limits on investments in Mainland China:

| Investor Company Name | Accumulated Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Authorized by Investment Commission, MOEA |
|---|---|---|---|
| The Company | 2,083,806 (USD 75,282) | 2,175,842 (USD 78,607) | (Note) |
| UTC | 20,898 (USD 755) | 20,898 (USD 755) | 1,066,217 |

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1=NT$27.68.
(Note) Since the Company has obtained the certificate of headquarters operation, there is no upper limit on investments in Mainland China.

iii.Significant transactions with investee companies in Mainland China:

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