

**DARFON ELECTRONICS CORP. AND
SUBSIDIARIES**

Consolidated Financial Statements

With Independent Auditors' Review Report

For the Six Months Ended June 30, 2022 and 2021

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

Telephone: 886-3-250-8800

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flow	7
8. Notes to the Consolidated Financial Statements	
(1) Organization and business	8
(2) Authorization of the consolidated financial statement	8
(3) Application of New and Revised Accounting Standards and Interpretations	8~9
(4) Summary of significant accounting policies	9~11
(5) Critical Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty	11
(6) Description of Significant Accounts	11~44
(7) Related-party transactions	44~46
(8) Pledged assets	47
(9) Significant commitments and contingencies	47
(10) Significant loss from disaster	47
(11) Significant subsequent events	47
(12) Others	47~48
(13) Additional disclosures	
(1) Information of significant transactions	48、51~57
(2) Information of investees	48、58~59
(3) Information of investments in Mainland China	48、60
(4) Major shareholders information	49
(14) Segment information	49~50

Independent Auditors' Review Report

To the Board of Directors of Darfon Electronics Corp.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Darfon Electronics Corp. and its subsidiaries ("the Company") as of June 30, 2022 and 2021, and the consolidated statements of comprehensive income for the three and six months ended June 30, 2022 and 2021, the consolidated statement of changes in equity and cash flows for the six months ended June 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$9,430,775 thousand and \$10,556,349 thousand, constituting 27.51% and 34.96% of the consolidated total assets; and the total liabilities amounting to \$5,720,786 thousand and 5,070,755 thousand, constituting 26.60% and 27.06% of the consolidated total liabilities as of June 30, 2022 and 2021, respectively; as well as the total comprehensive income (loss) amounting to \$(70,012) thousand, \$47,203 thousand, \$(44,710) thousand, and \$25,754 thousand, constituting (33.24)%, 30.90%, (4.94)% and 4.27% of the consolidated total comprehensive income (loss) for the three months periods ended June 30, 2022 and 2021, and for the six months periods ended June 30, 2022 and 2021, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have influenced by the financial statements of certain investee companies described in the Basis for Qualified Conclusion paragraph which were not reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Darfon and its subsidiaries as of June 30, 2022 and 2021, and the consolidated financial performance for the three and six months ended June 30, 2022 and 2021 and the consolidated cash flows for the six months ended June 30, 2022 and 2021, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS No. 34 “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission of the Republic of China.

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

KPMG
Taipei, Taiwan
Republic of China
Aug 4, 2022

**Reviewed only, not audited in accordance with generally accepted auditing standards
as of June 30, 2022 and 2021**

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, December 31, 2021 and June 30, 2021

(Expressed in thousands of New Taiwan dollars)

	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6(a))	\$ 2,637,114	8	3,045,203	9	3,315,252	11
1110 Financial assets at fair value through profit or loss – current(note 6(b))	416,550	1	457,461	1	444,628	2
1120 Financial assets at fair value through other comprehensive income – current (note 6(c))	354,154	1	271,389	1	181,024	1
1136 Financial assets at amortized cost – current (notes 6(d) and 8)	3,100	-	3,100	-	46,873	-
1170 Notes and accounts receivable, net (notes 6(e) and (v))	8,105,578	24	7,724,859	23	7,673,715	25
1180 Accounts receivable from related parties (notes 6(e) & (v) and 7)	153,877	-	137,271	-	129,261	-
1200 Other receivables	54,467	-	44,210	-	23,823	-
130X Inventories (note 6(f))	8,846,530	26	8,538,835	26	6,373,327	21
1470 Prepayments and other current assets	995,142	3	856,236	3	886,764	3
Total current assets	<u>21,566,512</u>	<u>63</u>	<u>21,078,564</u>	<u>63</u>	<u>19,074,667</u>	<u>63</u>
Non-current assets:						
1517 Financial assets at fair value through other comprehensive income-non-current (note 6(c))	1,141,960	3	1,213,707	4	1,126,017	4
1535 Financial assets at amortized cost – non-current (notes 6(d) and 8)	2273	-	810	-	810	-
1550 Investments accounted for using equity method (note 6(g))	69,865	-	75,223	-	63,325	-
1600 Property, plant and equipment (notes 6(j) and 8)	8,585,272	25	7,843,550	24	6,989,935	23
1755 Right-of-use assets (note 6(k) and 7)	966,904	3	972,784	3	1,000,370	3
1760 Investment property, net (notes 6(l))	62,050	-	62,125	-	86,534	-
1780 Intangible assets (notes 6(h) and (m))	974,797	3	1,018,046	3	1,173,778	4
1840 Deferred income tax assets	165,422	1	160,251	1	197,731	1
1915 Prepayments for equipment	475,561	1	403,631	1	240,272	1
1920 Refundable deposits	42,646	-	39,961	-	37,556	-
1975 Net defined benefit asset – non-current	17,076	-	17,076	-	16,777	-
1990 Other non-current assets (note 6(J) and (k))	210,758	1	309,546	1	188,109	1
Total non-current assets	<u>12,714,584</u>	<u>37</u>	<u>12,116,710</u>	<u>37</u>	<u>11,121,214</u>	<u>37</u>
Total assets	<u>\$ 34,281,096</u>	<u>100</u>	<u>33,195,274</u>	<u>100</u>	<u>30,195,881</u>	<u>100</u>

(Continued)

See accompanying notes to the consolidated financial statements

Reviewed only, not audited in accordance with generally accepted auditing standards
as of June 30, 2022 and 2021

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

June 30, 2022, December 31, 2021 and June 30, 2021

(Expressed in thousands of New Taiwan dollars)

		June 30, 2022		December 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%
Liabilities and Equity							
Current liabilities:							
2100	Short-term borrowings (notes 6(n) and 8)	\$ 5,084,347	15	5,039,971	15	4,248,763	14
2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	3,124	-	23	-	879	-
2170	Notes and accounts payable (note 7)	5,750,115	17	6,684,209	20	6,814,802	23
2200	Other payables (notes 6(t)&(w) and 7)	4,524,650	13	3,486,501	11	3,711,638	12
2250	Provisions — current (note 6(q))	118,235	-	110,716	1	108,060	-
2280	Lease liabilities — current (notes 6(p) and 7)	121,381	-	100,386	-	99,452	-
2322	Long-term debt, current portion (note 6(o) and 8)	13,149	-	16,899	-	16,838	-
2399	Other current liabilities (note 6(v))	1,171,882	4	715,203	2	484,463	2
	Total current liabilities	16,786,883	49	16,153,908	49	15,484,895	51
Non-current liabilities:							
2540	Long-term debt (notes 6(o) and 8)	4,150,000	12	3,623,951	11	2,512,628	8
2570	Deferred income tax liabilities	165,264	1	177,942	-	210,309	1
2580	Lease liabilities — non-current (notes 6(p) and 7)	175,080	1	203,716	1	217,590	1
2640	Net defined benefit liability — non-current	63,149	-	65,377	-	63,926	-
2670	Other non-current liabilities (note 6(h))	162,604	-	246,043	1	246,570	1
	Total non-current liabilities	4,716,097	14	4,320,029	11	3,251,023	11
	Total liabilities	21,502,980	63	20,473,937	62	18,735,918	62
Equity attributable to shareholders of the Parent (notes 6(c) & (t)):							
3110	Common stock	2,800,000	-	2,800,000	8	2,800,000	9
3200	Capital surplus	4,137,026	12	4,132,767	12	3,921,454	13
Retained earnings:							
3310	Legal reserve	1,234,562	3	1,116,990	3	1,024,037	3
3320	Special reserve	422,523	1	386,607	1	492,270	2
3350	Unappropriated earnings	1,369,589	4	1,828,344	6	1,180,696	4
		3,026,674	8	3,331,941	10	2,679,003	9
Other equity:							
3410	Foreign currency translation differences	(425,209)	(1)	(765,143)	(2)	(768,048)	(2)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	279,629	-	379,613	1	382,247	1
3445	Remeasurements of defined benefit	(36,993)	-	(36,993)	-	(31,433)	-
		(182,573)	-	(422,523)	(1)	(417,234)	(1)
	Equity attributable to shareholders of the Parent	9,781,127	28	9,842,185	29	9,001,223	30
36XX	Non-controlling interests (notes 6(h) & (i) & (t))	2,996,989	9	2,879,152	9	2,458,740	8
	Total equity	12,778,116	37	12,721,337	38	11,459,963	38
	Total liabilities and equity	\$ 34,281,096	100	33,195,274	100	30,195,881	100

See accompanying notes to the consolidated financial statements

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

Consolidated Statements of Comprehensive Income

For the Three and Six Months Ended June 30, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

	Three Months Ended June 30				Six Months Ended June 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Net sales (notes 6(y) & 7 and 14)								
	\$	7,753,690	100	7,534,554	100	15,169,017	100	13,532,995	100
5000	Cost of sales (notes 6(f), (j), (k), (m), (p), (r) & (w) and 12)								
		(6,422,471)	(83)	(6,233,111)	(83)	(12,617,304)	(83)	(11,248,008)	(83)
	Gross profit								
		1,331,219	17	1,304,443	17	2,551,713	17	2,248,987	17
	Operating expenses (notes 6(f), (j), (k), (m), (p), (r) & (w), 7 and 12):								
6100	Selling expenses								
		(361,790)	(5)	(349,401)	(5)	(714,864)	(5)	(651,578)	(5)
6200	Administrative expenses								
		(254,060)	(3)	(239,521)	(3)	(497,657)	(3)	(441,674)	(3)
6300	Research and development expenses								
		(251,319)	(3)	(249,197)	(3)	(510,799)	(4)	(460,529)	(4)
6000	Total operating expenses								
		(867,169)	(11)	(838,119)	(11)	(1,723,320)	(12)	(1,553,781)	(12)
	Operating income								
		464,050	6	464,324	6	828,393	5	731,206	5
	Non-operating income and loss (notes 6(g), (p) &(x), 7and 12):								
7100	Interest income								
		2,865	-	1,985	-	4,969	-	3,899	-
7010	Other income								
		28,263	-	18,783	-	43,313	-	53,773	-
7020	Other gains and losses								
		20,716	-	2,911	-	46,242	-	10,669	-
7050	Finance costs								
		(36,675)	-	(18,193)	-	(62,369)	-	(32,196)	-
7060	Share of profit (loss) of joint ventures								
		(1,324)	-	2,862	-	(3,507)	-	1,993	-
	Total non-operating income and loss								
		13,845	-	8,348	-	28,648	-	38,138	-
7900	Income before income tax								
		477,895	6	474,672	6	857,041	5	769,344	5
7950	Income tax expenses (note 6(s))								
		(103,650)	(1)	(93,318)	(1)	(193,515)	(1)	(162,240)	(1)
8200	Net income								
		374,245	5	381,354	5	663,526	4	607,104	4
	Other comprehensive income (loss) (notes 6(g) &(t)):								
8310	Items that will not be reclassified subsequently to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income								
		(232,424)	(3)	(120,386)	(2)	(97,372)	(1)	83,095	1
8320	Share of the profit of associates and joint ventures accounted for using equity method								
		(13,107)	-	-	-	(17,948)	-	-	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss								
		-	-	-	-	-	-	-	-
		(245,531)	(3)	(120,386)	(2)	(115,320)	(1)	83,095	1
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign operations								
		83,446	1	(107,520)	(1)	357,048	3	(84,953)	(1)
8370	Share of the other comprehensive income of joint ventures								
		(1,530)	-	(673)	-	(1,007)	-	(2,436)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss								
		-	-	-	-	-	-	-	-
		1,916	1	(108,193)	(1)	356,041	3	(87,389)	(1)
	Other comprehensive income (loss) for the year, net of income tax								
		(163,615)	(2)	(228,579)	(3)	240,721	2	(4,294)	-
8500	Total comprehensive income for the year								
		<u>\$ 210,630</u>	<u>3</u>	<u>152,775</u>	<u>2</u>	<u>904,247</u>	<u>6</u>	<u>602,810</u>	<u>4</u>
	Net income attributable to:								
8610	Shareholders of the Parent								
		\$ 286,382	4	310,340	4	534,733	3	511,595	3
8620	Non-controlling interests								
		87,863	1	71,014	1	128,793	1	95,509	1
		<u>\$ 374,245</u>	<u>5</u>	<u>381,354</u>	<u>5</u>	<u>663,526</u>	<u>4</u>	<u>607,104</u>	<u>4</u>
	Total comprehensive income attributable to:								
8710	Shareholders of the Parent								
		\$ 139,481	2	84,641	1	774,683	5	510,157	4
8720	Non-controlling interests								
		71,149	1	68,134	1	129,564	1	92,653	-
		<u>\$ 210,630</u>	<u>3</u>	<u>152,775</u>	<u>2</u>	<u>904,247</u>	<u>6</u>	<u>602,810</u>	<u>4</u>
	Earnings per share (in New Taiwan dollars) (note 6(u))								
9750	Basic earnings per share								
		<u>\$ 1.02</u>		<u>1.11</u>		<u>1.91</u>		<u>1.83</u>	
9850	Diluted earnings per share								
		<u>\$ 1.02</u>		<u>1.10</u>		<u>1.89</u>		<u>1.81</u>	

See accompanying notes to the consolidated financial statements

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

Consolidated Statements of Changes in Equity
For the Six Months Ended June 30, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

Equity attributable to shareholders of the Parent

	Retained earnings						Other equity					Equity attributable to shareholders of the Parents	Non-controlling interests	Total equity
	Common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Foreign currency Translation Differences	Unrealized gains (losses) from financial asset at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal				
Balance at January 1, 2021	\$ 2,800,000	3,921,454	1,024,037	492,270	1,339,912	1,339,912	(683,751)	328,577	(31,433)	(386,607)	9,191,066	1,387,996	10,579,062	
Net income	-	-	-	-	511,595	511,595	-	-	-	-	511,595	95,509	607,104	
Other comprehensive income	-	-	-	-	-	-	(84,297)	82,859	-	(1,438)	(1,438)	(2,856)	(4,294)	
Total comprehensive income	-	-	-	-	511,595	511,595	(84,297)	82,859	-	(1,438)	510,157	92,653	602,810	
Appropriation of earnings:														
Cash dividends	-	-	-	-	(700,000)	(700,000)	-	-	-	-	(700,000)	-	(700,000)	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,058,739	1,058,739	
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,409)	(1,409)	
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(79,239)	(79,239)	
Disposal of equity investments measured at fair value through other comprehensive income	-	-	-	-	29,189	29,189	-	(29,189)	-	(29,189)	-	-	-	
Balance at June 30, 2021	\$ 2,800,000	2,921,454	1,024,037	492,270	1,180,696	2,607,003	(768,048)	382,247	(31,433)	(417,234)	9,001,223	2,458,740	11,459,963	
Balance at January 1, 2022	\$2,800,000	4,132,767	1,116,990	386,607	1,828,334	3,331,941	(765,143)	319,613	(36,933)	(422,523)	9,842,185	2,879,152	12,721,337	
Net income	-	-	-	-	534,733	534,733	-	-	-	-	534,733	128,793	663,526	
Other comprehensive income	-	-	-	-	-	-	339,934	(99,984)	-	239,950	239,950	771	240,721	
Total comprehensive income	-	-	-	-	534,733	534,733	339,934	(99,984)	-	239,950	774,683	129,564	904,247	
Appropriation of earnings:														
Legal reserve	-	-	117,572	-	(117,572)	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	35,916	(35,916)	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(840,000)	(840,000)	-	-	-	-	(840,000)	-	(840,000)	
Changes in ownership interests in subsidiaries	-	4,259	-	-	-	-	-	-	-	-	4,259	(4,259)	-	
Acquisition of subsidiary's additional interest	-	-	-	-	-	-	-	-	-	-	-	(180)	(180)	
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	665	665	
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	163,066	163,066	
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(171,019)	(171,019)	
Balance at June 30, 2022	\$ 2,800,000	4,137,026	1,234,562	422,523	1,369,589	3,026,674	(423,209)	279,629	(36,933)	(182,573)	9,781,127	2,996,989	12,778,116	

See accompanying notes to the consolidated financial statements

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

Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2022 and 2021
(Expressed in thousands of New Taiwan dollars)

	Six Months Ended June 30	
	2022	2021
Cash flows from operating activities:		
Income before income tax	\$ 857,041	769,344
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation	552,232	460,176
Amortization	53,046	49,711
Expected credit loss	14,007	1,109
Interest expense	62,369	32,196
Interest income	(4,969)	(3,899)
Share of losses of joint ventures	3,507	(1,993)
Stock option compensation cost of subsidiaries	665	-
Losses on disposal of property, plant and equipment	611	554
Losses (gains) on lease modifications	(23)	245
Total adjustments to reconcile profit or loss	681,445	538,099
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in financial assets mandatorily measured at fair value through profit or loss	1,333	7,898
Increase in notes and accounts receivable	(394,726)	(628,156)
Increase in accounts receivable from related parties	(16,606)	(5,820)
(Increase) Decrease in other receivable	(10,258)	129,216
Increase in inventories	(307,695)	(1,734,460)
Increase in prepayments and other current assets	(138,906)	(194,169)
Total changes in operating assets	(866,858)	(2,425,491)
Changes in operating liabilities:		
Increase in financial liabilities at fair value through profit or loss	3,101	851
(Decrease) increase in notes and accounts payable	(934,094)	764,939
(Increase) Decrease in other payables	80,781	(98,246)
Increase in provisions	7,519	8,683
(Increase) Decrease in other current liabilities	456,679	(91,860)
Decrease in net defined benefit liability	(2,228)	(2,303)
Total changes in operating liabilities	(388,242)	582,064
Total changes in operating assets and liabilities	(1,255,100)	(1,843,427)
Total adjustments	(573,655)	(1,305,328)
Cash generated (used in) from operations	283,386	(535,984)
Interest received	4,970	3,921
Interest paid	(60,362)	(31,390)
Income taxes paid	(105,362)	(123,967)
Net cash provided by (used in) operating activities	122,632	(687,420)

(Continued)

See accompanying notes to the consolidated financial statements

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

Consolidated Statements of Cash Flows (Continued)

For the Six Months Ended June 30, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

	Six Months Ended June 30,	
	2022	2021
Cash flows from investing activities:		
Purchase from disposal of financial assets at fair value through other comprehensive income	(108,391)	(132,215)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	56,095
Purchase of financial assets at amortized cost	(1,463)	(45,773)
Purchase of financial assets at fair value through profit or loss	(573,750)	(444,403)
Proceeds from disposal of financial assets at fair value through profit or loss	613,328	446,209
Purchase of investments accounted for using equity method	(17,103)	-
Acquisition of subsidiaries, net of cash received	-	(159,469)
Additions to property, plant and equipment (including prepayments for equipment)	(1,127,956)	(460,198)
Proceeds from disposal of property, plant and equipment	5,696	5,209
Increase in refundable deposits	(2,685)	(5,296)
Additions to intangible assets	(8,948)	(15,546)
Additions to right-of-use assets	-	(8,736)
Purchase of financial assets at fair value through profit or loss	(137)	-
(Increase) Decrease in other non-current assets	1,129	(23,668)
Net cash flows used in investing activities	(1,220,280)	(787,791)
Cash flows from financing activities:		
Increase in short-term borrowings	17,448,122	16,619,055
Decrease in short-term borrowings	(17,441,833)	(14,869,373)
Decrease in short-term notes and bills payable	-	(439,721)
Increase in long-term debt	1,150,000	900,000
Repayments of long-term debt	(628,684)	(4,231)
Decrease in Guarantee deposits received	(86,630)	-
Payment of lease liabilities	(62,618)	(51,930)
Increase in other non-current liabilities	191	83,345
Additions to interests in subsidiaries	(180)	-
Capital injection from non-controlling interests	163,066	-
Net cash provided by (used in) financing activities	541,434	2,237,145
Effects of exchange rate changes	148,125	(49,365)
Net increase (decrease) in cash and cash equivalents	(408,089)	712,569
Cash and cash equivalents at beginning of year	3,045,203	2,602,683
Cash and cash equivalents at end of year	\$ 2,637,114	3,315,252

See accompanying notes to the consolidated financial statements

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For The Six Months Ended June 30, 2022 and 2021

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

1. Organization and business

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

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on August 4, 2022.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

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

The Group does not expect the new and amended standards, which will be taken effect on January 1, 2023, to have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

- (c) The new and amended standards and explanations issued by IASB but not yet endorsed by the FSC

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

Standards or Interpretations	Content of amendment	Effective Date Issued by IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	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. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

See accompanying notes to the consolidated financial statements

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

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”

4. Summary of significant accounting policies

(a) Statement of compliance

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

Except as described below, the significant accounting policies applied in the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2021, and have been applied consistently to all periods presented in the consolidated financial statements. Refer to Note 4 of the consolidated financial statements for the year ended December 31, 2021 for the details.

(b) Basis of preparation

The compiling principle of the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2021, and have been applied consistently to all periods presented in the consolidated financial statements. Refer to Note 4(c) of the consolidated financial statements for the year ended December 31, 2021 for the details.

(i) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Note
			June 30,2022	December 31,2021	June 30,2021	
The Company	Darfon (BVI) Corporation (DFBVI)	Trading of electronic products	100.00%	100.00%	100.00%	Note 1
The Company	Darfon (Labuan) Corporation (DFLB)	Investment holding	100.00%	100.00%	100.00%	-
The Company	Darfon Materials Corp. (DMC)	Manufacture and sale of LTCC, inductors and paste	100.00%	100.00%	100.00%	Note 1
The Company	Darfon Gemmy Corp. (DZL)	Investment holding	100.00%	100.00%	100.00%	Note 1
The Company	Darfon Europe B.V. (DFeu)	Trading of green devices	100.00%	100.00%	100.00%	Note 1
DFBVI/DFLB	Darfon Electronics (Suzhou) Co., Ltd. (DFS)	Manufacture and sale of the Company’s products	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon Electronics Czech s.r.o (DFC)	Trading of electronic products	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon America Corp. (DFA)	Trading of electronic products	100.00%	100.00%	100.00%	Note 1
DFLB	Huaian Darfon Electronics Co., Ltd. (DFH)	Manufacture and sale of the Company’s products	100.00%	100.00%	100.00%	-

See accompanying notes to the consolidated financial statements

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

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Note
			June 30, 2022	December 31, 2021	June 30, 2021	
DFLB	Darfon Korea Co., Ltd. (DFK)	Trading of electronic products	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon Precision Holdings Co., Ltd. (DPH)	Investment holding	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon Electronics, Chongqing (DFQ)	Manufacture and sale of the Company's products	100.00%	100.00%	100.00%	Note 1
DPH	Darfon Precision (Suzhou) Co., Ltd. (DPS)	Mold development and manufacture	100.00%	100.00%	100.00%	Note 1
DFeu	Darfon Germany GmbH(DFG)	Trading of green devices	100.00%	100.00%	100.00%	Note 1
The Company	Darfon Vietnam Co., Ltd.(DFV)	Manufacture of electronic products	100.00%	100.00%	100.00%	Note 1
The Company	Darfon Energy Technology Corp. (DET)	Manufacturing and wholesale of batteries and electric components	100.00%	100.00%	-	Note 1 and 3
The Company /DZL	Unictron Technologies Corporation (UTC)	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	45.77%	45.77%	50.28%	Note 1
UTC	Unicom Technologies, Inc. (UTI)	Investment holding	45.77%	45.77%	50.28%	Note 1
UTI	WirelessCom Technologies (Shenzhen) Co., Ltd. (UTZ)	Sale, design and marketing of wireless antennas for telecommunication and modules	45.77%	45.77%	50.28%	Note 1
The Company/ DZL	Darad Innovation Corp. (DTC)	Manufacture and sale of E-bike and related products	69.19%	70.46%	70.35%	Note 1
DTC	Kenlight Sport Marketing Co., Ltd. (KSMC)	Sale of bicycles and related products	69.19%	70.46%	70.35%	Note 1
DTC	Iron Ore Co., Ltd. (IOC)	Sale of bicycles and related products	52.58%	53.55%	53.47%	Note 1
IOC	Iron Star Company Limited (ISC)	Sale of bicycles and related products	52.58%	-	-	Note 1 and 4
The Company	Kenstone Metal Co., Ltd. (KST)	Manufacture and sale of bicycles and related products	58.54%	60.00%	60.00%	Note 1
KST	Kenstone Metal Company GmbH (KSG)	Assembly and sale of bicycles and related products	58.54%	60.00%	60.00%	Note 1
KST	KSI Handels GmbH (KSI)	Acquisition, lease and management of movable property and real estate, and sale of bicycles and related products	58.54%	60.00%	60.00%	Note 1
KST	Kenstone Vietnam Co., Ltd. (KSV)	Manufacture and sale of bicycles and related products	58.54%	60.00%	60.00%	Note 1
The Company	TD HiTech Energy Inc (TDI)	Manufacture and sale of the High-power battery modules for electric bicycles	62.75%	62.75%	62.75%	Note 1
The Company	Astro Tech Co., Ltd. (ATC)	Manufacture and sale of bicycles and related products	51.00%	51.00%	51.00%	Note 2
ATC	Astro Engineering Co., Ltd (ATB)	Investment holding	51.00%	51.00%	51.00%	Note 2
ATB	Astro Engineering Vietnam Co., Ltd (ATV)	Manufacture and sale of bicycles and related products	51.00%	51.00%	51.00%	Note 2

Note 1: The financial statements have not been reviewed for the six months ended June 30, 2021 and 2022.

Note 2: On April 1, 2021, the Group obtained control over ATC. Thus, ATC and its subsidiaries were included in the accompanying consolidated financial statements from the date the control commenced. The ATC and its subsidiaries have been reviewed for the six months ended June 30, 2022.

Note 3: DET was established in December 2021.

Note 4: IOC was new investment started from the second quarter in 2022.

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

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

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

(d) Income taxes

The Company measures and discloses interim period income tax expense in accordance with paragraph B12 of IAS 34, Interim Financial Reporting. Income tax expense for the period is best estimated by multiplying pre-tax income of the interim period by a projected annual effective tax rate, and is recognized as current tax expense.

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

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

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

In preparing the consolidated financial statements, critical accounting judgments and key sources of estimations and assumptions uncertainty used by management in the application of accounting policies are consistent with those described in Note 5 of the consolidated financial statements for the year ended December 31, 2021.

6. Description of Significant Accounts

Except as described below, the description of significant accounts in the accompanying consolidated financial statements is not materially different from those described in Note 6 of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash equivalents

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash on hand	\$ 6,624	6,438	7,389
Demand deposits and checking accounts	1,823,745	2,508,599	2,681,335
Time deposits with original maturities less than three months	800,341	522,942	618,694
Cash equivalents	<u>6,404</u>	<u>7,224</u>	<u>7,834</u>
	<u>\$ 2,637,114</u>	<u>3,045,203</u>	<u>3,315,252</u>

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	\$ 435	1,768	1,946
Non-derivative financial assets:			
Open-end mutual funds	50,218	100,282	100,111
Structured deposits	<u>365,897</u>	<u>355,411</u>	<u>342,571</u>
	<u>\$ 416,550</u>	<u>457,461</u>	<u>444,628</u>

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

Financial liabilities held for trading:

Derivative instruments not designated for
hedge accounting:

Foreign currency forward contracts	\$	<u>(3,124)</u>	<u>(23)</u>	<u>(879)</u>
------------------------------------	-----------	-----------------------	--------------------	---------------------

The Group entered into derivative contracts to manage foreign currency exchange risk arising from operating activities and were classified as financial assets and liabilities at fair value through profit or loss. At each reporting date, the outstanding derivative contracts that did not conform to the criteria for hedge accounting and consisted of the following:

June 30, 2022		
Contract amount (in thousands)	Currency	Maturity Period
USD <u>6,000</u>	CNY Buy / USD Sell	2022.7
USD <u>6,687</u>	NTD Buy / USD Sell	2022.7~2022.10
December 31, 2021		
Contract amount (in thousands)	Currency	Maturity Period
USD <u>12,000</u>	CNY Buy / USD Sell	2022.1
USD <u>4,845</u>	NTD Buy / USD Sell	2022.1~2022.6
June 30, 2021		
Contract amount (in thousands)	Currency	Maturity Period
USD <u>51,000</u>	CNY Buy / USD Sell	2021.7~2021.10
USD <u>8,369</u>	NTD Buy / USD Sell	2021.7~2021.12

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

	June 30, 2022	December 31, 2021	June 30, 2021
Equity investments at fair value through other comprehensive income:			
Domestic listed stocks	<u>\$ 1,496,114</u>	<u>1,485,096</u>	<u>1,307,041</u>
Current	\$ 354,154	271,389	181,024
Non-current	<u>1,141,960</u>	<u>1,213,707</u>	<u>1,126,017</u>
	<u>\$ 1,496,114</u>	<u>1,485,096</u>	<u>1,307,041</u>

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

For the six months ended June 30, 2022, no strategic investments were disposed and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

For the six months ended June 30, 2021, the Group sold certain investments measured at FVOCI at fair value of \$56,095, and the realized gain on disposed of the investment accumulated in other comprehensive income of \$29,189 have been reclassified from other equity to retained earnings.

(d) Financial assets at amortized costs

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Current:			
Time deposits with original maturities more than 3 months	\$ -	-	45,773
Restricted deposits	<u>3,100</u>	<u>3,100</u>	<u>1,100</u>
	<u>\$ 3,100</u>	<u>3,100</u>	<u>46,873</u>
Non-current:			
Restricted deposits	<u>\$ 2,273</u>	<u>810</u>	<u>810</u>

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

(e) Notes and accounts receivable

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Notes and accounts receivable	\$ 8,175,759	7,780,468	7,729,288
Accounts receivable from related parties	<u>153,877</u>	<u>137,271</u>	<u>129,261</u>
	8,329,636	7,917,739	7,858,549
Less: loss allowance	<u>(70,181)</u>	<u>(55,609)</u>	<u>(55,573)</u>
	<u>\$ 8,259,455</u>	<u>7,862,130</u>	<u>7,802,976</u>

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

	<u>June 30, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance</u>
Current	\$ 7,895,842	0.35%	27,956
Past due 1-30 days	145,373	2.44%	3,545
Past due 31-60 days	233,428	4.98%	11,630
Past due 61-90 days	28,344	20.84%	5,908
Past due 91-120 days	7,518	26.75%	2,011
Past due over 121 days	<u>19,131</u>	100.00%	<u>19,131</u>
	<u>\$ 8,329,636</u>		<u>70,181</u>

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

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	\$ 6,605,502	0.30%	19,522
Past due 1-30 days	1,212,219	1.40%	17,018
Past due 31-60 days	66,309	3.87%	2,568
Past due 61-90 days	20,544	25.07%	5,151
Past due 91-120 days	4,348	58.26%	2,533
Past due over 121 days	8,817	100.00%	8,817
	<u>\$ 7,917,739</u>		<u>55,609</u>

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

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

	Six months Ended June 30,	
	2022	2021
Balance at January 1	\$ 55,609	54,685
Impairment loss	14,007	1,109
Effect of exchange rate changes	565	(221)
Balance at December 31	<u>\$ 70,181</u>	<u>55,573</u>

(f) Inventories

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials	\$ 5,406,464	5,074,006	3,246,307
Work in process	1,393,435	1,318,259	1,034,159
Finished goods	2,046,631	2,146,570	2,092,861
	<u>\$ 8,846,530</u>	<u>8,538,835</u>	<u>6,373,327</u>

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of inventories sold	\$ 6,308,534	6,146,305	12,446,012	11,022,457
Write-down of inventories	65,306	21,280	84,935	113,230
Loss on scrap	48,631	65,526	86,357	112,321
	\$ 6,422,471	6,233,111	12,617,304	11,248,008

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

- (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:

	June 30, 2022	December 31, 2021	June 30, 2021
Carrying amount of joint ventures	\$ 33,531	23,332	27,762
Carrying amount of associates	36,334	51,891	35,563
	\$ 69,865	75,223	63,325

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Attributable to the Group of joint ventures:				
Net Profit	\$ (1,258)	1,998	(3,387)	1,129
Other comprehensive income	(2,908)	(673)	(3,517)	(2,436)
Total comprehensive income	\$ (4,166)	1,325	(6,904)	(1,307)
Attributable to the Group of associates:				
Net Profit	\$ (66)	864	(120)	864
Other comprehensive income	(11,729)	-	(15,438)	-
Total comprehensive income	\$ (11,795)	864	(15,558)	864

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

(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.

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

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

Goodwill \$ 168,868

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

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

For the evaluation of the fair value list above, the required market assessment and other calculations have been completed, and the necessary adjustment to the provisional amount of original accounting for the acquisition of ATB has been recognized during the measurement period to reflect the factual information that existed at the acquisition date.

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

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

In March 2022, 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 percentage of ownership interest in DTC.

In April 2022, KST increased its share capital and reserved the partial new shares for subscription by its employees and for the stock options exercised by its employees from KST and the company, which resulted in a decrease in the Group's percentage of ownership interest in KST.

In May 2022, the group purchased part of the equity of DTC with \$180 thousand cash, which resulted in an increase in the Group's percentage of ownership interest in DTC.

For the aforementioned changes in ownership interest in subsidiaries, the capital surplus increase \$4,259 thousand from January 1, 2022 to June 30, 2022.

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

(i) Subsidiaries that have material non-controlling interest

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

<u>Subsidiary</u>	<u>Principal place of business /Registration country</u>	<u>The Percentage of ownership and voting rights held by non-controlling interests</u>		
		<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
KST	Taiwan	41.46%	40.00%	40.00%
UTC	Taiwan	54.23%	54.23%	49.72%
TDI	Taiwan	37.25%	37.25%	37.25%
ATC	Taiwan	49.00%	49.00%	49.00%

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

(i) The summarized financial information of KST:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current assets	\$ 4,797,643	3,785,923	2,633,546
Non-current assets	944,893	904,766	835,774
Current liabilities	(4,270,661)	(3,533,691)	(2,305,581)
Non-current liabilities	(176,928)	(85,090)	(81,332)
Net assets	<u>\$ 1,294,947</u>	<u>1,071,908</u>	<u>1,082,407</u>
The carrying amount of non-controlling interests	<u>\$ 480,958</u>	<u>375,194</u>	<u>379,393</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net sales	\$ 1,703,563	892,427	3,030,263	1,664,082
Net (loss) income	\$ 7,567	(2,812)	15,605	(6,100)
Other comprehensive income	\$ (3,538)	(8,900)	11,315	(8,392)
Total comprehensive income	\$ 4,029	(11,712)	26,920	(14,492)
Net (loss) income attributable to non-controlling interests	\$ 3,304	(1,125)	6,519	(2,440)
Total comprehensive income attributable to non-controlling interests	\$ 2,001	(4,685)	11,158	(5,797)
Cash flow from operating activities	\$ (38,962)	(295,351)	(581,025)	(580,191)
Cash flow from investing activities	(10,861)	(89,979)	(65,731)	(120,229)
Cash flow from financing activities	117,935	376,010	716,116	337,870
Effects of foreign exchange rate changes	(9,569)	(9,354)	(9,881)	(9,568)
Net increase (decrease) in cash and cash equivalents	\$ 58,543	(18,674)	59,479	(372,118)
Cash dividends paid to non-controlling interests	\$ -	-	-	-

(ii) The summarized financial information of UTC:

	June 30, 2022	December 31, 2021	June 30, 2021
Current assets	\$ 1,782,272	1,815,578	1,282,042
Non-current assets	1,180,429	1,166,286	1,177,883
Current liabilities	(758,673)	(633,209)	(839,675)
Non-current liabilities	(59,302)	(69,921)	(82,032)
Net assets	\$ 2,144,726	2,278,734	1,538,218
The carrying amount of non-controlling interests	\$ 1,014,795	1,087,467	617,699

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net sales	<u>\$ 388,562</u>	<u>436,669</u>	<u>828,359</u>	<u>824,262</u>
Net income	\$ 66,078	72,370	136,676	120,976
Other comprehensive income	(7,970)	(123)	(7,369)	(39)
Total comprehensive income	<u>\$ 58,108</u>	<u>72,247</u>	<u>129,307</u>	<u>120,937</u>
Net income attributable to non-controlling interests	<u>\$ 35,834</u>	<u>36,328</u>	<u>74,119</u>	<u>60,840</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 31,512</u>	<u>36,267</u>	<u>70,124</u>	<u>60,813</u>
Cash flow from operating activities	\$ 55,041	132,214	156,395	193,630
Cash flow from investing activities	(126,200)	(16,263)	(174,232)	(30,358)
Cash flow from financing activities	(13,185)	106,692	(80,916)	159,854
Effects of foreign exchange rate changes	(97)	(112)	288	(35)
Net(decrease) increase in cash and cash equivalents	<u>\$ (84,441)</u>	<u>222,531</u>	<u>(98,465)</u>	<u>323,091</u>
Cash dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>(142,796)</u>	<u>(76,170)</u>

(iii) The summarized financial information of TDI:

	<u>June 30,</u>	<u>December 31,</u>	<u>June 30,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Current assets	\$ 632,481	732,020	690,056
Non-current assets	141,824	147,505	154,233
Current liabilities	(111,726)	(206,068)	(174,969)
Non-current liabilities	(28,836)	(34,941)	(41,288)
Net assets	<u>\$ 633,743</u>	<u>638,516</u>	<u>628,032</u>
The carrying amount of non-controlling interests	<u>\$ 217,239</u>	<u>219,017</u>	<u>215,111</u>

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

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net sales	<u>\$ 109,537</u>	<u>184,987</u>	<u>258,574</u>	<u>339,110</u>
Net income (loss)	\$ (4,789)	6,847	1,599	8,147
Other comprehensive income	(13,831)	632	(6,372)	632
Total comprehensive income	<u>\$ (18,620)</u>	<u>7,479</u>	<u>(4,773)</u>	<u>8,779</u>
Net income (loss) attributable to non-controlling interests	<u>\$ (1,784)</u>	<u>2,551</u>	<u>596</u>	<u>3,035</u>
The carrying amount of non-controlling interests	<u>\$ (6,936)</u>	<u>2,786</u>	<u>(1,778)</u>	<u>3,270</u>
Cash flow from operating activities	\$ (117,739)	9,736	(138,495)	56,529
Cash flow from investing activities	27,548	(27,299)	25,688	-
Cash flow from financing activities	(3,115)	-	(6,222)	(27,299)
Effects of foreign exchange rate changes	-	3,033	-	-
Net (decrease) increase in cash and cash equivalents	<u>\$ (93,306)</u>	<u>(14,530)</u>	<u>(119,029)</u>	<u>29,230</u>
Cash dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(iv) The summarized financial information of ATC:

	<u>June 30,</u>	<u>December 31,</u>	<u>June 30,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Current assets	\$ 2,143,033	2,050,646	2,615,597
Non-current assets	2,424,861	2,249,155	1,763,386
Current liabilities	(1,961,454)	(1,719,511)	(1,850,927)
Non-current liabilities	(265,169)	(277,971)	(180,513)
Net assets	<u>\$ 2,341,271</u>	<u>2,302,319</u>	<u>2,347,543</u>
The carrying amount of non-controlling interests	<u>\$ 1,064,478</u>	<u>1,045,391</u>	<u>1,080,493</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net sales	<u>\$ 1,053,848</u>	<u>923,710</u>	<u>1,788,628</u>	<u>923,710</u>
Net income	\$ 97,913	59,545	100,555	59,545
Other comprehensive income	(16,788)	5,258	(4,004)	5,258
Total comprehensive income	<u>\$ 81,125</u>	<u>64,803</u>	<u>96,551</u>	<u>64,803</u>
Net income attributable to non-controlling interests	<u>\$ 47,977</u>	<u>29,177</u>	<u>49,272</u>	<u>29,177</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 39,752</u>	<u>31,754</u>	<u>47,311</u>	<u>31,754</u>
Cash flow from operating activities	\$ 159,362	(511,005)	(39,289)	(511,005)
Cash flow from investing activities	(155,486)	(36,713)	(266,926)	(36,713)
Cash flow from financing activities	(2,254)	(33,861)	127,418	(33,861)
Effects of foreign exchange rate changes	(13,646)	5,258	(10,114)	5,258
Net decrease in cash and cash equivalents	<u>\$ (12,024)</u>	<u>(576,321)</u>	<u>(188,911)</u>	<u>(576,321)</u>
Cash dividends paid to non-controlling interests	<u>\$ (28,224)</u>	<u>-</u>	<u>(28,224)</u>	<u>-</u>

(j) Property, plant and equipment

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

	Land	Building	Machinery	Other equipment	Equipment pending acceptance	Total
Cost:						
Balance at January 1, 2022	\$ 1,441,633	6,980,628	7,207,808	590,424	414,211	16,634,704
Additions	138,614	33,953	115,726	57,619	482,736	828,648
Disposals	-	(620)	(143,382)	(11,733)	(735)	(156,470)
Reclassification	101,283	17,295	151,579	6,937	(45,977)	231,117
Effect of exchange rate changes	-	175,924	211,050	6,794	15,909	409,677
Balance at June 30, 2022	<u>\$ 1,681,530</u>	<u>7,207,180</u>	<u>7,542,781</u>	<u>650,041</u>	<u>866,144</u>	<u>17,947,676</u>
Balance at January 1, 2021	\$ 893,231	6,262,066	5,963,628	431,401	179,146	13,729,472
Acquisition through business combination (note 6(h))	177,647	499,198	577,170	76,418	-	1,330,433
Additions	-	16,508	68,079	40,755	95,958	221,300
Disposals	-	(4,066)	(52,358)	(13,641)	-	(70,065)
Reclassification	-	9,694	355,943	(3,428)	(150,687)	211,522
Effect of exchange rate changes	-	(36,994)	(32,777)	(1,157)	(191)	(71,119)
Balance at June 30, 2021	<u>\$ 1,070,878</u>	<u>6,746,406</u>	<u>6,879,685</u>	<u>530,348</u>	<u>124,226</u>	<u>15,351,543</u>

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

	<u>Land</u>	<u>Building</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Equipment pending acceptance</u>	<u>Total</u>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2022	\$ -	3,219,163	5,187,941	384,050	-	8,791,154
Depreciation	-	147,911	280,102	42,343	-	470,356
Disposals	-	(587)	(141,442)	(8,134)	-	(150,163)
Effect of exchange rate changes	-	83,885	162,374	4,798	-	251,057
Balance at June 30, 2022	<u>\$ -</u>	<u>3,450,372</u>	<u>5,488,975</u>	<u>423,057</u>	<u>-</u>	<u>9,362,404</u>
Balance at January 1, 2021	\$ -	2,873,554	4,490,389	319,583	-	7,683,526
Acquisition through business combination (note 6(h))	-	103,229	295,768	12,472	-	411,469
Depreciation	-	133,512	228,690	27,560	-	389,762
Disposals	-	(2,902)	(49,109)	(12,291)	-	(64,302)
Reclassification	-	-	-	(6,231)	-	(6,231)
Effect of exchange rate changes	-	(22,083)	(29,216)	(1,317)	-	(52,616)
Balance at June 30, 2021	<u>\$ -</u>	<u>3,085,310</u>	<u>4,936,522</u>	<u>339,776</u>	<u>-</u>	<u>8,361,608</u>
Carrying amount:						
Balance at June 30, 2022	<u>\$ 1,681,530</u>	<u>3,756,808</u>	<u>2,053,806</u>	<u>226,984</u>	<u>866,144</u>	<u>8,585,272</u>
Balance at January 1, 2022	<u>\$ 1,441,633</u>	<u>3,761,465</u>	<u>2,019,867</u>	<u>206,374</u>	<u>414,211</u>	<u>7,843,550</u>
Balance at June 30, 2021	<u>\$ 1,070,878</u>	<u>3,661,096</u>	<u>1,943,163</u>	<u>190,572</u>	<u>124,226</u>	<u>6,989,935</u>

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

Lands located in Miaoli and ChangHua, which are properties of the 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 June 30, 2022, December 31, 2021 and June 30, 2021, the group paid the prepayment \$4,004 thousand, \$105,283 thousand and \$0 thousand respectively, included in other non-current assets to acquire the lands in Miaoli and ChangHua, and switched to property, plant and equipment when the land is transferred.

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

(k) Right-of-use assets

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

	<u>Land</u>	<u>Building</u>	<u>Transportation Equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2022	\$ 776,958	461,006	10,299	1,248,26
Additions	-	52,191	-	52,19
Disposals	-	(30,483)	(258)	(30,741
Effect of exchange rates changes	<u>23,948</u>	<u>8,929</u>	<u>(62)</u>	<u>32,81</u>
Balance at June 30, 2022	<u>\$ 800,906</u>	<u>491,643</u>	<u>9,979</u>	<u>1,302,52</u>
Balance at January 1, 2021	\$ 384,866	445,208	3,712	833,78
Acquisition through business combination (note 6(h))	220,410	7,096	-	227,50
Additions	8,736	35,796	6,252	50,78
Disposals	-	(42,932)	(351)	(43,283
Reclassification from other Non-current asse	176,897	-	-	176,89
Effect of exchange rate changes	<u>(15,918)</u>	<u>(2,712)</u>	<u>(105)</u>	<u>(18,735</u>
Balance at June 30, 2021	<u>\$ 774,991</u>	<u>442,456</u>	<u>9,508</u>	<u>1,226,95</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2022	\$ 76,218	195,797	3,464	275,47
Depreciation	19,224	60,858	1,582	81,66
Disposals	-	(26,693)	(259)	(26,952
Effect of exchange rate changes	<u>1,291</u>	<u>4,166</u>	<u>(24)</u>	<u>5,43</u>
Balance at June 30, 2022	<u>\$ 96,733</u>	<u>234,128</u>	<u>4,763</u>	<u>335,62</u>
Balance at January 1, 2021	\$ 41,161	120,981	1,431	163,57
Acquisition through business combination (note 6(h))	5,400	-	-	5,40
Depreciation	15,781	53,055	1,286	70,12
Disposals	-	(11,074)	(351)	(11,425
Effect of exchange rate changes	<u>(136)</u>	<u>(936)</u>	<u>(13)</u>	<u>(1,085</u>
Balance at June 30, 2021	<u>\$ 62,206</u>	<u>162,026</u>	<u>2,353</u>	<u>226,58</u>

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

	<u>Land</u>	<u>Building</u>	<u>Transportation Equipment</u>	<u>Total</u>
Carrying amount:				
Balance at June 30, 2022	<u>\$ 704,173</u>	<u>257,515</u>	<u>5,216</u>	<u>966,904</u>
Balance at January 1, 2022	<u>\$ 700,740</u>	<u>265,209</u>	<u>6,835</u>	<u>972,784</u>
Balance at June 30, 2021	<u>\$ 712,785</u>	<u>280,430</u>	<u>7,155</u>	<u>1,000,370</u>

On June 30, 2022, December 31, 2021 and June 30, 2021, the subsidiaries, ATV, paid 100% payment \$198,638 thousand, \$194,563 thousand, and \$173,888 thousand respectively 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.

(l) Investment property

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

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Carrying amount:			
Balance at June 30, 2022	<u>\$ 52,359</u>	<u>9,691</u>	<u>62,050</u>
Balance at January 1, 2022	<u>\$ 52,359</u>	<u>9,766</u>	<u>62,125</u>
Balance at June 30, 2021	<u>\$ 69,233</u>	<u>17,301</u>	<u>86,534</u>

There was no significant change in the Company's investment property for the six months ended June 30, 2022 and 2021. For the depreciation, refer to note 12(a). For other relevant information, refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2021.

The fair value of the Company's investment property was not materially different from those disclosed in note 6(l) of the consolidated financial statements for the year ended December 31, 2021.

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

(m) Intangible assets

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

	<u>Goodwill</u>	<u>Patents</u>	<u>Expertise</u>	<u>Customer relationship</u>	<u>Software</u>	<u>Total</u>
Costs:						
Balance at January 1, 2022	\$ 637,110	160,824	212,746	114,690	100,438	1,225,808
Additions	-	36	-	-	8,912	8,948
Reclassification	-	-	-	-	305	305
Effect of exchange rate changes	-	-	-	-	493	493
Balance at June 30, 2022	<u>\$ 637,110</u>	<u>160,860</u>	<u>212,746</u>	<u>114,690</u>	<u>110,148</u>	<u>1,235,554</u>
Balance at January 1, 2021	\$ 465,868	35,836	217,475	114,690	46,561	880,430
Acquisition through business combination (note 6(h))	122,047	1,688	130,756	154,241	14,908	423,640
Adjustment of business combination combining during the measurement period (note 6(h))	2,374	-	(4,729)	-	-	(2,355)
Additions	-	-	-	-	15,546	15,546
Reclassification	-	-	-	-	13,534	13,534
Effect of exchange rate changes	-	-	-	-	1,804	1,804
Balance at June 30, 2021	<u>\$ 590,289</u>	<u>37,524</u>	<u>343,502</u>	<u>268,931</u>	<u>92,353</u>	<u>1,332,599</u>
Accumulated amortization:						
Balance at January 1, 2022	\$ -	51,534	63,427	45,399	47,402	207,762
Amortization	-	23,383	10,934	7,168	11,107	52,592
Effect of exchange rate changes	-	-	-	-	403	403
Balance at June 30, 2022	<u>\$ -</u>	<u>74,917</u>	<u>74,361</u>	<u>52,567</u>	<u>58,912</u>	<u>260,757</u>
Balance at January 1, 2021	\$ -	14,994	40,477	32,342	18,590	106,403
Acquisition through business combination (note 6(h))	-	14	-	-	422	436
Amortization	-	2,808	21,633	10,755	8,536	43,732
Reclassification	-	-	1,279	(1,279)	6,231	6,231
Effect of exchange rate changes	-	-	-	-	2,019	2,019
Balance at June 30, 2021	<u>\$ -</u>	<u>17,816</u>	<u>63,389</u>	<u>41,818</u>	<u>35,798</u>	<u>158,821</u>
Carrying amount:						
Balance at June 30, 2022	<u>\$ 637,110</u>	<u>85,943</u>	<u>138,385</u>	<u>62,123</u>	<u>51,236</u>	<u>974,797</u>
Balance at January 1, 2022	<u>\$ 637,110</u>	<u>109,290</u>	<u>149,319</u>	<u>69,291</u>	<u>53,036</u>	<u>1,018,046</u>
Balance at June 30, 2021	<u>\$ 590,289</u>	<u>19,708</u>	<u>280,113</u>	<u>227,113</u>	<u>56,555</u>	<u>1,173,778</u>

Based on the results of impairment tests on goodwill conducted by the Group at December 31, 2021, the recoverable amount of CGUs exceeded their carrying amount; as a result, no impairment loss was recognized. Please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2021.

The impairment tests evaluated the expected revenue and profit of the respective CGUs to which the goodwill at June 30, 2021 and 2022; as a result, no impairment loss was recognized.

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

(n) Short-term borrowings

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unsecured bank borrowings	\$ 4,876,347	4,710,651	4,248,763
Secured bank borrowings	208,000	329,320	-
	<u>\$ 5,084,347</u>	<u>5,039,971</u>	<u>4,248,763</u>
Unused credit facilities	<u>\$ 10,616,607</u>	<u>10,951,121</u>	<u>7,847,120</u>
Interest rate	<u>0.53%~4.7%</u>	<u>0.60%~1.39%</u>	<u>0.60%~1.43%</u>

For the six months ended June 30, 2022 and 2021, the increase in Short-term borrowings were \$17,448,122 thousand and \$16,619,055 thousand, respectively; the maturity periods are from July to December 2022 and 2021, respectively; the repayments of short-term borrowings are \$17,441,833 thousand and \$14,869,373 thousand, respectively.

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

(o) Long-term debt

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unsecured bank loans	\$ 113,149	-	29,466
Secured bank loans	4,050,000	3,640,850	2,500,000
Less: current portion of long-term debt	(13,149)	(16,899)	(16,838)
	<u>\$ 4,150,000</u>	<u>3,623,951</u>	<u>2,512,628</u>
Unused credit facilities	<u>\$ 3,537,587</u>	<u>2,491,493</u>	<u>2,245,888</u>
Year to maturity	<u>111~114</u>	<u>111~113</u>	<u>112~113</u>
Interest rate	<u>0.82%~2.12%</u>	<u>0.82%~1.60%</u>	<u>0.824%~1.60%</u>

According to the loan agreements, the Group is required to maintain certain financial ratios, including current ratio, net liability ratio, financial liability ratio, interest coverage ratio and tangible net worth, calculated based on its annual audited consolidated financial statements and semi-annual reviewed consolidated financial statements. On June 30, 2022, December 31, 2021, and June 30, 2021, the Group was in compliance with the above-mentioned financial ratios.

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

(p) Lease liabilities

Lease liabilities were as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current	<u>\$ 121,381</u>	<u>100,386</u>	<u>99,452</u>
Non-current	<u>\$ 175,080</u>	<u>203,716</u>	<u>217,590</u>

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

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

The amounts recognized in profit or loss were as follows:

	<u>Three Months ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	<u>\$ 2,445</u>	<u>2,201</u>	<u>4,927</u>	<u>5,587</u>
Expenses relating to short-term leases	<u>\$ 14,038</u>	<u>9,976</u>	<u>26,676</u>	<u>16,403</u>

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

	<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	<u>\$ 94,221</u>	<u>82,656</u>

Major terms of lease:

(i) Land and Buildings leases

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

(q) Warranty provisions

	<u>June 30,</u>	<u>December 31,</u>	<u>June 30,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Warranty provisions	<u>\$ 118,235</u>	<u>110,716</u>	<u>108,060</u>

There was no significant change in the Company's warranty provisions for the six months ended June 30, 2022 and 2021. For other relevant information, refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2021.

(r) Employee benefits

(i) Defined benefit plans

Subsequent to December 31, 2021, there was no significant market volatility, significant curtailment, reimbursement and settlement or other significant one-time events. Therefore, the pension cost in the consolidated interim financial statements was measured and disclosed by the Company according to the pension cost valued by actuary as of December 31, 2021 and 2020.

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

Expenses recognized in profit or loss

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of sales	\$ 5	621	10	1,227
Operating expenses	145	1,086	291	2,138
	<u>\$ 150</u>	<u>1,707</u>	<u>301</u>	<u>3,365</u>

(ii) Defined contribution plans

Expenses recognized in profit or loss

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cost of sales	\$ 56,382	46,232	112,158	83,221
Operating expenses	16,835	16,021	33,520	31,041
	<u>\$ 73,217</u>	<u>62,253</u>	<u>145,678</u>	<u>114,262</u>

(s) Income taxes

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Current income tax expense	\$ 110,183	100,386	206,580	172,177
Deferred income tax benefit	(6,533)	(7,068)	(13,065)	(9,937)
	<u>\$ 103,650</u>	<u>93,318</u>	<u>193,515</u>	<u>162,240</u>

(ii) There were no income taxes expense (benefit) recognized directly in other comprehensive income for the six months ended June 30, 2022 and 2021

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

(t) Capital and other equity

Except as described below, there was no significant change in the Company's capital and other equity for the six months ended June 30, 2022 and 2021. For other relevant information, refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2021.

(i) Common stock

The Company's authorized common stock consisted of 450,000 thousand shares, of which 280,000 thousand shares were issued and outstanding as at June 30, 2022, December 30, 2021 and June 30, 2021. The par value of the Company's common stock is \$10 per share.

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

(ii) Capital surplus

The components of capital surplus were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Paid-in capital in excess of par value	\$ 3,563,940	3,563,940	3,563,940
Treasury stock transactions	238,180	238,180	238,180
Surplus from merger	144	144	144
Difference between consideration and carrying amount of subsidiaries acquired or disposed	101,730	101,730	94,638
Recognition of changes in ownership interest in subsidiaries	<u>233,032</u>	<u>228,773</u>	<u>24,552</u>
	<u>\$ 4,137,026</u>	<u>4,132,767</u>	<u>3,921,454</u>

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

(iii) Retained earnings

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

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

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

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

1) Legal reserve

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

2) Special reserve

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

(iv) Earnings distribution

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

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

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, 2022	\$ (765,143)	379,613	(36,993)	(422,523)
Foreign exchange differences arising from translation of foreign operations	341,132	-	-	341,132
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	-	(90,831)	-	(90,831)
Share of the other comprehensive income (loss) of joint ventures	(1,198)	(9,153)	-	(10,351)
Balance at June 30, 2022	\$ (425,209)	279,629	(36,993)	(182,573)
Balance at January 1, 2021	\$ (683,751)	328,577	(31,433)	(386,607)
Foreign exchange differences arising from translation of foreign operations	(82,583)	-	-	(82,583)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	-	82,859	-	82,859
Disposal of equity instruments designated at fair value through other comprehensive income	-	(29,189)	-	(29,189)
Share of the other comprehensive income (loss) of joint ventures	(1,714)	-	-	(1,714)
Balance at June 30, 2021	\$ (768,048)	382,247	(31,433)	(417,234)

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

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

	Six Months Ended June 30,	
	2022	2021
Balance at January 1	\$ 2,879,152	1,387,996
Equity attributable to non-controlling interests:		
Net income	128,793	95,509
Foreign currency translation differences	15,916	(2,369)
Unrealized gain (loss) from financial assets at fair value through other comprehensive income	(6,541)	235
Interests of other comprehensive income of joint venture and related enterprise recognized by equity method	(8,604)	(722)
Acquisition of subsidiaries	-	1,058,739
Capital injection from non-controlling interests	(4,259)	-
Acquisition of subsidiary's additional interests	(180)	-
Compensation cost of stock option issued by subsidiaries	665	-
Capital injection from non-controlling interests	163,066	-
Decrease in non-controlling interests	-	(1,409)
Distribution of cash dividend by subsidiaries to non-controlling interests	(171,019)	(79,239)
Balance at June 30	<u><u>\$ 2,996,989</u></u>	<u><u>2,458,740</u></u>

(u) Earnings per share ("EPS")

(i) Basic earnings per share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income attributable to ordinary shareholders of the Company	<u><u>\$ 286,382</u></u>	<u><u>310,340</u></u>	<u><u>534,733</u></u>	<u><u>511,595</u></u>
Weighted average number of ordinary shares outstanding (in thousands)	<u><u>280,000</u></u>	<u><u>280,000</u></u>	<u><u>280,000</u></u>	<u><u>280,000</u></u>
Basic earnings per share (in New Taiwan dollars)	<u><u>\$ 1.02</u></u>	<u><u>1.11</u></u>	<u><u>1.91</u></u>	<u><u>1.83</u></u>

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

(ii) Diluted earnings per share

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net income attributable to ordinary shareholders of the Company	<u>\$ 286,382</u>	<u>310,340</u>	<u>534,733</u>	<u>511,595</u>
Weighted-average number of ordinary shares outstanding(in thousands)	280,000	280,000	280,000	280,000
Effect of dilutive potential ordinary shares (in thousands):				
Remuneration to employees in stock	<u>1,904</u>	<u>1,640</u>	<u>3,054</u>	<u>2,684</u>
Weighted-average number of ordinary shares outstanding(including the effect of dilutive potential ordinary shares)(in thousands)	<u>281,904</u>	<u>281,640</u>	<u>283,054</u>	<u>282,684</u>
Diluted earnings per share (in New Taiwan dollars)	<u>\$ 1.02</u>	<u>1.10</u>	<u>1.89</u>	<u>1.81</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Primary geographical markets:				
Taiwan	\$ 1,011,907	1,196,866	2,191,851	2,113,923
America	371,879	359,487	738,140	561,007
Mainland China	3,221,420	3,748,708	6,600,571	7,244,270
Canada	391,863	441,390	911,947	881,430
Others	<u>2,756,621</u>	<u>1,791,103</u>	<u>4,726,508</u>	<u>2,732,365</u>
	<u>\$ 7,753,690</u>	<u>7,537,554</u>	<u>15,169,017</u>	<u>13,532,995</u>
Major products and services lines:				
Peripheral electronic products	\$ 3,339,354	3,627,950	6,918,112	7,113,006
Green energy products and passive components	<u>4,414,336</u>	<u>3,909,604</u>	<u>8,250,905</u>	<u>6,419,989</u>
	<u>\$ 7,753,690</u>	<u>7,537,554</u>	<u>15,169,017</u>	<u>13,532,995</u>

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

(ii) Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021
Notes and accounts receivable (including related parties)	\$ 8,329,636	7,917,739	7,858,549
Less: loss allowance	(70,181)	(55,609)	(55,573)
	\$ 8,259,455	7,862,130	7,802,976
 Contract liabilities (included in other current liabilities)	 \$ 751,134	 426,711	 170,866

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

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

The amounts of revenue recognized in the three months ended June 30, 2022 and 2021, and in the six months ended June 30, 2022 and 2021 that were included in the balance of contract liabilities on January 1, 2022 and 2021, were \$312,326 thousand, \$23,607 thousand, \$382,184 thousand and \$46,270 thousand, respectively.

(iii) Refund liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
Other current liabilities – refund liabilities	\$ 372,775	236,537	273,678

(w) Remuneration to employees and directors

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

For the three months ended June 30, 2022, 2021 and the six months ended June 30, 2022, 2021, the Company estimated its remuneration to employees amounting to \$41,083 thousand, \$45,129 thousand, \$77,021 thousand and \$75,294 thousand, respectively; the remuneration to directors amounting to \$2,413 thousand, \$3,343 thousand, \$5,075 thousand and \$5,577 thousand, respectively. The said amounts were calculated based on the net profits before tax of each period before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of the remuneration to employees and directors. The estimations are recognized as cost of sales or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.

For the years ended December 31, 2021, the Company estimated remuneration to employees and directors was amounting to \$142,889 thousand and \$10,717 thousand, respectively and were all paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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

(x) Non-operating income and loss

(i) Interest income

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 2,865	1,976	4,969	3,883
Interest income from financial assets measured at amortized cost	-	9	-	16
	<u>\$ 2,865</u>	<u>1,985</u>	<u>4,969</u>	<u>3,899</u>

(ii) Other income

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Rental income	\$ 1,443	81	2,843	671
Insurance claim	-	-	-	1,960
Subsidy	15,045	5,936	20,660	13,303
Other	11,775	12,766	19,810	37,839
	<u>\$ 28,263</u>	<u>18,783</u>	<u>43,313</u>	<u>53,773</u>

(iii) Other gains and losses

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Loss on disposal of property, plant and equipment	\$ (960)	(547)	(611)	(554)
Gain (loss) on lease modification	-	-	23	(245)
Foreign exchange gain (loss), net	20,603	(19,066)	41,177	(5,803)
(Loss) gain on financial assets and liabilities measured at fair value through profit	1,633	27,152	6,363	23,766
Others	(560)	(4,628)	(710)	(6,495)
	<u>\$ 20,716</u>	<u>2,911</u>	<u>46,242</u>	<u>10,669</u>

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

(iv) Finance costs

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest expense from bank loans	\$ (34,230)	(15,992)	(57,442)	(26,609)
Interest expenses on lease liabilities	(2,445)	(2,201)	(4,927)	(5,587)
	<u>\$ (36,675)</u>	<u>(18,193)</u>	<u>(62,369)</u>	<u>(32,196)</u>

(y) Financial instruments

Except as described below, there was no significant change in the fair value of the Consolidated Company's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For other relevant information, refer to note 6(ab) of the consolidated financial statements for the year ended December 31, 2021.

(i) Categories of financial instruments

1) Financial assets

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Financial assets at fair value through profit or loss:			
Financial assets mandatorily measured at fair value through profit or loss:			
Foreign currency forward contracts	\$ 435	1,768	1,946
Open-end mutual funds	50,218	100,282	100,111
Structured deposits	365,897	355,411	342,571
Subtotal	<u>416,550</u>	<u>457,461</u>	<u>444,628</u>
Financial assets at fair value through other comprehensive income	1,496,114	1,485,096	1,307,041
Financial assets measured at amortized cost:			
Cash and cash equivalents	2,637,114	3,045,203	3,315,252
Financial assets at amortized cost	5,373	3,910	47,683
Notes and accounts receivable and other receivables (including related parties)	8,313,922	7,906,340	7,826,799
Refundable deposits	42,646	39,961	37,556
Subtotal	<u>10,999,055</u>	<u>10,995,414</u>	<u>11,227,290</u>
Total	<u>\$ 12,911,719</u>	<u>12,937,971</u>	<u>12,978,959</u>

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

2) Financial liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contracts	\$ 3,124	23	879
Financial liabilities measured at amortized cost:			
Short-term borrowings	5,084,347	5,039,971	4,248,763
Notes and accounts payable and other payables (including related parties)	9,928,348	9,858,913	10,264,206
Lease liabilities	296,461	304,102	317,042
Long-term debt (including current portion)	4,163,149	3,640,850	2,529,466
Long-term payables (included in other non-current liability)	149,814	149,623	143,471
Guarantee deposits (included in other non-current liability)	12,790	99,420	103,099
Subtotal	<u>19,634,909</u>	<u>19,092,879</u>	<u>17,606,047</u>
Total	<u>\$ 19,638,033</u>	<u>19,092,902</u>	<u>17,606,926</u>

(ii) Liquidity risk

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

	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
June 30, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 5,113,596	5,113,596	-	-	-
Long-term debt (including current portion)	4,264,469	64,952	992,028	3,207,489	-
Notes and accounts payable and other payables (including related parties)	9,928,348	9,928,348	-	-	-
Lease liabilities	328,052	124,471	91,987	54,237	57,357
Long-term payables	149,814	-	80,777	69,037	-
Guarantee deposits	12,790	779	4,468	462	7,081
Subtotal	<u>19,797,069</u>	<u>15,232,146</u>	<u>1,169,260</u>	<u>3,331,225</u>	<u>64,438</u>
Derivative financial instruments:					
Foreign currency forward contracts — settled in gross:					
Outflow	377,358	377,358	-	-	-
Inflow	<u>(374,669)</u>	<u>(374,669)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,689</u>	<u>2,689</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 19,799,758</u>	<u>15,234,835</u>	<u>1,169,260</u>	<u>3,331,225</u>	<u>64,438</u>

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

	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 5,055,830	5,055,830	-	-	-
Short-term notes and bills payable	3,703,533	44,411	880,239	2,778,883	-
Long-term debt (including current portion)	9,858,913	9,858,913	-	-	-
Lease liabilities	339,679	107,660	91,464	82,071	58,484
Subtotal	149,623	-	80,584	69,039	-
Derivative financial instruments:	<u>99,420</u>	<u>87,995</u>	<u>3,925</u>	<u>439</u>	<u>7,061</u>
Foreign currency forward contracts					
— settled in gross:	<u>19,206,998</u>	<u>15,154,809</u>	<u>1,056,212</u>	<u>2,930,432</u>	<u>65,545</u>
Outflow					
Inflow					
Subtotal	468,363	468,363	-	-	-
Lease liabilities	<u>(470,108)</u>	<u>(470,108)</u>	-	-	-
Subtotal	<u>(1,745)</u>	<u>(1,745)</u>	-	-	-
	<u>\$ 19,205,253</u>	<u>15,153,064</u>	<u>1,056,212</u>	<u>2,930,432</u>	<u>65,545</u>
June 30, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 4,258,381	4,258,381	-	-	-
Long-term debt (including current portion)	2,593,345	40,258	35,838	2,517,249	-
Notes and accounts payable and other payables (including related parties)	10,264,206	10,264,206	-	-	-
Lease liabilities	364,645	111,309	91,350	107,988	53,998
Long-term payables	143,471	-	74,432	69,039	-
Guarantee deposits	<u>103,099</u>	<u>89,653</u>	<u>7,293</u>	-	6,153
Subtotal	<u>17,727,147</u>	<u>14,763,807</u>	<u>208,913</u>	<u>2,694,276</u>	<u>60,151</u>
Derivative financial instruments:					
Foreign currency forward contracts					
—					
settled in gross:					
Outflow	1,382,446	1,382,446	-	-	-
Inflow	<u>(1,383,513)</u>	<u>(1,383,513)</u>	-	-	-
Subtotal	<u>(1,067)</u>	<u>(1,067)</u>	-	-	-
	<u>\$ 17,726,080</u>	<u>14,762,740</u>	<u>208,913</u>	<u>2,694,276</u>	<u>60,151</u>

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

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

(iii) Currency risk

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

June 30, 2022					
	Foreign currency (in thousands)	Exchange rate	New Taiwan Dollars (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 416,711	29.7200	12,384,651	1%	123,847
CNY	209,552	4.4391	930,222	1%	9,302
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	339,924	29.7200	10,102,541	1%	101,025
CNY	148,622	4.4391	659,748	1%	6,597
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)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 449,986	27.6800	12,455,612	1%	124,556
CNY	235,572	4.3454	1,023,655	1%	10,237
<u>Financial liabilities</u>					
<u>Monetary items</u>					
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 (Continued)

		June 30, 2021				
		Foreign currency (in thousands)	Exchange rate	New Taiwan Dollars (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	442,605	27.8680	12,334,516	1%	123,345
CNY		234,760	4.3073	1,011,182	1%	10,112
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		319,894	27.8680	8,914,806	1%	89,148
CNY		161,228	4.3073	694,457	1%	6,945

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(x) for the information with respect to the foreign exchange gains (losses) for the three months ended June 30, 2022, 2021 and for the six months ended June 30, 2022, 2021.

(iv) Fair value

1) Financial instruments that are not measured at fair value

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

2) Financial instruments that are measured at fair value

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

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

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

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

		June 30, 2022				
		Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss:						
Non-derivative financial assets:						
Open-end mutual fund	\$ 435	-	435	-	435	
Structured deposits	50,218	50,218	-	-	50,218	
Subtotal	365,897	-	365,897	-	365,897	
Financial assets at fair value through other comprehensive income:						
Domestic listed stocks	416,550	50,218	366,332	-	416,550	
Total	1,496,114	1,496,114	-	-	1,496,114	
Financial liabilities at fair value through profit or loss: Derivative financial instruments—						
Foreign currency forward contracts	\$ 1,912,664	1,546,332	366,332	-	1,912,664	
Financial assets at fair value through profit or loss:						
	\$ (3,124)	-	(3,124)	-	(3,124)	

		December 31, 2021				
		Carrying amount	Carrying			Total
		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)	

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

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

3) Valuation techniques and assumptions used in fair value measurement

a) Non-derivative financial instruments

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

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

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

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

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

b) Derivative financial instruments

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

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

4) Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the six months ended June 30, 2022 and 2021.

(z) Financial risk management

Both the goals and policies of the Company's financial risk management were not materially different from those disclosed in note 6(ac) of the consolidated financial statements for the year ended December 31, 2021.

(aa) Capital management

The objectives, policies and procedures of the Company's capital management were not materially different from those disclosed in note 6(ad) of the consolidated financial statements for the year ended December 31, 2021.

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

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

(ii) Partial cash flows from investing activities

	Six Months Ended June 30,	
	2022	2021
Additions to property, plant and equipment	\$ 828,648	221,300
Add: Payables on equipment at January 1	265,225	110,505
Prepayment for equipment at June 30	475,561	240,272
Prepayment for land at June 30	4,004	-
Reclassification from prepayments for equipment and land	231,422	225,057
Effect of exchange rates changes	(8,260)	714
Less: Payables on equipment at June 30	(159,730)	(145,415)
Prepayment for equipment at January 1	(403,631)	(191,694)
Repayment for land at January 1	(105,283)	-
Acquisition prepayments for equipment through business combination	-	(541)
Cash outflow	\$ 1,127,956	460,198

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

	January 1, 2022	Cash flows	Acquisition	Non-cash changes			June 30, 2022
				Additions of lease liabilities	Lease modifications	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 5,039,971	6,289	-	-	-	38,087	5,084,347
Long-term debt (including current portion)	3,640,850	521,316	-	-	-	983	4,163,149
Lease liabilities	304,102	(62,618)	-	52,191	(3,812)	6,598	296,461
Guarantee deposits	99,420	(86,630)	-	-	-	-	12,790
Other non-current liabilities	149,623	191	-	-	-	-	149,814
Total liabilities from financing activities	\$ 9,233,966	378,548	-	52,191	(3,812)	45,668	9,706,561

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

	January 1, 2021	Cash flows	Acquisition	Non-cash changes			June 30, 2021
				Additions of lease liabilities	Lease modifications	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 2,470,428	1,749,682	28,653	-	-	-	4,248,763
Short-term notes and bills payable	439,721	(439,721)	-	-	-	-	-
Long-term debt (including current portion)	1,600,000	895,769	34,383	-	-	(686)	2,529,466
Lease liabilities	353,709	(51,930)	7,096	42,048	(31,613)	(2,268)	317,042
Guarantee deposits	19,754	83,345	-	-	-	-	103,099
Other non-current liabilities	-	-	143,471	-	-	-	143,471
Total liabilities from financing activities	<u>\$ 4,883,612</u>	<u>2,237,145</u>	<u>213,603</u>	<u>42,048</u>	<u>(31,613)</u>	<u>(2,954)</u>	<u>7,341,841</u>

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
DFI Inc. (“DFI”)	Subsidiary of Qisda
MetaAge Corp. (MetaAge, formerly known as Sysage Technology Co.,Ltd)	Subsidiary of Qisda
Hitron Technologies (Sip), Inc.(“HT SZ”)	Subsidiary of Qisda
Hitron Technologies Inc. (“HT”)	Subsidiary of Qisda

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Advancedtek International Corp. ("ADVANCEDTEK")	Subsidiary of Qisda (Note1)
Alpha Networks Inc. ("Alpha")	Subsidiary of Qisda
Transnet Corporation ("Transnet")	Subsidiary of Qisda
Topview Optronics Corporation ("Topview")	Subsidiary of Qisda
Shiton Investment Co., Ltd.	Other related party
Silver Star Co., Ltd.	Other related party

Note 1: From January 2021, ADVANCEDTEK became Subsidiary of Qisda, and the related party of the group.

(b) Significant transactions with related parties

(i) Net Sales

The Group's significant sales amount to related parties were as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Entity with significant influence over the Group	\$ 1,732	62	2,046	226
Joint Venture	38,314	65,392	97,288	94,331
Other related parties	73,599	65,951	125,570	127,479
	<u>\$ 113,645</u>	<u>131,405</u>	<u>224,904</u>	<u>222,036</u>

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

The Group's purchase price to related parties were as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Other related parties	<u>\$ 16,713</u>	<u>-</u>	<u>16,713</u>	<u>-</u>

Due to different product specification, purchase price for related parties cannot be compared with the general purchase price; it is handled according to agreed purchase price and conditions.

(iii) Leases

For the six months ended June 31, 2022 and 2021, the Group leased an employee dormitory from a related party. A one-year contract was signed, in which the rental was referred to the market price in the adjacent area. The total value of the lease was \$9,745 thousand and \$9,691 thousand respectively.

The Group recognized interest expenses of \$197 thousand and \$193 thousand for the six months ended June 30, 2022 and 2021, respectively.

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

(iv) Receivables

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

Account	Related-party categories	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable from related parties	Entity with significant influence over the group	\$ 1,809	129	218
	Joint venture	90,338	74,260	54,645
	Other related parties	<u>61,730</u>	<u>62,882</u>	<u>74,398</u>
		<u>\$ 153,877</u>	<u>137,271</u>	<u>129,261</u>

(v) Payables

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

Account	Related-party categories	June 30, 2022	December 31, 2021	June 30, 2021
Account payables	Other related parties	\$ 18,088	261	-
Other payables	Entity with significant influence over the group	289	12	1
Other payables	Joint venture	31	144	151
Other payables	Other related parties	<u>3,718</u>	<u>4,270</u>	<u>6,246</u>
		<u>4,038</u>	<u>4,426</u>	<u>6,398</u>
Lease liability-current	Other related parties	<u>4,936</u>	-	<u>4,876</u>
Lease liability-non-current	Other related parties	<u>7,678</u>	<u>7,544</u>	<u>7,500</u>
		<u>\$ 34,740</u>	<u>12,231</u>	<u>18,774</u>

(c) Compensation for key management personnel

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Short-term employee benefits	\$ 69,301	69,083	129,036	118,081
Post-employment benefits	<u>493</u>	<u>794</u>	<u>1,183</u>	<u>1,451</u>
	<u>\$ 69,794</u>	<u>69,877</u>	<u>130,219</u>	<u>119,532</u>

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

8. Pledged asset

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

Pledged assets	Pledged to secure	June 30, 2022	December 31, 2021	June 30, 2021
Land and buildings	Credit lines of bank loans	\$ 1,543,504	1,619,635	1,318,399
Time deposit	Guarantees for customs duties and credit limit of credit cards	5,373	3,910	1,910
		<u>\$ 1,548,877</u>	<u>1,623,545</u>	<u>1,320,309</u>

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

9. Significant commitments and contingencies

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

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

	June 30, 2022	December 31, 2021	June 30, 2021
Guarantees for customs duties	\$ 51,232	50,436	47,112
Performance bonds	76,545	84,332	-
	<u>\$ 127,777</u>	<u>134,768</u>	<u>47,112</u>

(b) Significant unrecognized commitments

	June 30, 2022	December 31, 2021	June 30, 2021
Acquisition of property, plant and equipment	\$ 480,992	887,033	843,793

10. Significant loss from disasters: None.

11. Significant subsequent events: None.

12. Others

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

	Three Months Ended June 30,					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	900,356	487,071	1,387,427	845,698	418,158	1,263,856
Labor and health insurance	56,430	28,977	85,407	40,912	29,433	70,345
Pension	56,387	16,980	73,367	46,853	17,107	63,960
Other employees' benefits	26,009	12,645	38,654	33,233	16,725	49,958
Depreciation	228,232	51,732	279,964	199,040	53,379	252,419
Amortization	2,342	24,230	26,572	(4,982)	36,835	31,853

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

	Six Months Ended June 30,					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	1,805,642	930,610	2,736,252	1,622,702	757,719	2,380,421
Labor and health insurance	112,614	59,776	172,390	83,530	57,992	141,522
Pension	112,168	33,811	145,979	84,448	33,179	117,627
Other employees' benefits	56,111	25,942	82,053	45,178	43,668	88,846
Depreciation	441,969	110,051	552,020	364,452	95,432	459,884
Amortization	3,753	49,293	53,046	3,972	45,739	49,711

For the six months ended June 30, 2022 and 2021, the depreciation of investment property of \$212 thousand and \$292 thousand, respectively, were reported in non-operating income and loss.

- (b) The Company's operations are not materially influenced by seasonality or cyclicity.

13. Additional disclosures

- (a) Information on significant transactions:
- (i) Financing provided to other parties: Please refer to table 1.
 - (ii) Guarantees and endorsement provided to other parties: None.
 - (iii) Marketable securities held (excluding investments in subsidiaries, associates, and jointly controlled entities): Please refer to table 2.
 - (iv) Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital: Please refer to table 3.
 - (v) Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: Please refer to table 4.
 - (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 of investment in mainland China: Please refer to table 9.

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

(d) Major shareholders:

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

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

14. Segment information

The Group's operating segment information was as follows:

Three Months Ended June 30, 2022				
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 3,339,354	4,414,336	-	7,753,690
Inter-segment Revenues	-	156,899	(156,899)	-
Total	\$ 3,339,354	4,571,235	(156,899)	7,753,690
Three Months Ended June 30, 2021				
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 3,627,950	3,909,604	-	7,537,554
Inter-segment Revenues	-	186,565	(186,565)	-
Total	\$ 3,627,950	4,096,169	(186,565)	7,537,554
Six Months Ended June 30, 2022				
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 6,918,112	8,250,905	-	15,169,017
Inter-segment Revenues	-	379,185	(379,185)	-
Total	\$ 6,918,112	8,630,090	(379,185)	15,169,017

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

	Six Months Ended June 30, 2021			
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 7,113,006	6,419,989	-	13,532,995
Inter-segment Revenues	-	415,274	(415,274)	-
Total	<u>\$ 7,113,006</u>	<u>6,835,263</u>	<u>(415,274)</u>	<u>13,532,995</u>

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

Darfon Electronics Corp. and Subsidiaries
Financing provided to other parties
For the six months ended June 30, 2022

Table1

(In Thousands of NTD)

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the period	Range of Interest Rates During the period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reason for the Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	KST	KSG	Other receivables - related parties	Yes	62,174 (EUR 2,000)	62,174 (EUR 2,000)	68,950 (EUR 2,218)	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSG	Other receivables - related parties	Yes	77,718 (EUR 2,500)	77,718 (EUR 2,500)	75,667 (EUR 2,434)	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSG	Other receivables - related parties	Yes	39,761 (USD1,194 and NTD4,287)	39,761 (USD1,194 and TD4,287)	33,520 (USD984 and NTD4,287)	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSV	Other receivables - related parties	Yes	148,600 (USD5,000)	148,600 (USD5,000)	59,440 (USD2,000)	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
2	DFS	DFQ	Other receivables - related parties	Yes	237,760 (USD 8,000)	237,760 (USD 8,000)	237,760 (USD 8,000)	1.30%	b	-	Operating requirements	-	-	-	1,368,861	1,368,861
3	DPS	DFQ	Other receivables - related parties	Yes	133,173 (CNY 30,000)	-	-	3.85%	b	-	Operating requirements	-	-	-	184,223	184,223
3	DPS	DFQ	Other receivables - related parties	Yes	133,173 (CNY 30,000)	133,173 (CNY 30,000)	133,173 (CNY 30,000)	3.70%	b	-	Operating requirements	-	-	-	184,223	184,223
4	DZL	DTC	Other receivables - related parties	Yes	47,000	47,000	47,000	1.30%	b	-	Operating requirements	-	-	-	236,830	236,830
4	DZL	DTC	Other receivables - related parties	Yes	60,000	60,000	60,000	1.30%	b	-	Operating requirements	-	-	-	236,830	236,830
4	DZL	DTC	Other receivables - related parties	Yes	64,000	64,000	64,000	1.30%	b	-	Operating requirements	-	-	-	236,830	236,830
4	DZL	KSMC	Other receivables - related parties	Yes	20,000	20,000	-	1.30%	b	-	Operating requirements	-	-	-	236,830	236,830
5	DTC	IOC	Other receivables - related parties	Yes	14,860 (USD 500)	14,860 (USD 500)	11,888 (USD 400)	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 and individual financing amount of DFS to subsidiaries shall not exceed 40% of the most recent net worth of DFS.

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

(Note 4) The aggregate financing amount and individual financing amount of DZL to subsidiaries shall not exceed 40% of the most recent net worth of DZL.

(Note 5) The aggregate financing amount and individual financing amount of DTC to subsidiaries shall not exceed 40% of the most recent net worth of DTC.

(Note 6) Purpose of Fund Financing: 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\$31.087, US\$1=NT\$29.72 and CN\$1=NT\$4.4391.

(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)

June 30, 2022

Table 2

(In Thousands of Shares)

Investing Note Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending balance				Note
				Number of Shares	Carrying Value	Percentage of Ownership	Fair Value	
The Company	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - non-current	39,859	1,141,960	2.03%	1,141,960	-
DZL	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	5,887	168,663	0.30%	168,663	-
DZL	Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income or loss - current	102	7,058	0.03%	7,058	-
DZL	DFI	Subsidiary of investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss – current	50	2,980	0.04%	2,980	-
KST	HARO BICYCLE CORPORATION	-	Financial assets at fair value through other comprehensive income or loss - non-current	26	-	10.00%	-	-
TDI	Jih Sun Money Market Fund Beneficiary Certificate	-	Financial assets at fair value through profit or loss - current	-	50,218	-	50,218	-
TDI	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	3,264	93,514	0.17%	93,514	-
UTC	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	2,860	81,939	0.15%	81,939	-
DPS	Bank of Suzhou—Principal protected currency deposit in CNY	-	Financial assets at fair value through profit or loss - current	-	210,451	-	210,451	-
DPS	Lidodo—Principal protected currency deposit in CNY	-	Financial assets at fair value through profit or loss - current	-	155,446	-	155,446	-

Darfon Electronics Corp. and Subsidiaries

Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital

For the six months ended June 30, 2022

Table 3

(In Thousands of Shares)

Company name	Marketable Securities Name	Financial Statement Account	Counter Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Price Reference	
					Shares (in thousand)	Amount	Shares (in thousands)	Amount	Shares (in thousand)	Amount	Carrying Value	Gain (loss) on disposal	Shares (in thousands)	Amount (note 1)
DPS	Bank of Suzhou—Principal protected currency deposit in CNY	Financial assets at fair value through profit or loss –current	Bank of Suzhou	-	-	363,074 (CYN81,790)	-	208,638 (CNY47,000)	-	365,191 (CNY82,267)	359,567 (CNY81,000)	5,624 (CNY1,267)	-	210,451 (CNY47,409)

Note 1: Including adjustment of fair value.

Note 2: The above amounts were translated into New Taiwan dollars at the exchange rate of CN\$1=NT\$4.4391

Darfon Electronics Corp. and Subsidiaries

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

For the six months ended June 30, 2022

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			
DFV	Buildings	2021.8.1	761,815	372,355	MINH TRI STEEL STRUCTURE JOINT STOCK COMPANY, JIANXING VIET NAM CONSTRUCTION DEVELOPMENT COMPANY LIMITED, BESTSUN TECHNOLOGY COMPANY , R.J. WU ARCHITECTS & ENGINEERS ACTER GROUP CORPORATION LIMITED	-	-	-	-	-	Open tender	Operating requirements	NA

Darfon Electronics Corp. and Subsidiaries
Total Purchases From and Sales To Related Parties Which Exceed \$100 Million or 20% of the Paid in Capital
For the six months ended June 30, 2022

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 & Subsidiary	Sales	(144,567)	(2)%	OA90	Note 1	OA30 to OA90	168,338	3%	-
The Company	DFA	Parent & Subsidiary	Sales	(152,177)	(2)%	OA135	Normal price	OA30 to OA135	254,861	4%	-
The Company	DFS	Parent & Subsidiary	Purchases	1,093,215 (note 2)	15%	OA90	Note 1	OA30 to OA90	(1,568,308)	26%	-
The Company	DFH	Parent & Subsidiary	Purchases	3,502,939	47%	OA90	Note 1	OA30 to OA90	(2,911,711)	48%	-
The Company	DFQ	Parent & Subsidiary	Purchases	2,171,782	29%	OA90	Note 1	OA30 to OA90	(1,232,899)	20%	-
DFS	DFH	Affiliates	Sales	(170,190)	(6)%	OA90	Note 1	OA30 to OA135	139,895	6%	-
DFS	The Company	Parent & Subsidiary	Sales	(1,093,215) (note 2)	(37)%	OA90	Normal price	OA30 to OA90	1,568,308	69%	-
DFS	The Company	Parent & Subsidiary	Purchases	144,567	6%	OA90	Note 1	OA30 to OA90	(168,338)	13%	-
DFS	DFQ	Affiliates	Purchases	188,921	8%	OA300	Note 1	OA30 to OA135	(32,781)	3%	-
DFH	The Company	Parent & Subsidiary	Sales	(3,502,939)	(99)%	OA300	Normal price	OA30 to OA90	2,911,711	99%	-
DFH	DFS	Affiliates	Purchases	170,190	7%	OA90	Normal price	OA30 to OA135	(139,895)	6%	-
DFQ	DFS	Affiliates	Sales	(188,921)	(8)%	OA90	Normal price	OA30 to OA90	32,781	3%	-
DFQ	The Company	Parent & Subsidiary	Sales	(2,171,782)	(91)%	OA90	Normal price	OA30 to OA90	1,232,899	95%	-
DFA	The Company	Parent & Subsidiary	Purchases	152,177	93%	OA135	Normal price	OA30 to OA135	(254,861)	100%	-
KST	KSG	Parent & Subsidiary	Sales	(184,117)	(8)%	Individual stipulation	Normal price	OA30 to OA120	619,183	41%	-
KSG	KST	Parent & Subsidiary	Purchases	184,117	56%	Individual stipulation	Normal price	OA30 to OA120	(619,183)	65%	-
DTC	Dfeu	Affiliates	Sales	(120,400)	(44)%	OA135	Normal price	OA30 to OA135	116,492	52%	-
Dfeu	DTC	Affiliates	Purchases	120,400	100%	OA135	Normal price	OA30 to OA135	(116,492)	93%	-

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

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

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

Darfon Electronics Corp. and Subsidiaries
Receivables From Related Parties which Exceed \$100 Million or 20% of the Paid in Capital
For the six months ended June 30, 2022

Table 6

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Notes
					Amount	Action taken			
The Company	DFS	Parent & Subsidiary	168,338	(Note 1)	-	-	149,396	-	-
The Company	DFH	Parent & Subsidiary	772,068	(Note 1)	307,879	-	146,438	-	-
The Company	DFQ	Parent & Subsidiary	178,298	(Note 1)	43,517	-	39,419	-	-
The Company	DFA	Parent & Subsidiary	254,861	0.94	102,224	-	57,638	-	-
The Company	DFC	Parent & Subsidiary	130,957	1.10	59,354	-	6,092	-	-
DFS	The Company	Parent & Subsidiary	1,568,308	1.43(Note 3)	-	-	406,142	-	-
DFS	DFH	Affiliates	139,895	2.14	-	-	29,091	-	-
DFS	DFQ	Affiliates	239,384	(Note 2)	-	-	9,948	-	-
DFH	The Company	Parent & Subsidiary	2,911,711	2.39	1,162,834	-	700,365	-	-
DFQ	The Company	Parent & Subsidiary	1,232,899	3.38	22,712	-	22,712	-	-
DPS	DFQ	Affiliates	133,762	(Note 2)	-	-	-	-	-
KST	KSG	Parent & Subsidiary	619,183	0.61	-	-	28,420	-	-
KST	KSV	Parent & Subsidiary	140,844	0.40	-	-	-	-	-
KST	KSG	Parent & Subsidiary	184,374	(Note 2)	-	-	-	-	-
KST	KSV	Parent & Subsidiary	59,582	(Note 2)	-	-	-	-	-
DTC	DEU	Affiliates	116,492	3.89	-	-	-	-	-
DZL	DTC	Affiliates	172,326	(Note 2)	-	-	47,548	-	-

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 : Turnover ratio is calculated based on the accounts receivable including amount of repurchase after processing.

Note 4 : The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Business Relationships and Significant Intercompany Transactions
For the six months ended June 30, 2022

Table 7

No.(Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details (Note 3)			Percentage of Consolidated Total Operating Revenue or Total Assets (Note 4)
				Account	Amount	Transaction Terms	
0	The Company	DFA	1	Sales	152,177	OA135	1%
0	The Company	DFH	1	Accounts receivable	772,068	OA90	2%
1	DFS	DFH	3	Sales	170,190	OA90	1%
1	DFS	The Company	2	Sales	1,093,215	OA90	7%
1	DFS	The Company	2	Accounts receivable	1,568,308	OA90	5%
2	DFH	The Company	2	Sales	3,502,939	OA90	23%
2	DFH	The Company	2	Accounts receivable	2,911,711	OA90	8%
3	DFQ	DFS	3	Sales	188,921	OA90	1%
3	DFQ	The Company	2	Sales	2,171,782	OA90	14%
3	DFQ	The Company	2	Accounts receivable	1,232,899	OA90	4%
4	KST	KSG	3	Sales	184,117	Individual stipulation	1%
4	KST	KSG	3	Accounts receivable	619,183	Individual stipulation	2%

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

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

(Note 2) Relationships to counterparties were as follows:

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

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

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

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

Darfon Electronics Corp. and Subsidiaries
Information on Investees (Excluding Investments in Mainland China)
For the six months ended June 30, 2022

Table 8 (In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2022			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				June 30, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
The Company	DFBVI	BVI	Trading of electronic products	317,103	317,103	31,450	100.00%	1,798,978	53,566	53,566	Parent-Subsidiary
The Company	DFLB	Malaysia	Investment holding	2,633,584	2,536,514	77,989	100.00%	5,537,447	298,803	298,803	Parent-Subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	6,969	6,969	2,772	100.00%	26,455	454	454	Parent-Subsidiary
The Company	DZL	Taiwan	Investment holding	550,000	450,000	55,910	100.00%	690,232	11,357	11,357	Parent-Subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related products	314,327	217,892	26,467	55.72%	315,579	(6,689)	(4,039)	Parent-Subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	24,435	(11,465)	(11,465)	Parent-Subsidiary
The Company	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	714,680	714,680	17,551	36.66%	897,210	151,760	50,105	Parent-Subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related products	819,960	720,000	28,300	58.54%	813,989	22,283	9,085	Parent-Subsidiary
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	407,809	26,410	62.75%	416,504	2,786	1,004	Parent-Subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	292,558	292,558	-	100.00%	278,713	(10,641)	(10,641)	Parent-Subsidiary
The Company	ATC	Taiwan	Manufacture and sale of bicycles and related products	1,224,000	1,224,000	24,480	51.00%	1,276,793	129,865	51,283	Parent-Subsidiary
The Company	DET	Taiwan	Manufacturing and wholesale of batteries and electric components	250,000	250,000	12,500	100.00%	249,936	(67)	(67)	Parent-Subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related products	77,138	45,300	6,398	13.47%	76,290	(6,689)	-	Parent-Subsidiary
DZL	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	174,455	174,455	4,361	9.11%	232,722	151,760	-	Parent-Subsidiary
UTC	UTI	Mauritius	Investment holding	25,291	25,291	818	100.00%	10,750	(2,878)	-	Affiliates
KST	KSG	Germany	Assemble and sale of bicycles and related products	361,371	361,371	-	100.00%	196,170	(42,840)	-	Affiliates
KST	KSI	Germany	Lease, purchase and management of movable property and immovable property and sale of bicycles and related products	87,853	87,853	-	100.00%	78,973	582	-	Affiliates
KST	KSV	Vietnam	Manufacture and sale of bicycles and related products	475,406	475,406	-	100.00%	304,512	(32,686)	-	Affiliates

Darfon Electronics Corp. and Subsidiaries
Information on Investees (Excluding Investments in Mainland China)
For the six months ended June 30, 2022

Table 8

(In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2022			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				June 30, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
DFLB	DFC	Czech Republic	Trading of electronic products	94,514	299	-	100.00%	157,607	(5,165)	-	Affiliates
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	44,614	1,770	-	Affiliates
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	997	151	-	Affiliates
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	463,187	3,672	-	Affiliates
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	4,399	(47)	-	Affiliates
DTC	BESVJ	Japan	Trading of green products	43,793	26,690	3	49.00%	33,531	(6,913)	-	Joint Venture
DTC	IOC	Hong Kong	Agent of bicycles and related products	148,235	148,235	19,000	76.00%	152,892	749	-	Affiliates
DTC	KSMC	Taiwan	Manufacture and sale of bicycles and related products	47,765	47,765	4,500	100.00%	73,329	7,245	-	Affiliates
ATC	Rich Glory International Inc.	Samoa	Investment holding	35,107	35,107	1,862	33.33%	36,334	(358)	-	Associates
ATC	ATB	BVI	Investment holding	577,385	577,385	3,000	100.00%	409,981	(110,874)	-	Affiliates
ATB	ATV	Vietnam	Manufacture and sale of bicycles and related products	872,463	872,463	-	100.00%	409,981	(110,875)	-	Affiliates

Note 1 : The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Information on investments in Mainland China
For the six months ended June 30, 2022

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, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2022	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of June 30, 2022	Accumulated Inward Remittance of Earnings as of June 30, 2022
					Outflow	Inflow						
DFS	Manufacture and sale of the Company's products	823,987 (Note 1) (USD 27,725)(Note 4)	(Note 1)	695,448 (USD 23,400)	-	-	695,448 (USD 23,400)	108,353	100.00%	108,353 (Note 3)	3,422,144	241,267 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,456,280 (Note 1) (USD 49,000)	(Note 1)	1,456,280 (USD 49,000)	-	-	1,456,280 (USD 49,000)	138,568	100.00%	138,568 (Note 3)	2,353,965	-
DPS	Mold development and manufacture	29,720 (Note 1) (USD 1,000)	(Note 1)	29,720 (USD 1,000)	-	-	29,720 (USD 1,000)	3,741	100.00%	3,741 (Note 2)	460,557	-
DFQ	Manufacture and sale of the Company's products	297,200 (Note 1) (USD 10,000)	(Note 1)	297,200 (USD 10,000)	-	-	297,200 (USD 10,000)	104,794	100.00%	104,794 (Note 3)	889,504	-
UTZ	Wireless antennas for telecommunication, components design and marketing	22,439 (Note 1) (USD 755)	(Note 1)	22,439 (USD 755)	-	-	22,439 (USD 755)	(2,879)	100.00%	(2,879) (Note 3)	9,875	-
ISC	Sale of bicycles and related products	7,576 (Note 5) (HKD 2,000)	(Note 5)	-	-	-	-	445	76.00%	338 (Note 2)	7,576	-

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

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

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

Note4 : Including US\$ 4,325 thousand from capitalization of retained earnings.

Note5 : Equity fund from IOC invested in Mainland China.

ii. Limits on investments in Mainland China:

Investor Company Name	Accumulated Investment in Mainland China as of June 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company	2,237,381 (USD 75,282)	2,484,800 (USD 83,607)	(Note)
UTC	22,439 (USD 755)	22,439 (USD 755)	994,864
DTC	-	Verify afterwards, sent already and wait for the reply	223,569

The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.72

(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"