

**DARFON ELECTRONICS CORP. AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditor's Review Report**

**For the Nine Months Ended September 30, 2022 and 2021**

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

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## **Independent Auditors' Review Report**

To the Board of Directors of Darfon Electronics Corp.:

### **Introduction**

We have reviewed the consolidated financial statements of Darfon Electronics Corp. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2022 and 2021, changes in equity and cash flows for the nine months ended September 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 ("IAS") 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 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 financial statements of certain non-significant subsidiaries included in the consolidated financial statements of Darfon Electronics Corp., which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$10,345,591 thousand and \$10,730,157 thousand, constituting 30.13% and 35.19% of the consolidated total assets; and the total liabilities amounting to \$6,390,115 thousand and \$5,285,459 thousand, constituting 30.47% and 28.13% of the consolidated total liabilities as of September 30, 2022 and 2021, respectively; as well as the total comprehensive income (loss) amounting to \$122,450 thousand, \$(27,694) thousand, \$77,740 thousand and \$(1,939) thousand, constituting 17.90%, (11.54)%, 4.90% and (0.23)% of the consolidated total comprehensive income (loss) for the three months ended September 30, 2022 and 2021, and for the nine months ended September 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 September 30, 2022 and 2021, and the consolidated financial performance for the three and nine months ended September 30, 2022 and 2021, and the consolidated cash flows for the nine months ended September 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 audit resulting in this independent auditor’s report are Tzu-Chieh Tang and Huei-Chen Chang.

KPMG

Taipei, Taiwan

Republic of China

Nov. 3, 2022

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

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**September 30, 2022, December 31, 2021 and September 30, 2021**

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

	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>		
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
<b>Assets</b>							
<b>Current assets:</b>							
1100	Cash and cash equivalents (note 6(a))	\$ 2,491,838	8	3,045,203	9	2,510,721	8
1110	Financial assets at fair value through profit or loss — current (note 6(b))	423,435	1	457,461	1	451,869	2
1120	Financial assets at fair value through other comprehensive income — current (note 6(c))	336,627	1	271,389	1	255,247	1
1136	Financial assets at amortized cost — current (notes 6(d) and 8)	8,100	-	3,100	-	49,367	-
1170	Notes and accounts receivable, net (notes 6(e) and (v))	8,293,460	24	7,724,859	23	7,071,924	23
1180	Accounts receivable from related parties (notes 6(e) & (v) and 7)	151,163	1	137,271	-	142,006	-
1200	Other receivables	42,461	-	44,210	-	42,057	-
130X	Inventories (note 6(f))	8,651,678	25	8,538,835	26	7,635,375	25
1470	Prepayments and other current assets	1,095,099	3	856,236	3	815,322	3
	<b>Total current assets</b>	<u>21,493,861</u>	<u>63</u>	<u>21,078,564</u>	<u>63</u>	<u>18,973,888</u>	<u>62</u>
<b>Non-current assets:</b>							
1517	Financial assets at fair value through other comprehensive income-non-current (note 6(c))	1,080,179	3	1,213,707	4	1,141,960	4
1535	Financial assets at amortized cost — non-current (notes 6(d) and 8)	1,084	-	810	-	810	-
1550	Investments accounted for using equity method (note 6(g))	66,749	-	75,223	-	63,489	-
1600	Property, plant and equipment (notes 6(j) and 8)	8,828,267	26	7,843,550	24	7,078,423	23
1755	Right-of-use assets (notes 6(k) and 7)	993,954	3	972,784	3	976,692	3
1760	Investment property, net (note 6(l))	61,941	-	62,125	-	62,111	-
1780	Intangible assets (notes 6(h) and (m))	950,076	3	1,018,046	3	1,146,229	4
1840	Deferred income tax assets	165,411	-	160,251	1	194,887	1
1915	Prepayments for equipment	430,824	1	403,631	1	367,623	1
1920	Refundable deposits	40,792	-	39,961	-	37,962	-
1975	Net defined benefit asset — non-current	17,076	-	17,076	-	16,777	-
1990	Other non-current assets (notes 6(j) and (k))	210,652	1	309,546	1	429,234	2
	<b>Total non-current assets</b>	<u>12,847,005</u>	<u>37</u>	<u>12,116,710</u>	<u>37</u>	<u>11,516,197</u>	<u>38</u>
	<b>Total assets</b>	<u>\$ 34,340,866</u>	<u>100</u>	<u>33,195,274</u>	<u>100</u>	<u>30,490,085</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 September 30, 2022 and 2021**

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets (Continued)**

**September 30, 2022, December 31, 2021 and September 30, 2021**

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

	September 30, 2022		December 31, 2021		September 30, 2021		
	Amount	%	Amount	%	Amount	%	
<b>Liabilities and Equity</b>							
<b>Current liabilities:</b>							
2100	Short-term borrowings (notes 6(n) and 8)	\$ 5,897,523	17	5,039,971	15	4,966,358	16
2120	Financial liabilities at fair value through profit or loss – current (note 6(b))	13,742	-	23	-	895	-
2170	Notes and accounts payable (note 7)	5,488,869	16	6,684,209	20	6,148,243	20
2200	Other payables (notes 6(w) and 7)	3,436,702	10	3,486,501	11	2,938,694	10
2250	Provisions – current (note 6(q))	128,091	1	110,716	1	114,447	-
2280	Lease liabilities – current (note 6(p) and 7)	118,789	-	100,386	-	98,077	-
2322	Long-term debt, current portion (notes 6(o) and 8)	24,081	-	16,899	-	17,023	-
2399	Other current liabilities (note 6(v))	892,504	3	715,203	2	603,792	2
	<b>Total current liabilities</b>	<u>16,000,301</u>	<u>47</u>	<u>16,153,908</u>	<u>49</u>	<u>14,887,529</u>	<u>48</u>
<b>Non-current liabilities:</b>							
2540	Long-term debt (notes 6(o) and 8)	4,389,059	13	3,623,951	11	3,208,512	11
2570	Deferred income tax liabilities	158,732	-	177,942	-	204,698	1
2580	Lease liabilities – non-current (notes 6(p) and 7)	195,735	1	203,716	1	202,596	1
2640	Net defined benefit liability – non-current	62,048	-	65,377	-	64,343	-
2670	Other non-current liabilities (note 6(h))	162,907	-	249,043	1	224,644	1
	<b>Total non-current liabilities</b>	<u>4,968,481</u>	<u>14</u>	<u>4,320,029</u>	<u>13</u>	<u>3,904,793</u>	<u>14</u>
	<b>Total liabilities</b>	<u>20,968,782</u>	<u>61</u>	<u>20,473,937</u>	<u>62</u>	<u>18,792,322</u>	<u>62</u>
<b>Equity attributable to shareholders of the Parent (notes 6(c) and (t)):</b>							
3110	Common stock	2,800,000	8	2,800,000	8	2,800,000	9
3200	Capital surplus	4,099,778	12	4,132,767	12	3,921,384	13
Retained earnings:							
3310	Legal reserve	1,234,562	4	1,116,990	3	1,116,990	4
3320	Special reserve	422,523	1	386,607	1	386,607	1
3350	Unappropriated earnings	1,708,262	5	1,828,344	6	1,497,104	5
		<u>3,365,347</u>	<u>10</u>	<u>3,331,941</u>	<u>10</u>	<u>3,000,701</u>	<u>10</u>
Other equity:							
3410	Foreign currency translation differences	(114,441)	-	(765,143)	(2)	(770,669)	(3)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	201,503	-	379,613	1	284,359	1
3445	Remeasurements of defined benefit	(36,993)	-	(36,993)	-	(31,433)	-
		<u>50,069</u>	<u>-</u>	<u>(422,523)</u>	<u>(1)</u>	<u>(517,743)</u>	<u>(2)</u>
	<b>Equity attributable to shareholders of the Parent</b>	<u>10,315,194</u>	<u>30</u>	<u>9,842,185</u>	<u>29</u>	<u>9,204,342</u>	<u>30</u>
36XX	<b>Non-controlling interests (notes 6(h), (i) &amp; (t))</b>	<u>3,056,890</u>	<u>9</u>	<u>2,879,152</u>	<u>9</u>	<u>2,493,421</u>	<u>8</u>
	<b>Total equity</b>	<u>13,372,084</u>	<u>39</u>	<u>12,721,337</u>	<u>38</u>	<u>11,697,763</u>	<u>38</u>
	<b>Total liabilities and equity</b>	<u>\$ 34,340,866</u>	<u>100</u>	<u>33,195,274</u>	<u>100</u>	<u>30,490,085</u>	<u>100</u>

See accompanying notes to the consolidated financial statements.

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

**Consolidated Statements of Comprehensive Income**

**For the Three and Nine Months Ended September 30, 2022 and 2021**

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

	<b>For the Three Months Ended September 30</b>				<b>For the Nine Months Ended September 30</b>			
	<b>2022</b>		<b>2021</b>		<b>2022</b>		<b>2021</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000 Net sales (Notes 6(v) & 7 and 14)	\$ 7,572,485	100	6,962,475	100	22,741,502	100	20,495,470	100
5000 Cost of sales (notes 6(f), (j), (k), (m), (p), (r) & (w) and 12)	<u>(6,290,766)</u>	<u>(83)</u>	<u>(5,822,483)</u>	<u>(84)</u>	<u>(18,908,070)</u>	<u>(83)</u>	<u>(17,070,491)</u>	<u>(83)</u>
<b>Gross profit</b>	<u>1,281,719</u>	<u>17</u>	<u>1,139,992</u>	<u>16</u>	<u>3,833,432</u>	<u>17</u>	<u>3,424,979</u>	<u>17</u>
<b>Operating expenses (notes 6(e), (j), (k), (m), (p), (r), (w) &amp; 7 and 12):</b>								
6100 Selling expenses	(357,794)	(5)	(336,717)	(5)	(1,072,658)	(5)	(988,295)	(5)
6200 Administrative expenses	(257,019)	(3)	(230,607)	(3)	(754,676)	(3)	(672,281)	(3)
6300 Research and development expenses	(248,704)	(3)	(237,602)	(3)	(759,503)	(4)	(698,131)	(4)
6000 <b>Total operating expenses</b>	<u>(863,517)</u>	<u>(11)</u>	<u>(804,926)</u>	<u>(11)</u>	<u>(2,586,837)</u>	<u>(12)</u>	<u>(2,358,707)</u>	<u>(12)</u>
<b>Operating income</b>	<u>418,202</u>	<u>6</u>	<u>335,066</u>	<u>5</u>	<u>1,246,595</u>	<u>5</u>	<u>1,066,272</u>	<u>5</u>
<b>Non-operating income and loss (notes 6(g), (p), (x) &amp; 7 and 12):</b>								
7100 Interest income	3,017	-	2,785	-	7,986	-	6,684	-
7010 Other income	150,107	2	113,215	2	193,420	1	166,988	1
7020 Other gains and losses	27,396	-	9,792	-	73,638	-	20,461	-
7050 Finance costs	(48,165)	(1)	(19,415)	-	(110,534)	-	(51,611)	-
7060 Share of profit (loss) of associates and joint ventures	93	-	1,184	-	(3,414)	-	3,177	-
<b>Total non-operating income and loss</b>	<u>132,448</u>	<u>1</u>	<u>107,561</u>	<u>2</u>	<u>161,096</u>	<u>1</u>	<u>145,699</u>	<u>1</u>
7900 <b>Income before income tax</b>	550,650	7	442,627	7	1,407,691	6	1,211,971	6
7950 <b>Income tax expenses (note 6(s))</b>	<u>(118,990)</u>	<u>(1)</u>	<u>(105,845)</u>	<u>(2)</u>	<u>(312,505)</u>	<u>(1)</u>	<u>(268,085)</u>	<u>(1)</u>
8200 <b>Net income</b>	<u>431,660</u>	<u>6</u>	<u>336,782</u>	<u>5</u>	<u>1,095,186</u>	<u>5</u>	<u>943,886</u>	<u>5</u>
<b>Other comprehensive income (loss) (notes 6(g) and (t)):</b>								
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(79,308)	(1)	(99,667)	(2)	(176,680)	(1)	(16,572)	-
8320 Share of the profit of associates and joint ventures accounted for using equity method	(6,089)	-	-	-	(24,037)	-	-	-
8349 Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
	<u>(85,397)</u>	<u>(1)</u>	<u>(99,667)</u>	<u>(2)</u>	<u>(200,717)</u>	<u>(1)</u>	<u>(16,572)</u>	<u>-</u>
8360 <b>Items that may be reclassified subsequently to profit or loss:</b>								
8361 Exchange differences on translation of foreign operations	333,910	4	3,811	-	690,958	3	(81,142)	(1)
8370 Share of the other comprehensive income of associates and joint ventures accounted for using equity method	3,718	-	(1,020)	-	2,711	-	(3,456)	-
8399 Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
	<u>337,628</u>	<u>4</u>	<u>2,791</u>	<u>-</u>	<u>693,669</u>	<u>3</u>	<u>(84,598)</u>	<u>(1)</u>
<b>Other comprehensive income (loss) for the year, net of income tax</b>	<u>252,231</u>	<u>3</u>	<u>(96,876)</u>	<u>(2)</u>	<u>492,952</u>	<u>2</u>	<u>(101,170)</u>	<u>(1)</u>
8500 <b>Total comprehensive income for the year</b>	<u>\$ 683,891</u>	<u>9</u>	<u>239,906</u>	<u>3</u>	<u>1,588,138</u>	<u>7</u>	<u>842,716</u>	<u>4</u>
<b>Net income attributable to:</b>								
8610 Shareholders of the Parent	\$ 338,673	5	303,698	4	873,406	4	815,293	4
8620 Non-controlling interests	92,987	1	33,084	1	221,780	1	128,593	1
	<u>\$ 431,660</u>	<u>6</u>	<u>336,782</u>	<u>5</u>	<u>1,095,186</u>	<u>5</u>	<u>943,886</u>	<u>5</u>
<b>Total comprehensive income attributable to:</b>								
8710 Shareholders of the Parent	\$ 571,315	8	203,189	3	1,345,998	6	713,346	3
8720 Non-controlling interests	112,576	1	36,717	-	242,140	1	129,370	1
	<u>\$ 683,891</u>	<u>9</u>	<u>239,906</u>	<u>3</u>	<u>1,588,138</u>	<u>7</u>	<u>842,716</u>	<u>4</u>
<b>Earnings per share (in New Taiwan dollars) (note 6(u))</b>								
9750 Basic earnings per share	<u>\$ 1.21</u>		<u>1.08</u>		<u>3.12</u>		<u>2.91</u>	
9850 Diluted earnings per share	<u>\$ 1.20</u>		<u>1.07</u>		<u>3.08</u>		<u>2.87</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 Change in Equity**

**For the Nine Months Ended September 30, 2022 and 2021**

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

	Equity attributable to shareholders of the Parent						Other equity				Non-controlling interests	Total equity	
	Retained earnings					Foreign currency translation differences	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Remeasurements of defined benefit plans	Equity attributable to shareholders of the Parent				
	Common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated earnings					Subtotal			
<b>Balance at January 1, 2021</b>	<u>\$ 2,800,000</u>	<u>3,921,454</u>	<u>1,024,037</u>	<u>492,270</u>	<u>1,339,912</u>	<u>2,856,219</u>	<u>(683,751)</u>	<u>328,577</u>	<u>(31,433)</u>	<u>(386,607)</u>	<u>9,191,066</u>	<u>1,387,996</u>	<u>10,579,062</u>
Net income	-	-	-	-	815,293	815,293	-	-	-	-	815,293	128,593	943,886
Other comprehensive income	-	-	-	-	-	-	(86,918)	(15,029)	-	(101,947)	(101,947)	777	(101,170)
Total comprehensive income	-	-	-	-	815,293	815,293	(86,918)	(15,029)	-	(101,947)	713,346	129,370	842,716
Appropriation of earnings:													
Legal reserve	-	-	92,953	-	(92,953)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(105,663)	105,663	-	-	-	-	-	-	-	-
Cash dividends of preference share	-	-	-	-	(700,000)	(700,000)	-	-	-	-	(700,000)	-	(700,000)
Acquisition of subsidiary's additional interest	-	-	-	-	-	-	-	-	-	-	-	(480)	(480)
Difference between consideration and carrying amount of subsidiaries acquired	-	(70)	-	-	-	-	-	-	-	-	(70)	70	-
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	-	-	-	-	-	-	-	-	-	-	-	(80,865)	(80,865)
Disposed of subsidiaries' investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	29,189	29,189	-	(29,189)	-	(29,189)	-	-	-
<b>Balance at September 30, 2021</b>	<u>\$ 2,800,000</u>	<u>3,921,384</u>	<u>1,116,990</u>	<u>386,607</u>	<u>1,497,104</u>	<u>3,000,701</u>	<u>(770,669)</u>	<u>284,359</u>	<u>(31,433)</u>	<u>(517,743)</u>	<u>9,204,342</u>	<u>2,493,421</u>	<u>11,697,763</u>
<b>Balance at January 1, 2022</b>	<u>\$ 2,800,000</u>	<u>4,132,767</u>	<u>1,116,990</u>	<u>386,607</u>	<u>1,828,344</u>	<u>3,331,941</u>	<u>(765,143)</u>	<u>379,613</u>	<u>(36,993)</u>	<u>(422,523)</u>	<u>9,842,185</u>	<u>2,879,152</u>	<u>12,721,337</u>
Net income	-	-	-	-	873,406	873,406	-	-	-	-	873,406	221,780	1,095,186
Other comprehensive income	-	-	-	-	-	-	650,702	(178,110)	-	472,592	472,592	20,360	492,952
Total comprehensive income	-	-	-	-	873,406	873,406	650,702	(178,110)	-	472,592	1,345,998	242,140	1,588,138
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)
Acquisition of subsidiary's additional interest	-	-	-	-	-	-	-	-	-	-	-	(180)	(180)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(39,328)	-	-	-	-	-	-	-	-	(39,328)	(46,597)	(85,925)
Changes in ownership interests in subsidiaries	-	6,339	-	-	-	-	-	-	-	-	6,339	(6,339)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	2,470	2,470
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	163,535	163,535
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(177,291)	(177,291)
<b>Balance at September 30, 2022</b>	<u>\$ 2,800,000</u>	<u>4,099,778</u>	<u>1,234,562</u>	<u>422,523</u>	<u>1,708,262</u>	<u>3,365,347</u>	<u>(114,441)</u>	<u>201,503</u>	<u>(36,993)</u>	<u>50,069</u>	<u>10,315,194</u>	<u>3,056,890</u>	<u>13,372,084</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 Cash Flows**

**For the Nine Months Ended September 30, 2022 and 2021**

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 1,407,691	1,211,971
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit or loss:</b>		
Depreciation	838,505	716,913
Amortization	80,063	85,540
Expected credit loss	13,269	3,135
Interest expense	110,534	51,611
Interest income	(7,986)	(6,684)
Dividend income	(130,069)	(67,945)
Share of profits of associates and joint ventures	3,414	(3,177)
Stock option compensation cost of subsidiaries	2,470	-
Losses on disposal of property, plant and equipment	357	569
Gains on disposal of investment property	-	(1,909)
Losses (gains) on lease modifications	(1,116)	195
Total adjustments to reconcile profit or loss	909,441	778,248
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	(18)	8,757
Increase in notes and accounts receivable	(582,866)	(28,391)
Increase in accounts receivable from related parties	(13,892)	(18,565)
Decrease in other receivables	1,763	110,957
Increase in inventories	(112,843)	(2,996,508)
Increase in prepayments and other current assets	(238,863)	(122,750)
Total changes in operating assets	(946,719)	(3,046,500)
Changes in operating liabilities:		
Increase in financial liabilities at fair value through profit or loss	13,719	867
Increase in notes and accounts payable	(1,195,340)	98,380
Decrease in other payables	(43,889)	(109,885)
Increase in provisions	17,375	15,070
Increase in other current liabilities	177,301	27,469
Decrease in net defined benefit liability	(3,329)	(1,886)
Total changes in operating liabilities	(1,034,163)	30,015
Total changes in operating assets and liabilities	(1,980,882)	(3,016,485)
Total adjustment	(1,071,441)	(2,238,237)
Cash provided by (used in) operations	336,250	(1,026,266)
Interest received	7,972	6,731
Interest paid	(105,060)	(50,170)
Income taxes paid	(353,807)	(202,511)
<b>Net cash used in operating activities</b>	<b>(114,645)</b>	<b>(1,272,216)</b>

(Continued)

See accompanying notes to 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 Nine Months Ended September 30, 2022 and 2021**

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from investing activities:</b>		
Purchase of financial assets at fair value through other comprehensive income	(108,391)	(322,049)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	56,095
Purchase of financial assets at amortized cost	(6,463)	(47,773)
Proceeds from redemption of financial assets at amortized cost	1,189	-
Purchase of financial assets at fair value through profit or loss	(788,813)	(695,491)
Proceeds from disposed of financial assets at fair value through profit or loss	1,035,317	689,197
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 land and equipment)	(1,466,099)	(898,338)
Proceeds from disposal of property, plant and equipment	10,634	7,428
Additions to investment property	(137)	-
Proceeds from disposal of investment property	-	26,209
Increase in refundable deposits	(831)	(5,702)
Additions to intangible assets	(10,990)	(18,168)
Additions to right-of-use assets	-	(8,736)
Decrease (increase) in other non-current assets	4,582	(268,279)
Dividends received	130,069	67,945
<b>Net cash used in investing activities</b>	<b>(1,217,036)</b>	<b>(1,577,131)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	27,975,274	28,092,364
Decrease in short-term borrowings	(27,199,418)	(25,625,087)
Decrease in short-term notes and bills payable	-	(439,721)
Increase in long-term debt	2,304,000	1,600,000
Repayments of long-term debt	(1,533,254)	(8,467)
Decrease in guarantee deposits received	(86,583)	-
Payments of lease liabilities	(93,312)	(77,900)
Increase in other non-current liabilities	447	61,419
Cash dividends distributed to shareholders	(840,000)	(700,000)
Decrease in non-controlling interests	(85,925)	-
Cash dividends paid to non-controlling interests by subsidiaries	(177,291)	(80,865)
Additions to interests in subsidiaries	(180)	(480)
Capital injection from non-controlling interests	163,535	-
<b>Net cash provided by financing activities</b>	<b>427,293</b>	<b>2,821,263</b>
<b>Effects of exchange rate changes</b>	<b>351,023</b>	<b>(63,878)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(553,365)</b>	<b>(91,962)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,045,203</b>	<b>2,602,683</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,491,838</b>	<b>2,510,721</b>

See accompanying notes to consolidated financial statements.

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

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the Nine Months Ended September 30, 2022 and 2021**

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

**1. Organization and business**

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

**2. Authorization of the consolidated financial statements**

These consolidated financial statements were authorized for issuance by the Board of Directors on November 3, 2022.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 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 IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of the Accounting Policy”
- Amendments to IAS 8 “Definition of the accounting Evaluation”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a single Translation”

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 16 “Leases” – Lease Liability in a Sale and Leaseback

#### 4. Summary of significant accounting policies

- (a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with the International Accounting Standards 34, “Interim financial reporting” as endorsed by the FSC. The Company’s accompanying consolidated financial statements have been prepared in accordance with the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the FSC (collectively as “Taiwan-IFRSs”).

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied of the consolidated financial statements for the year ended December 31, 2021. Refer to Note 4 for the consolidated financial statements for the year ended December 31, 2021 for the details.

- (b) Basis of consolidation

The compiling principle of the Consolidated Financial Statement are the same as the one for the year ended December 31, 2021. For the related information, please refer to Note 4(c) of the Consolidated Financial Statements for the year ended December 31, 2021.

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(i) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	Darfon (BVI) Corporation (DFBVI)	Investing holding	100.00%	100.00%	100.00%	Note 1
The Company	Darfon (Labuan) Corporation (DFLB)	Investing 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)	Investing holding	100.00%	100.00%	100.00%	Note 1
The Company	Darfon Europe B.V. (DFeu)	Trading of green devices	100.00%	100.00%	100.00%	Note 1
DFBVI/DFLB	Darfon Electronics (Suzhou) Co., Ltd. (DFS)	Manufacture and sale of the Company's products	100.00%	100.00%	100.00%	-
DFLB	Darfon Electronics Czech s.r.o (DFC)	Trading of electronic products	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon America Corp. (DFA)	Trading of electronic products	100.00%	100.00%	100.00%	Note 1
DFLB	Huaian Darfon Electronics Co., Ltd. (DFH)	Manufacture and sale of the Company's products	100.00%	100.00%	100.00%	-
DFLB	Darfon Korea Co., Ltd. (DFK)	Trading of electronic products	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon Precision Holdings Co., Ltd. (DPH)	Investing 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%	-
DPH	Darfon Prevision (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	46.75%	45.77%	50.28%	-
UTC	Unicom Technologies, Inc. (UTI)	Investing holding	46.75%	45.77%	50.28%	-
UTI	WirelessCom Technologies (Shenzhen)Co., Ltd. (UTZ)	Sale, design and marketing of wireless antennas for telecommunication and modules	46.75%	45.77%	50.28%	-
The Company/DZL	Darad Innovation Corp. (DTC)	Manufacture and sale of E-bike and related products	69.19%	70.46%	70.46%	Note 1
DTC	Kenlight Sport Marketing Co., Ltd. (KSMC)	Sale of bicycles and related products	69.19%	70.46%	70.46%	Note 1
DTC	Iron Ore Co., Ltd.(IOC)	Sale of bicycles and related products	52.58%	53.55%	53.55%	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

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Notes
			September 30, 2022	December 31, 2021	September 30, 2021	
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)	Investing 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 nine months ended September 30, 2022 and 2021.

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 financial statements of ATC and its subsidiaries have been reviewed for the nine months ended September 30, 2022.

Note 3 : DET was established in December 2021.

Note 4 : ISC was new investments started in the second quarter, 2022.

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

(c) Employee benefits

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

(d) Income taxes

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

Income tax expense 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 amount 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 judgements and key sources of estimation and assumption 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 judgements, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses, The actual results may differ from these estimates.

In preparing the consolidated financial statements, critical accounting judgements and key sources of estimation 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.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 6. Significant account disclosures

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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 5,584	6,438	7,668
Demand deposits and checking accounts	1,521,310	2,508,599	1,890,285
Time deposits with original maturities less than three months	963,227	522,942	608,503
Cash equivalents	1,717	7,224	4,265
	<b>\$ 2,491,838</b>	<b>3,045,203</b>	<b>2,510,721</b>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	\$ -	1,768	1,087
Non-derivative financial assets:			
Open — end mutual funds	50,300	100,282	100,230
Structured deposits	373,135	355,411	350,552
	<b>\$ 423,435</b>	<b>457,461</b>	<b>451,869</b>
Financial liabilities held for trading:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	<b>\$ (13,742)</b>	<b>(23)</b>	<b>(895)</b>

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.

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

### September 30, 2022

<b>Contract amount (in thousand)</b>	<b>Currency</b>	<b>Maturity Period</b>
JPY\$ <u>530,000</u>	JPY Buy/USD Sell	2022.10~2022.11
USD\$ <u>2,000</u>	USD Buy/TWD Sell	2022.10
USD\$ <u>5,207</u>	TWD Buy/USD Sell	2023.1

### December 31, 2021

<b>Contract amount (in thousand)</b>	<b>Currency</b>	<b>Maturity Period</b>
USD\$ <u>12,000</u>	CNY Buy/USD Sell	2022.1
USD\$ <u>4,845</u>	TWD Buy/USD Sell	2022.1~2022.6

### September 30, 2021

<b>Contract amount (in thousand)</b>	<b>Currency</b>	<b>Maturity Period</b>
USD\$ <u>26,467</u>	CNY Buy/USD Sell	2021.10~2021.12
USD\$ <u>8,559</u>	TWD Buy/USD Sell	2021.10~2022.3

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Equity investments at fair value through other comprehensive income:			
Domestic listed stocks	<u>\$ 1,416,806</u>	<u>1,485,096</u>	<u>1,397,207</u>
Current	\$ 336,627	271,389	255,247
Non-current	<u>1,080,179</u>	<u>1,213,707</u>	<u>1,141,960</u>
	<u>\$ 1,416,806</u>	<u>1,485,096</u>	<u>1,397,207</u>

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

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

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



## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(d) Financial assets at amortized costs

	September 30, 2022	December 31, 2021	September 30, 2021
Current:			
Time deposits with original maturities less than three months	\$ -	-	46,267
Restricted deposits	8,100	3,100	3,100
	<b>\$ 8,100</b>	<b>3,100</b>	<b>49,367</b>
Non-current:			
Restricted deposits	<b>\$ 1,084</b>	<b>810</b>	<b>810</b>

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

(e) Notes and accounts receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Notes and accounts receivable	\$ 8,362,714	7,780,468	7,129,402
Accounts receivable from related parties	151,163	137,271	142,006
	8,513,877	7,917,739	7,271,408
Less: loss allowance	(69,254)	(55,609)	(57,478)
	<b>\$ 8,444,623</b>	<b>7,862,130</b>	<b>7,213,930</b>

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

	September 30, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 7,905,020	0.25%	19,999
Past due 1-30 days	292,024	3.15%	9,201
Past due 31-60 days	250,862	4.32%	10,841
Past due 61-90 days	32,109	23.69%	7,607
Past due 91-120 days	22,264	44.95%	10,008
Past due over 121 days	11,598	100.00%	11,598
	<b>\$ 8,513,877</b>		<b>69,254</b>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
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
	<b>\$ 7,917,739</b>		<b>55,609</b>

	<b>September 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance</b>
Current	\$ 6,976,844	0.36%	24,892
Past due 1-30 days	129,447	1.48%	1,913
Past due 31-60 days	116,113	6.44%	7,482
Past due 61-90 days	29,467	20.69%	6,098
Past due 91-120 days	9,462	74.17%	7,018
Past due over 121 days	10,075	100.00%	10,075
	<b>\$ 7,271,408</b>		<b>57,478</b>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 55,609	54,685
Impairment loss	13,269	3,135
Unrecoverable money offset for the period	(620)	-
Effect of exchange rate changes	996	(342)
Balance at December 31	<b>\$ 69,254</b>	<b>57,478</b>

(f) Inventories

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Raw materials	\$ 4,932,301	5,074,006	4,713,103
Work in process	1,645,804	1,318,259	1,278,530
Finished goods	2,073,573	2,146,570	1,643,742
	<b>\$ 8,651,678</b>	<b>8,538,835</b>	<b>7,635,375</b>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The amount of inventories recognized as cost of sales in the current period were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Cost of inventories sold	\$ 6,112,083	5,779,940	18,558,095	16,802,397
Write-downs of inventories	133,243	42,746	218,178	155,976
Loss on scrap	45,440	(203)	131,797	112,118
	<b><u>\$ 6,290,766</u></b>	<b><u>5,822,483</u></b>	<b><u>18,908,070</u></b>	<b><u>17,070,491</u></b>

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:

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amount of joint venture	\$ 33,438	23,332	29,114
Carrying amount of associates	33,311	51,891	34,375
	<b><u>\$ 66,749</u></b>	<b><u>75,223</u></b>	<b><u>63,489</u></b>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Attributable to the Group of joint ventures:				
Net profit (loss)	\$ (446)	1,808	(3,833)	2,937
Other comprehensive income	351	(456)	(3,166)	(2,892)
Total comprehensive income	<b><u>\$ (95)</u></b>	<b><u>1,352</u></b>	<b><u>(6,999)</u></b>	<b><u>45</u></b>
Attributable to the Group of associates:				
Net profit (loss)	\$ 539	(624)	419	240
Other comprehensive income	(2,722)	(564)	(18,160)	(564)
Total comprehensive income	<b><u>\$ (2,183)</u></b>	<b><u>(1,188)</u></b>	<b><u>(17,741)</u></b>	<b><u>(324)</u></b>

(h) Subsidiaries

(i) Acquisition of a subsidiary— Astro Tech Co., Ltd. (“ATC”)

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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:

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 — 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)

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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)	<u>(143,471)</u>	<u>2,068,887</u>
Goodwill		<u><b>\$ 168,868</b></u>

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 thousand according to the share transfer agreement. Additionally, other long-term share payables accounted to \$143,471 thousand.

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 ATC has been recognized in the fourth quarter of 2021 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 purpose.

#### 4) Pro forma information

From April 1, 2021 (the acquisition date) to September 30, 2021, ATC and its subsidiaries had contributed the revenue of \$1,369,829 thousand and the net income of \$46,375 thousand to the Group's results. If this acquisition had occurred on January 1, 2021, and the management estimates that the consolidated revenue would have been 21,312,182 thousand, and consolidated income after income tax would have been \$991,813 thousand.

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

In March, 2022, DTC increased its share for the stock options exercised by its employees, which resulted in a decrease in the Group's ownership interest in DTC.

In April, 2022, KST increased its share for the stock options exercised by its and the Company's employees, which resulted in a decrease in the Group's ownership interest in KST.

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

During July and August in 2022, UTC bought back treasury stock from open market with \$82,925 thousand in cash, which resulted in an increase in the Group's ownership interest in UTC.

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(i) Subsidiaries that have material non-controlling interest

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

Subsidiary	Principal place of business/ Registration country	The Percentage of ownership and voting rights held by non-controlling interests		
		September 30, 2022	December 31, 2021	September 30, 2021
KST	Taiwan	41.46%	40.00%	40.00%
UTC	Taiwan	53.25%	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.

1) The summarized financial information of KST:

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 4,911,478	3,785,923	3,392,963
Non-current assets	949,125	904,766	876,100
Current liabilities	(4,371,367)	(3,533,691)	(3,109,648)
Non-current liabilities	(174,058)	(85,090)	(78,610)
Net assets	<u>\$ 1,315,178</u>	<u>1,071,908</u>	<u>1,080,805</u>
The carrying amount of non-controlling interests	<u>\$ 489,394</u>	<u>375,194</u>	<u>378,752</u>

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	<u>\$ 1,605,565</u>	<u>911,246</u>	<u>4,635,828</u>	<u>2,575,328</u>
Net profit (loss)	\$ 5,147	(1,990)	20,752	(8,090)
Other comprehensive income	14,614	387	25,929	(8,005)
Total comprehensive income	<u>\$ 19,761</u>	<u>(1,603)</u>	<u>46,681</u>	<u>(16,095)</u>
Net profit (loss) attributable to non-controlling interests	<u>\$ 2,183</u>	<u>(796)</u>	<u>8,702</u>	<u>(3,236)</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 8,242</u>	<u>(641)</u>	<u>19,400</u>	<u>(6,438)</u>

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash flow from operating activities	\$ (268,705)	(561,762)	(849,730)	(1,141,953)
Cash flow from investing activities	(3,151)	(59,311)	(68,882)	(179,540)
Cash flow from financing activities	158,436	565,856	874,552	903,726
Effects of foreign exchange rate changes	(4,209)	60,883	(14,090)	51,315
Net increase (decrease) in cash and cash equivalents	<u>\$ (117,629)</u>	<u>5,666</u>	<u>(58,150)</u>	<u>(366,452)</u>
Cash dividends paid to non-controlling interest	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) The summarized financial information of UTC:

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 1,399,229	1,815,578	1,170,977
Non-current assets	1,207,746	1,166,286	1,161,351
Current liabilities	(440,573)	(633,209)	(640,409)
Non-current liabilities	(70,838)	(69,921)	(76,173)
Net assets	<u>\$ 2,095,564</u>	<u>2,278,734</u>	<u>1,615,746</u>
The carrying amount of non-controlling interests	<u>\$ 988,134</u>	<u>1,087,467</u>	<u>656,591</u>

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	<u>\$ 333,974</u>	<u>464,089</u>	<u>1,162,333</u>	<u>1,288,351</u>
Net profit (loss)	\$ 40,800	77,559	177,476	198,535
Other comprehensive income	(4,038)	(30)	(11,407)	(69)
Total comprehensive income	<u>\$ 36,762</u>	<u>77,529</u>	<u>166,069</u>	<u>198,466</u>
Net profit (loss) attributable to non-controlling interests	<u>\$ 22,127</u>	<u>38,908</u>	<u>96,246</u>	<u>99,748</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 19,936</u>	<u>38,893</u>	<u>90,060</u>	<u>99,706</u>
Cash flow from operating activities	\$ (8,302)	69,727	148,093	263,357
Cash flow from investing activities	(14,854)	(3,810)	(189,086)	(34,168)
Cash flow from financing activities	(354,487)	(272,022)	(435,403)	(112,168)

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Effects of foreign exchange rate changes	375	(28)	663	(63)
Net increase (decrease) in cash and cash equivalents	<u>\$ (377,268)</u>	<u>(206,133)</u>	<u>(475,733)</u>	<u>116,958</u>
Cash dividends paid to non-controlling interest	<u>\$ -</u>	<u>-</u>	<u>(142,796)</u>	<u>(76,170)</u>

3) The summarized financial information of TDI:

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 697,952	732,020	685,883
Non-current assets	137,555	147,505	149,656
Current liabilities	(174,554)	(206,068)	(166,653)
Non-current liabilities	(25,812)	(34,941)	(38,091)
Net assets	<u>\$ 635,141</u>	<u>638,516</u>	<u>630,795</u>
The carrying amount of non-controlling interests	<u>\$ 217,760</u>	<u>219,017</u>	<u>216,141</u>

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Net sales	<u>\$ 222,695</u>	<u>171,250</u>	<u>481,269</u>	<u>510,360</u>
Net profit (loss)	\$ 23,293	7,540	24,892	15,687
Other comprehensive income	(5,059)	(4,777)	(11,431)	(4,145)
Total comprehensive income	<u>\$ 18,234</u>	<u>2,763</u>	<u>13,461</u>	<u>11,542</u>
Net profit (loss) attributable to non-controlling interests	<u>\$ 8,676</u>	<u>2,808</u>	<u>9,272</u>	<u>5,843</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 6,793</u>	<u>1,030</u>	<u>5,015</u>	<u>4,300</u>
Cash flow from operating activities				
Cash flow from investing activities	\$ 18,526	(9,068)	(119,969)	47,461
Cash flow from financing activities	6,281	(64,299)	31,969	(91,598)
Effects of foreign exchange rate changes	(19,695)	-	(25,917)	-
Net increase (decrease) in cash and cash equivalents	<u>\$ 5,112</u>	<u>(73,367)</u>	<u>(113,917)</u>	<u>(44,137)</u>
Cash dividends paid to non-controlling interest	<u>\$ (6,272)</u>	<u>-</u>	<u>(6,272)</u>	<u>-</u>



## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

4) The summarized financial information of ATC:

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 2,736,371	2,050,646	1,855,433
Non-current assets	2,385,734	2,249,155	1,893,794
Current liabilities	(2,387,508)	(1,719,511)	(1,099,562)
Non-current liabilities	(259,687)	(277,971)	(303,666)
Net assets	<b><u>\$ 2,474,910</u></b>	<b><u>2,302,319</u></b>	<b><u>2,345,999</u></b>
The carrying amount of non-controlling interests	<b><u>\$ 1,129,961</u></b>	<b><u>1,089,736</u></b>	<b><u>1,089,736</u></b>

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	<b><u>\$ 1,188,698</u></b>	<b><u>446,119</u></b>	<b><u>2,977,326</u></b>	<b><u>1,369,829</u></b>
Net profit (loss)	\$ 110,485	(13,170)	211,040	46,375
Other comprehensive income	23,155	11,628	19,151	16,886
Total comprehensive income	<b><u>\$ 133,640</u></b>	<b><u>(1,542)</u></b>	<b><u>230,191</u></b>	<b><u>63,261</u></b>
Net profit (loss) attributable to non-controlling interests	<b><u>\$ 54,138</u></b>	<b><u>(6,453)</u></b>	<b><u>103,410</u></b>	<b><u>22,724</u></b>
Total comprehensive income attributable to non-controlling interests	<b><u>\$ 65,483</u></b>	<b><u>(756)</u></b>	<b><u>112,794</u></b>	<b><u>30,998</u></b>
Cash flow from operating activities				
Cash flow from investing activities	\$ (79,379)	(254,177)	(118,668)	(765,182)
Cash flow from financing activities	4,015	(49,912)	(262,911)	(86,625)
Effects of foreign exchange rate changes	217,756	(4,231)	345,174	(38,092)
Net increase (decrease) in cash and cash equivalents	5,639	11,628	(4,475)	16,886
Cash dividends paid to non-controlling interest	<b><u>\$ 148,031</u></b>	<b><u>(296,692)</u></b>	<b><u>(40,880)</u></b>	<b><u>(873,013)</u></b>
Net sales	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>(28,224)</u></b>	<b><u>-</u></b>

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(j) Property, plant and equipment

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

	<u>Land</u>	<u>Building</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Equipment pending acceptance</u>	<u>Total</u>
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	130,384	182,207	98,793	564,045	1,114,043
Disposals	-	(1,020)	(217,842)	(14,519)	(735)	(234,116)
Reclassification	101,283	31,805	250,257	7,602	(96,942)	294,005
Effect of exchange rate changes	-	331,556	394,481	11,099	44,328	781,464
Balance at September 30, 2022	<u>\$ 1,681,530</u>	<u>7,473,353</u>	<u>7,816,911</u>	<u>693,399</u>	<u>924,907</u>	<u>18,590,100</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	-	33,792	119,580	56,078	203,757	413,207
Disposals	-	(4,214)	(59,888)	(19,099)	-	(83,201)
Reclassification	-	46,148	451,697	17,182	(189,131)	325,896
Effect of exchange rate changes	-	(41,157)	(30,146)	(1,548)	(54)	(72,905)
Balance at September 30, 2021	<u>\$ 1,070,878</u>	<u>6,795,833</u>	<u>7,022,041</u>	<u>560,432</u>	<u>193,718</u>	<u>15,642,902</u>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2022	\$ -	3,219,163	5,187,941	384,050	-	8,791,154
Depreciation	-	223,465	425,374	64,373	-	713,212
Disposals	-	(987)	(211,219)	(10,919)	-	(223,125)
Effect of exchange rate changes	-	170,553	302,490	7,549	-	480,592
Balance at September 30, 2022	<u>\$ -</u>	<u>3,612,194</u>	<u>5,704,586</u>	<u>445,053</u>	<u>-</u>	<u>9,761,833</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	-	197,192	359,942	51,768	-	608,902
Disposals	-	(3,051)	(55,915)	(16,238)	-	(75,204)
Reclassification	-	-	-	(6,231)	-	(6,231)
Effect of exchange rate changes	-	(25,892)	(30,347)	(1,744)	-	(57,983)
Balance at September 30, 2021	<u>\$ -</u>	<u>3,145,032</u>	<u>5,059,837</u>	<u>359,610</u>	<u>-</u>	<u>8,564,479</u>
Carrying amount:						
Balance at September 30, 2022	<u>\$ 1,681,530</u>	<u>3,861,159</u>	<u>2,112,325</u>	<u>248,346</u>	<u>924,907</u>	<u>8,828,267</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 September 30, 2021	<u>\$ 1,070,878</u>	<u>3,650,801</u>	<u>1,962,204</u>	<u>200,822</u>	<u>193,718</u>	<u>7,078,423</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.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

On September 30, 2022, December 31 and September 30, 2021, the group paid the prepayment \$0, \$105,283 thousand and \$225,000 thousand included in other non-current assets to acquire the lands in Miaoli and ChangHua, and change to property, plant and equipment when the lands are transferred.

(k) Right-of-use assets

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

	Land	Buildings	Transportation Equipment	Total
Cost:				
Balance at January 1, 2022	\$ 776,958	461,006	10,299	1,248,263
Additions	-	102,632	-	102,632
Disposals	-	(53,254)	(2,200)	(55,454)
Effect of exchange rate changes	46,938	16,965	(35)	63,868
Balance at September 30, 2022	<u>\$ 823,896</u>	<u>527,349</u>	<u>8,064</u>	<u>1,359,309</u>
Balance at January 1, 2021	\$ 384,866	445,208	3,712	833,786
Acquisition through business combination (note 6(h))	220,410	7,096	-	227,506
Additions	8,736	46,363	6,204	61,303
Disposals	-	(46,702)	(702)	(47,404)
Reclassification from other non-current assets	176,897	-	-	176,897
Effect of exchange rate changes	(16,838)	(3,439)	(239)	(20,516)
Balance at September 30, 2021	<u>\$ 774,071</u>	<u>448,526</u>	<u>8,975</u>	<u>1,231,572</u>
Accumulated depreciation losses:				
Balance at January 1, 2022	\$ 76,218	195,797	3,464	275,479
Depreciation	30,228	92,543	2,201	124,972
Disposals	-	(43,770)	(1,930)	(45,700)
Effect of exchange rate changes	2,607	8,003	(6)	10,604
Balance at September 30, 2022	<u>\$ 109,053</u>	<u>252,573</u>	<u>3,729</u>	<u>365,355</u>
Balance at January 1, 2021	\$ 41,161	120,981	1,431	163,573
Acquisition through business combination (note 6(h))	5,400	-	-	5,400
Depreciation	25,686	80,073	1,837	107,596
Disposals	-	(14,386)	(475)	(14,861)
Effect of exchange rate changes	(5,377)	(1,414)	(37)	(6,828)
Balance at September 30, 2021	<u>\$ 66,870</u>	<u>185,254</u>	<u>2,756</u>	<u>254,880</u>
Carrying amount:				
Balance at September 30, 2022	<u>\$ 714,843</u>	<u>274,776</u>	<u>4,335</u>	<u>993,954</u>
Balance at January 1, 2022	<u>\$ 700,740</u>	<u>265,209</u>	<u>6,835</u>	<u>972,784</u>
Balance at September 30, 2021	<u>\$ 707,201</u>	<u>263,272</u>	<u>6,219</u>	<u>976,692</u>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

On September 30, 2022, December 31, and September 30, 2021, the subsidiary, ATV, paid payment \$202,211 thousand, \$194,563 thousand and \$173,888 thousand 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 movements of costs, and accumulated depreciation and impairment loss of investment property were as follows:

	Land	Buildings	Total
Carrying amount:			
Balance at September 30, 2022	<u>\$ 52,359</u>	<u>9,582</u>	<u>61,941</u>
Balance at January 1, 2022	<u>\$ 52,359</u>	<u>9,766</u>	<u>62,125</u>
Balance at September 30, 2021	<u>\$ 52,359</u>	<u>9,752</u>	<u>62,111</u>

There was no significant change in the Company's investment property for the nine months ended September 30, 2022 and 2021. Please refer to note 12(a) for the depreciation, and to 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.

(m) Intangible assets

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

	Goodwill	Patents	Expertise	Customer relationship	Software	Total
Costs:						
Balance at January 1, 2022	\$ 637,110	160,824	212,746	114,690	100,438	1,225,808
Additions	-	36	-	-	10,954	10,990
Reclassification	-	-	-	-	318	318
Effect of exchange rate changes	-	-	-	-	1,133	1,133
Balance at September 30, 2022	<u>\$ 637,110</u>	<u>160,860</u>	<u>212,746</u>	<u>114,690</u>	<u>112,843</u>	<u>1,238,249</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 during measurement period	2,374	-	(4,729)	-	-	(2,355)
Additions	-	-	-	-	18,168	18,168
Reclassification	-	-	-	-	16,572	16,572
Effect of exchange rate changes	-	-	-	-	(745)	(745)
Balance at September 30, 2021	<u>\$ 590,289</u>	<u>37,524</u>	<u>343,502</u>	<u>268,931</u>	<u>95,464</u>	<u>1,335,710</u>
Accumulated amortization:						
Balance at January 1, 2022	\$ -	51,534	63,427	45,399	47,402	207,762
Amortization	-	35,076	16,401	10,752	17,153	79,382
Effect of exchange rate changes	-	-	-	-	1,029	1,029
Balance at September 30, 2022	<u>\$ -</u>	<u>86,610</u>	<u>79,828</u>	<u>56,151</u>	<u>65,584</u>	<u>288,173</u>

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	Goodwill	Patents	Expertise	Customer relationship	Software	Total
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	-	4,231	37,996	17,926	16,627	76,780
Reclassification	-	-	1,279	(1,279)	6,231	6,231
Effect of exchange rate changes	-	-	-	-	(369)	(369)
Balance at September 30, 2021	<u>\$ -</u>	<u>19,239</u>	<u>79,752</u>	<u>48,989</u>	<u>41,501</u>	<u>189,481</u>
Carrying amount:						
Balance at September 30, 2022	<u>\$ 637,110</u>	<u>74,250</u>	<u>132,918</u>	<u>58,539</u>	<u>47,259</u>	<u>950,076</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 September 30, 2021	<u>\$ 590,289</u>	<u>18,285</u>	<u>263,750</u>	<u>219,942</u>	<u>53,963</u>	<u>1,146,229</u>

The Company conducted an impairment assessment on the recoverable amount of goodwill at the end of the annual financial reporting period. According to the results of the impairment tests on goodwill conducted by the Company on December 31, 2021, 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 to which the goodwill on September 30, 2022 and 2021, no impairment loss was recognized.

(n) Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank borrowings	\$ 5,745,523	4,710,651	4,966,358
Secured bank borrowings	152,000	329,320	-
	<u>\$ 5,897,523</u>	<u>5,039,971</u>	<u>4,966,358</u>
Unused credit facilities	<u>\$ 11,354,937</u>	<u>10,951,121</u>	<u>8,255,791</u>
Interest rate	<u>0.77%~5.26%</u>	<u>0.60%~1.39%</u>	<u>0.60%~1.43%</u>

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

(o) Long-term debt

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank borrowings	\$ 1,413,140	-	-
Secured bank borrowings	3,000,000	3,640,850	3,225,535
Less: discount on commercial paper payable	(24,081)	(16,899)	(17,023)
	<u>\$ 4,389,059</u>	<u>3,623,951</u>	<u>3,208,512</u>
Unused credit facilities	<u>\$ 4,500,000</u>	<u>2,491,493</u>	<u>1,749,137</u>
Year to maturity	<u>2023~2025</u>	<u>2022~2024</u>	<u>2023~2024</u>
Interest rate	<u>1.23%~4.97%</u>	<u>0.82%~1.60%</u>	<u>0.824%~1.60%</u>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

According to part of 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 September 30, 2022, December 31 and September 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:

	September 30, 2022	December 31, 2021	September 30, 2021
Current	\$ 118,789	100,386	98,077
Non-current	\$ 195,735	203,716	202,596

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

The amounts recognized in profit or loss were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest on lease liabilities	\$ 3,016	2,594	7,943	8,181
Expenses relating to short-term leases	\$ 11,533	13,996	38,209	30,399

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

	For the Nine Months Ended September 30,	
	2022	2021
Total cash outflow for leases	\$ 139,464	125,216

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.

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(q) Liability provisions

	September 30, 2022	December 31, 2021	September 30, 2021
Warranty provisions	<b>\$ 128,091</b>	<b>110,716</b>	<b>114,447</b>

There was no significant change in the Company's liability provisions for the nine months ended September 30, 2022 and 2021. Please refer to note 6(r) in the consolidated financial statements for other relevant information.

(r) Employee benefits

(i) Defined benefit plans

Due to the report of 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.

The expenses recognized were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating cost	\$ 6	568	16	1,795
Operating expenses	146	1,067	437	3,205
	<b>\$ 152</b>	<b>1,635</b>	<b>453</b>	<b>5,000</b>

(ii) Defined contribution plans

The expenses recognized were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating cost	\$ 51,615	46,793	163,773	130,014
Operating expenses	17,201	15,946	50,721	46,987
	<b>\$ 68,816</b>	<b>62,739</b>	<b>214,494</b>	<b>177,001</b>

(s) Income taxes

(i) The expenses recognized were as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Current income tax expense	\$ 122,581	112,030	329,161	284,207
Deferred income tax benefit	(3,591)	(6,185)	(16,656)	(16,122)
	<b>\$ 118,990</b>	<b>105,845</b>	<b>312,505</b>	<b>268,085</b>

(ii) There was no income tax that was directly recognized in other comprehensive profit or loss or equity for the nine months ended in September 30, 2022 and 2021.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (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 nine months ended September 30, 2022 and 2021. For other relevant information, please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2021.

(i) Common stock

As of September 30, 2022, December 31 and September 30, 2021, the total value of nominal common stocks amounted to \$4,500,000 thousand, with a par value of NT\$ 10 per share, consisting of 450,000 thousand shares issued. There were 280,000 thousand shares of ordinary shares already issued.

(ii) Capital surplus

The details of capital surplus of Combined Company were as follows:

	September 30, 2022	December 31, 2021	September 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	94,568
Recognition of changes in ownership interest in subsidiaries	195,784	228,773	24,552
	<b>\$ 4,099,778</b>	<b>4,132,767</b>	<b>3,921,384</b>

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

(iii) Retained earnings

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



# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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

1) Legal reserve

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

2) Special reserve

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

(iv) Earning 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
Dividend per share:				
Cash dividend	\$ 3.0	<u><u>840,000</u></u>	2.5	<u><u>700,000</u></u>

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

(v) Other equity items (net after tax)

	Foreign currency translation differences	Unrealized profit (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	649,935	-	-	649,935
Unrealized profit (loss) from financial assets at fair value through other comprehensive income	-	(165,851)	-	(165,851)
Share of the other comprehensive income (loss) of joint ventures and associates	767	(12,259)	-	(11,492)
Balance at September 30, 2022	<u>\$ (114,441)</u>	<u>201,503</u>	<u>(36,993)</u>	<u>50,069</u>
Balance at January 1, 2021	\$ (683,751)	328,577	(31,433)	(386,607)
Foreign exchange differences arising from translation of foreign operations	(84,595)	-	-	(84,595)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	-	(15,029)	-	(15,029)
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 and associates	(2,323)	-	-	(2,323)
Balance at September 30, 2021	<u>\$ (770,669)</u>	<u>284,359</u>	<u>(31,433)</u>	<u>(517,743)</u>

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

	<u>For the Nine Months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Balance at January 1, 2022	\$ 2,879,152	1,387,996
Equity attributable to non-controlling interest:		
Net income	221,780	128,593
Foreign currency translation differences	41,023	2,321
Unrealized profit (loss) from financial assets at fair value through other comprehensive income	(10,829)	(1,544)
Share of the profit of associates and joint ventures accounted for using equity method	(9,834)	-
Acquisition of subsidiaries	-	1,058,739
Changes in ownership interests in subsidiaries	(6,339)	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(46,597)	70
Acquisition of subsidiary's additional interests	(180)	(480)

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	<b>For the Nine Months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Compensation cost of stock option issued by subsidiaries	2,470	-
Capital injection from non-controlling interests	163,535	-
Decrease in non-controlling interests	-	(1,409)
Distribution of cash dividend by subsidiaries to non-controlling interests	(177,291)	(80,865)
Balance at September 30, 2022	<b>\$ 3,056,890</b>	<b>2,493,421</b>

(u) Earnings per share (“EPS”)

(i) Basic earnings per share

	<b>For the Three Months Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net income attributable to ordinary shareholders of the Company	<b>\$ 338,673</b>	<b>303,698</b>	<b>873,406</b>	<b>815,293</b>
Weighted-average number of ordinary shares outstanding (in thousands)	<b>280,000</b>	<b>280,000</b>	<b>280,000</b>	<b>280,000</b>
Basic earnings per share (in New Taiwan dollars)	<b>\$ 1.21</b>	<b>1.08</b>	<b>3.12</b>	<b>2.91</b>

(ii) Diluted earnings per share

	<b>For the Three Months Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Net income attributable to ordinary shareholders of the Company	<b>\$ 338,673</b>	<b>303,698</b>	<b>873,406</b>	<b>815,293</b>
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	3,182	2,916	3,944	3,608
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares)	<b>283,182</b>	<b>282,916</b>	<b>283,944</b>	<b>283,608</b>

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Diluted earnings per share (in New Taiwan dollars)	<u>\$ 1.20</u>	<u>1.07</u>	<u>3.08</u>	<u>2.87</u>

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Primary geographical markets				
Taiwan	\$ 1,175,554	1,033,697	3,367,405	3,147,620
America	393,227	571,370	1,131,367	1,132,377
Mainland China	3,362,173	3,436,010	9,962,744	10,680,280
Canada	582,250	492,480	1,494,197	1,373,910
Others	<u>2,059,281</u>	<u>1,428,918</u>	<u>6,785,789</u>	<u>4,161,283</u>
	<u>\$ 7,572,485</u>	<u>6,962,475</u>	<u>22,741,502</u>	<u>20,495,470</u>
Major products and services lines:				
Peripheral electronic products	\$ 2,980,852	3,630,349	9,898,964	10,743,355
Green energy products and passive components	<u>4,591,633</u>	<u>3,332,126</u>	<u>12,842,538</u>	<u>9,752,115</u>
	<u>\$ 7,572,485</u>	<u>6,962,475</u>	<u>22,741,502</u>	<u>20,495,470</u>

(ii) Contract balances

	September 30, 2022	December 31, 2021	September 30, 2021
Notes and accounts receivable (including related parties)	\$ 8,513,877	7,917,739	7,271,408
Less: loss allowance	<u>(69,254)</u>	<u>(55,609)</u>	<u>(57,478)</u>
	<u>\$ 8,444,623</u>	<u>7,862,130</u>	<u>7,213,930</u>
Contract liabilities (included in other current liabilities)	<u>\$ 422,815</u>	<u>426,711</u>	<u>277,639</u>

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

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

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The amounts of revenue recognized for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021 that were included in the balances of contract liabilities on January 1, 2022 and 2021, were \$17,916 thousand, \$2,662 thousand, \$400,100 thousand and \$48,932 thousand, respectively.

(iii) Refund liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Other current liabilities—refund liabilities	\$ 420,555	236,537	276,737

(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. Employee who are entitles 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 September 30, 2022 and 2021, for the nine months ended September 30, 2022 and 2021, the Company estimated its remuneration to employees amounting to \$48,356 thousand, \$45,416 thousand, \$125,377 thousand and \$120,710 thousand, respectively, and the remuneration to directors amounting to \$4,212 thousand, \$3,364 thousand, \$9,287 thousand and \$8,941 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.

Remuneration to employees and directors for 2021, in the amounting to \$142,889 thousand and \$10,717 thousand, respectively, in cash for payment had been approved in the meeting of board of directors. The information about the remuneration to employees and directors is available at the Market Observation Post System website.

(x) Non-operating income and loss

(i) Interest income

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest income from bank deposits	\$ 3,017	1,824	7,986	5,707
Interest income from financial assets measured at amortized cost	-	961	-	977
	\$ 3,017	2,785	7,986	6,684

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Other income

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Rental income	\$ 809	756	3,652	1,427
Dividend income	130,069	67,945	130,069	67,945
Subsidy	2,094	17,527	22,754	30,830
Other	17,135	26,987	36,945	66,786
	<b>\$ 150,107</b>	<b>113,215</b>	<b>193,420</b>	<b>166,988</b>

(iii) Other gains and losses

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Losses on disposal of property, plant and equipment	\$ 254	(15)	(357)	(569)
Gains on disposal of investment property	-	1,909	-	1,909
Gain (loss) on lease modification	1,093	50	1,116	(195)
Foreign exchange gains (losses), net	42,884	2,710	84,061	(3,093)
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss	(8,262)	7,523	(1,899)	31,289
Others	(8,573)	(2,385)	(9,283)	(8,880)
	<b>\$ 27,396</b>	<b>9,792</b>	<b>73,638</b>	<b>20,461</b>

(iv) Finance costs

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest expense from bank loans	\$ (45,149)	(16,821)	(102,591)	(43,430)
Interest expense on lease liabilities	(3,016)	(2,594)	(7,943)	(8,181)
	<b>\$ (48,165)</b>	<b>(19,415)</b>	<b>(110,534)</b>	<b>(51,611)</b>

(y) Financial instruments

Except as described below, both the goals and policies of the Company's financial risk management and the Company's exposure to credit risk, liquidity risk and market risk were not materially different from those disclosed in note 6(ab) in the consolidated financial statements for the year ended December 31, 2021.

(i) Categories of financial instruments

1) Financial assets

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets at fair value through profit or loss:			
Financial assets at fair value through other comprehensive income			
Foreign currency forward contracts	\$ -	1,768	1,087
Open-end mutual funds	50,300	100,282	100,230
Structured deposits	373,135	355,411	350,552
Subtotal	423,435	457,461	451,869
Financial assets at fair value through other comprehensive income	1,416,806	1,485,096	1,397,207
Financial assets measured at amortized cost:			
Cash and cash equivalents	2,491,838	3,045,203	2,510,721
Financial assets at amortized cost—current	9,184	3,910	50,177
Notes and accounts receivable and other receivables (including related parties)	8,487,084	7,906,340	7,255,987
Refundable deposits	40,792	39,961	37,962
Subtotal	11,028,898	10,995,414	9,854,847
Total	\$ 12,869,139	12,937,971	11,703,923

2) Financial liabilities

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	September 30, 2022	December 31, 2021	September 30, 2021
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contracts	\$ 13,742	23	895
Financial liabilities measured at amortized cost:			
Short-term borrowings	5,897,523	5,039,971	4,966,358
Notes and accounts payable and other payables (including related parties)	8,638,521	9,858,913	8,818,593
Lease liabilities	314,524	304,102	300,673
Long-term debt (including current portion)	4,413,140	3,640,850	3,225,535
Long-term (included in other non-current liability)	150,070	149,623	143,471
Guarantee deposits (included in other non-current liability)	12,837	99,420	81,173
Subtotal	19,426,615	19,092,879	17,535,803
Total	\$ 19,440,357	19,092,902	17,536,698

(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.



# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
<b>September 30, 2022</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 5,934,553	5,934,553	-	-	-
Long-term debt (including current portion)	4,605,804	92,945	227,121	4,285,738	-
Notes and accounts payable and other payables (including related parties)	8,638,521	8,638,521	-	-	-
Lease liabilities	399,060	136,398	97,181	98,678	66,803
Long-term payables	150,070	-	81,032	69,038	-
Guarantee deposits	12,837	779	4,414	555	7,089
Subtotal	<u>19,740,845</u>	<u>14,803,196</u>	<u>409,748</u>	<u>4,454,009</u>	<u>73,892</u>
Derivative financial instruments:					
Foreign currency forward contracts—settled in gross:					
Outflow	357,361	357,361	-	-	-
Inflow	(343,619)	(343,619)	-	-	-
Subtotal	<u>13,742</u>	<u>13,742</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 19,754,587</u></b>	<b><u>14,816,938</u></b>	<b><u>409,748</u></b>	<b><u>4,454,009</u></b>	<b><u>73,892</u></b>
<b>December 31, 2021</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 5,055,830	5,055,830	-	-	-
Long-term debt (including current portion)	3,703,533	44,411	880,239	2,778,883	-
Notes and accounts payable and other payables (including related parties)	9,858,913	9,858,913	-	-	-
Lease liabilities	339,679	107,660	91,464	82,071	58,484
Long-term payables	149,623	-	80,584	69,039	-
Guarantee deposits	99,420	87,995	3,925	439	7,061
Subtotal	<u>19,206,998</u>	<u>15,154,809</u>	<u>1,056,212</u>	<u>2,930,432</u>	<u>65,545</u>
Derivative financial instruments:					
Foreign currency forward contracts—settled in gross:					
Outflow	468,363	468,363	-	-	-
Inflow	(470,108)	(470,108)	-	-	-
Subtotal	<u>(1,745)</u>	<u>(1,745)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 19,205,253</u></b>	<b><u>15,153,064</u></b>	<b><u>1,056,212</u></b>	<b><u>2,930,432</u></b>	<b><u>65,545</u></b>

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
<b>September 30, 2021</b>					
Non-derivative financial liabilities					
Short-term borrowings	\$ 4,974,755	4,974,755	-	-	-
Long-term debt (including current portion)	3,294,522	44,443	35,779	3,214,300	-
Notes and accounts payable and other payables (including related parties)	8,818,593	8,818,593	-	-	-
Lease liabilities	339,136	106,842	91,574	87,476	53,244
Long-term payables	143,471	-	74,432	69,039	-
Guarantee deposits	81,173	37,893	35,794	434	7,052
Subtotal	<u>17,651,650</u>	<u>13,982,526</u>	<u>237,579</u>	<u>3,371,249</u>	<u>60,296</u>
Derivative financial instruments:					
Foreign currency forward contracts—settled in gross:					
Outflow	976,139	976,139	-	-	-
Inflow	(976,331)	(976,331)	-	-	-
Subtotal	<u>(192)</u>	<u>(192)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 17,651,458</u></b>	<b><u>13,982,334</u></b>	<b><u>237,579</u></b>	<b><u>3,371,249</u></b>	<b><u>60,296</u></b>

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

(iii) Currency risk

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

<b>September 30, 2022</b>						
	Foreign currency (in thousand)	Exchange rate	New Taiwan Dollars (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousand)	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 391,651	31.7500	12,434,919	1%	124,349	
CNY	169,314	4.4764	757,917	1%	7,579	
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	293,120	31.7500	9,306,560	1%	93,066	
CNY	114,094	4.4764	510,730	1%	5,107	

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

<b>December 31, 2021</b>					
	<b>Foreign currency (in thousand)</b>	<b>Exchange rate</b>	<b>New Taiwan Dollars (in thousands)</b>	<b>Change in magnitude</b>	<b>Pre-tax effect on profit or loss (in thousand)</b>
<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
<b>September 30, 2021</b>					
	<b>Foreign currency (in thousand)</b>	<b>Exchange rate</b>	<b>New Taiwan Dollars (in thousands)</b>	<b>Change in magnitude</b>	<b>Pre-tax effect on profit or loss (in thousand)</b>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD	\$ 419,104	27.8400	11,667,855	1%	116,679
CNY	200,361	4.2996	861,472	1%	8,615
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	321,805	27.8400	8,959,051	1%	89,591
CNY	175,834	4.2996	756,016	1%	7,560

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 and nine months ended September 30, 2022 and 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.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

		September 30, 2022				
		Fair value				
		Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:						
Non-derivative financial assets:						
Open-end mutual fund	\$	50,300	50,300	-	-	50,300
Structured deposits		373,135	-	373,135	-	373,135
Subtotal		423,435	50,300	373,135	-	423,435
Financial assets at fair value through other comprehensive income:						
Domestic listed stocks		1,416,806	1,416,806	-	-	1,416,806
Total		<b>\$ 1,840,241</b>	<b>1,467,106</b>	<b>373,135</b>	<b>-</b>	<b>1,840,241</b>
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments— Foreign currency forward contracts	\$	(13,742)	-	(13,742)	-	(13,742)

		December 31, 2021				
		Fair value				
		Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:						

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

		December 31, 2021				
		Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	Total	
Derivative financial assets—						
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		<b>\$ 1,942,557</b>	<b>1,585,378</b>	<b>357,179</b>	<b>-</b>	<b>1,942,557</b>
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments—						
Foreign currency forward contracts	\$	(23)	-	(23)	-	(23)
		September 30, 2021				
		Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss:						
Derivative financial assets—						
Foreign currency forward contracts	\$	1,087	-	1,087	-	1,087
Non-derivative financial assets:						
Open-end mutual fund		100,230	100,230	-	-	100,230
Structured deposits		350,552	-	350,552	-	350,552
Subtotal		451,869	100,230	351,639	-	451,869
Financial assets at fair value through other comprehensive income:						
Domestic listed stocks		1,397,207	1,397,207	-	-	1,397,207
Total		<b>\$ 1,849,076</b>	<b>1,497,437</b>	<b>351,639</b>	<b>-</b>	<b>1,849,076</b>

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	September 30, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments—					
Foreign currency forward contracts	\$ (895)	-	(895)	-	(895)

### 3) Valuation techniques and assumptions used in fair value measurement

#### a) Non-derivative

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 the current fair value of other financial instruments with similar conditions and characteristics, or discounted cash flow method, or 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 structured deposits is determined with reference to the quotation from counterparties.

#### b) Derivative financial instruments

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

#### 4) Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the nine months ended September 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.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(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

	<b>For the Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Additions to property, plant, and equipment	\$ 1,114,043	413,207
Add: payables on equipment at January 1	265,225	110,505
Prepayment for equipment at September 30	430,824	367,622
Reclassification from prepayments for equipment and land	431,811	342,648
Effect of exchange rates changes	59,555	906
Less: payables on equipment at September 30	(326,445)	(144,360)
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	<b>\$ 1,466,099</b>	<b>898,338</b>

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

	Non-cash changes						
	January 1, 2022	Cash flows	Acquisition	Additions of lease liabilities	Lease modification	Fluctuation of foreign exchange rate	September 30, 2022
Short-term borrowings	\$ 5,039,971	775,856	-	-	-	81,696	5,897,523
Long-term debt (including current portion)	3,640,850	770,746	-	-	-	1,544	4,413,140
Lease liabilities	304,102	(93,312)	-	102,632	(10,870)	11,972	314,524
Guarantee deposit	99,420	(86,583)	-	-	-	-	12,837
Other non-current liabilities	149,623	447	-	-	-	-	150,070
Total liabilities from financing activities	<b>\$ 9,233,966</b>	<b>1,367,154</b>	<b>-</b>	<b>102,632</b>	<b>(10,870)</b>	<b>95,212</b>	<b>10,788,094</b>

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

	January 1, 2021	Cash flows	Acquisition	Non-cash changes			September 30, 2021
				Additions of lease liabilities	Lease modification	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 2,470,428	2,467,277	28,653	-	-	-	4,966,358
Short-term notes and bills payable	439,721	(439,721)	-	-	-	-	-
Long-term debt (including current portion)	1,600,000	1,591,533	34,383	-	-	(381)	3,225,535
Lease liabilities	353,709	(77,900)	7,096	52,567	(32,348)	(2,451)	300,673
Guarantee deposit	19,754	61,419	-	-	-	-	81,173
Other non-current liabilities	-	-	143,471	-	-	-	143,471
Total liabilities from financing activities	<u>\$ 4,883,612</u>	<u>3,602,608</u>	<u>213,603</u>	<u>52,567</u>	<u>(32,348)</u>	<u>(2,832)</u>	<u>8,717,210</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



## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of related party	Relationship with the Group
Hitron Technologies Inc. (“HT”)	Subsidiary of Qisda
Advancedtek International Corp. (“ADVANCEDTEK”)	Subsidiary of Qisda (Note 1)
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 a 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:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Entity with significant influence over the Group	\$ 2,089	116	4,135	342
Joint Venture	70,168	81,784	167,456	176,115
Other related parties	37,423	40,801	162,993	168,280
	<b>\$ 109,680</b>	<b>122,701</b>	<b>334,584</b>	<b>344,737</b>

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

(ii) Purchases

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Other related parties	<b>\$ 139</b>	-	<b>16,852</b>	-

The purchase prices for the transactions of related parties were not comparable to the purchase prices for the third-party customers as the specifications of products were different. The purchase prices were under the purchase arrangement and conditions.

(iii) Leases

The Group leased land, plant and employee dormitories from related parties. The rental was referred to the market price of lease terms in the adjacent area. The additions of the right-of-use assets were \$9,745 thousand and \$9,691 thousand for the nine months ended September 30, 2022 and 2021.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group recognized interest related expenses of \$259 thousand and \$254 thousand for the nine months ended September 30, 2022 and 2021.

(iv) Receivables

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

Account	Related-party categories	September 30, 2022	December 31, 2021	September 30, 2021
Accounts receivable from related parties	Entity with significant influence over the group	\$ 2,198	129	41
	Joint venture	107,941	74,260	80,937
	Other related parties	41,024	62,882	61,028
		<u>\$ 151,163</u>	<u>137,271</u>	<u>142,006</u>

(v) Payables

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

Account	Related-party categories	September 30, 2022	December 31, 2021	September 30, 2021
Account payables	Other related parties	\$ 13,048	261	-
Other payables	Entity with significant influence	24	12	14
Other payables	Joint venture	-	144	149
Other payables	Other related parties	4,025	4,270	4,784
		<u>4,049</u>	<u>4,426</u>	<u>4,947</u>
Lease liability—current	Other related parties	2,456	-	2,446
Lease liability—non-current	Other related parties	7,701	7,544	7,522
		<u>\$ 27,254</u>	<u>12,231</u>	<u>14,915</u>

(c) Compensation for key management personnel

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Short-term employee benefits	\$ 84,606	65,667	213,642	183,748
Post-employment benefits	525	776	1,708	2,227
	<u>\$ 85,131</u>	<u>66,443</u>	<u>215,350</u>	<u>185,975</u>

## 8. Pledged assets

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

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Land, buildings and plants	Credit lines of bank loans	\$ 1,530,351	1,619,635	1,303,498
Time deposit	Guarantees for customs duties and credit limit of credit cards	9,184	3,910	3,910
		<u>\$ 1,539,535</u>	<u>1,623,545</u>	<u>1,307,408</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:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Guarantees for customs duties	\$ 53,549	50,436	53,047
Performance bonds	77,211	84,332	62,897
	<u>\$ 130,760</u>	<u>134,768</u>	<u>115,944</u>

(b) Significant unrecognized commitments

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Acquisition of property, plant and equipment	<u>\$ 465,249</u>	<u>887,033</u>	<u>754,151</u>

10. Significant loss from disasters: None.

11. Significant subsequent events: None.

12. Others

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

Function	For the Three Months Ended September 30,					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Nature						
Employee benefits:						
Salaries	774,987	455,193	1,230,180	851,156	424,113	1,275,269
Labor and health insurance	52,823	31,044	83,867	50,113	28,823	78,936
Pension	51,621	17,347	68,968	47,361	17,013	64,374
Other employees' benefits	24,020	13,053	37,073	37,622	20,366	57,988
Depreciation	230,122	56,042	286,164	206,080	50,534	256,614
Amortization	1,882	25,135	27,017	3,546	32,283	35,829

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Function  Nature	For the Nine Months Ended September 30,					
	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	2,580,629	1,385,803	3,966,432	2,473,858	1,181,832	3,655,690
Labor and health insurance	165,437	90,820	256,257	133,643	86,815	220,458
Pension	163,789	51,158	214,947	131,809	50,192	182,001
Other employees' benefits	80,131	38,995	119,126	82,800	64,034	146,834
Depreciation	672,091	166,093	838,184	570,532	145,966	716,498
Amortization	5,635	74,428	80,063	7,518	78,022	85,540

For the nine months ended September 30, 2022 and 2021, the depreciation of investment property of \$321 thousand and \$415 thousand, respectively, were reported in non-operating income and loss.

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

### 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 7.
- (c) Information on investment in mainland China: Please refer to table 9.

(d) Major shareholders:

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

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

#### 14. Segment information

The Group's operating segment information was as follows:

	For the Three Months Ended September 30, 2022			
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 2,980,852	4,591,633	-	7,572,485
Inter-segment Revenues	-	162,880	(162,880)	-
Total	<u>\$ 2,980,852</u>	<u>4,754,513</u>	<u>(162,880)</u>	<u>7,572,485</u>

	For the Three Months Ended September 30, 2021			
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 3,630,349	3,332,126	-	6,962,475
Inter-segment Revenues	-	250,330	(250,330)	-
Total	<u>\$ 3,630,349</u>	<u>3,582,456</u>	<u>(250,330)</u>	<u>6,962,475</u>

	For the Nine Months Ended September 30, 2022			
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 9,898,964	12,842,538	-	22,741,502
Inter-segment Revenues	-	542,065	(542,065)	-
Total	<u>\$ 9,898,964</u>	<u>13,384,603</u>	<u>(542,065)</u>	<u>22,741,502</u>

**For the Nine Months Ended September 30, 2021**

	<b>Peripheral electronic products</b>	<b>Green energy products and passive components</b>	<b>Adjustment and eliminations</b>	<b>Total</b>
Revenue from external customers	\$ 10,743,355	9,752,115	-	20,495,470
Inter-segment Revenues	-	665,604	(665,604)	-
<b>Total</b>	<b>\$ 10,743,355</b>	<b>10,417,719</b>	<b>(665,604)</b>	<b>20,495,470</b>

The Group did not allocate the costs, expenses, and non-recurring profits and losses to the peripheral electronic products department, as well as the green energy products and passive components department, because the Company operated 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 Nine Months Ended September 30, 2022**

Table 1

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

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the period	Range of Interest Rates During the period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reason for the Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	KST	KSG	Other receivables from related parties	Yes	62,490 (EUR 2,000)	62,490 (EUR 2,000)	62,981 (EUR 2,016)	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSG	Other receivables from related parties	Yes	78,113 (EUR 2,500)	-	-	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSG	Other receivables from related parties	Yes	42,184 (USD1,194 and NTD4,287)	42,184 (USD1,194 and NTD4,287)	35,517 (USD 984 and NTD 4,287)	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSV	Other receivables from related parties	Yes	158,750 (USD 5,000)	158,750 (USD 5,000)	158,750 (USD 5,000)	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
1	KST	KSV	Other receivables from related parties	Yes	31,750 (USD 1,000)	31,750 (USD 1,000)	31,750 (USD 1,000)	3.00%	b	-	Operating requirements	-	-	-	361,499	361,499
2	DFS	DFQ	Other receivables from related parties	Yes	254,000 (USD 8,000)	254,000 (USD 8,000)	254,000 (USD 8,000)	1.30%	b	-	Operating requirements	-	-	-	1,433,032	1,433,032
3	DPS	DFQ	Other receivables from related parties	Yes	134,292 (CNY 30,000)	-	-	3.85%	b	-	Operating requirements	-	-	-	178,870	178,870
3	DPS	DFQ	Other receivables from related parties	Yes	134,292 (CNY 30,000)	134,292 (CNY 30,000)	134,292 (CNY 30,000)	3.70%	b	-	Operating requirements	-	-	-	178,870	178,870
4	DZL	DTC	Other receivables from related parties	Yes	47,000	-	-	1.30%	b	-	Operating requirements	-	-	-	236,830	236,830
4	DZL	DTC	Other receivables from related parties	Yes	60,000	60,000	60,000	1.30%	b	-	Operating requirements	-	-	-	236,830	236,830
4	DZL	DTC	Other receivables from related parties	Yes	64,000	64,000	64,000	1.30%	b	-	Operating requirements	-	-	-	236,830	236,830
4	DZL	KSMC	Other receivables from related parties	Yes	20,000	-	-	1.30%	b	-	Operating requirements	-	-	-	236,830	236,830
5	DTC	IOC	Other receivables from related parties	Yes	15,875 (USD 500)	-	-	3.20%	b	-	Operating requirements	-	-	-	149,046	149,046
5	DTC	IOC	Other receivables from related parties	Yes	15,875 (USD 500)	15,875 (USD 500)	15,875 (USD 500)	4.00%	b	-	Operating requirements	-	-	-	149,046	149,046

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

Note 2: The aggregate financing amount because of business transaction purpose of DFS to subsidiaries shall not exceed 40% of the most recent net worth of DFS. Individual financing amount limits are limited to business transactions between the two parties.

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

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

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

Note 6: Purpose of Fund Financing:

a. Business transaction purpose.

b. Short-term Financing purpose.

Note 7: The above amounts were translated into New Taiwan dollars at the exchange rate of EUR\$1=NT\$31.245, US\$1=NT\$31.75 and CNY\$1=NT\$4.4764.

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)**  
**September 30, 2022**

**Table 2**

(In Thousands of Shares)

Investing 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—non-current	39,859	1,080,179	2.03%	1,080,179	-
DZL	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income—current	5,887	159,538	0.30%	159,538	-
DZL	Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income—current	102	8,344	0.03%	8,344	-
DZL	DFI	Subsidiary of investor with significant influence over the Group	Financial assets at fair value through other comprehensive income—current	50	2,785	0.04%	2,785	-
UTC	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income—current	2,860	77,506	0.15%	77,506	-
TDI	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income—current	3,264	88,454	0.17%	88,454	-
TDI	Jih Sun Money Market Fund Beneficiary Certificate	-	Financial assets at fair value through profit or loss—current	-	50,300	-	50,300	-
DPS	Bank of Suzhou—Principal protected currency deposit in CNY	-	Financial assets at fair value through profit or loss—current	-	373,135	-	373,135	-
KST	Haro Bicycle Corporation	-	Financial assets at fair value through other comprehensive income—non-current	26	-	10.00%	-	-



**Darfon Electronics Corp. and Subsidiaries**  
**Marketable Securities for Which the Accumulated Purchase or Sale Amounts Exceed \$300 Million or 20% of the Paid in Capita**  
**For the Nine Months Ended September 30, 2022**

Table 3

(Amounts in Thousands of NTD/CNY)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares (in thousands)	Amount (Note 1)	Shares (in thousands)	Amount	Shares (in thousands)	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	-	-	366,125 (CNY81,790)	-	787,846 (CNY176,000)	-	783,549 (CNY175,040)	778,894 (CNY174,000)	4,655 (CNY1,040)	-	373,135 (CNY83,356)

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

Note 2: The above amounts were translated into New Taiwan dollars at the exchange rate of CN\$1=NT\$4.4764.

**Darfon Electronics Corp. and Subsidiaries**  
**Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital**  
**For the Nine Months Ended September 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	794,277	501,214	MeiZic steel Building Co., Ltd Jianxing Viet Nam Construction Development Co., Ltd Best Sun Technology Co., Ltd R.J. Wu Architects and Engineers Acter Group Co., Ltd	-	-	-	-	Open bidding	Operating requirements	NA	

**Darfon Electronics Corp. and Subsidiaries**  
**Total Purchases From and Sales To Related Parties Which Exceed \$100 Million or 20% of the Paid in Capital**  
**For the Nine Months Ended September 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 Purchase/(Sales)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	DFS	Parent – subsidiary	Sales	(206,111)	(2)%	OA90	Note 1	OA30 to OA90	82,411	1%	
The Company	DFA	Parent – subsidiary	Sales	(264,172)	(2)%	OA135	Normal Price	OA30 to OA135	303,562	5%	
The Company	DFS	Parent – subsidiary	Purchases	1,353,973(Note 2)	13%	OA90	Note 1	OA30 to OA90	(1,354,555)	25%	
The Company	DFH	Parent – subsidiary	Purchases	4,976,366	34%	OA90	Note 1	OA30 to OA90	(2,721,135)	50%	
The Company	DFQ	Parent – subsidiary	Purchases	2,931,961	21%	OA90	Note 1	OA30 to OA90	(1,120,645)	20%	
DET	DFS	Affiliates	Purchases	146,541	86%	OA90	Normal Price	OA30 to OA135	(155,499)	39%	
DFS	DFH	Affiliates	Sales	(235,770)	(6)%	OA90	Note 1	OA30 to OA90	114,971	5%	
DFS	DET	Affiliates	Sales	(146,541)	(3)%	OA90	Normal Price	OA30 to OA90	155,499	7%	
DFS	The Company	Parent – subsidiary	Sales	(1,353,973)(Note 2)	(32)%	OA90	Normal Price	OA30 to OA90	1,354,555	64%	
DFS	The Company	Parent – subsidiary	Purchases	206,111	6%	OA90	Note 1	OA30 to OA90	(82,411)	8%	
DFS	DFQ	Affiliates	Purchases	252,460	8%	OA90	Note 1	OA30 to OA135	(37,571)	4%	
DFH	The Company	Parent – subsidiary	Sales	(4,976,366)	(99)%	OA90	Normal Price	OA30 to OA90	2,721,135	99%	
DFH	DFS	Affiliates	Purchases	235,770	7%	OA90	Note 1	OA30 to OA90	(114,971)	6%	
DFQ	DFS	Affiliates	Sales	(252,460)	(8)%	OA90	Normal Price	OA30 to OA90	37,571	3%	
DFQ	The Company	Parent – subsidiary	Sales	(2,931,961)	(90)%	OA90	Normal Price	OA30 to OA90	1,120,645	95%	
DFA	The Company	Parent – subsidiary	Purchases	264,172	98%	OA135	Normal Price	OA30 to OA135	(303,562)	100%	
KST	KSG	Parent – subsidiary	Sales	(147,600)	(4)%	Individual Stipulation	Normal Price	OA30 to OA120	630,349	45%	
KST	KSV	Parent – subsidiary	Sales	(133,730)	(4)%	Individual Stipulation	Normal Price	OA30 to OA120	213,429	15%	
KSV	KST	Parent – subsidiary	Purchases	133,730	26%	Individual Stipulation	Normal Price	OA30 to OA120	(213,429)	60%	
KSG	KST	Parent – subsidiary	Purchases	147,600	24%	Individual Stipulation	Normal Price	OA30 to OA120	(630,349)	47%	
DTC	DFeu	Affiliates	Sales	(227,113)	(45)%	OA135	Normal Price	OA30 to OA135	166,358	54%	
DTC	BESVJP	Joint Venture	Sales	(167,456)	(33)%	EOM60	Normal Price	OA30 to OA135	107,941	35%	
BESVJP	DTC	Joint Venture	Purchases	167,456	100%	EOM60	Normal Price	OA30 to OA135	(107,941)	100%	
Dfeu	DTC	Affiliates	Purchases	227,113	100%	OA135	Normal Price	OA30 to OA135	(166,358)	99%	

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

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

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

**Darfon Electronics Corp. and Subsidiaries**  
**Receivables From Related Parties which Exceed \$100 Million or 20% of the Paid in Capital**  
**September 30, 2022**

**Table 6**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Note
					Amount	Action taken			
The Company	DFH	Parent - Subsidiary	656,541	(Note 1)	223,346	-	201,896	-	-
The Company	DFQ	Parent - Subsidiary	148,511	(Note 1)	43,576	-	39,366	-	-
The Company	DFA	Parent - Subsidiary	303,562	1.01	46,184	-	75,627	-	-
The Company	DFC	Parent - Subsidiary	116,257	1.10	49,636	-	-	-	-
The Company	DTC	Parent - Subsidiary	101,386	1.76	38,192	-	592	-	-
The Company	DET	Parent - Subsidiary	155,439	0.12	-	-	4,236	-	-
DET	The Company	Parent - Subsidiary	405,083	0.60	302,691	-	29,337	-	-
DFS	The Company	Parent - Subsidiary	1,354,555	1.27 (Note 3)	695,080	-	214,642	-	-
DFS	DFH	Affiliates	114,971	2.14	-	-	-	-	-
DFS	DET	Affiliates	155,499	2.51	6,251	-	-	-	-
DFS	DFQ	Affiliates	256,474	(Note 2)	-	-	-	-	-
DFH	The Company	Parent - Subsidiary	2,721,135	1.65	1,165,128	-	609,072	-	-
DFQ	The Company	Parent - Subsidiary	1,120,645	2.35	316,500	-	258,887	-	-
DPS	DFQ	Affiliates	136,128	(Note 2)	-	-	-	-	-
DZL	DTC	Affiliates	125,123	(Note 2)	-	-	-	-	-
KST	KSG	Parent - Subsidiary	630,349	0.32	-	-	-	-	-
KST	KSV	Parent - Subsidiary	213,429	0.41	-	-	-	-	-
KST	KSG	Parent - Subsidiary	104,125	(Note 2)	-	-	-	-	-
KST	KSV	Parent - Subsidiary	191,448	(Note 2)	-	-	-	-	-
DTC	DFeu	Affiliates	166,358	3.49	-	-	-	-	-
DTC	BESVJP	Joint venture	107,941	2.45	-	-	-	-	-

(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 Nine Months Ended September 30, 2022**

**Table 7**

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenue or Total Assets (Note 4)
0	The Company	DFA	1	Sales	264,172	OA135	1%
0	The Company	DFH	1	Accounts receivable	656,541	OA90	2%
1	DFS	DFH	3	Sales	235,770	OA90	1%
1	DFS	The Company	2	Sales	1,353,973	OA90	6%
1	DFS	The Company	2	Accounts receivable	1,354,555	OA90	4%
2	DFH	The Company	2	Sales	4,976,366	OA90	22%
2	DFH	The Company	2	Accounts receivable	2,721,135	OA90	8%
3	DFQ	DFS	3	Sales	252,460	OA90	1%
3	DFQ	The Company	2	Sales	2,931,961	OA90	13%
3	DFQ	The Company	2	Accounts receivable	1,120,645	OA90	3%
4	KST	KSG	1	Accounts receivable	630,349	Individual stipulation	2%
5	DET	The Company	2	Accounts receivable	405,083	OA90	1%

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

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

(Note 2) Relationships to counterparties were as follows:

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

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

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

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

**Darfon Electronics Corp. and Subsidiaries**  
**Information on Investees (Excluding Investments in Mainland China)**  
**For the Nine Months Ended September 30, 2022**

**Table 8**

(In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance at September 30, 2022			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				September 30, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
The Company	DFBVI	BVI	Investment holding	317,103	317,103	31,450	100.00%	1,884,814	18,503	18,503	Parent-Subsidiary
The Company	DFLB	Malaysia	Investment holding	2,633,584	2,536,514	77,989	100.00%	5,781,506	394,887	394,887	Parent-Subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	6,969	6,969	2,772	100.00%	26,396	395	395	Parent-Subsidiary
The Company	DZL	Taiwan	Investment holding	550,000	450,000	55,910	100.00%	641,694	30,789	30,789	Parent-Subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related products	314,327	217,892	26,467	55.72%	330,983	10,752	5,679	Parent-Subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	24,896	(11,128)	(11,128)	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	37.44%	879,187	200,103	65,063	Parent-Subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related products	819,960	720,000	28,300	58.54%	825,783	30,770	12,050	Parent-Subsidiary
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	407,809	26,410	62.75%	417,381	26,672	15,620	Parent-Subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	292,558	292,558	-	100.00%	273,952	(26,462)	(26,462)	Parent-Subsidiary
The Company	ATC	Taiwan	Manufacture and sale of bicycles and related products	1,224,000	1,224,000	24,480	51.00%	1,344,950	255,005	107,630	Parent-Subsidiary
The Company	DET	Taiwan	Manufacturing and wholesale of batteries and electric components	421,800	250,000	21,090	100.00%	457,986	37,175	37,175	Parent-Subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related products	77,138	45,300	6,398	13.47%	80,013	10,752	-	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	9.31%	228,243	200,103	-	Parent-Subsidiary
UTC	UTI	Mauritius	Investment holding	25,291	25,291	818	100.00%	12,975	(5,137)	-	Affiliates
KST	KSG	Germany	Assemble and sale of bicycles and related products	361,371	361,371	-	100.00%	178,311	(51,000)	-	Affiliates

**Darfon Electronics Corp. and Subsidiaries**  
**Information on Investees ( Excluding Investments in Mainland China )**  
**For the Nine Months Ended September 30, 2022**

**Table 8**

(In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance at September 30, 2022			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				September 30, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
KST	KSI	Germany	Lease, purchase and management of movable property and immovable property, and sale of bicycles and related products	87,853	87,853	-	100.00%	80,171	876	-	Affiliates
KST	KSV	Vietnam	Manufacture and sale of bicycles and related products	475,406	475,406	-	100.00%	299,297	(49,728)	-	Affiliates
DFLB	DFC	Czech Republic	Trading of electronic products	94,514	299	-	100.00%	173,393	7,029	-	Affiliates
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	48,545	2,605	-	Affiliates
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	1,163	348	-	Affiliates
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	469,109	5,523	-	Affiliates
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	4,398	(70)	-	Affiliates
DTC	BESVJ	Japan	Trading of green products	43,793	26,690	3	49.00%	33,438	(3,740)	-	Joint Venture
DTC	IOC	Hong Kong	Agent of bicycles and related products	148,235	148,235	19,000	76.00%	164,303	2,790	-	Affiliates
DTC	KSMC	Taiwan	Manufacture and sale of bicycles and related products	47,765	47,765	4,500	100.00%	57,588	9,054	-	Affiliates
ATC	Rich Glory International Inc.	Samoa	Investment holding	35,107	35,107	1,862	33.33%	33,311	1,257	-	Associates
ATC	ATB	BVI	Investment holding	577,385	577,385	3,000	100.00%	433,870	(113,700)	-	Affiliates
ATB	ATV	Vietnam	Manufacture and sale of bicycles and related products	872,463	872,463	-	100.00%	433,870	(113,702)	-	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 Nine Months Ended September 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 September 30, 2022	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of September 30, 2022	Accumulated Inward Remittance of Earnings as of September 30, 2022
					Outflow	Inflow						
DFS	Manufacture and sale of the Company's products	880,269 (USD 27,725) (Note 4)	(Note 1)	742,950 (USD 23,400)	-	-	742,950 (USD 23,400)	43,382	100.00%	43,382 (Note 3)	3,582,580	257,747 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,555,750 (USD 49,000)	(Note 1)	1,555,750 (USD 49,000)	-	-	1,555,750 (USD 49,000)	214,018	100.00%	214,018 (Note 3)	2,450,075	-
DPS	Mold development and manufacture	31,750 (USD 1,000)	(Note 1)	31,750 (USD 1,000)	-	-	31,750 (USD 1,000)	5,599	100.00%	5,599 (Note 2)	466,309	-
DFQ	Manufacture and sale of the Company's products	317,500 (USD 10,000)	(Note 1)	317,500 (USD 10,000)	-	-	317,500 (USD 10,000)	145,522	100.00%	145,522 (Note 3)	937,503	-
UTZ	Wireless antennas for telecommunication, components design and marketing	23,971 (USD 755)	(Note 1)	23,971 (USD 755)	-	-	23,971 (USD 755)	(5,043)	100.00%	(5,043) (Note 3)	7,391	-
ISC	Agent of bicycles and related products	8,089 (HKD 2,000)	(Note 5)	-	-	-	-	2,790	76.00%	2,120 (Note 2)	8,089	-

Note 1: Indirect investment in Mainland China is through a holding company established in a third country.

Note 2: Investment income or loss was recognized based on the financial statement, which were not reviewed by independent auditors.

Note 3: Investment income or loss was recognized based on the reviewed financial statements by the Parent company's auditors.

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

Note 5: Equity fund from IOC invested in Mainland China.



**Darfon Electronics Corp. and Subsidiaries**  
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**For the Nine Months Ended September 30, 2022**

**Table 9**

ii. Limits on investments in Mainland China:

Investor Company Name	Accumulated Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company	2,390,204 (USD 75,282)	2,495,772 (USD 78,607)	(Note)
DET	-	158,750 (USD 5,000)	274,792
UTC	23,971 (USD 755)	23,971 (USD 755)	969,892
DTC	-	48,260 (HKD 1,520)	356,407

The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$31.75 and HKD\$1=NTD\$4.0447.

(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”.