Stock Code:8163

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 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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Representation Letter

The entities that are required to be included in the combined financial statements of Darfon Electronics Corp. as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Darfon Electronics Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Hereby declare

Darfon Electronics Corp.
Kai-Chien Su
Chairman
March 7, 2023

Independent Auditors' Report

To the Board of Directors of Darfon Electronics Corp.:

Opinion

We have audited the consolidated financial statements of Darfon Electronics Corp. and its subsidiaries (the " Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and interpretations developed by the International Financial Reporting Interpretations Committee (" IFRSs") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

1. Valuation of inventories

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

2. Impairment of goodwill

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

   Description of key audit matter:

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

   How the matter was addressed in our audit:

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

Other Matter

Darfon Electronics Corp. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have audited and expressed an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (Republic of China)
March 7, 2023

Notes to Readers

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

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

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 3,368,030	10	3,045,203	9
1110	Financial assets at fair value through profit or loss－current (note 6(b))	399,052	1	457,461	1
1120	Financial assets at fair value through other comprehensive income －current (note 6(c))	349,051	1	271,389	1
1136	Financial assets at amortized cost－current (notes 6(d) and 8)	216,100	1	3,100	-
1170	Notes and accounts receivable, net (notes 6(e) and (z))	7,239,712	21	7,724,859	23
1180	Accounts receivable from related parties (notes 6(e), (z) and 7)	124,337	-	137,271	-
1200	Other receivables (note 6(e))	163,652	-	44,210	-
130X	Inventories (note 6(f))	8,288,403	25	8,538,835	26
1460	Non-current assets held for sale (note 6(g))	921,812	3	-	-
1470	Prepayments and other current assets	621,216	2	856,236	3
	Total current assets	21,691,365	64	21,078,564	63
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income －non-current (note 6(c))	1,122,031	3	1,213,707	4
1535	Financial assets at amortized cost－non-current (notes 6(d) and 8)	1,102	-	810	-
1550	Investments accounted for using equity method (note 6(h))	75,245	-	75,223	-
1600	Property, plant and equipment (notes 6(k) and 8)	8,154,487	24	7,843,550	24
1755	Right-of-use assets (notes 6(l) and 7)	902,245	3	972,784	3
1760	Investment property, net (note 6(m))	-	-	62,125	-
1780	Intangible assets (notes 6(i) and (n))	935,704	3	1,018,046	3
1840	Deferred income tax assets (note 6(v))	211,570	1	160,251	1
1915	Prepayments for equipment	263,504	1	403,631	1
1920	Refundable deposits	42,549	-	39,961	-
1975	Net defined benefit assets－non-current (note 6(u))	18,521	-	17,076	-
1990	Other non-current assets (notes 6(k) and (l))	218,864	1	309,546	1
	Total non-current assets	11,945,822	36	12,116,710	37
	Total assets	**$ 33,637,187**	**100**	**33,195,274**	**100**

(Continued)

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(o) and 8)	$ 5,786,396	17	5,039,971	15
2110	Short-term notes and bills payable (note 6(p))	99,584	-	-	-
2120	Financial liabilities at fair value through profit or loss－current (note 6(b))	662	-	23	-
2170	Notes and accounts payable (note 7)	4,160,462	12	6,684,209	20
2200	Other payables (notes 6(aa) and 7)	3,685,281	11	3,486,501	11
2250	Provisions－current (note 6(s))	132,692	1	110,716	1
2280	Lease liabilities－current (notes 6(r) and 7)	113,214	-	100,386	-
2322	Current portion of long-term debt (notes 6(q) and 8)	96,095	-	16,899	-
2399	Other current liabilities (note 6(z))	538,947	2	715,203	2
	Total current liabilities	14,613,333	43	16,153,908	49
	Non-current liabilities:				
2540	Long-term debt (notes 6(q) and 8)	4,587,713	14	3,623,951	11
2570	Deferred income tax liabilities (note 6(v))	163,453	1	177,942	-
2580	Lease liabilities－non-current (notes 6(r) and 7)	174,506	1	203,716	1
2640	Net defined benefit liabilities－non-current (note 6(u))	33,687	-	65,377	-
2670	Other non-current liabilities (note (i))	161,774	-	249,043	1
	Total non-current liabilities	5,121,133	16	4,320,029	13
	Total liabilities	19,734,466	59	20,473,937	62
	Equity attributable to shareholders of the Company (notes 6(c), (i) and (w)):				
3110	Common stock	2,800,000	8	2,800,000	8
3200	Capital surplus	4,116,058	12	4,132,767	12
	Retained earnings:				
3310	Legal reserve	1,234,562	4	1,116,990	3
3320	Special reserve	422,523	1	386,607	1
3350	Unappropriated earnings	1,997,724	6	1,828,344	6
		3,654,809	11	3,331,941	10
	Other equity:				
3410	Foreign currency translation differences	(297,877)	(1)	(765,143)	(2)
3420	Unrealized gains from financial assets measured at fair value through other comprehensive income	257,193	1	379,613	1
3445	Remeasurements of defined benefit plans	(15,632)	-	(36,993)	-
		(56,316)	-	(422,523)	(1)
	Equity attributable to shareholders of the Company	10,514,551	31	9,842,185	29
36XX	**Non-controlling interests (notes 6(i), (j) and (w))**	3,388,170	10	2,879,152	9
	Total equity	13,902,721	41	12,721,337	38
	Total liabilities and equity	**$ 33,637,187**	**100**	**33,195,274**	**100**

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	**Net sales (notes 6(z), 7 and 14)**	$ 29,535,253	100	28,048,736	100
5000	**Cost of sales (notes 6(f), (k), (l), (n), (r), (s), (u), (y), (aa), 7 and 12)**	(24,524,594)	(83)	(23,377,424)	(83)
	Gross profit	5,010,659	17	4,671,312	17
5910	Less: Unrealized profit from sales	-	-	(6,341)	-
5950	**Realized Gross profit**	5,010,659	17	4,664,971	17
	Operating expenses (notes 6(e), (k), (l), (n), (r), (u), (y), (aa), 7 and 12):				
6100	Selling expenses	(1,365,518)	(5)	(1,326,187)	(5)
6200	Administrative expenses	(1,004,474)	(4)	(902,024)	(3)
6300	Research and development expenses	(999,700)	(3)	(946,171)	(4)
6450	Expected credit loss	(31,091)	-	(1,163)	-
6000	**Total operating expenses**	(3,400,783)	(12)	(3,175,545)	(12)
	Operating income	1,609,876	5	1,489,426	5
	Non-operating income and loss (notes 6(h), (m), (r), (t), (ab), 7 and 12):				
7100	Interest income	14,382	-	9,382	-
7010	Other income	223,960	1	217,258	1
7020	Other gains and losses	171,612	1	9,280	-
7050	Finance costs	(172,505)	(1)	(75,816)	-
7060	Share of profit (loss) of associates and joint ventures	(5,318)	-	4,208	-
	Total non-operating income and loss	232,131	1	164,312	1
7900	**Income before income tax**	1,842,007	6	1,653,738	6
7950	Income tax expense (note 6(v))	(388,187)	(1)	(352,116)	(1)
8200	**Net income**	1,453,820	5	1,301,622	5
	Other comprehensive income (notes 6(h), (v) and (w)):				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	27,155	-	(6,751)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(122,404)	-	71,412	-
8320	Share of profit (loss) of associates and joint ventures accounted for using equity method	(14,692)	-	17,758	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	(5,020)	-	1,443	-
		(114,961)	-	83,862	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	497,503	1	(79,866)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	2,929	-	(4,170)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		500,432	1	(84,036)	-
	Other comprehensive income for the year, net of income tax	385,471	1	(174)	-
8500	**Total comprehensive income for the year**	**$ 1,839,291**	**6**	**1,301,448**	**5**
	Net income attributable to:				
8610	Shareholders of the Company	$ 1,162,868	4	1,146,533	4
8620	Non-controlling interests	290,952	1	155,089	1
		$ 1,453,820	**5**	**1,301,622**	**5**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	$ 1,529,075	5	1,139,806	4
8720	Non-controlling interests	310,216	1	161,642	1
		$ 1,839,291	**6**	**1,301,448**	**5**
	Earnings per share (in New Taiwan dollars) (note 6(x)):				
9750	Basic earnings per share	**$**	**4.15**		**4.09**
9850	Diluted earnings per share	**$**	**4.09**		**4.05**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Company												
			Retained earnings				Other equity						
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Foreign currency translation differences	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
Balance at January 1, 2021	$ 2,800,000	3,921,454	1,024,037	492,270	1,339,912	2,856,219	(683,751)	328,577	(31,433)	(386,607)	9,191,066	1,387,996	10,579,062
Net income in 2021	-	-	-	-	1,146,533	1,146,533	-	-	-	-	1,146,533	155,089	1,301,622
Other comprehensive income in 2021	-	-	-	-	-	-	(81,392)	80,225	(5,560)	(6,727)	(6,727)	6,553	(174)
Total comprehensive income in 2021	-	-	-	-	1,146,533	1,146,533	(81,392)	80,225	(5,560)	(6,727)	1,139,806	161,642	1,301,448
Appropriation of earnings:													
Legal reserve	-	-	92,953	-	(92,953)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(105,663)	105,663	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(700,000)	(700,000)	-	-	-	-	(700,000)	-	(700,000)
Acquisition of subsidiary's additional interests	-	-	-	-	-	-	-	-	-	-	-	(480)	(480)
Disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	9,800	9,800
Difference between consideration and carrying amount arising from acquisition or disposal of shares of subsidiaries	-	7,092	-	-	-	-	-	-	-	-	7,092	(7,092)	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,013,755	1,013,755
Changes in ownership interest in subsidiaries	-	204,221	-	-	-	-	-	-	-	-	204,221	(204,221)	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,409)	(1,409)
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	12,627	12,627
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	587,399	587,399
Distribution of cash dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(80,865)	(80,865)
Disposal of subsidiaries' investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	29,189	29,189	-	(29,189)	-	(29,189)	-	-	-
Balance at December 31, 2021	2,800,000	4,132,767	1,116,990	386,607	1,828,344	3,331,941	(765,143)	379,613	(36,993)	(422,523)	9,842,185	2,879,152	12,721,337
Net income in 2022	-	-	-	-	1,162,868	1,162,868	-	-	-	-	1,162,868	290,952	1,453,820
Other comprehensive income in 2022	-	-	-	-	-	-	467,266	(122,420)	21,361	366,207	366,207	19,264	385,471
Total comprehensive income in 2022	-	-	-	-	1,162,868	1,162,868	467,266	(122,420)	21,361	366,207	1,529,075	310,216	1,839,291
Appropriation of earnings:													
Legal reserve	-	-	117,572	-	(117,572)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	35,916	(35,916)	-	-	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(840,000)	(840,000)	-	-	-	-	(840,000)	-	(840,000)
Acquisition of subsidiary's additional interests	-	-	-	-	-	-	-	-	-	-	-	(180)	(180)
Changes in ownership interests in subsidiaries	-	6,928	-	-	-	-	-	-	-	-	6,928	(6,928)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	10,906	10,906
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	434,583	434,583
Decrease in non-controlling interests	-	(23,637)	-	-	-	-	-	-	-	-	(23,637)	(62,288)	(85,925)
Distribution of cash dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(177,291)	(177,291)
Balance at December 31, 2022	**$ 2,800,000**	**4,116,058**	**1,234,562**	**422,523**	**1,997,724**	**3,654,809**	**(297,877)**	**257,193**	**(15,632)**	**(56,316)**	**10,514,551**	**3,388,170**	**13,902,721**

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Income before income tax	$ 1,842,007	1,653,738
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation	1,127,095	992,451
Amortization	106,706	101,557
Expected credit loss	31,091	1,163
Interest expense	172,505	75,816
Interest income	(14,382)	(9,382)
Dividend income	(130,069)	(68,070)
Share of losses (profits) of associates and joint ventures	5,318	(4,208)
Stock option compensation cost of subsidiaries	10,906	12,627
Losses (gains) on disposal of property, plant and equipment	2,773	(862)
Gains on disposal of investment properties	(2,202)	(1,909)
Gains on reversal of impairment losses on property, plant and equipment	(9,237)	-
Unrealized profit from sales	-	6,341
Losses (gains) on lease modifications	(1,117)	11
Total adjustments to reconcile profit or loss	1,299,387	1,105,535
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets mandatorily measured at fair value through profit or loss	34,042	8,076
Notes and accounts receivable	371,688	(679,354)
Accounts receivable from related parties	12,934	(13,830)
Other receivables	(36,987)	108,793
Inventories	250,432	(3,899,968)
Prepayments and other current assets	233,575	(163,960)
Total changes in operating assets	865,684	(4,640,243)
Changes in operating liabilities:		
Financial liabilities held for trading	639	(5)
Notes and accounts payable	(2,523,747)	634,346
Other payables	191,977	269,906
Provisions	21,976	11,339
Other current liabilities	(176,255)	148,131
Net defined benefit liabilities	(4,535)	(7,603)
Total changes in operating liabilities	(2,489,945)	1,056,114
Total changes in operating assets and liabilities	(1,624,261)	(3,584,129)
Total adjustments	(324,874)	(2,478,594)
Cash provided by (used in) operations	1,517,133	(824,856)
Interest received	14,295	9,440
Interest paid	(157,344)	(73,481)
Income taxes paid	(147,513)	(223,750)
Net cash provided by (used in) operating activities	1,226,571	(1,112,647)

(Continued)

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from investing activities:		
Purchase of financial assets at fair value through other comprehensive income	(108,391)	(321,953)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	56,095
Purchase of financial assets at amortized cost	(217,563)	(47,773)
Proceeds from redemption of financial assets at amortized cost	4,271	45,773
Purchase of financial assets at fair value through profit or loss	(890,381)	(800,530)
Proceeds from disposal of financial assets at fair value through profit or loss	1,262,088	789,325
Additions to investments accounted for using equity method	(17,103)	-
Acquisition of subsidiaries, net of cash paid	-	(159,469)
Additions to property, plant and equipment (including prepayments for land and equipment)	(1,627,274)	(1,787,561)
Proceeds from disposal of property, plant and equipment	8,749	10,425
Additions to investment property	(137)	(100)
Proceeds from disposal of investment property	64,070	26,209
Increase in refundable deposits	(2,588)	(7,701)
Additions to intangible assets	(23,962)	(23,200)
Additions to right-of-use assets	-	(8,736)
Increase in other non-current assets	(3,630)	(126,500)
Dividends received	130,069	68,070
Net cash used in investing activities	(1,421,782)	(2,287,626)
Cash flows from financing activities:		
Increase in short-term borrowings	691,686	2,540,890
Increase (decrease) in short-term notes and bills payable	99,584	(439,721)
Increase in long-term debt	2,570,524	2,020,000
Repayments of long-term debt	(1,534,301)	(12,713)
Payment of lease liabilities	(125,896)	(106,918)
Increase (decrease) in other non-current liabilities	(87,269)	85,818
Cash dividends distributed to shareholders	(840,000)	(700,000)
Decrease in non-controlling interests	(85,925)	-
Distribution of cash dividends by subsidiaries to non-controlling interests	(177,291)	(80,865)
Acquisition of subsidiary's additional interests	(180)	(480)
Proceeds from disposal of interests in subsidiaries (without losing control)	-	9,800
Capital injection from non-controlling interests	434,583	587,399
Net cash provided by financing activities	945,515	3,903,210
Effects of exchange rate changes	(427,477)	(60,417)
Net increase in cash and cash equivalents	322,827	442,520
Cash and cash equivalents at beginning of year	3,045,203	2,602,683
Cash and cash equivalents at end of year	$ **3,368,030**	**3,045,203**

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Organization and business

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

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 7, 2023.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 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 IFRS endorsed by the FSC but not yet effective

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

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

(Continued)

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments have removed the requirement for a right to be unconditional and instead now require that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	After reconsidering certain aspects of the 2020 amendments, new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability' s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024

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"
- IFRS 16 "Requirements for Sale and Leaseback Transactions"

(Continued)

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

4. Summary of significant accounting policies

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

(Continued)

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

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

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

(ii) List of subsidiaries in the consolidated financial statements

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

			Percentage of Ownership		
Name of Investor	**Name of Investee**	**Main Business**	**December 31, 2022**	**December 31, 2021**	**Notes**
The Company	Darfon (BVI) Corporation (DFBVI)	Investment holding	100.00 %	100.00 %	
The Company	Darfon (Labuan) Corporation (DFLB)	Investment holding	100.00 %	100.00 %	
The Company	Darfon Materials Corp. (DMC)	Manufacture and sale of LTCC, inductors and paste	100.00 %	100.00 %	
The Company	Darfon Gemmy Corp. (DZL)	Investment holding	100.00 %	100.00 %	
The Company	Darfon Europe B.V. (DFeu)	Trading of green devices	100.00 %	100.00 %	
DFBVI/DFLB	Darfon Electronics (Suzhou) Co., Ltd. (DFS)	Manufacture and sale of the Company's components	100.00 %	100.00 %	
DFLB	Darfon Electronics Czech s.r.o (DFC)	Trading of electronic components	100.00 %	100.00 %	
DFLB	Darfon America Corp. (DFA)	Trading of electronic components	100.00 %	100.00 %	
DFLB	Huaian Darfon Electronics Co., Ltd. (DFH)	Manufacture and sale of the Company's components	100.00 %	100.00 %	
DFLB	Darfon Korea Co., Ltd. (DFK)	Trading of electronic components	100.00 %	100.00 %	
DFLB	Darfon Precision Holdings Co., Ltd. (DPH)	Investment holding	100.00 %	100.00 %	
DFLB	Darfon Electronics, Chongqing (DFQ)	Manufacture and sale of the Company's components	100.00 %	100.00 %	
DPH	Darfon Precision (Suzhou) Co., Ltd. (DPS)	Mold development and manufacture	100.00 %	100.00 %	
DFeu	Darfon Germany GmbH (DFG)	Trading of green devices	100.00 %	100.00 %	
The Company	Darfon Vietnam Co., Ltd. (DFV)	Manufacture of electronic components	100.00 %	100.00 %	
The Company	Darfon Energy Technology Corp. (DET)	Manufacturing and wholesale of batteries and electric components	87.00 %	100.00 %	Note 1
The Company/ DZL	Unictron Technologies Corporation (UTC)	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	46.75 %	45.77 %	

(Continued)

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

Name of Investor	Name of Investee	Main Business	Percentage of Ownership December 31, 2022	Percentage of Ownership December 31, 2021	Notes
UTC	Unicom Technologies, Inc. (UTI)	Investment holding	46.75 %	45.77 %	
UTI	WirelessCom Technologies (Shenzhen) Co., Ltd. (UTZ)	Sale, design and marketing of wireless antennas for telecommunication and modules	46.75 %	45.77 %	
The Company/ DZL	Darad Innovation Corp. (DTC)	Manufacture and sale of E-bike and related components	69.19 %	70.46 %	
DTC	Kenlight Sport Marketing Co., Ltd. (KSMC)	Sale of bicycles and related components	-	70.46 %	
DTC	Iron Ore Co., Ltd. (IOC)	Sale of bicycles and related components	52.58 %	53.55 %	
IOC	Iron Star Company Limited (ISC)	Sale of bicycles and related components	52.58 %	-	Note 3
The Company	Kenstone Metal Co., Ltd. (KST)	Manufacture and sale of bicycles and related components	58.54 %	60.00 %	
KST	Kenstone Metal Company GmbH (KSG)	Assembly and sale of bicycles and related components	58.54 %	60.00 %	
KST	KSI Handels GmbH (KSI)	Acquisition, lease and management of movable property and real estate, and sale of bicycles and related components	58.54 %	60.00 %	
KST	Kestone Vietnam Co., Ltd. (KSV)	Manufacture and sale of bicycles and related components	58.54 %	60.00 %	
KST	TD HiTech Energy Inc. (TDI)	Manufacture and sale of the High-power battery modules for electric bicycles	62.75 %	62.75 %	
The Company	Astro Tech Co., Ltd. (ATC)	Manufacture and sale of bicycles and related components	46.36 %	51.00 %	Note 2
ATC	Astro Engineering Co,. Ltd. (ATB)	Investment holding	46.36 %	51.00 %	Note 2
ATB	Astro Engineering Vietnam Co., Ltd (ATV)	Manufacture and sale of bicycles and related components	46.36 %	51.00 %	Note 2

Note 1: DET was established in December 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.
Note 3: ISC was established in the second quarter of 2022.

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

(d) Foreign currency

(i) Foreign currency transactions

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

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

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

(ii) Foreign operations

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

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

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

5) Impairment of financial assets

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

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

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

(Continued)

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

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

6) Derecognition of financial assets

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

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

(ii) Financial liabilities

1) Classification of debt or equity

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

2) Financial liabilities

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

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

3) Derecognition of financial liabilities

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

(Continued)

(iii) Offsetting of financial assets and liabilities

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

(iv) Derivative financial instruments

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

(h) Inventories

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

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale. Immediately before the initial classification of the non-current assets (or disposal groups) as held for sale, the carrying amount of the assets (or all the assets and liabilities in the group) is measured in accordance with the Group's applicable accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value, less, costs to sell. Impairment losses on assets held for sale initially recognized, and any subsequent gains or losses on re-measurement are recognized in profit or loss; nevertheless, the reversal gains are not recognized in excess of any cumulative impairment loss. Intangible assets and property, plant and equipment are no longer amortized or depreciated when they are classified as assets held for sale.

(j) Joint arrangements

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

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

(Continued)

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

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
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(l) Investment property

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

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

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

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

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

(m) Leases

(i) As a lessee

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

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

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

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

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(Continued)

- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

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

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

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

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

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

(ii) As a lessor

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

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

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(n) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

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

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

(o) Impairment of non-financial assets

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

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

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

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

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

(p) Provisions

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

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

(q) Revenue from contracts with customers

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

(i) Sale of goods

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

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

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

(ii) Royalties

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

(iii) Financing components

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

(Continued)

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(s) Share-based payment

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

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

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

(t) Income taxes

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

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

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

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

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

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

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

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

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

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

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

1) the same taxable entity; or

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

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

(u) Business combination

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

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

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

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

(v) Earnings per share ("EPS")

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

(w) Operating segments

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

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

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

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

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

(a) Valuation of inventory

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

(b) Impairment of goodwill

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

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6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	$ 7,453	6,438
Demand deposits and checking accounts	2,310,913	2,508,599
Time deposits with original maturities less than three months	1,045,469	522,942
Cash equivalents	4,195	7,224
	$ 3,368,030	**3,045,203**

(b) Financial instruments at fair value through profit or loss－current

	December 31, 2022	December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not designated for hedge accounting:		
Foreign currency forward contracts	$ 1,098	1,768
Foreign exchange swaps	261	-
Non-derivative financial assets:		
Open–end mutual funds	30,252	100,282
Structured deposits	367,441	355,411
	$ 399,052	**457,461**
Financial liabilities held for trading:		
Derivative instruments not designated for hedge accounting:		
Foreign currency forward contracts	**$ (662)**	**(23)**

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

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

December 31, 2022			
	Contract amount (in thousands)	**Currency**	**Maturity Period**
Foreign currency forward contracts	USD $ **5,000**	CNY Buy / USD Sell	2023/01
Foreign currency forward contracts	USD $ **3,886**	NTD Buy / USD Sell	2023/01～2023/03
Foreign currency forward contracts	USD $ **750**	JPY Buy / USD Sell	2023/03
Foreign exchange swaps	USD $ **3,719**	USD Swap in / TWD Swap out	2023/02～2023/03

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
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	December 31, 2021		
	Contract amount (in thousands)	**Currency**	**Maturity Period**
Foreign currency forward contracts	USD $ 12,000	CNY Buy / USD Sell	2022/01
Foreign currency forward contracts	USD $ 4,845	NTD Buy / USD Sell	2022/01~2022/06

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

	December 31, 2022	**December 31, 2021**
Equity investments at fair value through other comprehensive income:		
Domestic listed stocks	**$ 1,471,082**	**1,485,096**
Current	$ 349,051	271,389
Non-current	1,122,031	1,213,707
	$ 1,471,082	**1,485,096**

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

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

(d) Financial assets at amortized costs

	December 31, 2022	**December 31, 2021**
Current:		
Time deposits with original maturities more than 3 months	$ 215,000	-
Restricted deposits	1,100	3,100
	$ 216,100	**3,100**
Non-current:		
Restricted deposits	**$ 1,102**	**810**

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

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

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(e) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes and accounts receivable	$ 7,322,361	7,780,468
Accounts receivable from related parties	124,337	137,271
	7,446,698	7,917,739
Less: loss allowance	(82,649)	(55,609)
	$ 7,364,049	7,862,130

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

	December 31, 2022		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	$ 6,041,809	0.29%	17,343
Past due 1-30 days	972,949	1.60%	15,519
Past due 31-60 days	328,882	4.09%	13,466
Past due 61-90 days	51,587	12.67%	6,537
Past due 91-120 days	36,267	40.20%	14,580
Past due over 121 days	15,204	100.00%	15,204
	$ 7,446,698		82,649

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

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

	2022	2021
Balance at January 1	$ 55,609	54,685
Impairment loss recognized	31,091	1,163
Write-off	(4,926)	-
Effect of exchange rate changes	875	(239)
Balance at December 31	**$ 82,649**	**55,609**

(iii) The Group entered into factoring contracts with financial institutions to sell its accounts receivable without recourse. According to these contracts, the Group is not responsible for any risk of uncollectible accounts receivable, but only for the loss due to commercial disputes. The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The receivables from the financial institutions were recognized as “other receivables” upon the derecognition of those accounts receivables. Details of these contracts at each reporting date were as follows:

	December 31, 2022					
Underwriting bank	**Factored amount**	**Unpaid advance amount**	**Advance amount**	**Amount recognized in other receivables**	**Range of interest rates**	**Collateral**
Taipei Fubon Bank	**$ 82,368**	**82,368**	**-**	**82,368**	-	-

(f) Inventories

	December 31, 2022	December 31, 2021
Raw materials	$ 4,454,602	5,074,006
Work in process	1,425,325	1,318,259
Finished goods and merchandise	2,408,476	2,146,570
	$ 8,288,403	**8,538,835**

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

	2022	2021
Cost of inventories sold	$ 23,920,288	22,963,302
Write-downs of inventories	326,066	183,767
Losses on scrap	278,240	230,355
	$ 24,524,594	**23,377,424**

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

(g) Non-current assets held for sale

In December 2022, the Board of Directors of DFS approved a resolution to dispose its land use rights and buildings located at No. 99, Zhuyuan Road, Suzhou New District, Suzhou City in Mainland China. On December 21, 2022, DFS entered into an agreement with Management Committee of Suzhou High-tech Industrial Development Zone and Suzhou High-tech Zone (Huqiu District) Land Reserve Center, with a total purchase price of CNY 710,886 thousand (NT$3,131,950) and hence the related assets were reclassified as non-current assets held for sale. On December 31, 2022, non-current assets held for sale were detailed as follows:

	December 31, 2022
Property, plant and equipment (note 6(k))	$ 867,308
Right-of-use assets (note 6(l))	54,504
	$ 921,812

A disposal gain would be recognized when control of the related assets was transferred to the counterparty, which is expected to be completed within one year after the signed agreement and the prepayment amounted to CNY 215,000 thousand as of March 7, 2023.

(h) Investments accounted for using equity method

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

	December 31, 2022	December 31, 2021
Carrying amounts of joint ventures	$ 33,826	23,332
Carrying amounts of associates	41,419	51,891
	$ 75,245	**75,223**

	2022	2021
Attributable to the Group of joint ventures:		
Net income (loss)	$ (5,774)	4,431
Other comprehensive income	(836)	(3,827)
Total comprehensive income	**$ (6,610)**	**604**

	2022	2021
Attributable to the Group of associates:		
Net income (loss)	$ 456	(223)
Other comprehensive income	(10,927)	17,415
Total comprehensive income	**$ (10,471)**	**17,192**

(i) Subsidiaries and non-controlling interests

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

1) Consideration transferred

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 expending the Group’s scale in the industry of green energy products.

2) Identifiable net assets acquired in a business combination

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

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

(Continued)

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

For the measurement of the fair value listed above, the required market assessment and other calculations have been completed, and the necessary adjustments regarding the provisional amount of original accounting for the acquisition of ATC have 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 assets－patents are amortized on a straight-line basis over the estimated economic useful life of 3 years.

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

4) Pro forma information

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

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

In 2022, DTC increased its share capital and reserved part of its new shares for subscription by its employees, which resulted in a decrease in the Group's ownership interest in DTC.

In 2022, KST increased its share capital and reserved part of its new shares for subscription by its employees, which resulted in a decrease in the Group's ownership interest in KST.

In 2022, the stock options exercised by AST's employees resulted in a decrease in the Group's ownership interest in AST.

In 2022, the stock options exercised by DET's employees resulted in a decrease in the Group's ownership interest in DET.

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In May 2022, the Group acquired part of the equity of DTC for a cash consideration of $180, which resulted in an increase in the Group's ownership interest in DTC.

In July and August 2022, UTC repurchased its treasury stock from open market for a cash consideration of $85,925, which resulted in an increase in the Group' s ownership interest in UTC.

In 2021, the Group disposed part of the equity of UTC for a consideration of $9,800 and acquired additional equity of DTC.

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

The following table summarizes the impact of capital surplus from the abovementioned changes.

	2022	2021
Capital surplus arising from changes in ownership interests in subsidiaries	$ (16,709)	204,221
Capital surplus－difference between consideration and carrying amount arising from acquisition or disposal of shares of subsidiaries	-	7,092
	$ (16,709)	211,313

(j) Subsidiaries that have material non-controlling interest

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

		The percentage of ownership and voting rights held by non-controlling interests	
Subsidiary	**Principal place of business/ Registration country**	**December 31, 2022**	**December 31, 2021**
KST	Taiwan	41.46 %	40.00 %
UTC	Taiwan	53.25 %	54.23 %
TDI	Taiwan	37.25 %	37.25 %
ATC	Taiwan	53.64 %	49.00 %

(Continued)

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

(i) The summarized financial information of KST:

		December 31, 2022	December 31, 2021
Current assets	$	4,304,320	3,785,923
Non-current assets		945,602	904,766
Current liabilities		(3,807,678)	(3,533,691)
Non-current liabilities		(134,685)	(85,090)
Net assets	$	**1,307,559**	**1,071,908**
The carrying amount of non-controlling interests	$	**486,589**	**375,194**

		2022	2021
Net sales	$	**6,006,875**	**3,490,856**
Net income (loss)	$	7,001	(12,289)
Other comprehensive income		32,061	(12,703)
Total comprehensive income	$	**39,062**	**(24,992)**
Net income (loss) attributable to non-controlling interests	$	**2,920**	**(4,916)**
Total comprehensive income attributable to non-controlling interests	$	**16,159**	**(9,997)**
Cash flow from operating activities	$	(868,743)	(1,252,246)
Cash flow from investing activities		(5,934)	(234,223)
Cash flow from financing activities		829,973	1,141,123
Effects of foreign exchange rate changes		-	11,288
Net decrease in cash and cash equivalents	$	**(44,704)**	**(334,058)**
Cash dividends paid to non-controlling interests	$	**-**	**-**

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
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(ii) The summarized financial information of UTC:

	December 31, 2022	December 31, 2021
Current assets	$ 1,573,193	1,815,578
Non-current assets	1,146,113	1,166,286
Current liabilities	(531,505)	(633,209)
Non-current liabilities	(60,866)	(69,921)
Net assets	$ 2,126,935	2,278,734
The carrying amount of non-controlling interests	$ 987,249	1,087,467

	2022	2021
Net sales	$ 1,498,552	1,705,810
Net income	$ 204,985	268,398
Other comprehensive income	(7,543)	570
Total comprehensive income	$ 197,442	268,968
Net income attributable to non-controlling interests	$ 110,389	131,843
Total comprehensive income attributable to non-controlling interests	$ 106,300	132,138
Cash flow from operating activities	$ 224,514	371,488
Cash flow from investing activities	(387,915)	(59,788)
Cash flow from financing activities	(355,169)	456,485
Effects of foreign exchange rate changes	280	79
Net increase (decrease) in cash and cash equivalents	$ (518,290)	768,264
Cash dividends paid to non-controlling interests	$ (142,796)	(76,170)

(iii) The summarized financial information of TDI:

	December 31, 2022	December 31, 2021
Current assets	$ 694,833	732,020
Non-current assets	134,396	147,505
Current liabilities	(157,963)	(206,068)
Non-current liabilities	(22,780)	(34,941)
Net assets	$ 648,486	638,516
The carrying amount of non-controlling interests	$ 222,731	219,017

(Continued)

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	2022	2021
Net sales	$ 671,319	676,023
Net income	$ 34,811	18,612
Other comprehensive income	(8,004)	650
Total comprehensive income	$ 26,807	19,262
Net income attributable to non-controlling interests	$ 12,967	6,933
Total comprehensive income attributable to non-controlling interests	$ 9,986	7,175
Cash flow from operating activities	$ (50,894)	87,058
Cash flow from investing activities	51,740	(85,372)
Cash flow from financing activities	(28,809)	(11,703)
Net decrease in cash and cash equivalents	$ (27,963)	(10,017)
Cash dividends paid to non-controlling interests	$ (6,271)	-

(iv) The summarized financial information of ATC:

	December 31, 2022	December 31, 2021
Current assets	$ 2,943,347	2,050,646
Non-current assets	2,451,630	2,249,155
Current liabilities	(2,237,125)	(1,719,511)
Non-current liabilities	(395,698)	(277,971)
Net assets	$ 2,762,154	2,302,319
The carrying amount of non-controlling interests	$ 1,381,970	1,045,391

	2022	For the nine months ended December 31, 2021
Net sales	$ 4,130,129	1,876,901
Net income	$ 309,872	34,608
Other comprehensive income	10,672	29,956
Total comprehensive income	$ 320,544	64,564
Net income attributable to non-controlling interests	$ 153,446	16,958
Total comprehensive income attributable to non-controlling interests	$ 158,282	31,637
Cash flow from operating activities	$ (132,453)	(1,184,822)
Cash flow from investing activities	(334,514)	(557,761)
Cash flow from financing activities	529,987	1,708,978
Effects of foreign exchange rate changes	(9,675)	30,109
Net increase (decrease) in cash and cash equivalents	$ 53,345	(3,496)
Cash dividends paid to non-controlling interests	$ (28,224)	-

(Continued)

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(k) Property, plant and equipment

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

		Land	Building	Machinery	Other equipment	Construction in progress and equipment to be inspected	Total
Cost:							
Balance at January 1, 2022	$	1,441,633	6,980,628	7,207,808	590,424	414,211	16,634,704
Additions		143,733	172,656	271,822	123,831	719,546	1,431,588
Disposals		-	(9,681)	(269,105)	(22,952)	(735)	(302,473)
Reclassification to non-current assets held for sale (note 6(g))		-	(2,037,980)	-	-	-	(2,037,980)
Other reclassification		101,283	84,176	336,220	12,235	(26,878)	507,036
Effect of exchange rate changes		-	198,137	281,964	7,006	43,301	530,408
Balance at December 31, 2022	**$**	**1,686,649**	**5,387,936**	**7,828,709**	**710,544**	**1,149,445**	**16,763,283**
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(i))		177,647	520,672	577,170	76,418	-	1,351,907
Additions		370,755	194,332	256,915	77,669	465,243	1,364,914
Disposals		-	(4,214)	(62,103)	(24,232)	-	(90,549)
Reclassification		-	47,155	501,639	29,313	(228,782)	349,325
Effect of exchange rate changes		-	(39,383)	(29,441)	(145)	(1,396)	(70,365)
Balance at December 31, 2021	**$**	**1,441,633**	**6,980,628**	**7,207,808**	**590,424**	**414,211**	**16,634,704**
Accumulated depreciation and impairment losses:							
Balance at January 1, 2022	$	-	3,219,163	5,187,941	384,050	-	8,791,154
Depreciation		-	297,752	573,135	88,018	-	958,905
Reversal of Impairment losses		-	-	(9,237)	-	-	(9,237)
Disposals		-	(9,647)	(262,055)	(19,249)	-	(290,951)
Reclassification to non-current assets held for sale (note 6(g))		-	(1,170,672)	-	-	-	(1,170,672)
Effect of exchange rate changes		-	125,643	183,859	20,095	-	329,597
Balance at December 31, 2022	**$**	**-**	**2,462,239**	**5,673,643**	**472,914**	**-**	**8,608,796**
Balance at January 1, 2021	$	-	2,873,554	4,490,389	319,583	-	7,683,526
Acquisition through business combination (note 6(i))		-	103,229	295,768	12,472	-	411,469
Depreciation		-	274,759	494,601	75,213	-	844,573
Disposals		-	(3,051)	(58,906)	(19,029)	-	(80,986)
Reclassification		-	(2,355)	-	(3,876)	-	(6,231)
Effect of exchange rate changes		-	(26,973)	(33,911)	(313)	-	(61,197)
Balance at December 31, 2021	**$**	**-**	**3,219,163**	**5,187,941**	**384,050**	**-**	**8,791,154**
Carrying amount:							
Balance at December 31, 2022	**$**	**1,686,649**	**2,925,697**	**2,155,066**	**237,630**	**1,149,445**	**8,154,487**
Balance at December 31, 2021	**$**	**1,441,633**	**3,761,465**	**2,019,867**	**206,374**	**414,211**	**7,843,550**

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 Company and UTC, respectively, could not be registered in their names due to regulations. The Group and the landowners had signed agreements, clarifying that the rights and obligations of the lands belong to the Group.

On December 31, 2021, the prepayment of $105,283 was made by the Group to acquire the lands in Miaoli and ChangHua and was included in other non-current assets. In 2022, the land transfer registration had been completed and the aforementioned prepayment was reclassified to property, plant and equipment.

(Continued)

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(l) Right-of-use assets

The movements of cost and accumulated depreciation 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		-	111,605	-	111,605
Disposals		-	(68,362)	(2,200)	(70,562)
Reclassification to non-current assets held for sale (note 6(g))		(62,447)	-	-	(62,447)
Effect of exchange rates changes		44,964	18,335	239	63,538
Balance at December 31, 2022	$	**759,475**	**522,584**	**8,338**	**1,290,397**
Balance at January 1, 2021	$	384,866	445,208	3,712	833,786
Acquisition through business combination (note 6(i))		226,235	7,096	-	233,331
Additions		8,736	77,649	7,676	94,061
Disposals		-	(66,176)	(702)	(66,878)
Reclassification from other non-current assets		176,897	-	-	176,897
Effect of exchange rates changes		(19,776)	(2,771)	(387)	(22,934)
Balance at December 31, 2021	$	**776,958**	**461,006**	**10,299**	**1,248,263**
Accumulated depreciation:					
Balance at January 1, 2022	$	76,218	195,797	3,464	275,479
Depreciation		39,937	125,026	2,833	167,796
Disposals		-	(58,879)	(1,930)	(60,809)
Reclassification to non-current assets held for sale (note 6(g))		(7,943)	-	-	(7,943)
Effect of exchange rate changes		1,595	11,902	132	13,629
Balance at December 31, 2022	$	**109,807**	**273,846**	**4,499**	**388,152**
Balance at January 1, 2021	$	41,161	120,981	1,431	163,573
Acquisition through business combination (note 6(i))		5,400	-	-	5,400
Depreciation		35,371	109,427	2,579	147,377
Disposals		-	(33,827)	(475)	(34,302)
Effect of exchange rate changes		(5,714)	(784)	(71)	(6,569)
Balance at December 31, 2021	$	**76,218**	**195,797**	**3,464**	**275,479**
Carrying amount:					
Balance at December 31, 2022	$	**649,668**	**248,738**	**3,839**	**902,245**
Balance at December 31, 2021	$	**700,740**	**265,209**	**6,835**	**972,784**

On December 31, 2022 and 2021, purchase prices of $202,211 and $194,563, respectively, were fully paid by the Group's subsidiary, ATV, to acquire the right-of-use assets of land in Vietnam. However, the rights were not transferred to ATV yet and the prepaymenys were recognized in non-current assets.

(Continued)

(m) Investment property

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

		Land	Buildings	Total
Cost:				
Balance at January 1, 2022	$	52,359	17,426	69,785
Additions		-	137	137
Disposals		(52,359)	(17,563)	(69,922)
Balance at December 31, 2022	$	-	-	-
Balance at January 1, 2021	$	69,233	29,467	98,700
Additions		-	100	100
Disposals		(16,874)	(12,141)	(29,015)
Balance at December 31, 2021	$	**52,359**	**17,426**	**69,785**
Accumulated depreciation and impairment losses:				
Balance at January 1, 2022	$	-	7,660	7,660
Depreciation		-	394	394
Disposals		-	(8,054)	(8,054)
Balance at December 31, 2022	$	-	-	-
Balance at January 1, 2021	$	-	11,874	11,874
Depreciation		-	501	501
Disposals		-	(4,715)	(4,715)
Balance at December 31, 2021	$	-	**7,660**	**7,660**
Carrying amount:				
Balance at December 31, 2022	$	-	-	-
Balance at December 31, 2021	$	**52,359**	**9,766**	**62,125**
Fair value:				
Balance at December 31, 2022				$ -
Balance at December 31, 2021				$ **75,619**

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

For the years ended December 31, 2022 and 2021, the Group disposed its investment property to non-related parties. Net disposal proceeds amounted to $64,070 and $26,209, respectively, and the gains on disposal of property amounted to $2,202 and $1,909, respectively. As of December 31, 2022 and 2021, the relevant proceeds have been received.

The fair value of the investment property is determined by referring to the market price of similar real estate transactions in the same area in which the investment property is located. The inputs used in the fair value measurement were classified to Level 3.

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(n) Intangible assets

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

	Goodwill	Patents	Expertise	Customer relationship	Software	Total
Cost:						
Balance at January 1, 2022	$ 637,110	160,824	212,746	114,690	100,438	1,225,808
Additions	-	36	-	-	23,926	23,962
Disposals	-	-	-	-	(124)	(124)
Effect of exchange rate changes	-	-	-	-	1,902	1,902
Balance at December 31, 2022	**$ 637,110**	**160,860**	**212,746**	**114,690**	**126,142**	**1,251,548**
Balance at January 1, 2021	$ 465,868	35,836	217,475	114,690	46,561	880,430
Acquisition through business combination (note 6(i))	168,868	124,913	-	-	14,908	308,689
Adjustment of business combination during the measurement period	2,374	-	(4,729)	-	-	(2,355)
Additions	-	75	-	-	23,125	23,200
Reclassification	-	-	-	-	16,572	16,572
Effect of exchange rate changes	-	-	-	-	(728)	(728)
Balance at December 31, 2021	**$ 637,110**	**160,824**	**212,746**	**114,690**	**100,438**	**1,225,808**
Accumulated amortization:						
Balance at January 1, 2022	$ -	20,728	94,233	45,399	47,402	207,762
Amortization	-	46,768	21,868	14,336	23,734	106,706
Disposals	-	-	-	-	(124)	(124)
Effect of exchange rate changes	-	-	-	-	1,500	1,500
Balance at December 31, 2022	**$ -**	**67,496**	**116,101**	**59,735**	**72,512**	**315,844**
Balance at January 1, 2021	$ -	14,994	40,477	32,342	18,590	106,403
Acquisition through business combination (note 6(i))	-	14	-	-	422	436
Amortization	-	5,720	52,477	14,336	22,470	95,003
Reclassification	-	-	1,279	(1,279)	6,231	6,231
Effect of exchange rate changes	-	-	-	-	(311)	(311)
Balance at December 31, 2021	**$ -**	**20,728**	**94,233**	**45,399**	**47,402**	**207,762**
Carrying amounts:						
Balance at December 31, 2022	**$ 637,110**	**93,364**	**96,645**	**54,955**	**53,630**	**935,704**
Balance at December 31, 2021	**$ 637,110**	**140,096**	**118,513**	**69,291**	**53,036**	**1,018,046**

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

	2022	2021
Cost of sales	$ 6,688	6,820
Operating expenses	100,018	88,183
	$ 106,706	**95,003**

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(ii) Impairment test on goodwill

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

	December 31, 2022	December 31, 2021
UTC	$ 273,447	273,447
KST	133,924	133,924
ATC	168,868	168,868
Other CGUs without allocating significant goodwill	60,871	60,871
	$ 637,110	**637,110**

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

	December 31, 2022	December 31, 2021
UTC：		
Revenue growth rate	-	9%~22%
Pre-tax discount rate	-	14.71%

	December 31, 2022	December 31, 2021
KST：		
Revenue growth rate	(32%)~10%	5%~29%
Pre-tax discount rate	12.22%	16.67%

	December 31, 2022	December 31, 2021
ATC：		
Revenue growth rate	5%~10%	5%~22%
Pre-tax discount rate	16.27%	16.55%

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

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

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(o) Short-term borrowings

	December 31, 2022	December 31, 2021
Unsecured bank borrowings	$ 5,786,396	4,710,651
Secured bank borrowings	-	329,320
	$ 5,786,396	**5,039,971**
Unused credit facilities	**$ 10,491,800**	**10,951,121**
Interest rate	**1.7%~6.75%**	**0.60%~1.39%**

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

(p) Short-term notes and bills payable

	December 31, 2022	December 31, 2021
Commercial paper payable	$ 100,000	-
Less: discount on commercial paper payable	(416)	-
	$ 99,584	**-**
Interest rate	**2.2%**	**-**

(q) Long-term debt

	December 31, 2022	December 31, 2021
Unsecured bank loans	$ 633,808	-
Secured bank loans	4,050,000	3,640,850
Less: current portion of long-term debt	(96,095)	(16,899)
	$ 4,587,713	**3,623,951**
Unused credit facilities	**$ 4,250,433**	**2,491,493**
Year to maturity	**2023~2025**	**2022~2024**
Interest rate	**2.4%~6.1%**	**0.82%~1.60%**

According to certain 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. For the years ended December 31, 2022 and 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.

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(r) Lease liabilities

Lease liabilities were as follows:

		December 31, 2022	December 31, 2021
Current	$	113,214	100,386
Non-current	$	174,506	203,716

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

The amounts recognized in profit or loss were as follows:

		2022	2021
Interest expense on lease liabilities	$	10,722	10,890
Expenses relating to short-term leases	$	53,287	47,290

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

		2022	2021
Total cash outflow for leases	$	189,905	173,834

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 office 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.

(s) Warranty provisions－current

		2022	2021
Balance at January 1	$	110,716	96,222
Acquisition through business combination		-	3,155
Additions		55,481	58,168
Amount utilized		(33,505)	(46,829)
Balance at December 31	$	132,692	110,716

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

(Continued)

(t) Operating lease of lessor

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

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

	December 31, 2022	December 31, 2021
Not later than 1 year	$ -	1,436

For the years ended December 31, 2022 and 2021, the rental income from investment property amounted to $1,542 and $1,970, respectively, and was recognized in other income. Please refer to note 6 (ab) for detailed information. For the years ended December 31, 2022 and 2021, related operating expenses amounted to $722 and $892, respectively.

(u) Employee benefits

(i) Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ 166,361	183,487
Fair value of plan assets	(132,674)	(118,110)
Net defined benefit liabilities	**$ 33,687**	**65,377**

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$ -	-
Fair value of plan assets	(18,521)	(17,076)
Net defined benefit assets	**$ (18,521)**	**(17,076)**

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

1) Composition of plan assets

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

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
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As of December 31, 2022, and 2021, the Company and its domestic subsidiaries' labor pension fund deposited at Bank of Taiwan amounted to $151,195 and $135,186, respectively. Please refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the Fund.

2) Movements in present value of defined benefit obligations

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

	2022	2021
Defined benefit obligations at January 1	$ 183,487	184,705
Current service costs and interest expense	1,385	1,465
Remeasurement on the net defined benefit liabilities (assets):		
—Actuarial losses arising from changes in demographic assumptions	-	4,720
—Actuarial losses arising from experience adjustments	332	3,058
—Actuarial losses (gains) arising from changes in financial assumptions	(18,423)	284
Gain on curtailment	-	(1,296)
Benefits paid by the plan	(420)	(9,449)
Defined benefit obligations at December 31	**$ 166,361**	**183,487**

3) Movements of fair value of plan assets

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

	2022	2021
Fair value of plan assets at January 1	$ 135,186	135,253
Interest income	2,323	1,165
Remeasurement on the net defined benefit liabilities (assets):		
—Returns on plan assets (excluding the amounts included in the net interest expense)	9,064	1,311
Contributions by the employer	5,042	6,906
Benefits paid by the plan	(420)	(9,449)
Fair value of plan assets at December 31	**$ 151,195**	**135,186**

4) Changes in the effect of the asset ceiling

In 2022 and 2021, there was no effect of the asset ceiling.

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
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5) Expenses recognized in profit or loss

	2022	2021
Current service costs	$ 25	135
Net interest expense on the net defined benefit liability (asset)	(963)	165
Gain on curtailment	-	(1,296)
	$ (938)	**(996)**
Cost of sales	$ 63	189
Operating expenses	(1,001)	111
Other income	-	(1,296)
	$ (938)	**(996)**

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2022	December 31, 2021
Discount rate	1.25%~1.75%	0.55%~0.75%
Future salary increases rate	2.00%~4.00%	2.00%~4.00%

The Group expects to make the contribution of $5,080 to the defined benefit plans in the year following December 31, 2022. The weighted average duration of the defined benefit plan ranges from 10.6 years to 14.7 years.

7) Sensitivity analysis

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

	Increase (decrease) in present value of defined benefit obligations	
	0.25% Increase	**0.25% Decrease**
December 31, 2022		
Discount rate	$ (4,167)	4,437
Future salary change	4,352	(4,187)
December 31, 2021		
Discount rate	(5,277)	5,476
Future salary change	5,320	(5,133)

(Continued)

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

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

(ii) Defined contribution plans

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

For the years ended December 31, 2022 and 2021, the Group recognized pension expenses of $281,877 and $246,489, respectively, in relation to the defined contribution plans.

(v) Income taxes

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

	2022	2021
Current income tax expense		
Current period	$ 484,163	341,970
Adjustment for prior years	(25,148)	(5,495)
	459,015	336,475
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	(55,485)	54,909
Recognition of previously unrecognized tax losses	(8,213)	(1,530)
Changes in unrecognized deductible temporary differences	(7,130)	(37,738)
	(70,828)	15,641
	$ 388,187	**352,116**

In 2022 and 2021, there was no income tax recognized directly in equity.

In 2022 and 2021, the components of income tax expense (benefit) recognized in other comprehensive income were as follows:

	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of the defined benefit plans	**$ 5,020**	**(1,443)**

(Continued)

Reconciliation of income tax expense and income before income tax for 2022 and 2021 was as follows:

	2022	2021
Income before income taxes	$ 1,842,007	1,653,738
Income tax using the Company's statutory tax rate	$ 368,401	330,748
Effect of different tax rates in foreign jurisdictions	22,210	14,337
Investment tax credits	(41,990)	(45,310)
Adjustments for prior-year income tax expense	(25,148)	(5,495)
Non-deductible expense	1,896	5,383
Recognition of previously unrecognized tax losses	(8,213)	(1,530)
Changes in unrecognized temporary differences	(7,130)	(37,738)
Additional income tax on undistributed earnings	5,596	5,612
Others	72,565	86,109
	$ 388,187	352,116

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

	December 31, 2022	December 31, 2021
Deductible temporary differences	$ 518,901	456,979
Tax losses	50,643	58,856
	$ 569,544	515,835

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

As of December 31, 2022, the unrecognized tax losses and the respective expiry years were as follows:

Tax losses	Income tax effect of tax losses	Expiration year
$ 41,632	8,326	2023
30,310	6,062	2024
28,022	5,604	2025
50,232	10,046	2026
49,115	9,823	2027
17,859	3,572	2028
9,549	1,910	2029
8,134	1,627	2030
12,631	2,526	2031
5,733	1,147	2032
$ 253,217	50,643	

(Continued)

2) Unrecognized deferred income tax liabilities

	December 31, 2022	December 31, 2021
Aggregate taxable temporary differences associated with investments in subsidiaries	$ 975,886	906,834

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

3) Recognized deferred income tax assets and liabilities

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

Deferred income tax assets:

	Depreciation adjustments for tax purposes	Defined benefit liabilities	Deferred inter-company profits	Warranty provisions	Refund liabilities	Others	Total
Balance at January 1, 2022	$ 23,960	11,920	23,217	19,089	17,307	64,758	160,251
Recognized in profit or loss	300	(1,619)	853	5,062	1,412	50,331	56,339
Recognized in other comprehensive income	-	(5,020)	-	-	-	-	(5,020)
Balance at December 31, 2022	**$ 24,260**	**5,281**	**24,070**	**24,151**	**18,719**	**115,089**	**211,570**
Balance at January 1, 2021	$ 22,944	12,313	56,872	16,259	18,106	69,529	196,023
Recognized in profit or loss	1,016	(1,836)	(33,655)	2,830	(799)	(4,771)	(37,215)
Recognized in other comprehensive income	-	1,443	-	-	-	-	1,443
Balance at December 31, 2021	**$ 23,960**	**11,920**	**23,217**	**19,089**	**17,307**	**64,758**	**160,251**

Deferred income tax liabilities:

	Defined benefit assets	Intangible assets	Others	Total
Balance at January 1, 2022	$ 3,133	169,975	4,834	177,942
Recognized in profit or loss	-	(26,130)	11,641	(14,489)
Balance at December 31, 2022	**$ 3,133**	**143,845**	**16,475**	**163,453**
Balance at January 1, 2021	$ 3,073	66,506	3,096	72,675
Recognized in profit or loss	60	(23,372)	1,738	(21,574)
Recognized through business combination	-	126,841	-	126,841
Balance at December 31, 2021	**$ 3,133**	**169,975**	**4,834**	**177,942**

As of December 31, 2022, the tax loss carryforwards for which deferred income tax assets were recognized and the expiration year was as follows:

Tax loss	Income tax effect of tax loss carryforwards	Expiration year
$ 17,162	3,432	2026

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

(Continued)

(w) Capital and other equity

(i) Common stock

As of December 31, 2022 and 2021, the Company's authorized common stock consisted of 450,000 thousand shares, of which 280,000 thousand shares were issued and outstanding. The par value of the Company's common stock is $10 per share.

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

	Common stock	
	2022	**2021**
Balance at January 1 (Same as balance at December 31)	**280,000**	**280,000**

(ii) Capital surplus

	December 31, 2022	**December 31, 2021**
Paid-in capital in excess of par value	$ 3,563,940	3,563,940
Treasury stock transactions	238,180	238,180
Surplus from merger	144	144
Difference between consideration and carrying amount arising from acquisition or disposal of shares of subsidiaries	101,730	101,730
Recognition of changes in ownership interest in subsidiaries	212,064	228,773
	$ 4,116,058	**4,132,767**

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

(iii) Retained earnings

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

(Continued)

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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.

3) Earnings distribution

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

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

On March 7, 2023, the Company's Board of Directors approved the distribution of cash dividend as follows:

	2022	
	Dividend per share (NT$)	**Amount**
Dividends per share:		
Cash dividend	$ 3.0	**840,000**

(Continued)

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

(iv) Other equity items (net after tax)

	Foreign currency translation differences	Unrealized gains (losses) 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	465,935	-	-	465,935
Unrealized losses from financial assets at fair value through other comprehensive income	-	(114,927)	-	(114,927)
Remeasurement of defined benefit plans	-	-	21,361	21,361
Share of other comprehensive income of joint ventures and associates	1,331	(7,493)	-	(6,162)
Balance at December 31, 2022	**$ (297,877)**	**257,193**	**(15,632)**	**(56,316)**
Balance at January 1, 2021	$ (683,751)	328,577	(31,433)	(386,607)
Foreign exchange differences arising from translation of foreign operations	(78,521)	-	-	(78,521)
Unrealized gains from financial assets at fair value through other comprehensive income	-	71,169	-	71,169
Disposal of equity instruments designated at fair value through other comprehensive income	-	(29,189)	-	(29,189)
Remeasurement of defined benefit plans	-	-	(5,560)	(5,560)
Share of other comprehensive income of joint ventures and associates	(2,871)	9,056	-	6,185
Balance at December 31, 2021	**$ (765,143)**	**379,613**	**(36,993)**	**(422,523)**

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

	2022	2021
Balance at January 1	$ 2,879,152	1,387,996
Equity attributable to non-controlling interests:		
Net income	290,952	155,089
Foreign currency translation differences	31,569	(2,643)
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	(7,477)	8,944
Remeasurements of defined benefit plans	773	252
Share of other comprehensive income loss of joint ventures and associates	(5,601)	-
Disposal of interests in subsidiaries	-	9,800
Acquisition of subsidiaries	-	1,013,755
Changes in ownership interests in subsidiaries	(6,928)	(204,221)
Difference between consideration and carrying amount arising from acquisition or disposal of shares of subsidiaries	-	(7,092)
Acquisition of subsidiary’s additional interests	(180)	(480)
Compensation cost of stock option issued by subsidiaries	10,906	12,627
Capital injection from non-controlling interests	434,583	587,399
Decrease in non-controlling interests	(62,288)	(1,409)
Distribution of cash dividend by subsidiaries to non-controlling interests	(177,291)	(80,865)
Balance at December 31	**$ 3,388,170**	**2,879,152**

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
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(x) Earnings per share ("EPS")

The calculations of basic and diluted earnings per share were as follows:

(i) Basic earnings per share

	2022	2021
Net income attributable to ordinary shareholders of the Company	$ 1,162,868	1,146,533
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Basic earnings per share (in New Taiwan dollars)	$ 4.15	4.09

(ii) Diluted earnings per share

	2022	2021
Net income attributable to ordinary shareholders of the Company	$ 1,162,868	1,146,533
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Effect of dilutive potential ordinary shares (in thousands):		
Remuneration to employees	4,281	3,336
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares) (in thousands)	284,281	283,336
Diluted earnings per share (in New Taiwan dollars)	$ 4.09	4.05

(y) Share-based payment

The Group issued the following four employee stock option plans (ESOP):

(i) ESOP granted by subsidiaries

	2022 DET ESOP	2022 ATC ESOP	2022 KST issuance of new shares reserved for employee subscriptions	2021 UTC issuance of new shares reserved for employee subscriptions
Grant date	2022.10.10	2022.10.01	2022.03.04	2021.11.05
Number of shares granted (in thousands)	3,150	4,800	1,176	410
Exercise price (NT$ / Share)	$25.00	40.00	25.00	98.00
Each unit eligible to subscribe	1 share	1 share	1 share	1 share
Contract term	0.14 year	0.25 year	0.01 year	0.02 year
Vesting conditions	One-month, 100% vested	One-month, 100% vested	Immediately vested	Immediately vested
Qualified employees	Employees of DET	Employees of ATC or employees of the Company	Employees of KST or employees of the Company	Employees of UTC

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

	2022 DET ESOP	2022 ATC ESOP	2022 KST issuance of new shares reserved for employee subscriptions	2021 UTC issuance of new shares reserved for employee subscriptions
Option pricing model	Binomial	Binomial	Black-Scholes	Black-Scholes
Fair value of stock options at grant date (NT$/per share)	0.2813	1.4505	2.60	Note 2
Fair value of common stock at grant date (NT$/per share)	23.39	39.16	27.65	Note 2
Exercise price (NT$/per share)	25.00	40.00	25.00	98.00
Expected life (years)	0.08 year	0.08 year	0.01 year	0.02 year
Risk-free interest rate (%)	1.01%	1.01%	0.37%	0.20%
Expected volatility (%) (Note 1)	29.15%	39.69%	41.19%	44.91%
Expected dividends (%) (Note 3)	-	-	-	-

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

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

Note 3: No dividends were expected to be paid as the above options have a very short expected life.

(iii) Movements in the number of options outstanding:

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

	2022 ESOP	
	Number of shares (in thousands)	Weighted-average exercise price (in NTD)
Outstanding, beginning of year	-	$ -
Granted during the year	3,150	25.00
Exercised during the year	(3,150)	25.00
Outstanding, end of year	-	-
Exercisable, end of year	-	-

(Continued)

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

	2022 ESOP	
	Number of shares (in thousands)	Weighted-average exercise price (in NTD)
Outstanding, beginning of year	-	$ -
Granted during the year	4,800	40.00
Exercised during the year	(4,800)	40.00
Outstanding, end of year	-	-
Exercisable, end of year	-	

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

	2022 Issuance of new shares reserved for employee subscriptions	
	Number of shares (in thousands)	Weighted-average exercise price (in NTD)
Outstanding, beginning of year	-	$ -
Granted during the year	1,176	25.00
Exercised during the year	(1,176)	25.00
Outstanding, end of year	-	-
Exercisable, end of year	-	-

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

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

(Continued)

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(iv) Employee compensation cost:

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

	2022	2021
Expense resulting from employee stock options	$ 7,848	-
Expense resulting from cash subscription reserved for employee	3,058	12,627
Total	$ **10,906**	**12,627**

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

(z) Revenue from contracts with customers

(i) Disaggregation of revenue

The Group recognizes revenue when control of the goods has been transferred to the customer.

Disaggregation of revenue is based on geographical location of customers.

	2022	2021
Primary geographical markets:		
Taiwan	$ 4,451,694	4,456,913
United States	2,075,932	1,216,158
Mainland China	12,376,104	14,916,797
Canada	1,977,686	1,839,037
Others	8,653,837	5,619,831
	$ **29,535,253**	**28,048,736**
Major products and services lines:		
Peripheral electronic products	$ 12,574,726	15,013,300
Green energy products and passive components	16,960,527	13,035,436
	$ **29,535,253**	**28,048,736**

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable (including related parties)	$ 7,446,698	7,917,739	6,909,551
Less: loss allowance	(82,649)	(55,609)	(54,685)
	$ 7,364,049	7,862,130	6,854,866
Contract liabilities (included in other current liabilities)	$ 88,049	426,711	57,751

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

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

The amounts of revenue recognized in 2022 and 2021 that were included in the balances of contract liabilities on January 1, 2022 and 2021, were $411,824 and $51,302, respectively.

(iii) Refund liabilities

	December 31, 2022	December 31, 2021
Other current liabilities－refund liabilities	$ 396,870	276,737

(aa) Remuneration to employees and directors

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

For the years ended December 31, 2022 and 2021, the Company estimated its remuneration to employees amounting to $140,273 and $142,889, respectively, and the remuneration to directors amounting to $10,520 and $10,717, respectively. The said amounts were calculated based on the net profits before tax of each period before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of the remuneration to employees and directors. The estimations are recognized as cost of sales or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.

The above-mentioned estimated remuneration to employees and directors was the same as the amount resolved by the Board of Directors and were all paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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

(ab) Non-operating income and loss

(i) Interest income

	2022	2021
Interest income from bank deposits	$ 13,925	8,295
Interest income from financial assets measured at amortized cost	457	1,087
	$ **14,382**	**9,382**

(ii) Other income

	2022	2021
Rental income	$ 4,245	2,304
Dividend income	130,069	68,070
Subsidy	33,169	48,012
Other	56,477	98,872
	$ **223,960**	**217,258**

(iii) Other gains and losses

	2022	2021
Gains (losses) on disposal of property, plant and equipment	$ (2,773)	862
Gains on disposal of investment	2,202	1,909
Gains (losses) on lease modification	1,117	(11)
Foreign exchange gains (losses), net	165,879	(25,050)
Gains (losses) on financial instruments measured at fair value through profit or loss	(1,591)	42,799
Gains on reversal of impairment losses on impairment of property, plant and equipment	9,237	-
Others	(2,459)	(11,229)
	$ **171,612**	**9,280**

(iv) Finance costs

	2022	2021
Interest expense from bank loans	$ (161,733)	(64,926)
Interest expense on lease liabilities	(10,772)	(10,890)
	$ **(172,505)**	**(75,816)**

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

(ac) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign currency forward contracts	$ 1,098	1,768
Foreign exchange swaps	261	-
Open-end mutual funds	30,252	100,282
Structured deposits	367,441	355,411
Subtotal	399,052	457,461
Financial assets at fair value through other comprehensive income	1,471,082	1,485,096
Financial assets measured at amortized cost:		
Cash and cash equivalents	3,368,030	3,045,203
Financial assets at amortized cost	217,202	3,910
Notes and accounts receivable and other receivables (including related parties)	7,527,701	7,906,340
Refundable deposits	42,549	39,961
Subtotal	11,155,482	10,995,414
Total	**$ 13,025,616**	**12,937,971**

2) Financial liabilities

	December 31, 2022	December 31, 2021
Financial liabilities at fair value through profit or loss:		
Foreign currency forward contracts	$ 662	23
Financial liabilities measured at amortized cost:		
Short-term borrowings	5,786,396	5,039,971
Short-term notes and bills payable	99,584	-
Notes and accounts payable and other payables (including related parties)	7,519,046	9,858,913
Lease liabilities	287,720	304,102
Long-term debt (including current portion)	4,683,808	3,640,850
Long-term payables (included in other non-current liabilities)	150,533	149,623
Guarantee deposits (included in other non-current liabilities)	11,241	99,420
Subtotal	18,538,328	19,092,879
Total	**$ 18,538,990**	**19,092,902**

(Continued)

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

(ii) 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.

(iii) Financial instruments that are measured at fair value

1) Fair value hierarchy

The Group's financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. The table below analyzes financial instruments measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

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

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

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

	December 31, 2022				
	Carrying	Fair value			
	amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial instruments:					
Foreign currency forward contracts	$ 1,098	-	1,098	-	1,098
Foreign exchange swaps	261	-	261	-	261
Non-derivative financial assets mandatorily measured at fair value through profit or loss:					
Open-end mutual fund	30,252	30,252	-	-	30,252
Structured deposits	367,441	-	367,441	-	367,441
Subtotal	399,052	30,252	368,800	-	399,052
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	1,471,082	1,471,082	-	-	1,471,082
Total	**$ 1,870,134**	**1,501,334**	**368,800**	**-**	**1,870,134**
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments:					
Foreign currency forward contracts	**$ (662)**	**-**	**(662)**	**-**	**(662)**

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

2) Valuation techniques and assumptions used in fair value measurement

a) Non-derivative financial instruments

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

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

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

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

ii) The fair value of 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 the valuation techniques generally accepted by market participants. The fair value of foreign currency forward contracts and foreign exchange swaps contracts is usually determined by the forward exchange rate.

3) Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the years ended December 31, 2022 and 2021.

(ad) Financial risk management

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

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

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

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, which arises principally from the Group's cash and cash equivalents, structured deposits, receivables from customers, and bank deposits recognized in financial assets at amortized costs. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets. As of December 31, 2022 and 2021, the Group's maximum exposure to credit risk amounted to $13,025,616 and $12,937,971, respectively.

The Group maintains cash and cash equivalents, other financial instruments and bank deposits recognized in financial assets at amortized cost with reputable financial institutions. Therefore, the exposure related to the potential default by those counter-parties is not considered significant.

The majority of the Group's customers are well-known international companies with high financial transparency. As of December 31, 2022 and 2021, 33% and 37%, respectively, of accounts receivable are from four customers. In order to reduce credit risk of accounts receivable, the Group has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the risk.

(Continued)

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

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling their financial liabilities by delivering cash or another financial asset. The Group manages liquidity risk by monitoring regularly the current and estimated mid-term to long-term cash demand, and by maintaining adequate cash and banking facilities. As of December 31, 2022, and 2021, the Group had unused credit facilities of $14,742,233 and $13,442,614, respectively.

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

	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	$ 5,846,965	5,846,965	-	-	-
Short-term notes and bills payable	100,000	100,000	-	-	-
Long-term debt (including current portion)	4,945,981	194,067	379,096	4,372,818	-
Notes and accounts payable and other payables (including related parties)	7,519,046	7,519,046	-	-	-
Lease liabilities	332,638	121,129	82,372	69,287	59,850
Long-term payables	150,533	-	81,494	69,039	-
Guarantee deposits	11,241	484	3,137	546	7,074
Subtotal	18,906,404	13,781,691	546,099	4,511,690	66,924
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	295,665	295,665	-	-	-
Inflow	(296,101)	(296,101)	-	-	-
Subtotal	(436)	(436)	-	-	-
Foreign exchange swaps:					
Outflow	114,024	114,024	-	-	-
Inflow	(114,285)	(114,285)	-	-	-
Subtotal	(261)	(261)	-	-	-
	$ 18,905,707	**13,780,994**	**546,099**	**4,511,690**	**66,924**
December 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	$ 5,055,830	5,055,830	-	-	-
Long-term debt (including current portion)	3,703,533	44,411	880,239	2,778,883	-
Notes and accounts payable and other payables (including related parties)	9,858,913	9,858,913	-	-	-
Lease liabilities	339,679	107,660	91,464	82,071	58,484
Long-term payables	149,623	-	80,584	69,039	-
Guarantee deposits	99,420	87,995	3,925	439	7,061
Subtotal	19,206,998	15,154,809	1,056,212	2,930,432	65,545
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross					
Outflow	468,363	468,363	-	-	-
Inflow	(470,108)	(470,108)	-	-	-
Subtotal	(1,745)	(1,745)	-	-	-
	$ 19,205,253	**15,153,064**	**1,056,212**	**2,930,432**	**65,545**

(Continued)

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

(iii) Market risk

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

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

1) Foreign currency risk

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

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

	December 31, 2022				
	Foreign currency (in thousands)	Exchange rate	New Taiwan Dollars (in thousands)	Change in magnitude	Pre-tax effect on profit or loss (in thousands)
Financial assets					
Monetary items					
USD	$ 261,935	30.7300	8,049,263	1 %	80,493
CNY	171,641	4.4057	756,199	1 %	7,562
Financial liabilities					
Monetary items					
USD	111,146	30.7300	3,415,517	1 %	34,155
CNY	233,701	4.4057	1,029,616	1 %	10,296

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

With varieties of functional currencies within the consolidated entities of the Group, the Group disclosed net realized and unrealized foreign exchange gains (losses) on monetary items in aggregate. Please refer to note 6(ab) for the information with respect to the foreign exchange gains (losses) for the years ended December 31, 2022 and 2021.

2) Interest rate risk

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

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period. If the interest rate had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the years ended December 31, 2022 and 2021, would have been $104,702 and $86,808, respectively, lower/higher, which mainly resulted from the loans and borrowings with floating interest rates.

3) Other market risk

Structured deposits held by the Group account for principal-guaranteed deposits. The investment target of open-end mutual funds held by the Group are mostly monetary funds or bond funds. The Group anticipates that there is no significant market risk related to the funds. The Group is exposed to the risk of price fluctuation due to the investment in equity securities measured at fair value (accounted for as financial assets at fair value through other comprehensive income).

Assuming a hypothetical increase or decrease of 1% in equity price of the equity investment at each reporting date, other comprehensive income for the years ended December 31, 2022 and 2021, would have increased or decreased by $14,711 and $14,851, respectively.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

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(ae) Capital management

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

For the years ended December 31, 2022 and 2021, there were no changes in the Group's approach with respect to capital management.

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

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

(ii) Investing activities with partial cash payments were as follows:

	2022	2021
Additions to property, plant, and equipment	$ 1,431,588	1,364,914
Add: payables on equipment at January 1	265,225	110,505
Prepayment for equipment at December 31	263,504	403,631
Prepayments for land at December 31	-	105,283
Reclassification from prepayments for equipment and land	507,036	349,325
Less: payables on equipment at December 31	(323,419)	(265,225)
Prepayment for equipment at January 1	(403,631)	(191,694)
Prepayment for land at January 1	(105,283)	-
Effect of exchange rates changes	(7,746)	(89,178)
Cash paid during the year	$ 1,627,274	1,787,561

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

	January 1, 2022	Cash flows	Non-cash changes: Additions of lease liabilities	Non-cash changes: Lease modifications	Non-cash changes: Fluctuation of foreign exchange rate	December 31, 2022
Short-term borrowings	$ 5,039,971	691,686	-	-	54,739	5,786,396
Short-term notes and bills payable	-	99,584	-	-	-	99,584
Long-term debt (including current portion)	3,640,850	1,036,223	-	-	6,735	4,683,808
Lease liabilities	304,102	(125,896)	111,605	(10,870)	8,779	287,720
Other non-current liabilities	249,043	(87,269)	-	-	-	161,774
Total liabilities from financing activities	$ 9,233,966	1,614,328	111,605	(10,870)	70,253	11,019,282

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

(Continued)

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:	Subsidiary of Qisda
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") (foremerly Sysage Technology Co., Ltd.)	Subsidiary of Qisda
Hitron Technologies (Sip), Inc. ("HT SZ")	Subsidiary of Qisda
Hitron Technologies Inc. ("HT")	Subsidiary of Qisda
Advancedtek International Corp. ("ADVANCEDTEK")	Subsidiary of Qisda (Note)
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 amounts of significant sales to related parties were as follows:

		2022	2021
Entity with significant influence over the Group	$	5,948	471
Joint venture		178,756	215,054
Other related parties		194,569	233,026
	$	**379,273**	**448,551**

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

(ii) Purchases and processing charges

The amounts of purchases from related parties were as follows:

		2022	2021
Other related parties	$	**16,713**	**-**

The purchase prices to related parties are not comparable to the purchase prices for third-party vendors as the specifications of products were different, and it is conducted under the agreed purchase price and condition.

(iii) Leases

The Group leased land, plant and employee dormitories from related parties. The rental is paid monthly with reference to the nearby office rental rates. The additions of the right-of-use assets were $9,745 and $9,691 for the years ended December 31, 2022 and 2021, respectively.

The Group recognized the related interest expenses of $307 and $292 in 2022 and 2021, respectively.

(iv) Receivables

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

Account	Related-party categories		December 31, 2022	December 31, 2021
Accounts receivable from related parties	Entity with significant influence over the group	$	1,794	129
	Joint venture		84,495	74,260
	Other related parties		38,048	62,882
		$	**124,337**	**137,271**

(v) Payables

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

Account	Related-party categories	December 31, 2022	December 31, 2021
Account payables	Other related parties	$ **12,130**	**261**
Other payables	Entity with significant influence over the group	$ 21	12
Other payables	Joint venture	-	144
Other payables	Other related parties	4,319	4,270
		$ **4,340**	**4,426**
Lease liability	Other related parties	$ **7,723**	**7,544**

(c) Compensation for key management personnel

	2022	2021
Short-term employee benefits	$ 281,482	247,674
Post-employment benefits	2,660	2,948
Share-based payment	3,525	4,849
	$ **287,667**	**255,471**

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

8. Pledged assets

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

Pledged assets	Pledged to secure	December 31, 2022	December 31, 2021
Land, buildings and plants	Credit lines of bank loans	$ 1,237,702	1,619,635
Time deposit	Guarantees for customs duties and credit limit of credit cards	2,202	3,910
		$ **1,239,904**	**1,623,545**

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

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9. Significant commitments and contingencies

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

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

	December 31, 2022	December 31, 2021
Guarantees for customs duties	$ 48,948	50,436
Performance bonds	68,153	84,332
	$ 117,101	134,768

(b) Significant unrecognized commitments

	December 31, 2022	December 31, 2021
Acquisition of property, plant and equipment	$ 302,169	887,033

10. Significant loss from disasters: None.

11. Significant subsequent events: None.

12. Others

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

	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits:						
Salaries	3,341,642	1,702,652	5,044,294	3,469,758	1,530,916	5,000,674
Labor and health insurance	215,952	121,069	337,021	184,778	116,094	300,872
Pension	213,668	67,271	280,939	183,586	63,203	246,789
Other employees' benefits	101,677	51,928	153,605	121,302	71,965	193,267
Depreciation	948,142	178,559	1,126,701	780,444	211,506	991,950
Amortization	6,688	100,018	106,706	10,439	91,118	101,557

For the years ended December 31, 2022 and 2021, the depreciation of investment property of $394 and $501, respectively, were reported in non-operating income and loss.

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

13. Additional disclosures

(a) Information on significant transactions:

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

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

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

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

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

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: Please refer to table 5.

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 6.

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 7.

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

(x) Business relationships and significant intercompany transactions: Please refer to table 8.

(b) Information on investees (excluding investments in Mainland China): Please refer to table 9.

(c) Information on investment in Mainland China: Please refer to table 10.

(d) Major shareholders:

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

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

(Continued)

14. Segment information

(a) General information

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

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

	2022			
	Peripheral electronic products	**Green energy products and passive components**	**Adjustment and eliminations**	**Total**
Revenue from external customers	$ 12,574,726	16,960,527	-	29,535,253
Inter-segment Revenues	-	688,570	(688,570)	-
Total	**$ 12,574,726**	**17,649,097**	**(688,570)**	**29,535,253**

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

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

(Continued)

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

(c) Geographic information

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

Region	2022	2021
Revenues from external customers:		
Taiwan	$ 4,451,694	4,456,913
United States	2,075,932	1,216,158
Mainland China	12,376,104	14,916,797
Canada	1,977,686	1,839,037
Others	8,653,837	5,619,831
	$ 29,535,253	28,048,736

Region	December 31, 2022	December 31, 2021
Non-current assets:		
Taiwan	$ 7,418,903	7,106,910
Mainland China	1,965,290	2,996,066
Others	1,090,611	506,706
	$ 10,474,804	10,609,682

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

(d) Major customer information

For the year ended December 31, 2021, sales to individual customers accounting for more than 10% of the revenues in the consolidated statements of comprehensive income were as follows:

	2021
Sales to Customer A	$ 3,244,131

For the year ended December 31, 2022, none of the sales to individual customers exceeded 10% of the revenues in the consolidated statements of comprehensive income.

Darfon Electronics Corp. and Subsidiaries
Financing provided to other parties
For the year ended December 31, 2022

Table 1

(Amounts in thousands of NTD and foreign currencies)

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	65,640 (EUR 2,000)	-	-	3.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSG	Other receivables from related parties	Yes	82,050 (EUR 2,500)	-	-	3.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSG	Other receivables from related parties	Yes	40,967 (USD 1,194 and NTD 4,287)	-	-	3.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSG	Other receivables from related parties	Yes	67,606 (USD 2,200)	67,606 (USD 2,200)	67,606 (USD2,200)	4.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	153,650 (USD 5,000)	153,650 (USD 5,000)	122,920 (USD 4,000)	3.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	30,730 (USD 1,000)	30,730 (USD 1,000)	30,730 (USD 1,000)	3.00%	b	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	55,314 (USD1,800)	55,314 (USD 1,800)	30,730 (USD 1,000)	4.00%	b	-	Operating requirements	-	-	-	461,102	461,102
2	DFS	DFQ	Other receivables from related parties	Yes	245,840 (USD 8,000)	-	-	1.30%	b	-	Operating requirements	-	-	-	1,406,938	1,406,938
2	DFS	DFQ	Other receivables from related parties	Yes	245,840 (USD 8,000)	245,840 (USD 8,000)	122,920 (USD 4,000)	4.73%	b	-	Operating requirements	-	-	-	1,406,938	1,406,938
2	DFS	ISC	Other receivables from related parties	Yes	79,303 (CNY18,000)	79,303 (CNY 18,000)	39,651 (CNY9,000)	3.65%	b	-	Operating requirements	-	-	-	1,406,938	1,406,938
2	DFS	DTC	Other receivables from related parties	Yes	153,650 (USD 5,000)	153,650 (USD 5,000)	76,825 (USD2,500)	4.65%	b	-	Operating requirements	-	-	-	1,406,938	1,406,938
3	DPS	DFQ	Other receivables from related parties	Yes	132,171 (CNY 30,000)	-	-	3.85%	b	-	Operating requirements	-	-	-	184,158	184,158
3	DPS	DFQ	Other receivables from related parties	Yes	132,171 (CNY 30,000)	132,171 (CNY 30,000)	132,171 (CNY 30,000)	3.70%	b	-	Operating requirements	-	-	-	184,158	184,158
4	DZL	DTC	Other receivables from related parties	Yes	47,000	-	-	1.30%	b	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	DTC	Other receivables from related parties	Yes	60,000	-	-	1.30%	b	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	DTC	Other receivables from related parties	Yes	64,000	64,000	64,000	1.30%	b	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	DTC	Other receivables from related parties	Yes	100,000	100,000	100,000	2.00%	b	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	KSMC	Other receivables from related parties	Yes	20,000	-	-	1.30%	b	-	Operating requirements	-	-	-	261,910	261,910
5	DTC	IOC	Other receivables from related parties	Yes	15,365 (USD 500)	-	-	3.20%	b	-	Operating requirements	-	-	-	242,837	242,837
5	DTC	IOC	Other receivables from related parties	Yes	15,365 (USD 500)	15,365 (USD 500)	-	4.00%	b	-	Operating requirements	-	-	-	242,837	242,837

Note 1： The aggregate financing amount and individual financing amount of KST to other parties shall not exceed 40% of the most recent net worth of KST.
Note 2： The aggregate financing amount and individual financing amount of DFS to other parties shall not exceed 40% of the most recent net worth of DFS.
Note 3： The aggregate financing amount and individual financing amount of DPS to other parties 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 other parties 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 other parties 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$32.82, US$1=NT$30.73 and CNY$1=NT$4.4057.
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)

For the year ended December 31, 2022

Table 2

(In thousands of NTD / shares)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Maximum Ownership during 2022		Note
				Number of Shares	Carrying Value	Percentage of Ownership	Fair Value	Number of Shares	Percentage of Ownership	
The Company	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income–non-current	39,859	1,122,031	2.03%	1,122,031	39,859	2.03%	-
DZL	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	5,887	165,719	0.30%	165,719	5,887	0.30%	-
DZL	Stock: Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income–current	102	7,997	0.03%	7,997	102	0.03%	-
DZL	Stock: DFI	Subsidiary of the entity with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	50	2,945	0.04%	2,945	50	0.04%	-
UTC	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	2,860	80,509	0.15%	80,509	2,860	0.15%	-
TDI	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	3,264	91,881	0.17%	91,881	3,264	10.00%	-
TDI	Fund: Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss－current	-	30,252	-	30,252	-	-	-
DPS	Bank of Suzhou─Principal protected currency deposit in CNY	-	Financial assets at fair value through profit or loss－current	-	367,441	-	367,441	-	-	-
KST	Stock: Haro Bicycle Corporation	-	Financial assets at fair value through other comprehensive income–non-current	26	-	10.00%	-	26	0.02%	-

Darfon Electronics Corp. and Subsidiaries

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

For the year ended December 31, 2022

Table 3

(In thousands of NTD and foreign currencies / shares)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter Party	Name of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Note 1)	Shares	Amount	Shares	Amount	Carrying Value	Gain (loss) on Disposal	Shares	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	-	-	360,342 (CNY 81,790)	-	878,938 (CNY199,500)	-	873,003 (CNY 198,153)	871,839 (CNY 197,889)	1,164 (CNY 264)	-	367,441 (CNY83,401)

Note 1： The beginning and ending balance include adjustments of fair value.
Note 2： The above amounts were translated into New Taiwan dollars at the exchange rate of CN$1=NT$4.4057.

Darfon Electronics Corp. and Subsidiaries
Acquisitiontof real estate which exceeds $300 million or 20% of the paid-in capital
For the year ended December 31, 2022

Table 4

(Amounts in thousands of NTD)

Company name	Property name	Transaction Date	Transaction Amount	Status of Payment	Counter Party	Relationship with the Counter Party	If the Counter Party is a Related Party, Disclose the Previous Transfer Information				Price Reference	Purpose of Acquisition and Current Condition	Note
							Owner	Relationship with the Counter Party	Date of Transfer	Amount			
DFV	Buildings	August 1, 2021	794,277	597,878	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
Disposal of real estate which exceeds $300 million or 20% of the paid-in capital
For the year ended December 31, 2022

Table 5

(Amounts in thousands of NTD and foreign currencies)

Company Name	Property Name	Transaction Date	Acquisition Date	Book Value	Transaction Amount	Status of payment	Gain or Loss on Disposal of Real Estate	Relation with the Counter Party	Counter Party	Purpose of Disposal	Price Reference	Note
DFS	Land use rights and buildings	December 21, 2022	Land use rights: December 2002 Buildings I: December 2005 Buildings II: August 2007 Buildings III: July 2009	921,812 (CNY 209,232)	3,131,950 (CNY 710,886) (Note 1)	CNY 215,000 thousand was received on January 15, 2023. CNY 142,000 thousand will be received by the end of April 2023. CNY 142,000 thousand will be received by the end of August 2023. CNY 211,886 thousand will be received within 1 month after the transfer in land use rights and buildings.	(Note 2)	-	Suzhou High-tech Zone (Huqiu District) Land Reserve Center Management Committee of Suzhou High-tech Industrial Development Zone	To activate assets and respond to the needs of urban construction and devleopment in Mainland China	Acquisition price regulated by local government	The transfer in land use rights and buildings will be completed by Decemeber 2023.

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of CNY$1=NT$4.4057.
Note 2: Gain or loss on disposal of the above real estate will be determined with the settlement of the related tax and expenses.

Darfon Electronics Corp. and Subsidiaries
Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital
For the year ended December 31, 2022

Table 6 **(Amounts in thousands of NTD)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes and Accounts Receivable (Payable)		Note
			Purchase / (Sale)	Amount	% of Total Purchases/ (Sales)	Payment Terms	Unit price	Payment Terms	Ending Balance	% of Total	
The Company	DFS	Parent-subsidiary	(Sales)	(255,296)	2%	OA90 to OA135	Note 1	OA30 to OA135	53,755	1%	-
The Company	DFH	Parent-subsidiary	(Sales)	(105,188)	1%	OA90 to OA135	Normal price	OA30 to OA135	498,334	11%	-
The Company	DFA	Parent-subsidiary	(Sales)	(356,398)	2%	OA135	Normal price	OA30 to OA135	202,947	4%	-
The Company	DFC	Parent-subsidiary	(Sales)	(134,426)	1%	OA180	Normal price	OA30 to OA135	98,350	2%	-
The Company	DTC	Parent-subsidiary	(Sales)	(121,004)	1%	OA135	Normal price	OA30 to OA135	91,276	2%	-
The Company	DET	Parent-subsidiary	Purchases	131,397	1%	OA90	Normal price	OA30 to OA135	(101,696)	2%	-
The Company	DFS	Parent-subsidiary	Purchases	1,689,463 (Note 2)	13%	OA90 to OA135	Note 1	OA30 to OA135	(1,272,816)	27%	-
The Company	DFH	Parent-subsidiary	Purchases	6,194,156	48%	OA90 to OA135	Note 1	OA30 to OA135	(2,373,161)	50%	-
The Company	DFQ	Parent-subsidiary	Purchases	3,446,025	27%	OA90 to OA135	Note 1	OA30 to OA135	(790,526)	17%	-
The Company	DTC	Parent-subsidiary	Purchases	141,454	1%	OA135	Normal price	OA30 to OA135	(2,716)	0%	-
DET	The Company	Parent-subsidiary	(Sales)	(131,397)	22%	OA90	Normal price	OA30 to OA135	101,696	33%	-
DET	DFS	Parent-subsidiary	Purchases	311,566	66%	OA90	Normal price	OA30 to OA135	(301,793)	81%	-
DFS	DET	Affiliates	(Sales)	(311,566)	6%	OA90	Normal price	OA30 to OA135	301,793	14%	-
DFS	The Company	Parent-subsidiary	(Sales)	(1,689,463) (Note 2)	31%	OA90 to OA135	Note 1	OA30 to OA135	1,272,816	60%	-
DFS	DFH	Affiliates	(Sales)	(312,008)	6%	OA90 to OA135	Note 1	OA30 to OA135	112,909	5%	-
DFS	The Company	Parent-subsidiary	Purchases	255,296	7%	OA90 to OA135	Normal price	OA30 to OA135	(53,755)	7%	-
DFS	DFQ	Affiliates	Purchases	403,686	9%	OA90 to OA135	Note 1	OA30 to OA135	(52,206)	7%	-
DFH	The Company	Parent-subsidiary	(Sales)	(6,194,156)	99%	OA90 to OA135	Note 1	OA30 to OA135	2,373,161	98%	-
DFH	The Company	Parent-subsidiary	Purchases	105,188	2%	OA90 to OA135	Normal price	OA30 to OA135	(498,334)	33%	-
DFH	DFS	Affiliates	Purchases	312,008	7%	OA90 to OA135	Note 1	OA30 to OA135	(112,909)	8%	-
DFQ	DFS	Affiliates	(Sales)	(403,686)	9%	OA90 to OA135	Note 1	OA30 to OA135	52,206	6%	-
DFQ	The Company	Parent-subsidiary	(Sales)	(3,446,025)	88%	OA90 to OA135	Note 1	OA30 to OA135	790,526	89%	-
DFA	The Company	Parent-subsidiary	Purchases	356,398	97%	OA135	Normal price	OA30 to OA135	(202,947)	100%	-
DFC	The Company	Parent-subsidiary	Purchases	134,426	41%	OA180	Normal price	OA30 to OA135	(98,350)	91%	-
KST	KSG	Parent-subsidiary	(Sales)	(198,943)	4%	Individual Stipulation	Normal price	OA30 to OA120	623,493	43%	-
KST	KSV	Parent-subsidiary	(Sales)	(148,898)	3%	Individual Stipulation	Normal price	OA30 to OA120	188,327	13%	-
KSV	KST	Parent-subsidiary	Purchases	148,898	23%	Individual Stipulation	Normal price	OA30 to OA120	(188,327)	76%	-
KSG	KST	Parent-subsidiary	Purchases	198,943	17%	Individual Stipulation	Normal price	OA30 to OA120	(623,493)	87%	-
DTC	Dfeu	Affiliates	(Sales)	(359,133)	43%	OA135	Normal price	OA30 to OA135	277,806	69%	-
DTC	The Company	Parent-subsidiary	(Sales)	(141,454)	17%	OA135	Normal price	OA30 to OA135	2,716	1%	-
DTC	BESVJ	Joint ventures	(Sales)	(178,756)	21%	EOM60	Normal price	OA30 to OA135	84,495	21%	-
DTC	The Company	Parent-subsidiary	Purchases	121,004	10%	OA135	Normal price	OA30 to OA135	(91,276)	57%	-
Dfeu	DTC	Affiliates	Purchases	359,133	100%	OA135	Normal price	OA30 to OA135	(277,806)	99%	-
BESVJ	DTC	Joint ventures	Purchases	178,756	100%	EOM60	Normal price	OA30 to OA135	(84,495)	100%	-

Note 1： The products may vary from the product specification. There is no comparable transaction available.
Note 2： The sales from repurchasing after processing have been eliminated.
Note 3： Except for transactions between DTC and BESVJ (joint ventures), the above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Receivables from related parties which exceed $100 million or 20% of the paid-in capital
For the year ended December 31, 2022

Table 7

(Amounts in thousands of NTD)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Note
					Amount	Action taken			
The Company	DFH	Parent-Subsidiary	498,334	0.17	163,544	-	203,688	-	-
The Company	DFA	Parent-Subsidiary	202,947	1.20	22,048	-	49,587	-	-
DET	The Company	Parent-Subsidiary	101,696	2.58	-	-	-	-	-
DFS	The Company	Parent-Subsidiary	1,272,816	1.22 (Note 2)	421,457	-	207,629	-	-
DFS	DET	Affiliates	301,793	2.06	100,269	-	100,269	-	-
DFS	DFH	Affiliates	112,909	2.14	26,638	-	26,322	-	-
DFS	DFQ	Affiliates	123,114	(Note 1)	-	-	-	-	-
DFH	The Company	Parent-Subsidiary	2,373,161	2.33	1,182,794	-	898,190	-	-
DFQ	The Company	Parent-Subsidiary	790,526	3.24	287,203	-	287,203	-	-
DPS	DFQ	Affiliates	135,255	(Note 1)	-	-	-	-	-
DZL	DTC	Affiliates	165,081	(Note 1)	-	-	-	-	-
KST	KSG	Parent-Subsidiary	623,493	0.33	-	-	-	-	-
KST	KSV	Parent-Subsidiary	188,327	1.03	-	-	-	-	-
KST	KSV	Parent-Subsidiary	187,194	(Note 1)	-	-	-	-	-
DTC	DFeu	Affiliates	277,806	2.52	-	-	-	-	-

Note 1： Since the receivables do not arise from selling and purchasing transactions, calculation of turnover rate is not applicable.
Note 2： Turnover rate is calculated based on the accounts receivable including the amount of repurchase after processing.
Note 3： The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2022

Table 8

(Amounts in thousands of NTD)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Payment Terms	Percentage of Consolidated Operating Revenue or Total Assets (Note 4)
0	The Company	DFA	1	Sales	356,398	OA135	1%
0	The Company	DFH	1	Accounts receivable	498,334	OA135	1%
1	DFS	DFH	3	Sales	312,008	OA135	1%
1	DFS	DET	3	Sales	311,566	OA90	1%
1	DFS	The Company	2	Sales	1,689,463	OA135	6%
1	DFS	The Company	2	Accounts receivable	1,272,816	OA135	4%
2	DFH	The Company	2	Sales	6,194,156	OA135	21%
2	DFH	The Company	2	Accounts receivable	2,373,161	OA135	7%
3	DFQ	DFS	3	Sales	403,686	OA135	1%
3	DFQ	The Company	2	Sales	3,446,025	OA135	12%
3	DFQ	The Company	2	Accounts receivable	790,526	OA135	2%
4	KST	KSG	1	Accounts receivable	623,493	Individual Stipulation	2%
5	DTC	DFeu	3	Sales	359,133	OA135	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: The relationships with counterparties are as follows:
No. “1” represents the transactions from the Company to subsidiary.
No. “2” represents the transactions from subsidiary to the Company.
No. “3” represents the transactions between subsidiaries.

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

Note 4: Percentage of consolidated operating revenue or total assets is based on the transaction amount divided by consolidated operating revenues or consolidated total assets.

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

Darfon Electronics Corp. and Subsidiaries
Information on investees (excluding investments in Mainland China)
For the year ended December 31, 2022

Table 9

(In Thousands of NTD / shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31,2022			Maximum percentage of Ownership during 2022		Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	DFBVI	BVI	Investment holding	317,103	317,103	34,150	100.00%	1,835,486	34,150	100.00%	34,690	34,690	The Company's subsidiary
The Company	DFLB	Malaysia	Investment holding	2,633,584	2,536,514	77,989	100.00%	5,631,763	77,989	100.00%	352,101	352,101	The Company's subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	6,969	6,969	2,772	100.00%	27,796	2,772	100.00%	1,796	1,796	The Company's subsidiary
The Company	DZL	Taiwan	Investment holding	550,000	450,000	55,910	100.00%	654,776	55,910	100.00%	38,805	38,805	The Company's subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related components	314,328	217,892	26,467	55.72%	338,304	26,467	58.07%	27,488	15,036	The Company's subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	21,927	6,200	100.00%	(15,183)	(15,183)	The Company's 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%	904,996	17,551	37.44%	269,773	75,827	The Company's subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related components	819,960	720,000	28,300	58.54%	820,969	28,300	60.00%	20,359	4,081	The Company's subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	292,558	292,558	-	100.00%	269,389	-	100.00%	(26,344)	(26,344)	The Company's subsidiary
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	407,809	26,410	62.75%	425,756	26,410	62.75%	37,183	21,844	The Company's subsidiary
The Company	ATC	Taiwan	Manufacture and sale of bicycles and related components	1,224,000	1,224,000	24,480	46.36%	1,380,184	24,480	51.00%	368,492	156,426	The Company's subsidiary
The Company	DET	Taiwan	Manufacturing and wholesale of batteries and electric components	421,800	250,000	21,090	87.00%	492,236	21,090	100.00%	63,497	63,451	The Company's subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related components	77,138	45,300	6,398	13.47%	81,775	6,398	13.47%	27,488	-	The Company's 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%	234,754	4,361	9.31%	269,773	-	The Company's subsidiary
UTC	UTI	Mauritius	Investment holding	29,756	25,291	968	100.00%	11,048	968	100.00%	(6,341)	-	The Company's indirect subsidiary
KST	KSG	Germany	Assemble and sale of bicycles	361,371	361,371	-	100.00%	-	-	100.00%	(93,102)	-	The Company's indirect subsidiary
KST	KSI	Germany	Lease, purchase and management of movable property and immovable property ,and sale of bicycles and related components	87,853	87,853	-	100.00%	-	-	100.00%	2,912	-	The Company's indirect subsidiary
KST	KSV	Vietnam	Manufacture and sale of bicycles and related components	475,406	475,406	-	100.00%	-	-	100.00%	(41,545)	-	The Company's indirect subsidiary
DFLB	DFC	Czech Republic	Trading of electronic products	94,514	299	-	100.00%	197,956	-	100.00%	7,187	-	The Company's indirect subsidiary
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	48,920	200	100.00%	2,664	-	The Company's indirect subsidiary

Darfon Electronics Corp. and Subsidiaries
Information on investees (excluding investments in Mainland China)
For the year ended December 31, 2022

Table 9

(In Thousands of NTD / shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31,2022			Maximum percentage of Ownership during 2022		Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	1,547	10	100.00%	356	-	The Company's indirect subsidiary
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	463,113	1,000	100.00%	5,647	-	The Company's indirect subsidiary
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	-	-	100.00%	0	-	The Company's indirect subsidiary
DTC	BESVJ	Japan	Trading of green products	43,793	26,690	3	49.00%	33,826	3	49.00%	(7,796)	-	Joint ventures
DTC	IOC	Hong Kong	Agent of bicycles and related components	148,235	148,235	19,000	76.00%	155,277	19,000	76.00%	10,575	-	The Company's indirect subsidiary
DTC	KSMC (Note 2)	Taiwan	Manufacture and sale of bicycles and related components	-	47,465	-	-	-	4,500	100.00%	8,986	-	The Company's indirect subsidiary
ATC	Rich Glory International Inc.	Samoa	Investment holding	35,107	35,107	1,241	33.33%	41,419	1,241	33.33%	1,367	-	Associate
ATC	ATB	BVI	Investment holding	577,385	577,385	3	100.00%	596,940	3	100.00%	65,920	-	The Company's indirect subsidiary
ATB	ATV	Vietnam	Manufacture and sale of bicycles and related components	872,463	872,463	-	100.00%	596,940	-	100.00%	65,919	-	The Company's indirect subsidiary

Note 1: The above intercompany transactions within the Group have been eliminated when preparing the consolidated financial statements.
Note 2: In 2022, KSMC was merged into DTC and KSMC was dissolved.

Darfon Electronics Corp. and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2022

Table 10

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

(Amounts in thousands of NTD and foreign currencies)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum % of ownership in 2022	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow				% of ownership			
DFS	Manufacture and sale of the Company's products	851,989 (USD 27,725) (Note 4)	(Note 1)	719,082 (USD 23,400)	-	-	719,082 (USD 23,400)	65,774	100.00%	100.00%	65,774	3,517,346	249,466 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,505,770 (USD 49,000)	(Note 1)	1,505,770 (USD 49,000)	-	-	1,505,770 (USD 49,000)	206,999	100.00%	100.00%	206,999	2,397,827	-
DPS	Mold development and manufacture	30,730 (USD 1,000)	(Note 1)	30,730 (USD 1,000)	-	-	30,730 (USD 1,000)	7,082	100.00%	100.00%	7,082	460,398	-
DFQ	Manufacture and sale of the Company's products	307,300 (USD 10,000)	(Note 1)	307,300 (USD 10,000)	-	-	307,300 (USD 10,000)	94,380	100.00%	100.00%	94,380	864,313	-
UTZ	Wireless antennas for telecommunication, components design and marketing	27,811 (USD 905)	(Note 1)	23,201 (USD 755)	4,610 (USD 150)	-	27,811 (USD 905)	(6,250)	100.00%	100.00%	(6,250)	10,236	-
ISC	Agent of bicycles and related components	7,882 (HKD 2,000)	(Note 3)	-	-	-	-	10,004	76.00%	76.00%	7,603	7,882	-

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 audited financial statements by the Company's auditors.
Note 3： The investment was from the operating capital of IOC.
Note 4： Including US$ 4,325 thousand from capitalization of retained earnings.

2. Limits on investments in Mainland China:

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company	2,313,416 (USD 75,282)	2,415,593 (USD 78,607)	(Note)
DET	-	153,650 (USD 5,000)	339,467
UTC	27,811 (USD 905)	27,811 (USD 905)	1,014,012
DTC	-	5,990 (HKD 1,520)	364,255

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1=NT$30.73 and HKD$1=NT$3.941.
Note: Since the Company has obtained the certificate of headquarters operation, there is no upper limit on investments in Mainland China.

3. Significant transactions with investee companies in Mainland China:
For further information on the transactions between the Group entities and the above investee companies (the intercompany transactions) in 2022, please refer to "Information on significant transactions".