

**DARFON ELECTRONICS CORP.
AND SUBSIDIARIES**

**Consolidated Financial Statements With
Independent Auditors' Review Report**

For the Three Months Ended March 31, 2023 and 2022

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

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Independent Auditors' Review Report

To the Board of Directors of Darfon Electronics Corp.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Darfon Electronics Corp. and its subsidiaries (“the Company”) as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in除 accordance with Statement on Standards on Review Engagement No. 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit, Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$10,533,660 thousand and \$13,316,025 thousand, constituting 30.32% and 38.95% of the consolidated total assets; and the total liabilities amounting to \$5,256,450 thousand and \$7,374,890 thousand, constituting 24.55% and 34.00% of the consolidated total liabilities as of March 31, 2023 and 2022, respectively; as well as the total comprehensive income (loss) for the three months ended March 31, 2023 and 2022 were \$-4172 thousand and \$64548 thousand, constituting -1.06% and 9.31%, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have influenced by the financial statements of certain investee companies described in the Basis for Qualified Conclusion paragraph which were not reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Darfon and its subsidiaries as of March 31, 2023 and 2022, and the consolidated financial performance and the consolidated cash flows for the three months ended March 31, 2023 and 2022, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS No. 34 “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission of the Republic of China.

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

KPMG
Taipei, Taiwan
Republic of China
May 3, 2023

**Reviewed only, not audited in accordance with generally accepted auditing standards
as of March 31, 2023 and 2022**

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2023, December 31, 2022 and March 31, 2022

(Expressed in thousands of New Taiwan dollars)

Assets	March 31, 2023		December 31, 2022		March 31, 2022		
	Amount	%	Amount	%	Amount	%	
Current assets:							
1100	Cash and cash equivalents (note 6(a))	\$ 3,856,679	11	3,368,030	10	2,876,799	8
1110	Financial assets at fair value through profit or loss— current (note 6(b))	791,365	2	399,052	1	466,925	1
1120	Financial assets at fair value through other comprehensive income— current (note 6(c))	394,776	1	349,051	1	299,153	1
1136	Financial assets at amortized cost— current (notes 6(d) and 8)	216,100	1	216,100	1	3,100	-
1170	Notes and accounts receivable, net (notes 6(e) and (y))	6,927,543	20	7,239,712	21	7,871,467	23
1180	Accounts receivable from related parties (notes 6(e)、(y) and 7)	132,847	-	124,337	-	167,097	1
1200	Other receivables (note 6(e))	140,296	1	163,652	-	40,870	-
130X	Inventories (note 6(f))	8,128,631	23	8,288,403	25	8,894,829	26
1460	Non-current assets held for sale (note 6(g))	930,797	3	921,812	3	-	-
1470	Prepayments and other current assets	692,757	2	621,216	2	1,045,886	3
	Total current assets	<u>22,211,791</u>	<u>64</u>	<u>21,691,365</u>	<u>64</u>	<u>21,666,126</u>	<u>63</u>
Non-current assets:							
1517	Financial assets at fair value through other comprehensive income— non-current (note 6(c))	1,263,530	4	1,122,031	3	1,325,312	4
1535	Financial assets at amortized cost— non-current (notes 6(d) and 8)	810	-	1,102	-	810	-
1550	Investments accounted for using equity method (note 6(h))	78,848	-	75,245	-	68,722	-
1600	Property, plant and equipment (notes 6(k) and 8)	8,642,196	25	8,154,487	24	8,150,710	24
1755	Right-of-use assets (notes 6(l) and 7)	873,264	2	902,245	3	959,620	3
1760	Investment property, net (note 6(m))	-	-	-	-	62,159	-
1780	Intangible assets (note 6(n))	909,638	3	935,704	3	995,335	3
1840	Deferred income tax assets	211,641	-	211,570	1	159,222	1
1915	Prepayments for equipment	223,192	1	263,504	1	429,233	1
1920	Refundable deposits	43,578	-	42,549	-	44,255	-
1975	Net defined benefit asset— non-current	18,521	-	18,521	-	17,076	-
1990	Other non-current assets (notes 6(k) and (l))	267,894	1	218,864	1	310,530	1
	Total non-current assets	<u>12,533,112</u>	<u>36</u>	<u>11,945,822</u>	<u>36</u>	<u>12,522,984</u>	<u>37</u>
	Total assets	<u>\$ 34,744,903</u>	<u>100</u>	<u>33,637,187</u>	<u>100</u>	<u>34,189,110</u>	<u>100</u>

(Continued)

See accompanying notes to the consolidated financial statements

**Reviewed only, not audited in accordance with generally accepted auditing standards
as of March 31, 2023 and 2022**

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

March 31, 2023, December 31, 2022 and March 31, 2022

(Expressed in thousands of New Taiwan dollars)

	March 31, 2023		December 31, 2022		March 31, 2022		
	Amount	%	Amount	%	Amount	%	
Liabilities and Equity							
Current liabilities:							
2100	Short-term borrowings (notes 6(o) and 8)	\$ 5,952,543	17	5,786,396	17	5,119,526	15
2110	Short-term notes and bills payable (note 6(p))	229,199	1	99,584	-	-	-
2120	Financial liabilities at fair value through profit or loss – current (note 6(b))	958	-	662	-	4,572	-
2170	Notes and accounts payable (note 7)	3,982,070	12	4,160,462	12	6,382,588	19
2200	Other payables (notes 6(v), (z) and 7)	4,235,826	12	3,685,281	11	4,346,429	13
2250	Provisions – current (note 6(s))	136,965	-	132,692	1	113,279	-
2280	Lease liabilities – current (notes 6(r) and 7)	115,477	-	113,214	-	107,840	-
2322	Current portion of long-term debt (notes 6(q) and 8)	118,580	-	96,095	-	17,203	-
2399	Other non-current liabilities (notes 6(g) and (y))	1,646,146	5	538,947	2	1,204,073	4
	Total current liabilities	16,417,764	47	14,613,333	43	17,295,510	51
Non-current liabilities:							
2540	Long-term debt (notes 6(q) and 8)	4,493,459	13	4,587,713	14	3,800,000	11
2570	Deferred income tax liabilities	156,921	1	163,453	1	171,409	-
2580	Lease liabilities – non-current (notes 6(q) and 7)	152,112	-	174,506	1	180,049	1
2640	Net defined benefit liabilities – non-current	32,588	-	33,687	-	64,260	-
2670	Other non-current liabilities	161,288	1	161,774	-	178,817	-
	Total non-current liabilities	4,996,368	15	5,121,133	16	4,394,535	12
	Total liabilities	21,414,132	62	19,734,466	59	21,690,045	63
Equity attributable to shareholders of the Company (notes 6(i) and (v)):							
3110	Common stock	2,800,000	8	2,800,000	8	2,800,000	8
3200	Capital surplus	4,116,058	12	4,116,058	12	4,134,824	12
	Retained earnings:						
3310	Legal reserve	1,234,562	4	1,234,562	4	1,116,990	3
3320	Special reserve	422,523	1	422,523	1	386,607	1
3350	Unappropriated earnings	1,300,435	4	1,997,724	6	1,236,695	4
		<u>2,957,520</u>	<u>9</u>	<u>3,654,809</u>	<u>11</u>	<u>2,740,292</u>	<u>8</u>
3400	Other equity	92,728	-	(56,316)	-	(35,672)	-
	Equity attributable to shareholders of the Company	9,966,306	29	10,514,551	31	9,639,444	28
36XX	Non-controlling interests (notes 6(j) and (v))	3,364,465	9	3,388,170	10	2,859,621	9
	Total equity	13,330,771	38	13,902,721	41	12,499,065	37
	Total liabilities and equity	\$ 34,744,903	100	33,637,187	100	34,189,110	100

See accompanying notes to consolidated financial statements

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

Consolidated Statements of Comprehensive Income

For the Three Months Ended March 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

		Three Months Ended March 31,			
		2023		2022	
		Amount	%	Amount	%
4000	Net sales (notes 6(y), 7 and 14)	\$ 6,000,861	100	7,415,327	100
5000	Cost of sales (notes 6(f), (k), (l), (n), (r), (t), (z) and 12)	(4,912,786)	(82)	(6,194,833)	(84)
	Gross profit	1,088,075	18	1,220,494	16
	Operating expenses (notes 6(e), (k), (l), (n), (r), (t), (z), 7 and 12):				
6100	Selling expenses	(292,897)	(5)	(353,074)	(5)
6200	Administrative expenses	(243,132)	(4)	(243,597)	(3)
6300	Research and development expenses	(237,392)	(4)	(259,480)	(3)
6000	Total operating expenses	(773,421)	(13)	(856,151)	(11)
	Operating income	314,654	5	364,343	5
	Non-operating income and loss (notes 6(h), (r), (aa), 7 and 12):				
7100	Interest income	10,211	-	2,104	-
7010	Other income	19,686	1	15,050	-
7020	Other gains and losses	11,784	-	25,526	-
7050	Finance costs	(70,217)	(1)	(25,694)	-
7060	Share of profit (loss) of associates and joint ventures	(3,531)	-	(2,183)	-
	Total non-operating income and loss	(32,067)	-	14,803	-
7900	Income before income tax	282,587	5	379,146	5
7950	Less: Income tax expense (note 6(u))	(61,472)	(1)	(89,865)	(1)
8200	Net income	221,115	4	289,281	4
	Other comprehensive income (notes 6(h) and (v)):				
8310	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments	187,223	3	135,052	2
8320	Share of profit (loss) of associates and joint ventures accounted for using equity method	8,212	-	(4,841)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-
		195,435	3	130,211	2
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations	(22,609)	-	273,602	3
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	(1,077)	-	523	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		(23,686)	-	274,125	3
	Other comprehensive income for the year, net of income tax	171,749	3	404,336	5
8500	Total comprehensive income for the year	\$ 392,864	7	693,617	9
	Net income attributable to:				
8610	Shareholders of the Company	\$ 142,711	3	248,351	3
8620	Non-controlling interests	78,404	1	40,930	1
		\$ 221,115	4	289,281	4
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	\$ 291,755	5	635,202	8
8720	Non-controlling interests	101,109	2	58,415	1
		\$ 392,864	7	693,617	9
	Earnings per share (in New Taiwan dollars)(note 6(w))				
9750	Basic earnings per share	\$ 0.51		0.89	
9850	Diluted earnings per share	\$ 0.50		0.88	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Change in Equity
For the Three Months Ended March 31, 2023 and 2022
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the Company											Non-controlling interests	Total equity
	Retained earnings						Other equity			Equity attributable to shareholders of the Company			
	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		
Balance at January 1, 2022	\$ 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	-	-	-	-	248,351	248,351	-	-	-	-	248,351	40,930	289,281
Other comprehensive income	-	-	-	-	-	-	257,139	129,712	-	386,851	386,851	17,485	404,336
Total comprehensive income	-	-	-	-	248,351	248,351	257,139	129,712	-	386,851	635,202	58,415	693,617
Appropriation of earnings:													
Cash dividends	-	-	-	-	(840,000)	(840,000)	-	-	-	-	(840,000)	-	(840,000)
Changes in ownership interest in subsidiaries	-	2,057	-	-	-	-	-	-	-	-	2,057	(2,057)	-
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	66,907	66,907
Distribution of cash dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(142,796)	(142,796)
Balance at March 31, 2022	\$ 2,800,000	4,134,824	1,116,990	386,607	1,236,695	2,740,292	(508,004)	509,325	(36,993)	(35,672)	9,639,444	2,859,621	12,499,065
Balance at January 1, 2023	\$ 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
Net income	-	-	-	-	142,711	142,711	-	-	-	-	142,711	78,404	221,115
Other comprehensive income	-	-	-	-	-	-	(32,264)	181,308	-	149,044	149,044	22,705	171,749
Total comprehensive income	-	-	-	-	142,711	142,711	(32,264)	181,308	-	149,044	291,755	101,109	392,864
Appropriation of earnings:													
Cash dividends	-	-	-	-	(840,000)	(840,000)	-	-	-	-	(840,000)	-	(840,000)
Distribution of cash dividends by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(124,814)	(124,814)
Balance at March 31, 2023	\$ 2,800,000	4,116,058	1,234,562	422,523	1,300,435	2,957,520	(330,141)	438,501	(15,632)	92,728	9,966,306	3,364,465	13,330,771

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the Three Months Ended March 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 282,587	379,146
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation	273,528	272,159
Amortization	27,053	26,474
Expected credit loss	1,808	11,021
Interest expense	70,217	25,694
Interest income	(10,211)	(2,104)
Share of losses of associated and joint ventures	3,531	2,183
Losses (gains) on disposal of property, plant and equipment	17,852	(349)
Gains on lease modification	(64)	(23)
Total adjustments to reconcile profit or loss	383,714	335,055
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets mandatorily measured at fair value through profit or loss	1,359	1,768
Notes and accounts receivable	310,361	(157,629)
Accounts receivable from related parties	(8,510)	(29,826)
Other receivables	23,576	3,340
Inventories	159,772	(355,994)
Prepayments and other current assets	(71,541)	(189,650)
Total changes in operating assets	415,017	(727,991)
Changes in operating liabilities:		
Financial liabilities held for trading	296	4,549
Notes and accounts payable	(178,392)	(301,621)
Other payables	(384,199)	(88,075)
Provisions	4,273	2,563
Other current liabilities	153,092	488,870
Net defined benefit liabilities	(1,099)	(1,117)
Total changes in operating liabilities	(406,029)	105,169
Total changes in operating assets and liabilities	8,988	(622,822)
Total adjustments	392,702	(287,767)
Cash provided by operations	675,289	91,379
Interest received	9,991	2,104
Interest paid	(66,883)	(25,415)
Income taxes paid	(2,145)	(50,190)
Net cash provided by operating activities	616,252	17,878

(Continued)

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the Three Months Ended March 31, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	Three Months Ended March 31,	
	2023	2022
Cash flows from investing activities:		
Purchase of financial assets at fair value through profit or loss	(1,048,825)	(266,185)
Proceeds from disposal of financial assets at fair value through profit or loss	656,792	254,953
Purchase of financial assets at fair value through other comprehensive income	-	(4,316)
Decrease in financial assets at amortized cost	292	-
Additions to property, plant and equipment	(742,745)	(513,907)
Proceeds from disposal of property, plant and equipment	-	3,954
Increase in refundable deposits	(1,029)	(4,294)
Advanced receipts for disposal of non-current assets to be sold	954,106	-
Additions to intangible assets	(791)	(2,941)
Additions to right-of use assets	-	(137)
Increase in other non-current assets	(2,092)	(11,473)
Net cash flows used in investing activities	(184,292)	(544,346)
Cash flows from financing activities:		
Increase in short-term borrowings	5,207,245	8,863,513
Decrease in short-term borrowings	(5,035,423)	(8,798,932)
Increase in short-term notes and bills payable	129,615	-
Increase in long-term debt	-	180,000
Payment of lease liabilities	(70,229)	(4,300)
Decrease in guarantee deposits received	(288)	(70,357)
Payment of lease liabilities	(32,609)	(30,661)
Increase (decrease) in other non-current liabilities	(198)	131
Capital injection from non-controlling interests	-	66,907
Net cash provided by financing activities	198,113	206,301
Effects of exchange rate changes	(141,424)	151,763
Net increase (decrease) in cash and cash equivalents	488,649	(168,404)
Cash and cash equivalents at beginning of year	3,368,030	3,045,203
Cash and cash equivalents at end of year	\$ 3,856,679	2,876,799

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the Three Months Ended March 31, 2023 and 2022

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

1. Organization and business

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

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on May 3, 2023.

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023.

- 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”

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

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

Standards or Interpretations	Content of amendment	Effective Date Issued by IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>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.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares-e.g. convertible debt.</p>	January 1, 2024

(Continued)

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

Standards or Interpretations	Content of amendment	Effective Date Issued by IASB
Amendments to IAS 1 “Non-current Liabilities with Covenants”	<p>After reconsidering certain aspects of the 2020 amendments, new IAS 1 amendments clarify that only covenant with which a company must comply on or before the reporting date effect the classification of a liability as current or non-current.</p> <p>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.</p>	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”
- IFSR 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 16 “Requirements for Sale and Leaseback Transactions”

4. Summary of significant accounting policies

(a) Statement of compliance

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

Except as described below, the significant accounting policies applied in the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2022, and have been applied consistently to all periods in the consolidated financial statements. Refer to note 4 of the consolidated financial statements for the year ended December 31, 2022 for the details.

(b) Basis of preparation

The preparation principle applied in the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2022. Please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2022 for the details.

(Continued)

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

i. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Notes
			March 31, 2023	December 31, 2022	March 31, 2022	
The Company	Darfon (BVI) Corporation (DFBVI)	Investment holding	100.00%	100.00%	100.00%	Note 1
The Company	Darfon (Labuan) Corporation (DFLB)	Investment holding	100.00%	100.00%	100.00%	-
The Company	Darfon Materials Corp. (DMC)	Manufacture and sale of LTCC, inductors and paste	100.00%	100.00%	100.00%	Note 1
The Company	Darfon Gemmy Corp. (DZL)	Investment holding	100.00%	100.00%	100.00%	Note 1
The Company	Darfon Europe B.V. (DFeu)	Trading of green devices	100.00%	100.00%	100.00%	Note 1
DFBVI/ DFLB	Darfon Electronics (Suzhou) Co., Ltd. (DFS)	Manufacture and sale of the company's components	100.00%	100.00%	100.00%	-
DFLB	Darfon Electronics Czech s.r.o (DFC)	Trading of electronic components	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon America Corp. (DFA)	Trading of electronic components	100.00%	100.00%	100.00%	Note 1
DFLB	Huaian Darfon Electronics Co., Ltd. (DFH)	Manufacture and sale of the company's components	100.00%	100.00%	100.00%	-
DFLB	Darfon Korea Co., Ltd. (DFK)	Trading of electronic components	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon Precision Holdings Co., Ltd. (DPH)	Investment holding	100.00%	100.00%	100.00%	Note 1
DFLB	Darfon Electronics (Chongqing) Co., Ltd. (DFQ)	Manufacture and sale of the company's components	100.00%	100.00%	100.00%	-
DPH	Darfon Precision (Suzhou) Co., Ltd. (DPS)	Mold development and manufacture	100.00%	100.00%	100.00%	Note 1
DFeu	Darfon Germany GmbH(DFG)	Trading of green devices	100.00%	100.00%	100.00%	Note 1
The Company	Darfon Vietnam Co., Ltd. (DFV)	Manufacture of electronic components	100.00%	100.00%	100.00%	Note 1
The Company	Darfon Energy Technology Corp. (DET)	Manufacturing and wholesale of batteries and electric components	87.00%	87.00%	100.00%	Note 1
The Company	TD HiTech Energy Inc. (TDI)	Manufacture and sale of bicycles and related components	62.75%	62.75%	62.75%	Note 1
The Company /DZL	Unictron Technology Corporation (UTC)	Manufacturing and wholesale of batteries and electric components	46.75%	46.75%	45.77%	-
UTC	Unicom Technologies, Inc. (UTI)	Investment holding	46.75%	46.75%	45.77%	-
UTI	WirelessCom Technologies (Shenzhen) Co., Ltd. (UTZ)	Sale, design and marketing of wireless antennas for telecommunication and modules	46.75%	46.75%	45.77%	-
The Company /DZL	Darad Innovation Corp. (DTC)	Manufacture and sale of E-bike and related components	69.19%	69.19%	69.16%	Note 1
DTC	Kenlight Sport Marketing Co., Ltd. (KSMC)	Sale of bicycles and related components	-	-	69.16%	Note 1
DTC	Iron Ore Co., Ltd. (IOC)	Sale of bicycles and related components	52.58%	52.58%	52.56%	Note 1
IOC	Iron Star Company Limited (ISC)	Sale of bicycles and related components	52.58%	52.58%	-	Note 1 and 3
The Company	Kenstone Metal Co., Ltd. (KST)	Manufacture and sale of bicycles and related components	58.54%	58.54%	60.00%	Note 1
KST	Kenstone Metal Company GmbH (KSG)	Assembly and sale of bicycles and related components	58.54%	58.54%	60.00%	Note 1
KST	KSI Handels GmbH (KSI)	Manufacture and sale of bicycles and related components	58.54%	58.54%	60.00%	Note 1
KST	Kenstone Vietnam Co., Ltd. (KSV)	Manufacture and sale of bicycles and related components	58.54%	58.54%	60.00%	Note 1
The Company	Astro Tech Co., Ltd. (ATC)	Manufacture and sale of bicycles and related components	46.36%	46.36%	51.00%	Note 2

(Continued)

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

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
ATC	Astro Engineering Co., Ltd (ATB)	Investment holding	46.36%	46.36%	51.00%	Note 2
ATB	Astro Engineering Vietnam Co., Ltd (ATV)	Manufacture and sale of bicycles and related components	46.36%	46.36%	51.00%	Note 2

Note 1: For the first quarter of 2023 and 2022 have not been reviewed by accountants.

Note 2: For the first quarter of 2022 have not been reviewed by accountants.

Note 3: ISC was new invested in the second quarter of 2022.

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

(c) Employee benefits

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

(d) Income taxes

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

Income tax expense for the period is best estimated by multiplying pre-tax income of the interim period by a projected annual effective tax rate, and is recognized as current tax expense.

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

5. Critical accounting judgments and key sources of estimations and assumptions uncertainty

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

In preparing the consolidated financial statements, critical accounting judgments and key sources of estimations and assumptions uncertainty used by management in application of accounting policies are consistent with those described in note 5 of the consolidated financial statements for the year ended December 31, 2022.

(Continued)

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

6. Significant account disclosures

Except as described below, the description of significant accounts in the accompanying consolidated financial statements is not materially different from the consolidated financial statements for the year ended December 31, 2022. For the related information please refer to note 6 of the consolidated financial statements for the year ended December 31, 2022.

(a) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash on hand	\$ 7,544	7,453	6,471
Demand deposits and checking accounts	2,455,890	2,310,913	2,117,310
Time deposits with original maturities less than three months	1,391,380	1,045,469	748,583
Cash equivalents	1,865	4,195	4,435
	<u><u>\$ 3,856,679</u></u>	<u><u>3,368,030</u></u>	<u><u>2,876,799</u></u>

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	\$ 139	1,098	-
Foreign exchange swaps	219	261	-
Non-derivative financial assets:			
Open-end mutual funds	30,336	30,252	100,343
Structured deposits	760,671	367,441	366,582
	<u><u>\$ 791,365</u></u>	<u><u>399,052</u></u>	<u><u>466,925</u></u>
Financial liabilities held for trading:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	\$ (897)	(662)	(4,572)
Foreign exchange swaps	(61)	-	-
	<u><u>\$ (958)</u></u>	<u><u>(662)</u></u>	<u><u>(4,572)</u></u>

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

March 31, 2023

	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity Period</u>
Foreign currency forward contracts	USD\$ <u>6,667</u>	NTD Buy / USD Sell	2023.04~2023.07
Foreign exchange swaps	JPY\$ <u>100,000</u>	JPY Swap in / USD Swap out	2023.04
Foreign exchange swaps	USD\$ <u>1,539</u>	USD Swap in / TWD Swap out	2023.04

(Continued)

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

December 31, 2022

	Contract amount (in thousands)	Currency	Maturity Period
Foreign currency forward contracts	USD\$ <u>5,000</u>	CNY Buy / USD Sell	2023.01
Foreign currency forward contracts	USD\$ <u>3,886</u>	NTD Buy / USD Sell	2023.01 ~ 2023.03
Foreign currency forward contracts	USD\$ <u>750</u>	JPY Buy/USD Sell	2023.03
Foreign exchange swaps	USD\$ <u>3,719</u>	USD Swap in / TWD Swap out	2023.02 ~ 2023.03

March 31, 2022

	Contract amount (in thousands)	Currency	Maturity Period
Foreign currency forward contracts	USD\$ <u>21,000</u>	CNY Buy / USD Sell	2022.04~2022.05
Foreign currency forward contracts	USD\$ <u>6,829</u>	NTD Buy / USD Sell	2022.04~2022.08

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

	March 31, 2023	December 31, 2022	March 31, 2022
Equity investments at fair value through other comprehensive income:			
Domestic listed stocks	\$ <u>1,658,306</u>	<u>1,471,082</u>	<u>1,624,465</u>
Current	\$ 394,776	349,051	299,153
Non-current	<u>1,263,530</u>	<u>1,122,031</u>	<u>1,325,312</u>
	<u>\$ 1,658,306</u>	<u>1,471,082</u>	<u>1,624,465</u>

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

For the three months ended March 31, 2023 and 2022, no strategic investments were disposed and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(d) Financial assets at amortized costs

	March 31, 2023	December 31, 2022	March 31, 2022
Current:			
Time deposits with original maturities more than 3 months	\$ 215,000	215,000	-
Restricted deposits	<u>1,100</u>	<u>1,100</u>	<u>3,100</u>
	<u>\$ 216,100</u>	<u>216,100</u>	<u>3,100</u>
Non-current:			
Restricted deposits	<u>\$ 810</u>	<u>1,102</u>	<u>810</u>

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

(Continued)

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

(e) Notes and accounts receivable

	March 31, 2023	December 31, 2022	March 31, 2022
Notes and accounts receivable	\$ 7,012,499	7,322,361	7,939,189
Accounts receivable from related parties	132,847	124,337	167,097
	7,145,346	7,446,698	8,106,286
Less: loss allowance	(84,956)	(82,649)	(67,722)
	<u>\$ 7,060,390</u>	<u>7,364,049</u>	<u>8,038,564</u>

- 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:

	March 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 6,230,046	0.37%	23,251
Past due 1-30 days	765,634	2.17%	16,587
Past due 31-60 days	85,400	8.61%	7,356
Past due 61-90 days	22,242	34.12%	7,590
Past due 91-120 days	18,541	36.07%	6,688
Past due over 121 days	23,484	100.00%	23,484
	<u>\$ 7,145,347</u>		<u>84,956</u>

	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
	<u>\$ 7,446,698</u>		<u>82,649</u>

(Continued)

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

	March 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 6,897,049	0.28%	19,038
Past due 1-30 days	1,081,945	1.58%	17,137
Past due 31-60 days	97,130	8.84%	8,583
Past due 61-90 days	6,855	20.35%	1,395
Past due 91-120 days	3,317	47.60%	1,579
Past due over 121 days	19,990	100.00%	19,990
	\$ 8,106,286		67,722

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

	For the three months ended March 31,	
	2023	2022
Balance at January 1	\$ 82,649	55,609
Impairment loss recognized	1,808	11,021
Effect of exchange rate changes	499	1,092
Balance at March 31	\$ 84,956	67,722

- 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:

	March 31, 2023					
Underwriting bank	Factored amount	Unpaid advance amount	Advanced amount	Amount recognized in other receivables	Range of interest rates	Collateral
Taipei Fubon Bank	\$ 59,639	59,639	-	59,639	-	-
	December 31, 2022					
Underwriting bank	Factored amount	Unpaid advance amount	Advanced amount	Amount recognized in other receivables	Range of interest rates	Collateral
Taipei Fubon Bank	\$ 82,368	82,368	-	82,368	-	-

(f) Inventories

	March 31, 2023	December 31, 2022	March 31, 2022
Raw materials	\$ 4,129,970	4,454,602	5,396,945
Work in process	1,660,978	1,425,325	1,524,156
Finished goods and merchandise	2,337,683	2,408,476	1,973,728
	\$ 8,128,631	8,288,403	8,894,829

(Continued)

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

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

	For the three months ended March 31,	
	2023	2022
Cost of inventories sold	\$ 4,806,059	6,137,478
Write-downs of inventories	62,704	19,629
Losses on scrap	44,023	37,726
	<u>\$ 4,912,786</u>	<u>6,194,833</u>

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 and hence the related assets were reclassified as non-current assets held for sale. The Group listed the relevant assets under the non-current assets held for sale were detailed as follows:

	March 31, 2023	December 31, 2022
Property, plant and equipment	\$ 875,897	867,308
Right-of-use assets	54,900	54,504
	<u>\$ 930,797</u>	<u>\$ 921,812</u>

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 (approximately equivalent to NTD\$954,106 thousand) as of March 31, 2023, listed under other current liabilities.

(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:

	March 31, 2023	December 31, 2022	March 31, 2022
Carrying amounts of joint ventures	\$ 29,515	33,826	20,594
Carrying amounts of associates	49,333	41,419	48,128
	<u>\$ 78,848</u>	<u>75,245</u>	<u>68,722</u>

(Continued)

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

	For the three months ended March 31,	
	2023	2022
Attributable to the Group of joint ventures:		
Net income (loss)	\$ (3,546)	(2,129)
Other comprehensive income (loss)	(765)	(609)
Total comprehensive	\$ (4,311)	(2,738)
Attributable to the Group of associates:		
Net income (loss)	\$ 15	(54)
Other comprehensive income (loss)	7,900	(3,709)
Total comprehensive	\$ 7,915	(3,763)

(i) Subsidiaries

i. Changes in ownership interest in subsidiaries without losing control

In March 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, and the capital reserve was adjusted to increase by NTD\$2,057 thousand.

(j) Subsidiaries that have material non-controlling interest

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

Subsidiary	Principal place of business/ Registration country	The percentage of ownership and voting rights held by non-controlling interests		
		March 31, 2023	December 31, 2022	March 31, 2022
KST	Taiwan	41.46%	41.46%	40.00%
UTC	Taiwan	53.25%	53.25%	54.23%
TDI	Taiwan	37.25%	37.25%	37.25%
ATC	Taiwan	53.64%	53.64%	49.00%

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

i. The summarized financial information of KST:

	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 4,224,356	4,304,320	4,799,688
Non-current assets	922,765	945,602	950,365
Current liabilities	(3,710,811)	(3,807,678)	(4,574,615)
Non-current liabilities	(126,580)	(134,685)	(80,638)
Net assets	\$ 1,309,730	1,307,559	1,094,800
The carrying amount of non-controlling interests	\$ 487,490	486,589	384,350

(Continued)

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

	For the three months ended March 31,	
	2023	2022
Net sales	\$ 786,985	1,326,700
Net income (loss)	\$ (1,791)	8,038
Other comprehensive income	3,963	14,853
Total comprehensive income	\$ 2,172	22,891
Net income (loss) attributable to non-controlling interests	\$ (743)	3,215
Total comprehensive income attributable to non-controlling interests	\$ 901	9,157
Cash flow from operating activities	\$ 138,549	(542,063)
Cash flow from investing activities	(4,868)	(54,870)
Cash flow from financing activities	(13,412)	598,181
Effects of foreign exchange rate changes	3,891	(312)
Increase in cash and cash equivalents	\$ 124,160	936
Cash dividends paid to non-controlling interests	\$ -	-

ii. The summarized financial information of UTC:

	March 31,	December	March 31,
	2023	31, 2022	2022
Current assets	\$ 1,501,925	1,573,193	1,792,339
Non-current assets	1,118,912	1,146,113	1,169,763
Current liabilities	(629,930)	(531,505)	(810,291)
Non-current liabilities	(54,037)	(60,866)	(65,192)
Net assets	\$ 1,936,870	2,126,935	2,086,619
The carrying amount of non-controlling interests	\$ 886,039	987,249	983,283
	For the three months ended March 31,		
	2023	2022	
Net sales	\$ 310,136	439,797	
Net income	\$ 34,089	70,598	
Other comprehensive income	10,221	601	
Total comprehensive income	\$ 44,310	71,199	
Net income attributable to non-controlling interests	\$ 18,153	38,285	
Total comprehensive income attributable to non-controlling interests	\$ 23,605	38,612	
Cash flow from operating activities	\$ (18,374)	101,354	
Cash flow from investing activities	(20,483)	(48,032)	
Cash flow from financing activities	(14,245)	(67,731)	
Effects of foreign exchange rate changes	60	385	
Decrease in cash and cash equivalents	\$ (53,042)	(14,024)	
Cash dividends paid to non-controlling interests	\$ (124,814)	(142,796)	

(Continued)

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

iii. The summarized financial information of TDI:

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Current assets	\$ 695,378	694,833	716,217
Non-current assets	128,200	134,396	143,828
Current liabilities	(138,049)	(157,963)	(175,790)
Non-current liabilities	<u>(19,741)</u>	<u>(22,780)</u>	<u>(31,892)</u>
Net assets	<u>\$ 665,788</u>	<u>648,486</u>	<u>652,363</u>
The carrying amount of non-controlling interests	<u>\$ 229,175</u>	<u>222,731</u>	<u>224,175</u>
		<u>For the three months ended March 31,</u>	
		<u>2023</u>	<u>2022</u>
Net sales		<u>\$ 150,930</u>	<u>149,037</u>
Net income		\$ 5,714	6,388
Other comprehensive income		11,587	7,459
Total comprehensive income		<u>\$ 17,301</u>	<u>13,847</u>
Net income attributable to non-controlling interests		<u>\$ 2,128</u>	<u>2,380</u>
Total comprehensive income attributable to non-controlling interests		<u>\$ 6,445</u>	<u>5,158</u>
Cash flow from operating activities	\$	23,632	(20,756)
Cash flow from investing activities		351	(1,860)
Cash flow from financing activities		2,900	(3,107)
Increase (decrease) in cash and cash equivalents		<u>\$ 26,883</u>	<u>(25,723)</u>
Cash dividends paid to non-controlling interests		<u>\$ -</u>	<u>-</u>

iv. The summarized financial information of ATC:

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Current assets	\$ 3,001,504	2,943,347	1,881,604
Non-current assets	2,470,187	2,451,630	2,315,359
Current liabilities	(2,200,604)	(2,237,125)	(1,612,818)
Non-current liabilities	<u>(391,105)</u>	<u>(395,698)</u>	<u>(266,399)</u>
Net assets	<u>\$ 2,879,982</u>	<u>2,762,154</u>	<u>2,317,746</u>
The carrying amount of non-controlling interests	<u>\$ 1,445,174</u>	<u>1,381,970</u>	<u>1,052,950</u>

(Continued)

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

	For the three months ended March 31,	
	2023	2022
Net sales	\$ 1,191,616	734,780
Net income	\$ 93,757	2,642
Other comprehensive income	24,071	12,784
Total comprehensive income	\$ 117,828	15,426
Net income attributable to non-controlling interests	\$ 50,291	1,295
Total comprehensive income attributable to non-controlling interests	\$ 63,203	7,559
Cash flow from operating activities	\$ (210,984)	(198,651)
Cash flow from investing activities	(64,559)	(111,440)
Cash flow from financing activities	224,536	129,672
Effects of foreign exchange rate changes	17,431	3,532
Decrease in cash and cash equivalents	\$ (33,576)	(176,887)
Cash dividends paid to non-controlling interests	\$ -	-

(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, 2023	\$ 1,686,649	5,387,936	7,828,709	710,544	1,149,445	16,763,283
Additions	-	8,020	37,207	30,848	502,361	578,436
Disposals	-	(2,317)	(233,855)	(11,456)	-	(247,628)
Other reclassification	4,141	(58,104)	70,876	61,621	(3,940)	74,594
Effect of exchange rates change	203	145,776	(8,218)	2,171	3,779	143,711
Balance at March 31, 2023	\$ 1,690,993	5,481,311	7,694,719	793,728	1,651,645	17,312,396
Balance at January 1, 2022	\$ 1,441,633	6,980,628	7,207,808	590,424	414,211	16,634,704
Additions	126	12,034	21,791	25,262	180,335	239,548
Disposals	-	(568)	(50,483)	(8,857)	-	(59,908)
Reclassification	86,883	13,179	81,428	-	508	181,998
Effect of exchange rates change	-	123,461	148,027	8,328	12,419	292,235
Balance at March 31, 2022	\$ 1,528,642	7,128,734	7,408,571	615,157	607,473	17,288,577
Accumulated depreciation and impairment losses:						
Balance at January 1, 2023	\$ -	2,462,239	5,673,643	472,914	-	8,608,796
Depreciation	-	55,097	151,403	24,818	-	231,318
Disposals	-	(42)	(218,196)	(11,538)	-	(229,776)
Effect of exchange rates change	-	89,574	(31,293)	1,581	-	59,862
Balance at March 31, 2023	\$ -	2,606,868	5,575,557	487,775	-	8,670,200
Balance at January 1, 2022	\$ -	3,219,163	5,187,941	384,050	-	8,791,154
Depreciation	-	73,293	137,992	21,544	-	232,829
Disposals	-	(568)	(50,477)	(5,258)	-	(56,303)
Effect of exchange rates change	-	59,542	104,190	6,455	-	170,187
Balance at March 31, 2022	\$ -	3,351,430	5,379,646	406,791	-	9,137,867

(Continued)

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

	<u>Land</u>	<u>Building</u>	<u>Machinery</u>	<u>Other equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
Carrying amount:						
Balance at March 31, 2023	\$ 1,690,993	2,874,443	2,119,162	305,953	1,651,645	8,642,196
Balance at January 1, 2023	\$ 1,686,649	2,925,697	2,155,066	237,630	1,149,445	8,154,487
Balance at March 31, 2022	\$ 1,528,642	3,777,304	2,028,925	208,366	607,473	8,150,710

Please refer to note 8 for details of the Group's use of property, plant and equipment pledged as guarantees for long-term loans and financing lines.

Lands located in Miaoli and ChangHua, which are properties of the Company and ATC, respectively, could not be registered in their names due to regulations. The Company and ATC and landowners had signed agreements as a security measure to clarify that the rights and obligations of the lands belong to the Group.

On March 31, 2023, December 31, 2022 and March 31, 2022, the prepayments of \$47,000 thousand, \$0 thousand and \$92,523 thousand, respectively, were made by the Group to acquire the lands in Miaoli and ChangHua and were included in other non-current assets.

(l) Right-of-use assets

The movements of cost and accumulated depreciation of leased land, buildings and transportation equipment were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Total</u>
Cost of right-of-use assets:				
Balance at January 1, 2023	\$ 759,475	522,584	8,338	1,290,397
Additions	-	14,512	-	14,512
Disposals	-	(6,448)	-	(6,448)
Effect of exchange rates change	(1,462)	2,108	86	732
Balance at March 31, 2023	<u>\$ 758,013</u>	<u>532,756</u>	<u>8,424</u>	<u>1,299,193</u>
Balance at January 1, 2022	\$ 776,958	461,006	10,299	1,248,263
Additions	-	12,209	-	12,209
Disposals	-	(9,960)	(258)	(10,218)
Effect of exchange rates change	13,743	9,558	92	23,393
Balance at March 31, 2022	<u>\$ 790,701</u>	<u>472,813</u>	<u>10,133</u>	<u>1,273,647</u>
Accumulated depreciation of right-of-use assets:				
Balance at January 1, 2023	\$ 109,807	273,846	4,499	388,152
Depreciation	9,195	32,373	642	42,210
Disposals	-	(5,743)	-	(5,743)
Effect of exchange rates change	(64)	1,320	54	1,310
Balance at March 31, 2023	<u>\$ 118,938</u>	<u>301,796</u>	<u>5,195</u>	<u>425,929</u>
Balance at January 1, 2022	\$ 76,218	195,797	3,464	275,479
Depreciation	9,553	28,883	791	39,227
Disposals	-	(6,171)	(259)	(6,430)
Effect of exchange rates change	921	4,801	29	5,751
Balance at March 31, 2022	<u>\$ 86,692</u>	<u>223,310</u>	<u>4,025</u>	<u>314,027</u>

(Continued)

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

	Land	Buildings	Transportation Equipment	Total
Carrying amount:				
Balance at March 31, 2023	<u>\$ 639,075</u>	<u>230,960</u>	<u>3,229</u>	<u>873,264</u>
Balance at January 1, 2023	<u>\$ 649,668</u>	<u>248,738</u>	<u>3,839</u>	<u>902,245</u>
Balance at March 31, 2022	<u>\$ 704,009</u>	<u>249,503</u>	<u>6,108</u>	<u>959,620</u>

On March 31, 2023, December 31, 2022 and March 31, 2022, 100% purchase prices of \$200,054 thousand, \$202,211 thousand and \$197,062 thousand, 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 prepayments were recognized in non-current assets.

(m) Investment property

The details of the Group's investment property were as follows:

	Land	Buildings	Total
Carrying amount:			
Balance at March 31, 2023	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2023	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at March 31, 2022	<u>\$ 52,359</u>	<u>9,800</u>	<u>62,159</u>

There are no material additions, disposals and impairments or reversals for the Group during the three months ended March 31, 2023 and 2022. For the other related information please refer to note 6 (m) of the consolidated financial statements for the year ended December 31, 2022.

(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, 2023	\$ 637,110	160,860	212,746	114,690	126,142	1,251,548
Additions	-	223	-	-	568	791
Effect of exchange rates change	-	-	-	-	998	998
Balance at March 31, 2023	<u>\$ 637,110</u>	<u>161,083</u>	<u>212,746</u>	<u>114,690</u>	<u>127,708</u>	<u>1,253,337</u>
Balance at January 1, 2022	\$ 637,110	160,824	212,746	114,690	100,438	1,225,808
Additions	-	15	-	-	2,926	2,941
Reclassification	-	-	-	-	299	299
Effect of exchange rates change	-	-	-	-	889	889
Balance at March 31, 2022	<u>\$ 637,110</u>	<u>160,839</u>	<u>212,746</u>	<u>114,690</u>	<u>104,552</u>	<u>1,229,937</u>
Accumulated amortization:						
Balance at January 1, 2023	\$ -	67,496	116,101	59,735	72,512	315,844
Amortization	-	11,692	5,467	3,584	6,247	26,990
Effect of exchange rates change	-	-	-	-	865	865
Balance at March 31, 2023	<u>\$ -</u>	<u>79,188</u>	<u>121,568</u>	<u>63,319</u>	<u>79,624</u>	<u>343,699</u>

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

	<u>Goodwill</u>	<u>Patents</u>	<u>Expertise</u>	<u>Customer relationship</u>	<u>Software</u>	<u>Total</u>
Balance at January 1, 2022	\$ -	51,534	63,427	45,399	47,402	207,762
Amortization	-	11,692	5,467	3,584	5,504	26,247
Effect of exchange rates change	-	-	-	-	593	593
Balance at March 31, 2022	<u>\$ -</u>	<u>63,226</u>	<u>68,894</u>	<u>48,983</u>	<u>53,499</u>	<u>234,602</u>
Carrying amount:						
Balance at March 31, 2023	<u>\$ 637,110</u>	<u>81,895</u>	<u>91,178</u>	<u>51,371</u>	<u>48,084</u>	<u>909,638</u>
Balance at January 1, 2023	<u>\$ 637,110</u>	<u>93,364</u>	<u>96,645</u>	<u>54,955</u>	<u>53,630</u>	<u>935,704</u>
Balance at March 31, 2022	<u>\$ 637,110</u>	<u>97,613</u>	<u>143,852</u>	<u>65,707</u>	<u>51,053</u>	<u>995,335</u>

The Group conducted an impairment assessment on the recoverable amount of goodwill at the end of the annual financial reporting period. According to the results of the impairment test performed by the Group on December 31, 2022, there was no impairment loss for goodwill. Please refer to note 6 (n) of the consolidated financial statements for the year ended December 31, 2022 for the details.

On March 31, 2023 and 2022, the expected operating income and operating net profit of the cash-generating unit to which the goodwill belongs will be evaluated, and there is no sign of impairment.

(o) Short-term borrowings

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Unsecured bank borrowings	\$ 5,817,951	5,786,396	4,840,026
Secured bank borrowings	134,592	-	279,500
	<u>\$ 5,952,543</u>	<u>5,786,396</u>	<u>5,119,526</u>
Unused credit facilities	<u>\$ 11,896,720</u>	<u>10,491,800</u>	<u>10,712,853</u>
Interest rate	<u>0.75%~6.35%</u>	<u>1.7%~6.75%</u>	<u>0.53%~3.30%</u>

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

(p) Short-term borrowings

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Commercial paper payable	\$ 230,220	100,000	-
Less: discount on commercial paper payable	(1,021)	(416)	-
	<u>\$ 229,199</u>	<u>99,584</u>	<u>-</u>
Interest rate	<u>1.938%~2.11%</u>	<u>2.2%</u>	<u>-</u>

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

(q) Long-term debt

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Unsecured bank loans	\$ 562,039	633,808	-
Secured bank loans	4,050,000	4,050,000	3,817,203
Less: current portion of long-term debt	<u>(118,580)</u>	<u>(96,095)</u>	<u>(17,203)</u>
	<u>\$ 4,493,459</u>	<u>4,587,713</u>	<u>3,800,000</u>
Unused credit facilities	<u>\$ 5,326,019</u>	<u>4,250,433</u>	<u>2,454,740</u>
Year to maturity	<u>112~117</u>	<u>112~114</u>	<u>111~114</u>
Interest rate	<u>1.73%~6.5%</u>	<u>2.4%~6.1%</u>	<u>1%~2.05%</u>

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. On March 31, 2023, December 31, 2022 and March 31, 2022, 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.

(r) Lease liabilities

The Group's carrying amount of lease liabilities were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current	<u>\$ 115,477</u>	<u>113,214</u>	<u>107,840</u>
Non-current	<u>\$ 152,112</u>	<u>174,506</u>	<u>180,049</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	<u>\$ 2,623</u>	<u>2,482</u>
Expenses relating to short-term leases	<u>\$ 13,499</u>	<u>12,638</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	<u>\$ 48,731</u>	<u>45,781</u>

Major terms of lease:

i. Land and buildings leases

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

(Continued)

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

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

	March 31, 2023	December 31, 2022	March 31, 2022
Warranty provisions	<u>\$ 136,965</u>	<u>132,692</u>	<u>113,279</u>

There was no significant change in the Group's warranty provisions for the three months ended 2023 and 2022. For the relevant information, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2022.

(t) Employee benefits

i. Defined benefit plans

Subsequent to December 31, 2022, there was no significant market volatility, significant curtailment, reimbursement and settlement or other significant one-time events. Therefore, the pension cost in the consolidated interim financial statements was measured and disclosed by the Group according to the pension cost valued by actuary as of December 31, 2022 and 2021.

Expenses recognized in profit or loss:

	For the three months ended March 31,	
	2023	2022
Cost of sales	\$ 8	5
Operating expenses	<u>145</u>	<u>146</u>
	<u>\$ 153</u>	<u>151</u>

ii. Defined contribution plans

Expenses recognized in profit or loss:

	For the three months ended March 31,	
	2023	2022
Cost of sales	\$ 48,434	55,776
Operating expenses	<u>17,583</u>	<u>16,685</u>
	<u>\$ 66,017</u>	<u>72,461</u>

(u) Income taxes

i. The components of income tax expense were as follows:

	For the three months ended March 31,	
	2023	2022
Current income tax expense	\$ 68,075	96,397
Deferred income tax benefit	<u>(6,603)</u>	<u>(6,532)</u>
	<u>\$ 61,472</u>	<u>89,865</u>

ii. For the three months ended March 31, 2023 and 2022, there was no income tax recognized directly in equity.

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

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.

(v) Capital and other equity

Except as described below, there was no significant change in the Group's capital and other equity for the three months ended March 31, 2023 and 2022. For other relevant information, refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2022.

i. Common stock

As of March 31, 2023, December 31, 2022 and March 31, 2022, 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.

ii. Capital surplus

The components of capital surplus were as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Paid-in capital in excess of par value	\$ 3,563,940	3,563,940	3,563,940
Treasury stock transactions	238,180	238,180	238,180
Surplus from merger	144	144	144
Difference between consideration and carrying amount arising from acquisition or disposal of shares of subsidiaries	101,730	101,730	101,730
Recognition of changes in ownership interest in subsidiaries	212,064	212,064	230,830
	<u><u>\$ 4,116,058</u></u>	<u><u>4,116,058</u></u>	<u><u>4,134,824</u></u>

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

iii. Retained earnings

According to the Company's Articles of Incorporation, if there is a surplus in the annual final accounts, taxes should be paid first to make up for the losses of previous years; then 10% of the statutory surplus reserve should be withdrawn, and the special surplus reserve should be withdrawn or reversed according to laws and regulations. If there is still surplus and accumulated undistributed surplus, the board of directors shall prepare a surplus distribution plan and submit it to the shareholders' meeting for resolution. If cash dividends are used in the profit distribution proposal in the preceding paragraph, the resolution of the Board of Directors shall be authorized and reported at the shareholders' meeting.

As 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.

(Continued)

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

According to the Company's Articles of Incorporation, 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 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 through 2022 and 2021 earnings was approved by the Company's Board of Directors on March 7, 2023 and on March 8, 2022, respectively. The resolved appropriations of the dividends were as follows:

	2022		2021	
	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
Dividends per share:				
Cash dividend	\$ 3.0	840,000	3.0	840,000

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, 2023	\$	(297,877)	257,193	(15,632)	(56,316)
Foreign exchange differences arising from translation of foreign operations		(31,558)	-	-	(31,558)
Unrealized gains (losses) from financial assets at fair value through other comprehensive income		-	176,904	-	176,904
Share of other comprehensive income of joint ventures and associates		(706)	4,404	-	3,698
Balance at March 31, 2023	\$	(330,141)	438,501	(15,632)	92,728

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

	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	256,991	-	-	256,991
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	-	132,181	-	132,181
Share of other comprehensive income of joint ventures and associates	148	(2,469)	-	(2,321)
Balance at March 31, 2022	<u>\$ (508,004)</u>	<u>509,325</u>	<u>(36,993)</u>	<u>(35,672)</u>

v. Non-controlling interests (net after tax)

	For the three months ended March 31,	
	2023	2022
Balance at January 1	\$ 3,388,170	2,879,152
Equity attributable to non-controlling interests:		
Net income	78,404	40,930
Foreign currency translation differences	8,949	16,611
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	10,319	2,871
Share of other comprehensive income loss of joint ventures and associates	3,437	(1,997)
Changes in ownership interests in subsidiaries	-	(2,057)
Capital injection from non-controlling interests	-	66,907
Distribution of cash dividend by subsidiaries to non-controlling interests	(124,814)	(142,796)
Balance at March 31	<u>\$ 3,364,465</u>	<u>2,859,621</u>

(w) Earnings per share ("EPS")

i. Basic earnings per share

	For the three months ended March 31,	
	2023	2022
Net income attributable to ordinary shareholders of the Company	<u>\$ 142,711</u>	<u>248,351</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>280,000</u>	<u>280,000</u>
Basic earnings per share (in New Taiwan dollars)	<u>\$ 0.51</u>	<u>0.89</u>

ii. Diluted earnings per share

	For the three months ended March 31,	
	2023	2022
Net income attributable to ordinary shareholders of the Company	<u>\$ 142,711</u>	<u>248,351</u>
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Effect of dilutive potential ordinary shares (in thousands):		
Remuneration to employees	2,884	3,035
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares) (in thousands)	<u>282,884</u>	<u>283,035</u>
Diluted earnings per share (in New Taiwan dollars)	<u>\$ 0.50</u>	<u>0.88</u>

(Continued)

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

(x) Share-based payment

For the three months ended March 31, 2023 and 2022, there was no significant change in the Group's share-based payment. Please refer to 6(y) of the consolidated financial statements for the year ended December 31, 2022 for the relevant information.

(y) 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.

	For the three months ended March 31,	
	2023	2022
Primary geographical markets:		
Taiwan	\$ 1,191,702	1,179,944
United States	377,811	366,261
Mainland China	2,324,864	3,379,151
Canada	378,551	520,084
Others	1,727,933	1,969,887
	\$ 6,000,861	7,415,327
Major products and services lines:		
Peripheral electronic products	\$ 2,500,934	3,578,758
Green energy products and passive components	3,499,927	3,836,569
	\$ 6,000,861	7,415,327

ii. Contract balance

	March 31, 2023	December 31, 2022	March 31, 2022
Notes and accounts receivable (including related parties)	\$ 7,145,346	7,446,698	8,106,286
Less: loss allowance	(84,956)	(82,649)	(67,722)
	\$ 7,060,390	7,364,049	8,038,564
Contract liabilities (included in other current liabilities)	\$ 98,940	88,049	907,868

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 customers' payment.

The amounts of revenue recognized for the three months ended March 31, 2023 and 2022 that were included in the balances of contract liabilities on January 1, 2023 and 2022, were \$39,174 thousand and \$69,858 thousand, respectively.

iii. Refund liabilities

	March 31, 2023	December 31, 2022	March 31, 2022
Other current liabilities—refund liabilities	\$ 407,990	396,870	245,481

(Continued)

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

(z) Remuneration to employees and directors

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

For the three months ended March 31, 2023 and 2022, the Company estimated its remuneration to employees amounting to \$19,056 thousand and \$35,938 thousand, respectively; the remuneration to directors amounting to \$1,412 thousand and \$2,662 thousand, respectively. The said amounts were calculated based on the net profits before tax of each period before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of the remuneration to employees and directors. The estimations are recognized as cost of sales or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.

The estimated amounts of remuneration to employees and directors for the year 2022 were \$140,273 thousand and \$10,520 thousand, respectively, which were the same as the amount resolved by the Board of Directors and were all paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(aa) Non-operating income and loss

i. Interest income

	For the three months ended March 31,	
	2023	2022
Interest income from bank deposits	\$ 10,211	2,104

ii. Other income

	For the three months ended March 31,	
	2023	2022
Rental income	\$ 351	1,400
Subsidy	7,504	5,615
Other	11,831	8,035
	\$ 19,686	15,050

iii. Other gains and losses

	For the three months ended March 31,	
	2023	2022
Gains (losses) on disposal of property, plant and equipment	\$ (17,852)	349
Gains on lease modification	64	23
Foreign exchange gains, net	21,650	20,574
Gains (losses) on financial instruments measured at fair value through profit or loss	(566)	4,730
Other gains (losses), net	8,488	(150)
	\$ 11,784	25,526

(Continued)

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

iv. Finance costs

	For the three months ended March 31,	
	2023	2022
Interest expense from bank	\$ (67,594)	(23,212)
Financial expense on lease liabilities	(2,623)	(2,482)
	\$ (70,217)	(25,694)

(ab) Financial instruments

Except as described below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For other relevant information, please refer to note 6(ac) and (ad) of the consolidated financial statements for the year ended December 31, 2022.

i. Categories of financial instruments

1) Financial assets

	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets at fair value through profit or loss:			
Financial assets mandatorily measured at fair value through profit or loss —			
Foreign currency forward contracts	\$ 139	1,098	-
Foreign exchange swaps	219	261	-
Open-end mutual funds	30,336	30,252	100,343
Structured deposits	760,671	367,441	366,582
Subtotal	791,365	399,052	466,925
Financial assets at fair value through other comprehensive income	1,658,306	1,471,082	1,624,465
Financial assets measured at amortized cost:			
Cash and cash equivalents	3,856,679	3,368,030	2,876,799
Financial assets at amortized cost	216,910	217,202	3,910
Notes and accounts receivable and other receivables (including related parties)	7,200,686	7,527,701	8,079,434
Refundable deposits	43,578	42,549	44,255
Subtotal	11,317,853	11,155,482	11,004,398
Total	\$ 13,767,524	13,025,616	13,095,788

(Continued)

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

2) Financial liabilities

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>March 31,</u> <u>2022</u>
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contracts	\$ 897	662	4,572
Foreign currency swaps	61	-	-
Subtotal	<u>\$ 958</u>	<u>662</u>	<u>4,572</u>
Financial liabilities measured at amortized cost:			
Short-term borrowings	5,952,543	5,786,396	5,119,526
Short-term notes and bills payable	229,199	99,584	-
Notes and accounts payable and other payables (including related parties)	7,829,841	7,519,046	10,369,122
Lease liabilities	267,589	287,720	287,889
Long-term debt (including current portion)	4,612,039	4,683,808	3,817,203
Long-term payables (included in other non-current liabilities)	150,335	150,533	149,754
Guarantee deposits (included in other non-current liabilities)	10,953	11,241	29,063
Subtotal	<u>19,052,499</u>	<u>18,538,328</u>	<u>19,772,557</u>
Total	<u>\$ 19,053,457</u>	<u>18,538,990</u>	<u>19,777,129</u>

ii. Liquidity risk

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

(Continued)

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

	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
March 31, 2023					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 6,005,022	6,005,022	-	-	-
Short-term notes and bills payable	230,220	230,220	-	-	-
Long-term debt (including current portion)	4,802,999	200,711	361,176	4,241,112	-
Notes and accounts payable and other payables (including related parties)	7,829,841	7,829,841	-	-	-
Lease liabilities	309,965	122,692	85,991	49,806	51,476
Long-term payables	150,335	-	81,296	69,039	-
Guarantee deposits	10,953	-	3,322	550	7,081
Subtotal	<u>19,339,335</u>	<u>14,388,486</u>	<u>531,785</u>	<u>4,360,507</u>	<u>58,557</u>
Derivative financial instruments:					
Foreign currency forward contracts					
– settled in gross:					
Outflow	202,608	202,608	-	-	-
Inflow	(201,850)	(201,850)	-	-	-
Subtotal	<u>758</u>	<u>758</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign exchange swap					
Outflow	69,952	69,952	-	-	-
Inflow	(70,110)	(70,110)	-	-	-
Subtotal	<u>(158)</u>	<u>(158)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 19,339,935</u>	<u>14,389,086</u>	<u>531,785</u>	<u>4,360,507</u>	<u>58,557</u>
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	<u>18,906,404</u>	<u>13,781,691</u>	<u>546,099</u>	<u>4,511,690</u>	<u>66,924</u>
Derivative financial instruments:					
Foreign currency forward contracts					
– settled in gross:					
Outflow	295,665	295,665	-	-	-
Inflow	(296,101)	(296,101)	-	-	-
Subtotal	<u>(436)</u>	<u>(436)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign exchange swap					
Outflow	114,024	114,024	-	-	-
Inflow	(114,285)	(114,285)	-	-	-
Subtotal	<u>(261)</u>	<u>(261)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 18,905,707</u>	<u>13,780,994</u>	<u>546,099</u>	<u>4,511,690</u>	<u>66,924</u>

(Continued)

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

	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
March 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 5,138,260	5,138,260	-	-	-
Long-term debt (including current portion)	3,902,995	59,855	886,178	2,956,962	-
Notes and accounts payable and other payables (including related parties)	10,369,122	10,369,122	-	-	-
Lease liabilities	326,418	114,466	86,946	66,767	58,239
Long-term payables	149,754	-	80,715	69,039	-
Guarantee deposits	29,063	16,536	4,980	454	7,093
Subtotal	<u>19,915,612</u>	<u>15,698,239</u>	<u>1,058,819</u>	<u>3,093,222</u>	<u>65,332</u>
Derivative financial liabilities:					
Foreign currency forward contracts — settled in gross:					
Outflow	795,707	795,707	-	-	-
Inflow	(791,135)	(791,135)	-	-	-
Subtotal	<u>4,572</u>	<u>4,572</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 19,920,184</u>	<u>15,702,811</u>	<u>1,058,819</u>	<u>3,093,222</u>	<u>65,332</u>

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

iii. Foreign currency risk

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

March 31, 2023						
	Foreign currency	Exchange rate	New Taiwan Dollars	Change in magnitude	Pre-tax effect on profit or loss	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	261,820	30.4800	7,980,274	1%	79,803
CNY		184,216	4.4377	817,495	1%	8,175
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		120,080	30.4800	3,660,038	1%	36,600
CNY		499,661	4.4377	2,217,346	1%	22,173

(Continued)

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

December 31, 2022						
	Foreign currency	Exchange rate	New Taiwan Dollars	Change in magnitude	Pre-tax effect on profit or loss	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	261,935	30.7300	8,049,263	1%	80,493
CNY		171,641	4.4057	756,199	1%	7,562
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		111,146	30.7300	3,415,517	1%	34,155
CNY		233,701	4.4057	1,029,616	1%	10,296
March 31, 2022						
	Foreign currency	Exchange rate	New Taiwan Dollars	Change in magnitude	Pre-tax effect on profit or loss	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$	423,695	28.6000	12,117,677	1%	121,177
CNY		215,903	4.4969	970,894	1%	9,709
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD		341,029	28.6000	9,753,429	1%	97,534
CNY		158,629	4.4969	713,339	1%	7,133

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(aa) for the information with respect to the foreign exchange gains (losses) (including realized and unrealized) for the three months ended March 31, 2023 and 2022.

iv. Fair value

1) Financial instruments that are not measured at fair value

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

(Continued)

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

2) Financial instruments that are measured at fair value

A. 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).

	March 31, 2023				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Derivative financial instruments—					
Foreign currency forward	\$ 139	-	139	-	139
Foreign exchange swaps	219	-	219	-	219
Non-derivative financial assets mandatorily measured at fair value through profit or loss:					
Open-end mutual fund	30,336	30,336	-	-	30,336
Structured deposits	760,671	-	760,671	-	760,671
Subtotal	791,365	30,336	761,029	-	791,365
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	1,658,306	1,658,306	-	-	1,658,306
Total	\$ 2,449,671	1,688,642	761,029	-	2,449,671
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments—					
Foreign currency forward	\$ (897)	-	(897)	-	(897)
Foreign exchange swaps	(61)	-	(61)	-	(61)
Total	\$ (958)	-	(958)	-	(958)

(Continued)

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

B. 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 Groups 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 three months ended March 31, 2023 and 2022.

(ac) Financial risk management

Both the goals and policies of the Group's financial risk management were not materially different from those disclosed in note 6(ad) of the consolidated financial statements for the year ended December 31, 2022.

(ad) Capital management

There is no significant change in the goals and policies of Group's capital management from note 6 (ae) of the consolidated financial statements for the year ended December 31, 2022.

(ae) 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.

(Continued)

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

ii. Investing activities with partial cash payments:

	For the three months Ended March 31,	
	2023	2022
Additions to property, plant and equipment	\$ 578,436	239,548
Add: payables on equipment at January 1	323,419	265,225
Prepayment for equipment at March 31	223,192	429,233
Prepayments for land at March 31	47,000	92,523
Reclassification from prepayments for equipment and land	74,594	181,998
Effect of exchange rates change	38,126	-
Less: payables on equipment at March 31	(278,518)	(180,317)
Prepayment for equipment at January 1	(263,504)	(403,631)
Prepayment for land at January 1	-	(105,283)
Effect of exchange rates change	-	(5,389)
Cash paid during the year	\$ 742,745	513,907

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

	Non-cash changes					March 31, 2023
	January 1, 2023	Cash flows	Additions of lease liabilities	Lease modifications	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 5,786,396	171,822	-	-	(5,675)	5,952,543
Short-term notes and bills payable	99,584	129,615	-	-	-	229,199
Long-term debt (including current portion)	4,683,808	(70,229)	-	-	(1,540)	4,612,039
Lease liabilities	287,720	(32,609)	14,512	(769)	(1,265)	267,589
Other non-current liabilities	161,774	(486)	-	-	-	161,288
Total liabilities from financing activities	\$ 11,019,282	198,113	14,512	(769)	(8,480)	11,222,658

	Non-cash changes					March 31, 2023
	111.1.1	Cash flows	Additions of lease liabilities	Lease modifications	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 5,039,971	64,581	-	-	14,974	5,119,526
Long-term debt (including current portion)	3,640,850	175,700	-	-	653	3,817,203
Lease liabilities	304,102	(30,661)	12,209	(3,811)	6,050	287,889
Guarantee deposits	99,420	(70,357)	-	-	-	29,063
Other non-current liabilities	149,623	131	-	-	-	149,754
Total liabilities from financing activities	\$ 9,233,966	139,394	12,209	(3,811)	21,677	9,403,435

(Continued)

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Qisda Corporation (“Qisda”)	The entity with significant influence over the Group
BESV Japan Co., Ltd. (“BESVJ”)	Joint venture
Other related parties:	
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd. (“QCES”)	Subsidiary of Qisda
Qisda Vietnam Co., Ltd. (“QVH”)	Subsidiary of Qisda
Suzhou Super Pillar Automation Equipment (“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”)	Subsidiary of Qisda
Hitron Technologies (Sip), Inc. (“GT SZ”)	Subsidiary of Qisda
Hitron Technologies Inc. (“HT”)	Subsidiary of Qisda
Advancedtek International Corp. (“ADVANCEDTEK”)	Subsidiary of Qisda
Alpha Networks Inc. (“Alpha”)	Subsidiary of Qisda
Transnet Corporation (“Transnet”)	Subsidiary of Qisda
Topview Optnoci Corporation (“Topview”)	Subsidiary of Qisda
Shiton Investment Co., Ltd.	Other related party
Silver Star Co., Ltd.	Other related party

(Continued)

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

(b) Significant transactions with related parties

i. Net sales

The amounts of significant sales to related parties were as follows:

	For the three months Ended March 31,	
	2023	2022
Entity with significant influence over the Group	\$ 10	314
Joint venture	34,542	58,974
Other related parties	27,809	51,971
	\$ 62,361	111,259

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. 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 \$10,793 thousand and \$9,745 thousand for the three months ended March 31, 2023 and 2022, respectively.

The Group recognized the related interest expenses of \$90 thousand and \$109 thousand for the three months ended March 31, 2023 and 2022.

iii. Receivables

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

Account	Related-party categories	March 31, 2023	December 31, 2022	March 31, 2022
Accounts receivable from related parties	Entity with significant influence over the group	\$ 1,307	1,794	316
	Joint venture	89,606	84,495	96,984
	Other related parties	41,934	38,048	69,797
		\$ 132,847	124,337	167,097

(Continued)

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

iv. Payables

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

<u>Account</u>	<u>Related-party categories</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts payable	Other related parties	<u>\$ 4,434</u>	<u>12,130</u>	<u>-</u>
Other payables	Entity with significant influence over the group	\$ -	21	960
Other payables	Joint venture	-	-	141
Other payables	Other related parties	<u>10,490</u>	<u>4,319</u>	<u>4,722</u>
		<u>\$ 10,490</u>	<u>4,340</u>	<u>5,823</u>
Lease liability	Other related parties	<u>\$ 15,759</u>	<u>7,723</u>	<u>15,166</u>

(c) Compensation for key management personnel

	<u>For the three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 68,264	59,735
Post-employment benefits	681	690
	<u>\$ 68,945</u>	<u>60,425</u>

8. Pledged assets

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

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Land, buildings and plants	Credit lines of bank loans	\$ 1,224,554	1,237,702	1,569,815
Time deposit	Guarantees for customs duties and credit limit of credit cards	1,910	2,202	3,910
		<u>\$ 1,226,464</u>	<u>1,239,904</u>	<u>1,573,725</u>

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

9. Significant commitments and contingencies

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

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Guarantees for customs duties	\$ 49,220	48,948	51,724
Performance bonds	66,866	68,153	82,403
	<u>\$ 116,086</u>	<u>117,101</u>	<u>134,127</u>

(Continued)

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

(b) Significant unrecognized commitments

	March 31, 2023	December 31, 2022	March 31, 2022
Acquisition of property, plant and equipment	\$ 303,544	302,169	704,029

10. Significant loss from disasters: None.

11. Significant subsequent events: None.

12. Others

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

Function	For the three months ended March 31, 2023			For the three months ended March 31, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Nature						
Employee benefits:						
Salaries	736,372	385,522	1,121,894	905,286	443,539	1,348,825
Labor and health insurance	50,288	32,832	83,120	56,184	30,799	86,983
Pension	48,442	17,728	66,170	55,781	16,831	72,612
Other employees' benefits	26,008	12,451	38,459	30,102	13,297	43,399
Depreciation	230,089	43,439	273,528	213,737	58,319	272,056
Amortization	2,216	24,837	27,053	1,411	25,063	26,474

For the three months ended March 31, 2023 and 2022, the depreciation of investment property \$0 thousand and \$103 thousand, respectively, were reported in other income and loss.

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

13. Additional disclosures

(a) Information on significant transactions:

- i. Financing provided to other parties: Please refer to table 1.
- ii. Guarantees and endorsement provided to other parties: None.
- iii. Marketable securities hold as of March 31, 2023 (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.

(Continued)

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

- 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:

Unit: Share

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

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

14. Segment information

The Group's operating department information and adjustments are as follows:

	For the three months ended March 31, 2023			
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 2,500,934	3,499,927	-	6,000,861
Inter-segment revenues	-	162,372	(162,372)	-
Total	\$ 2,500,934	3,662,299	(162,372)	6,000,861

	For the three months ended March 31, 2022			
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 3,578,758	3,836,569	-	7,415,327
Inter-segment revenues	-	222,286	(222,286)	-
Total	\$ 3,578,758	4,058,855	(222,286)	7,415,327

(Continued)

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

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Financing provided to other parties

For the three months ended March 31, 2023

Table 1

(in thousands of NTD)

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the Period	Range of Interest Rates	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	67,056 (USD2,200)	67,056 (USD2,200)	67,056 (USD2,200)	4.00%	2	-	Operating requirements	-	-	-	463,307	463,307
1	KST	KSV	Other receivables from related parties	Yes	152,400 (USD 5,000)	152,400 (USD 5,000)	-	3.00%	2	-	Operating requirements	-	-	-	463,307	463,307
1	KST	KSV	Other receivables from related parties	Yes	30,480 (USD 1,000)	30,480 (USD 1,000)	30,480 (USD 1,000)	3.00%	2	-	Operating requirements	-	-	-	463,307	463,307
1	KST	KSV	Other receivables from related parties	Yes	54,864 (USD1,800)	54,864 (USD1,800)	30,480 (USD 1,000)	4.00%	2	-	Operating requirements	-	-	-	463,307	463,307
2	DFS	DFQ	Other receivables from related parties	Yes	243,840 (USD 8,000)	243,840 (USD 8,000)	243,840 (USD 8,000)	4.73%	2	-	Operating requirements	-	-	-	1,415,677	1,415,677
2	DFS	ISC	Other receivables from related parties	Yes	79,879 (CNY18,000)	79,879 (CNY18,000)	62,128 (CNY14,000)	3.65%	2	-	Operating requirements	-	-	-	1,415,677	1,415,677
2	DFS	DTC	Other receivables from related parties	Yes	152,400 (USD5,000)	152,400 (USD5,000)	76,200 (USD2,500)	4.65%	2	-	Operating requirements	-	-	-	1,415,677	1,415,677
2	DFS	KST	Other receivables from related parties	Yes	304,800 (USD10,000)	304,800 (USD10,000)	304,800 (USD10,000)	5.00%	2	-	Operating requirements	-	-	-	1,415,677	1,415,677
2	DFS	KST	Other receivables from related parties	Yes	152,400 (USD5,000)	152,400 (USD5,000)	-	5.00%	2	-	Operating requirements	-	-	-	1,415,677	1,415,677
3	DPS	DFQ	Other receivables from related parties	Yes	133,131 (CNY 30,000)	133,131 (CNY 30,000)	133,131 (CNY 30,000)	3.70%	2	-	Operating requirements	-	-	-	186,517	186,517
4	DZL	DTC	Other receivables from related parties	Yes	64,000	-	-	1.30%	2	-	Operating requirements	-	-	-	273,923	273,923
4	DZL	DTC	Other receivables from related parties	Yes	100,000	100,000	100,000	2.00%	2	-	Operating requirements	-	-	-	273,923	273,923
5	DTC	IOC	Other receivables from related parties	Yes	15,240 (USD 500)	15,240 (USD 500)	-	4.00%	2	-	Operating requirements	-	-	-	248,798	248,798

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:

1 Business transaction purpose.

2 Short-term financing purpose.

Note 7: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.48 and CNY\$1=NT\$4.4377 as of March 31, 2023.

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 three months ended March 31, 2023

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 the period		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	1,263,530	2.03%	1,263,530	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	186,618	0.30%	186,618	5,887	0.30%	-
DZL	Stock: Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income – current	102	10,557	0.03%	10,557	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	3,470	0.04%	3,470	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	90,662	0.15%	90,662	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	103,469	0.17%	103,469	3,264	0.17%	-
TDI	Fund: Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss – current	-	30,336	-	30,336	-	-	-
DPS	Bank of Suzhou – Principal protected currency deposits in CNY	-	Financial assets at fair value through profit or loss – current	-	760,671	-	760,671	-	-	-
KST	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 accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital

For the three months ended March 31, 2023

Table 3

(In thousands of NTD / shares)

Company Name	Marketable Securities Type and Name	Financial Statements Account	Counter Party	Name of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount (Note 1)	Shares	Amount	Shares	Amount	Carrying Amount	Gain or loss on Disposal	Shares	Amount
DFS	Principal protected currency deposits in CNY 2023 phase 5 standardized structured deposits	Financial assets at fair value through profit or loss — current	Bank of Suzhou	-	-	-	390,518 (CNY88,000)	-	390,974 (CNY88,103)	-	390,518 (CNY88,000)	456 (CNY103)	-	-

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of CNY\$1=NT\$4.4377 as of March 31, 2023.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

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

For the three months ended March 31, 2023

Table 4

(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	839,375	642,483	MeiZic steel Building Co., Ltd. Jianxing Viet Nam Construction Development Co., Ltd. Best Sun Technology Co., Ltd. R.J. Wu Architects and Engineers. Acter Groups 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 three months ended March 31, 2023

Table 5

(in thousands of NTD)

Company Name	Property Name	Transaction Date	Acquisition Date	Book Value	Transaction Amount	Status of Payment	Gain or Loss on Disposal of Real Estate	Relationship with the Counter Party	Counter Party	Purpose of Disposal	Price Reference	Note
DFS	Land use rights and buildings	December 21, 2022	Land: December 2002 Buildings I: December 2005 Building II: August 2007 Building III: July 2009	930,797 (CNY209,747)	3,154,699 (CNY710,886) (Note 1)	CNY215,000 was received on January 15, 2023 CNY142,000 will be received by the end of April, 2023 CNY142,000 will be received by the end of August, 2023 CNY211,886 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 development in Mainland China	Acquisition price regulated by local government	The transfer in land use rights and buildings will be completed before the end of December 2023.

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of CNY\$1=NT\$4.4377 as of March 31, 2023.

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 three months ended March 31, 2023

Table 6

(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 Purchas (Sale)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of total	
The Company	DFA	Parent-subsiary	Sales	(123,319)	4%	OA135	Normal price	OA30 to OA135	291,686	6%	-
The Company	DTC	Parent-subsiary	Sales	(117,922)	4%	OA135	Normal price	OA30 to OA135	173,705	4%	-
The Company	DFS	Parent-subsiary	Purchases	345,666 (note 2)	13%	OA90 to OA180	Note 1	OA30 to OA180	(1,223,387)	24%	-
The Company	DFH	Parent-subsiary	Purchases	1,331,047	49%	OA90 to OA180	Note 1	OA30 to OA180	(2,381,833)	47%	-
The Company	DFQ	Parent-subsiary	Purchases	750,375	28%	OA90 to OA180	Note 1	OA30 to OA180	(1,161,846)	23%	-
DET	DFS	Affiliates	Purchases	133,622	66%	OA180	Normal price	OA30 to OA180	(333,794)	81%	-
DFS	DET	Affiliates	Sales	(133,622)	12%	OA180	Normal price	OA30 to OA180	333,794	16%	-
DFS	The Company	Parent-subsiary	Sales	(345,666) (note 2)	30%	OA90 to OA180	Note 1	OA30 to OA180	1,223,387	60%	-
DFH	The Company	Parent-subsiary	Sales	(1,331,047)	99%	OA90 to OA180	Note 1	OA30 to OA180	2,381,833	97%	-
DFQ	The Company	Parent-subsiary	Sales	(750,375)	92%	OA90 to OA180	Note 1	OA30 to OA180	1,161,846	96%	-
DFA	The Company	Parent-subsiary	Purchases	123,319	100%	OA135	Normal price	OA30 to OA135	(291,686)	97%	-
DTC	Dfeu	Affiliates	Sales	(220,550)	66%	OA135	Normal price	OA30 to OA135	429,028	75%	-
DTC	The Company	Parent-subsiary	Purchases	117,922	38%	OA135	Normal price	OA30 to OA135	(173,705)	60%	-
Dfeu	DTC	Affiliates	Purchases	220,550	100%	OA135	Normal price	OA30 to OA135	(429,028)	100%	-

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

Note 2: The sales and purchases from repurchasing after processing have been eliminated.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Receivables from related parties which exceed \$100 million or 20% of the paid-in capital

For the three months ended March 31, 2023

Table 7

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	DFS	Parent-Subsidiary	121,091	2.02	-	-	-	-	-
The Company	DFH	Parent-Subsidiary	452,890	0.15	-	-	-	-	-
The Company	DFQ	Parent-Subsidiary	116,214	0.74	-	-	-	-	-
The Company	DFA	Parent-Subsidiary	291,686	1.99	42,895	-	42,895	-	-
The Company	DFC	Parent-Subsidiary	110,467	1.82	25,894	-	-	-	-
The Company	DTC	Parent-Subsidiary	173,705	3.56	31,176	-	-	-	-
DFS	DFH	Affiliates	105,844	2.64	24,119	-	-	-	-
DFS	DET	Affiliates	333,794	1.68	159,006	-	-	-	-
DFS	The Company	Parent-Subsidiary	1,223,387	1.11(Note 2)	472,120	-	-	-	-
DFH	The Company	Parent-Subsidiary	2,381,833	2.24	1,002,028	-	-	-	-
DFQ	The Company	Parent-Subsidiary	1,161,846	3.07	398,378	-	398,378	-	-
DTC	Dfeu	Affiliates	429,028	2.50	-	-	-	-	-
KST	KSG	Parent-Subsidiary	583,322	0.08	-	-	-	-	-
DFS	DFQ	Affiliates	246,643	(Note 1)	-	-	-	-	-
DPS	DFQ	Affiliates	137,468	(Note 1)	-	-	-	-	-
DZL	DTC	Affiliates	100,883	(Note 1)	-	-	-	-	-

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 three months ended March 31, 2023

Table 8

No. (Note 1)	Company Name	Counter Party	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	123,319	OA135	2%
0	The Company	DTC	1	Sales	117,922	OA135	2%
0	The Company	DFH	1	Accounts receivable	452,890	OA180	1%
1	DFS	DFH	3	Sales	72,126	OA135	1%
1	DFS	DET	3	Sales	133,622	OA180	2%
1	DFS	The Company	2	Sales	345,666	OA90 to OA180	6%
1	DFS	The Company	2	Accounts receivable	1,223,387	OA90 to OA180	4%
2	DFH	The Company	2	Sales	1,331,047	OA90 to OA180	22%
2	DFH	The Company	2	Accounts receivable	2,381,833	OA90 to OA180	7%
3	DFQ	DFS	3	Sales	62,163	OA135	1%
3	DFQ	The Company	2	Sales	750,375	OA90 to OA180	13%
3	DFQ	The Company	2	Accounts receivable	1,161,846	OA90 to OA180	3%
4	KST	KSG	1	Accounts receivable	583,322	Individual Stipulation	2%
5	DTC	DFeu	3	Sales	220,550	OA135	4%
5	DTC	DFeu	3	Accounts receivable	429,028	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 assets. 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 three months ended March 31, 2023

Table 9 (in thousands of NTD / shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2023			Net Income or Loss of the Investee	Investment Income or Loss	Note
				March 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
The Company	DFBVI	BVI	Investment holding	317,103	317,103	31,450	100.00%	1,863,253	44,101	44,101	The Company's subsidiary
The Company	DFLB	Malaysia	Investment holding	2,633,584	2,633,584	77,989	100.00%	5,701,902	92,742	92,742	The Company's subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	6,969	6,969	2,772	100.00%	27,425	(371)	(371)	The Company's subsidiary
The Company	DZL	Taiwan	Investment holding	550,000	550,000	55,910	100.00%	684,808	5,489	5,489	The Company's subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related components	314,328	314,328	26,467	55.72%	346,632	17,717	9,897	The Company's subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	20,418	(1,808)	(1,808)	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%	833,863	41,632	12,790	The Company's subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related components	819,960	819,960	28,300	58.54%	822,241	1,548	(1,049)	The Company's subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	292,558	292,558	-	100.00%	264,718	(3,993)	(3,993)	The Company's subsidiary
The Company	IDI	Taiwan	Manufacture and trading of battery for high power application	407,809	407,809	26,410	62.75%	436,612	6,307	3,585	The Company's subsidiary
The Company	ATC	Taiwan	Manufacture and trading of bicycles and related components	1,224,000	1,224,000	24,480	46.36%	1,434,809	108,412	43,466	The Company's subsidiary
The Company	DET	Taiwan	Manufacturing and wholesale of batteries and electric components	421,800	421,800	21,090	87.00%	518,312	30,797	26,774	The Company's subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related components	77,138	77,138	6,398	13.47%	83,783	17,717	-	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%	217,059	41,632	-	The Company's subsidiary

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Information on investees (excluding investments in Mainland China)
For the three months ended March 31, 2023

Table 9 (in thousands of NTD / shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2023			Net Income or Loss of the Investee	Investment Income or Loss	Note
				March 31, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
UTC	UTI	Mauritius	Investment holding	29,756	29,756	968	100.00%	8,936	(3,210)	-	The Company's indirect subsidiary
KST	KSG	Germany	Assemble and sale of bicycles	361,371	361,371	-	100.00%	148,534	4,691	-	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%	87,611	(460)	-	The Company's indirect subsidiary
KST	KSV	Vietnam	Manufacture and trading of bicycles and related components	596,554	475,406	-	100.00%	409,094	(16,129)	-	The Company's indirect subsidiary
DFLB	DFC	Czech Republic	Trading of electronic products	94,514	94,514	-	100.00%	204,926	6,357	-	The Company's indirect subsidiary
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	47,607	(914)	-	The Company's indirect subsidiary
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	1,667	188	-	The Company's indirect subsidiary
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	468,980	2,553	-	The Company's indirect subsidiary
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	4,634	(24)	-	The Company's indirect subsidiary
DTC	BESVJ	Japan	Trading of green products	43,793	43,793	3	49.00%	29,515	(3,155)	-	Joint ventures
DTC	IOC	Hong Kong	Agent of bicycles and related components	148,235	148,235	19,000	76.00%	160,754	(3,677)	-	The Company's indirect subsidiary
ATC	Rich Glory International Inc.	Samoa	Investment holding	35,107	35,107	1,241	33.33%	49,333	44	-	Associate
ATC	ATB	BVI	Investment holding	577,385	577,385	3	100.00%	618,015	4,902	-	The Company's indirect subsidiary
ATB	ATV	Vietnam	Manufacture and trading of bicycles and related components	872,463	872,463	-	100.00%	618,015	4,902	-	The Company's indirect subsidiary

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Information on investees in Mainland China

For the three months ended March 31, 2023

Table 10

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

(in thousands of NTD)

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, 2023	Investment Flows during this Period		Accumulated Outflow of Investment from Taiwan as of March 31, 2023	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Maximum % of ownership in 2023	Investment Income (Loss)	Carrying Value of March 31, 2023	Accumulated Inward Remittance of Earnings as of March 31, 2023
					Outflow	Inflow				% of ownership			
DFS	Manufacture and sale of the Company's products	845,058 (USD 27,725) (Note 4)	(Note 1)	713,232 (USD 23,400)	-	-	713,232 (USD 23,400)	84,536	100.00%	100.00%	84,536 (Note 3)	3,539,192	247,437 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,493,520 (USD 49,000)	(Note 1)	1,493,520 (USD 49,000)	-	-	1,493,520 (USD 49,000)	85,148	100.00%	100.00%	85,148 (Note 3)	2,463,629	-
DPS	Mold development and manufacture	30,480 (USD 1,000)	(Note 1)	30,480 (USD 1,000)	-	-	30,480 (USD 1,000)	2,553	100.00%	100.00%	2,553 (Note 2)	466,287	-
DFQ	Manufacture and sale of the Company's products	304,800 (USD 10,000)	(Note 1)	304,800 (USD 10,000)	-	-	304,800 (USD 10,000)	(41,834)	100.00%	100.00%	(41,834) (Note 3)	828,505	-
DES	Manufacturing and wholesale of batteries and electric components	30,480 (USD 1,000)	(Note 6)		30,480 (USD 1,000)	-	30,480 (USD 1,000)	(1,621)	100.00%	100.00%	(1,621) (Note 2)	28,222	
UTZ	Wireless antennas for telecommunication, components design and marketing	27,584 (USD 905)	(Note 1)	27,584 (USD 905)	-	-	27,584 (USD 905)	(3,210)	100.00%	100.00%	(3,210) (Note 3)	8,131	-
ISC	Agent of bicycles and related components	7,766 (HKD 2,000)	(Note 5)	-	-	-	-	(1,066)	76.00%	76.00%	(810) (Note 2)	4,814	-

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

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

Note 3: Investment income or loss was recognized based on the audited financial statements by the Taiwan Parent Company auditors.

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

Note 5: The investment was from the operating capital of IOC.

Note 6: The investment was invested directly from DET to Mainland China.

(Continued)

2. Limits on investments in Mainland China:

Investor Company Name	Accumulated Investment in Mainland China as of March 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company	2,294,595 (USD 75,282)	2,395,941 (USD 78,607)	(Note)
DET	30,480 (USD 1,000)	152,400 (USD 5,000)	357,433
UTC	27,584 (USD 905)	27,584 (USD 905)	904,498
DTC	-	5,902 (HKD 1,520)	401,700

The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.48 and HKD\$1=NT\$3.833 as of March 31, 2023.

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 transaction) for the three months ended March 31, 2023, please refer to “Information on significant transactions”.