

Stock Code : 8163

# **DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report**

**For the Six Months Ended June 30, 2023 and 2022**

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

**Telephone: 886-3-2508800**

**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 June 30, 2023 and 2022, and the related consolidated statements of comprehensive income and loss from the three months ended June 30, 2023 and 2022 and from the six months ended June 30, 2023 and 2022, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 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 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 \$10,538,496 thousand and \$9,430,775 thousand, constituting 28.22% and 27.51% of the consolidated total assets; and the total liabilities amounting to \$5,029,300 thousand and \$5,720,786 thousand, constituting 21.78% and 26.60% of the consolidated total liabilities as of June 30, 2023 and 2022, respectively; as well as the total comprehensive income (loss) for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022 were \$56,484 thousand, \$(70,012) thousand, \$52,312 thousand, and \$(44,710) thousand, constituting 4.93%, (33.24)%, 3.40%, and (4.94)%, respectively.

## **Qualified Conclusion**

Based on our reviews, except for the effect of such adjustments, if any, as might have influenced by the financial statements of certain investee companies described in the Basis for Qualified Conclusion paragraph which were not reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Darfon and its subsidiaries as of June 30, 2023 and 2022, and the consolidated financial performance and the consolidated cash flows for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 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  
August 3, 2023

**Reviewed only, not audited in accordance with generally accepted auditing standards  
as of June 30, 2023 and 2022**

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2023, December 31, 2022 and June 30, 2022**

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

	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets:</b>						
1100 Cash and cash equivalents (note 6(a))	\$ 4,760,933	13	3,368,030	10	2,637,114	8
1110 Financial assets at fair value through profit or loss—current (note 6(b))	1,018,805	3	399,052	1	416,550	1
1120 Financial assets at fair value through other comprehensive income—current (note 6(c))	565,001	2	349,051	1	354,154	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))	7,897,909	21	7,239,712	21	8,105,578	24
1180 Accounts receivable from related parties (notes 6(e) 、(y) and 7)	132,629	-	124,337	-	153,877	-
1200 Other receivables (note 6(e))	141,404	-	163,652	-	54,467	-
130X Inventories (note 6(f))	7,634,189	20	8,288,403	25	8,846,530	26
1460 Non-current assets held for sale (note 6(g))	899,755	2	921,812	3	-	-
1470 Prepayments and other current assets	<u>751,841</u>	<u>2</u>	<u>621,216</u>	<u>2</u>	<u>995,142</u>	<u>3</u>
<b>Total current assets</b>	<u>24,018,566</u>	<u>64</u>	<u>21,691,365</u>	<u>64</u>	<u>21,566,512</u>	<u>63</u>
<b>Non-current assets:</b>						
1517 Financial assets at fair value through other comprehensive income—non-current (note 6(c))	1,829,528	5	1,122,031	3	1,141,960	3
1535 Financial assets at amortized cost— non-current (notes 6(d) and 8)	810	-	1,102	-	2,273	-
1550 Investments accounted for using equity method (note 6(h))	75,446	-	75,245	-	69,865	-
1600 Property, plant and equipment (notes 6(k) and 8)	8,927,899	24	8,154,487	24	8,585,272	25
1755 Right-of-use assets (notes 6(l) and 7)	847,999	2	902,245	3	966,904	3
1760 Investment property, net (note 6(m))	-	-	-	-	62,050	-
1780 Intangible assets (note 6(n))	884,088	2	935,704	3	974,797	3
1840 Deferred income tax assets	214,796	1	211,570	1	165,422	1
1915 Prepayments for equipment	259,659	1	263,504	1	475,561	1
1920 Refundable deposits	47,700	-	42,549	-	42,646	-
1975 Net defined benefit asset—non-current	18,521	-	18,521	-	17,076	-
1990 Other non-current assets (notes 6(k) and (l))	<u>223,748</u>	<u>1</u>	<u>218,864</u>	<u>1</u>	<u>210,758</u>	<u>1</u>
<b>Total non-current assets</b>	<u>13,330,194</u>	<u>36</u>	<u>11,945,822</u>	<u>36</u>	<u>12,714,584</u>	<u>37</u>
<b>Total assets</b>	<u>\$ 37,348,760</u>	<u>100</u>	<u>33,637,187</u>	<u>100</u>	<u>34,281,096</u>	<u>100</u>

(Continued)

(See accompanying notes to the consolidated financial statements)

**Reviewed only, not audited in accordance with generally accepted auditing standards  
as of June 30, 2023 and 2022**

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheets (Continued)**

**June 30, 2023, December 31, 2022 and June 30, 2022**

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

	June 30, 2023		December 31, 2022		June 30, 2022		
	Amount	%	Amount	%	Amount	%	
<b>Liabilities and Equity</b>							
<b>Current liabilities:</b>							
2100	Short-term borrowings (notes 6(o) and 8)	\$ 5,857,923	16	5,786,396	17	5,084,347	15
2110	Short-term notes and bills payable (note 6(p))	229,888	1	99,584	-	-	-
2120	Financial liabilities at fair value through profit or loss—current (note 6(b))	5,977	-	662	-	3,124	-
2170	Notes and accounts payable (note 7)	4,227,022	11	4,160,462	12	5,750,115	17
2200	Other payables (notes 6(v), (z) and 7)	4,594,296	12	3,685,281	11	4,524,650	13
2250	Provisions—current (note 6(s))	139,230	-	132,692	1	118,235	-
2280	Lease liabilities—current (notes 6(r) and 7)	109,116	-	113,214	-	121,381	-
2322	Current portion of long-term debt (notes 6(q) and 8)	193,300	1	96,095	-	13,149	-
2399	Other non-current liabilities (notes 6(g) and (y))	2,661,286	7	538,947	2	1,171,882	4
	<b>Total current liabilities</b>	<u>18,018,038</u>	<u>48</u>	<u>14,613,333</u>	<u>43</u>	<u>16,786,883</u>	<u>49</u>
<b>Non-current liabilities:</b>							
2540	Long-term debt (notes 6(q) and 8)	4,591,224	12	4,587,713	14	4,150,000	12
2570	Deferred income tax liabilities	150,698	1	163,453	1	165,264	1
2580	Lease liabilities—non-current (notes 6(q) and 7)	136,593	-	174,506	1	175,080	1
2640	Net defined benefit liabilities—non-current	31,519	-	33,687	-	63,149	-
2670	Other non-current liabilities	160,847	1	161,774	-	162,604	-
	<b>Total non-current liabilities</b>	<u>5,070,881</u>	<u>14</u>	<u>5,121,133</u>	<u>16</u>	<u>4,716,097</u>	<u>14</u>
	<b>Total liabilities</b>	<u>23,088,919</u>	<u>62</u>	<u>19,734,466</u>	<u>59</u>	<u>21,502,980</u>	<u>63</u>
<b>Equity attributable to shareholders of the Company (notes 6(i) and (v)):</b>							
3110	Common stock	2,800,000	7	2,800,000	8	2,800,000	8
3200	Capital surplus	4,117,954	11	4,116,058	12	4,137,026	12
	Retained earnings:						
3310	Legal reserve	1,350,849	4	1,234,562	4	1,234,562	3
3320	Special reserve	56,317	-	422,523	1	422,523	1
3350	Unappropriated earnings	1,778,567	5	1,997,724	6	1,369,589	4
		<u>3,185,733</u>	<u>9</u>	<u>3,654,809</u>	<u>11</u>	<u>3,026,674</u>	<u>8</u>
	Other equity						
3410	Foreign currency translation differences	(236,973)	(1)	(297,877)	(1)	(425,209)	(1)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	1,135,641	3	257,193	1	279,629	1
3445	Remeasurements of defined benefit plans	(15,632)	-	(15,632)	-	(36,993)	-
		<u>883,036</u>	<u>2</u>	<u>(56,316)</u>	<u>-</u>	<u>(182,573)</u>	<u>-</u>
3500	Treasury stock	(44,571)	-	-	-	-	-
	<b>Equity attributable to shareholders of the Company</b>	<u>10,942,152</u>	<u>29</u>	<u>10,514,551</u>	<u>31</u>	<u>9,781,127</u>	<u>28</u>
36XX	<b>Non-controlling interests (notes 6(j) and (v))</b>	<u>3,317,689</u>	<u>9</u>	<u>3,388,170</u>	<u>10</u>	<u>2,996,989</u>	<u>9</u>
	<b>Total equity</b>	<u>14,259,841</u>	<u>38</u>	<u>13,902,721</u>	<u>41</u>	<u>12,778,116</u>	<u>37</u>
	<b>Total liabilities and equity</b>	<u>\$ 37,348,760</u>	<u>100</u>	<u>33,637,187</u>	<u>100</u>	<u>34,281,096</u>	<u>100</u>

(See accompanying notes to the consolidated financial statements)

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

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the Three and Six Months Ended June 30, 2023 and 2022**

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

	For the three months ended June 30,				For the six months ended June 30,				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Net sales (notes 6(y) & 7 and 14)	\$ 6,888,338	100	7,753,690	100	12,889,199	100	15,169,017	100
5000	Cost of sales (notes 6(f), (j), (k), (m), (p), (r) & (w) and 12)	(5,681,139)	(82)	(6,422,471)	(83)	(10,593,925)	(82)	(12,617,304)	(83)
	<b>Gross profit</b>	<u>1,207,199</u>	<u>18</u>	<u>1,331,219</u>	<u>17</u>	<u>2,295,274</u>	<u>18</u>	<u>2,551,713</u>	<u>17</u>
	<b>Operating expenses (notes 6(f), (j), (k), (m), (p), (r) &amp; (w), 7 and 12):</b>								
6100	Selling expenses	(336,394)	(5)	(361,790)	(5)	(629,291)	(5)	(714,864)	(5)
6200	Administrative expenses	(263,002)	(4)	(254,060)	(3)	(506,134)	(4)	(497,657)	(3)
6300	Research and development expenses	(257,817)	(4)	(251,319)	(3)	(495,209)	(4)	(510,799)	(4)
6000	<b>Total operating expenses</b>	<u>(857,213)</u>	<u>(13)</u>	<u>(867,169)</u>	<u>(11)</u>	<u>(1,630,634)</u>	<u>(13)</u>	<u>(1,723,320)</u>	<u>(12)</u>
	<b>Operating income</b>	<u>349,986</u>	<u>5</u>	<u>464,050</u>	<u>6</u>	<u>664,640</u>	<u>5</u>	<u>828,393</u>	<u>5</u>
	<b>Non-operating income and loss (notes 6(g), (p) &amp; (x), 7 and 12):</b>								
7100	Interest income	20,405	1	2,865	-	30,616	-	4,969	-
7010	Other income	19,171	-	28,263	-	38,857	-	43,313	-
7020	Other gains and losses	82,472	1	20,716	-	94,256	1	46,242	-
7050	Finance costs	(70,320)	(1)	(36,675)	-	(140,537)	(1)	(62,369)	-
7060	Share of profit (loss) of associates and joint ventures	(414)	-	(1,324)	-	(3,945)	-	(3,507)	-
	<b>Total non-operating income and loss</b>	<u>51,314</u>	<u>1</u>	<u>13,845</u>	<u>-</u>	<u>19,247</u>	<u>-</u>	<u>28,648</u>	<u>-</u>
7900	<b>Income before income tax</b>	<u>401,300</u>	<u>6</u>	<u>477,895</u>	<u>6</u>	<u>683,887</u>	<u>5</u>	<u>857,041</u>	<u>5</u>
7950	<b>Income tax expenses (note 6(s))</b>	<u>(83,711)</u>	<u>(1)</u>	<u>(103,650)</u>	<u>(1)</u>	<u>(145,183)</u>	<u>(1)</u>	<u>(193,515)</u>	<u>(1)</u>
8200	<b>Net income</b>	<u>317,589</u>	<u>5</u>	<u>374,245</u>	<u>5</u>	<u>538,704</u>	<u>4</u>	<u>663,526</u>	<u>4</u>
	<b>Other comprehensive income (loss) (notes 6(g) &amp; (t)):</b>								
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	736,224	11	(232,424)	(3)	923,447	7	(97,372)	(1)
8320	Share of profit (loss) of associates and joint ventures accounted for using equity method	(1,390)	-	(13,107)	-	6,822	-	(17,948)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
		<u>734,834</u>	<u>11</u>	<u>(245,531)</u>	<u>(3)</u>	<u>930,269</u>	<u>7</u>	<u>(115,320)</u>	<u>(1)</u>
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>								
8361	Exchange differences on translation of foreign operations	95,325	1	83,446	1	72,716	1	357,048	3
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	(1,599)	-	(1,530)	-	(2,676)	-	(1,007)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
		<u>93,726</u>	<u>1</u>	<u>81,916</u>	<u>1</u>	<u>70,040</u>	<u>1</u>	<u>356,041</u>	<u>3</u>
	<b>Other comprehensive income (loss) for the year, net of income tax</b>	<u>828,560</u>	<u>12</u>	<u>(163,615)</u>	<u>(2)</u>	<u>1,000,309</u>	<u>8</u>	<u>240,721</u>	<u>2</u>
8500	<b>Total comprehensive income for the year</b>	<u>\$ 1,146,149</u>	<u>17</u>	<u>210,630</u>	<u>3</u>	<u>1,539,013</u>	<u>12</u>	<u>904,247</u>	<u>6</u>
	<b>Net income attributable to:</b>								
8610	Shareholders of the Company	\$ 228,213	4	286,382	4	370,924	3	534,733	3
8620	Non-controlling interests	89,376	1	87,863	1	167,780	1	128,793	1
		<u>\$ 317,589</u>	<u>5</u>	<u>374,245</u>	<u>5</u>	<u>538,704</u>	<u>4</u>	<u>663,526</u>	<u>4</u>
	<b>Total comprehensive income attributable to:</b>								
8710	Shareholders of the Company	\$ 1,018,521	15	139,481	2	1,310,276	10	774,683	5
8720	Non-controlling interests	127,628	2	71,149	1	228,737	2	129,564	1
		<u>\$ 1,146,149</u>	<u>17</u>	<u>210,630</u>	<u>3</u>	<u>1,539,013</u>	<u>12</u>	<u>904,247</u>	<u>6</u>
	<b>Earnings per share (in New Taiwan dollars) (note 6(u))</b>								
9750	Basic earnings per share	<u>\$ 0.82</u>		<u>1.02</u>		<u>1.33</u>		<u>1.91</u>	
9850	Diluted earnings per share	<u>\$ 0.81</u>		<u>1.02</u>		<u>1.31</u>		<u>1.89</u>	

(See accompanying notes to the consolidated financial statements)

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

**Consolidated Statements of Changes in Equity**  
**For the Six Months Ended June 30, 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 asset at fair value through other	Remeasurements of defined benefit plans	Subtotal				Treasury stock
<b>Balance at January 1, 2022</b>	\$ 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	-	-	-	-	534,733	534,733	-	-	-	-	-	534,733	128,793	663,526
Other comprehensive income	-	-	-	-	-	-	339,934	(99,984)	-	239,950	-	239,950	771	240,721
Total comprehensive income	-	-	-	-	534,733	534,733	339,934	(99,984)	-	239,950	-	774,683	129,564	904,247
Appropriation of earnings:														
Legal reserve	-	-	117,572	-	(117,572)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	35,916	(35,916)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(840,000)	(840,000)	-	-	-	-	-	(840,000)	-	(840,000)
Acquisition of subsidiary's partial interest	-	-	-	-	-	-	-	-	-	-	-	-	(180)	(180)
Changes in ownership interests in subsidiaries	-	4,259	-	-	-	-	-	-	-	-	-	4,259	(4,259)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	665	665
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	163,066	163,066
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(171,019)	(171,019)
<b>Balance at June 30, 2022</b>	<b>\$ 2,800,000</b>	<b>4,137,026</b>	<b>1,234,562</b>	<b>422,523</b>	<b>1,369,589</b>	<b>3,026,674</b>	<b>(425,209)</b>	<b>279,629</b>	<b>(36,993)</b>	<b>(182,573)</b>	<b>-</b>	<b>9,781,127</b>	<b>2,996,989</b>	<b>12,778,116</b>
<b>Balance at January 1, 2023</b>	<b>\$ 2,800,000</b>	<b>4,116,058</b>	<b>1,234,562</b>	<b>422,523</b>	<b>1,997,724</b>	<b>3,654,809</b>	<b>(297,877)</b>	<b>,257,193</b>	<b>(15,632)</b>	<b>(56,316)</b>	<b>-</b>	<b>10,514,551</b>	<b>3,388,170</b>	<b>13,902,721</b>
Net income	-	-	-	-	370,924	370,924	-	-	-	-	-	370,924	167,780	538,704
Other comprehensive income	-	-	-	-	-	-	60,904	878,448	-	939,352	-	939,352	60,957	1,000,309
Total comprehensive income	-	-	-	-	370,924	370,924	60,904	878,448	-	939,352	-	1,310,276	228,737	1,539,013
Appropriation of earnings:														
Legal reserve	-	-	116,287	-	(116,287)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(366,206)	366,206	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(840,000)	(840,000)	-	-	-	-	-	(840,000)	-	(840,000)
Subsidiaries repurchase parent company stocks as treasury stocks	-	-	-	-	-	-	-	-	-	-	(44,571)	(44,571)	(50,769)	(95,340)
Acquisition of subsidiary's partial interest	-	-	-	-	-	-	-	-	-	-	-	-	(600)	(600)
Changes in ownership interests in subsidiaries	-	1,896	-	-	-	-	-	-	-	-	-	1,896	(1,896)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	395	395
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	36,272	36,272
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(282,620)	(282,620)
<b>Balance at June 30, 2023</b>	<b>\$ 2,800,000</b>	<b>4,117,954</b>	<b>1,350,849</b>	<b>56,317</b>	<b>1,778,567</b>	<b>3,185,733</b>	<b>(236,973)</b>	<b>1,135,641</b>	<b>(15,632)</b>	<b>883,036</b>	<b>(44,571)</b>	<b>10,942,152</b>	<b>3,317,689</b>	<b>14,259,841</b>

(See accompanying notes to the consolidated financial statements)



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

**Consolidated Statements of Cash Flows**  
**For the Six Months Ended June 30, 2023 and 2022**  
**(Expressed in thousands of New Taiwan dollars)**

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
<b>Income before income tax</b>	<b>\$ 683,887</b>	<b>857,041</b>
<b>Adjustments:</b>		
Adjustments to reconcile profit or loss:		
Depreciation	544,904	552,232
Amortization	53,625	53,046
Expected credit loss	24,353	14,007
Interest expense	140,537	62,369
Interest income	(30,616)	(4,969)
Share of losses of associated and joint ventures	3,945	3,507
Stock option compensation cost of subsidiaries	395	665
Losses (gains) on disposal of property, plant and equipment	(12,968)	611
Gains on lease modification	(64)	(23)
Total adjustments to reconcile profit or loss	<b>724,111</b>	<b>681,445</b>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets mandatorily measured at fair value through profit or loss	1,359	1,333
Notes and accounts receivable	(682,550)	(394,726)
Accounts receivable from related parties	(8,292)	(16,606)
Other receivables	22,280	(10,258)
Inventories	654,214	(307,695)
Prepayments and other current assets	(130,625)	(138,906)
Total changes in operating assets	<b>(143,614)</b>	<b>(866,858)</b>
Changes in operating liabilities:		
Financial liabilities held for trading	5,315	3,101
Notes and accounts payable	66,560	(934,094)
Other payables	(83,722)	80,781
Provisions	6,538	7,519
Other current liabilities	286,346	456,679
Net defined benefit liabilities	(2,168)	(2,228)
Other non-current liabilities	(116)	-
Total changes in operating liabilities	<b>278,753</b>	<b>(388,242)</b>
Total changes in operating assets and liabilities	<b>135,139</b>	<b>(1,255,100)</b>
Total adjustments	<b>859,250</b>	<b>(573,655)</b>
Cash provided by operations	1,543,137	283,386
Interest received	30,584	4,970
Interest paid	(140,197)	(60,362)
Income taxes paid	(221,324)	(105,362)
<b>Net cash provided by operating activities</b>	<b>1,212,200</b>	<b>122,632</b>

**(Continued)**

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

**Consolidated Statements of Cash Flows**

**For the Six Months Ended June 30, 2023 and 2022**

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

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from investing activities:</b>		
Purchase of financial assets at fair value through profit or loss	(2,184,217)	(573,750)
Proceeds from disposal of financial assets at fair value through profit or loss	1,534,841	613,328
Purchase of financial assets at fair value through other comprehensive income	-	(108,391)
Acquisition of amortized cost financial assets	-	(1,463)
Proceeds from disposal of amortized cost financial assets	292	-
Additions to investments accounted for using equity method	-	(17,103)
Additions to property, plant and equipment (including prepayments for land and equipment)	(1,181,242)	(1,127,956)
Proceeds from disposal of property, plant and equipment	26,396	5,696
Increase in refundable deposits	(5,151)	(2,685)
Advanced receipts for disposal of non-current assets to be sold	1,835,992	-
Additions to intangible assets	(1,729)	(8,948)
Additions to right-of use assets	-	(137)
(Increase) decrease in other non-current assets	(4,981)	1,129
<b>Net cash flows provided by (used in) investing activities</b>	<b>20,201</b>	<b>(1,220,280)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	9,884,566	17,448,122
Decrease in short-term borrowings	(9,827,597)	(17,441,833)
Increase in short-term notes and bills payable	130,304	-
Increase in long-term debt	146,000	1,150,000
Payment of lease liabilities	(50,000)	(628,684)
Decrease in guarantee deposits received	(811)	(86,630)
Repayments of lease liabilities	(67,555)	(62,618)
Increase (decrease) in other non-current liabilities	-	191
Cost of treasury stock repurchase	(95,340)	-
Acquisition of subsidiary's partial equities	(600)	(180)
Capital injection from non-controlling interests	36,272	163,066
<b>Net cash provided by financing activities</b>	<b>155,239</b>	<b>541,434</b>
<b>Effects of exchange rate changes</b>	<b>5,263</b>	<b>148,125</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,392,903</b>	<b>(408,089)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,368,030</b>	<b>3,045,203</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 4,760,933</b>	<b>2,637,114</b>

(See accompanying notes to the consolidated financial statements)

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

### DARFON ELECTRONICS CORP. AND SUBSIDIARIES

#### Notes to Consolidated Financial Statements

For The Six Months Ended June 30, 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 August 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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective Date Issued by IASB</b>
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

Amendments to IAS 1 “Non-current Liabilities with Covenants”	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.  Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024
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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
- Amendments to IFRS 16 “Requirements for Sale and Leaseback Transactions”
- IAS 7 and amendment to IFRS 7 “Supplier Financing Arrangements”
- Amendments to IAS12 “Pillar 2 Rule Template for International Tax Reform”

#### 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.

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

i. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Notes
			June 30, 2023	December 31, 2022	June 30, 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	85.85%	87.00%	100.00%	Note 1
DET	Suzhou Darfon Energy Technology Co., Ltd (DES)	Manufacture and sale of bicycles and related components	85.85%	-	-	Note 1 and 2
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%	-

**(Continued)**

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Notes
			June 30, 2023	December 31, 2022	June 30, 2022	
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%	69.19%	Note 1
DTC	Kenlight Sport Marketing Co., Ltd. (KSMC)	Sale of bicycles and related components	-	-	69.19%	Note 1 and 3
DTC	Iron Ore Co., Ltd. (IOC)	Sale of bicycles and related components	52.58%	52.58%	52.58%	Note 1
IOC	Iron Star Company Limited (ISC)	Sale of bicycles and related components	52.58%	52.58%	52.58%	Note 1 and 4
The Company /DZL	Kenstone Metal Co., Ltd. (KST)	Manufacture and sale of bicycles and related components	62.71%	58.54%	58.54%	Note 1
KST	Kenstone Metal Company GmbH (KSG)	Assembly and sale of bicycles and related components	62.71%	58.54%	58.54%	Note 1
KST	KSI Handels GmbH (KSI)	Acquisition, leasing, and management of movable and immovable properties, as well as trading of bicycle related components	62.71%	58.54%	58.54%	Note 1
KST	Kenstone Vietnam Co., Ltd. (KSV)	Manufacture and sale of bicycles and related components	62.71%	58.54%	58.54%	Note 1
The Company	Astro Tech Co., Ltd. (ATC)	Manufacture and sale of bicycles and related components	46.36%	46.36%	51.00%	-
ATC	Astro Engineering Co., Ltd (ATB)	Investment holding	46.36%	46.36%	51.00%	-
ATB	Astro Engineering Vietnam Co., Ltd (ATV)	Manufacture and sale of bicycles and related components	46.36%	46.36%	51.00%	-

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

Note 2: DES was new established and invested in the first quarter of 2023.

Note 3: KSMC was short form merged with DTC in September 2022. After the merger, DTC became the surviving company and KSMC became the dissolved company.

Note 4: 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.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (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.

#### (e) Treasury stock

When a subsidiary repurchases the recognized equity instruments of the company, the consideration paid is recognized as a reduction in equity; the company’s stock held by subsidiaries are recognized as treasury shares according to the shareholding ratio of the subsidiary, and the rest is deducted from non-controlling interests. The surplus or losses generated from subsequent distribution of dividends or sales are recognized as capital reserve or retained earnings (if the capital reserve is insufficient to offset).

### 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.

### 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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Cash on hand	\$ 7,479	7,453	6,624
Demand deposits and checking accounts	2,825,853	2,310,913	1,823,745
Time deposits with original maturities less than three months	1,925,498	1,045,469	800,341
Cash equivalents	2,103	4,195	6,404
	<b><u>\$ 4,760,933</u></b>	<b><u>3,368,030</u></b>	<b><u>2,637,114</u></b>

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

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	\$ -	1,098	435
Foreign exchange swaps	-	261	-
Non-derivative financial assets:			
Open-end mutual funds	30,428	30,252	50,218
Structured deposits	988,377	367,441	365,897
	<u>\$ 1,018,805</u>	<u>399,052</u>	<u>416,550</u>
Financial liabilities held for trading:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	<u>\$ (5,977)</u>	<u>(662)</u>	<u>(3,124)</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:

<b>June 30, 2023</b>			
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity Period</u>
Foreign currency forward contracts	USD\$ <u>9,338</u>	NTD Buy / USD Sell	2023.07 ~ 2023.09
Foreign currency forward contracts	JPY\$ <u>130,000</u>	JPY Buy / USD Sell	2023.07
<b>December 31, 2022</b>			
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity Period</u>
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

**(Continued)**



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

**June 30, 2022**

	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity Period</b>
Foreign currency forward contracts	USD\$ <u>6,000</u>	CNY Buy / USD Sell	2022.07
Foreign currency forward contracts	USD\$ <u>6,687</u>	NTD Buy / USD Sell	2022.07~2022.10

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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Equity investments at fair value through other comprehensive income:			
Domestic listed stocks	\$ <u>2,394,529</u>	<u>1,471,082</u>	<u>1,496,114</u>
Current	\$ 565,001	349,051	354,154
Non-current	<u>1,829,528</u>	<u>1,122,031</u>	<u>1,141,960</u>
	<u>\$ 2,394,529</u>	<u>1,471,082</u>	<u>1,496,114</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 six months ended June 30, 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

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
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>2,273</u>

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

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(e) Notes and accounts receivable

	June 30, 2023	December 31, 2022	June 30, 2022
Notes and accounts receivable	\$ 7,998,300	7,322,361	8,175,759
Accounts receivable from related parties	132,629	124,337	153,877
	8,130,929	7,446,698	8,329,636
Less: loss allowance	(100,391)	(82,649)	(70,181)
	<b>\$ 8,030,538</b>	<b>7,364,049</b>	<b>8,259,455</b>

- 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:

	June 30, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 7,127,134	0.35%	25,282
Past due 1-30 days	710,758	2.15%	15,283
Past due 31-60 days	222,315	4.89%	10,875
Past due 61-90 days	28,543	30.10%	8,592
Past due 91-120 days	4,199	56.66%	2,379
Past due over 121 days	37,980	100.00%	37,980
	<b>\$ 8,130,929</b>		<b>100,391</b>

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

(Continued)

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

	For the six months ended June 30,	
	2023	2022
Balance at January 1	\$ 82,649	55,609
Impairment loss recognized	24,353	14,007
Amount written off due to irrecoverability in the current year	(6,432)	-
Effect of exchange rate changes	(179)	565
Balance at June 30	<b>\$ 100,391</b>	<b>70,181</b>

- 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:

	June 30, 2023					
Underwriting bank	Factored amount	Unpaid advance amount	Advanced amount	Amount recognized in other receivables	Range of interest rates	Collateral
Taipei Fubon Bank	<b>\$ 80,201</b>	<b>80,201</b>	<b>-</b>	<b>80,201</b>	<b>-</b>	<b>-</b>

	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	<b>\$ 82,368</b>	<b>82,368</b>	<b>-</b>	<b>82,368</b>	<b>-</b>	<b>-</b>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(f) Inventories

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 3,673,756	4,454,602	5,406,464
Work in process	1,268,810	1,425,325	1,393,435
Finished goods and merchandise	2,691,623	2,408,476	2,046,631
	<b>\$ 7,634,189</b>	<b>8,288,403</b>	<b>8,846,530</b>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Cost of inventories sold	\$ 5,541,161	6,308,534	10,347,220	12,446,012
Write-downs of inventories	24,003	65,306	86,707	84,935
Losses on scrap	115,975	48,631	159,998	86,357
	<b>\$ 5,681,139</b>	<b>6,422,471</b>	<b>10,593,925</b>	<b>12,617,304</b>

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:

	June 30, 2023	December 31, 2022
Property, plant and equipment	\$ 845,032	867,308
Right-of-use assets	54,723	54,504
	<b>\$ 899,755</b>	<b>921,812</b>

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\$428,000 thousand (approximately equivalent to NTD\$1,835,992 thousand) as of June 30, 2023, listed under other current liabilities.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(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:

	June 30, 2023	December 31, 2022	June 30, 2022
Carrying amounts of joint ventures	\$ 26,849	33,826	33,531
Carrying amounts of associates	48,597	41,419	36,334
	<b>\$ 75,446</b>	<b>75,245</b>	<b>69,865</b>

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Attributable to the Group of joint ventures:				
Net income (loss)	\$ (295)	(1,258)	(3,841)	(3,387)
Other comprehensive income (loss)	(2,372)	(2,908)	(3,137)	(3,517)
Total comprehensive	<b>\$ (2,667)</b>	<b>(4,166)</b>	<b>(6,978)</b>	<b>(6,904)</b>
Attributable to the Group of associates:				
Net income (loss)	\$ (119)	(66)	(104)	(120)
Other comprehensive income (loss)	(617)	(11,729)	7,283	(15,438)
Total comprehensive	<b>\$ (736)</b>	<b>(11,795)</b>	<b>7,179</b>	<b>(15,558)</b>

(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.

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

The consolidated company purchased part of DTC's shares in May 2022, which increased the shareholding held by the consolidated company.

In April 2023, KST handled a cash capital increase, and reserved a portion for employees to subscribe. However, due to the fact that the portion not subscribed by employees was subsequently subscribed by the consolidated company, the consolidated company increased its shareholding ratio.

In May 2023, DET handled the transfer of employee remuneration to capital increase, resulting in a decrease in the shareholding ratio held by the consolidated company.

Due to the aforementioned changes in the ownership and equity of subsidiaries, the consolidated company adjusted and increased the amount of capital reserves from January 1 to June 30, 2023 and 2022, to \$1,896 thousand and \$4,259 thousand, respectively.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(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		
		June 30, 2023	December 31, 2022	June 30, 2022
KST	Taiwan	37.29%	41.46%	41.46%
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:

	June 30, 2023	December 31, 2022	June 30, 2022
Current assets	\$ 4,026,814	4,304,320	4,797,643
Non-current assets	920,982	945,602	944,893
Current liabilities	(3,263,538)	(3,807,678)	(4,270,661)
Non-current liabilities	(166,900)	(134,685)	(176,928)
Net assets	<u>\$ 1,517,358</u>	<u>1,307,559</u>	<u>1,294,947</u>
The carrying amount of non-controlling interests	<u>\$ 515,890</u>	<u>486,589</u>	<u>480,958</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Net sales	<u>\$ 859,145</u>	<u>1,703,563</u>	<u>1,646,130</u>	<u>3,030,263</u>
Net income (loss)	\$ (3,674)	7,567	(5,465)	15,605
Other comprehensive income	10,066	(3,538)	14,029	11,315
Total comprehensive income	<u>\$ 6,392</u>	<u>4,029</u>	<u>8,564</u>	<u>26,920</u>
Net income (loss) attributable to non-controlling interests	<u>\$ (1,372)</u>	<u>3,304</u>	<u>(2,115)</u>	<u>6,519</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 2,382</u>	<u>2,001</u>	<u>3,283</u>	<u>11,158</u>
Cash flow from operating activities	\$ 173,936	(38,962)	312,485	(581,025)
Cash flow from investing activities	(3,507)	(10,861)	(8,375)	(65,731)
Cash flow from financing activities	(278,724)	117,935	(292,136)	716,116
Effects of foreign exchange rate changes	759	(9,569)	4,650	(9,881)
Net (decrease) increase in cash and cash equivalents	<u>\$ (107,536)</u>	<u>58,543</u>	<u>16,624</u>	<u>59,479</u>
Cash dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

ii. The summarized financial information of UTC:

	June 30, 2023	December 31, 2022	June 30, 2022
Current assets	\$ 1,581,641	1,573,193	1,782,272
Non-current assets	1,104,971	1,146,113	1,180,429
Current liabilities	(615,620)	(531,505)	(758,673)
Non-current liabilities	(49,785)	(60,866)	(59,302)
Net assets	<b>\$ 2,021,207</b>	<b>2,126,935</b>	<b>2,144,726</b>
The carrying amount of non-controlling interests	<b>\$ 879,955</b>	<b>987,249</b>	<b>1,014,795</b>

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Net sales	<b>\$ 361,574</b>	<b>388,562</b>	<b>671,710</b>	<b>828,359</b>
Net income	\$ 44,410	66,078	78,499	136,676
Other comprehensive income	39,929	(7,970)	50,150	(7,369)
Total comprehensive income	<b>\$ 84,339</b>	<b>58,108</b>	<b>128,649</b>	<b>129,307</b>
Net income attributable to non-controlling interests	<b>\$ 23,648</b>	<b>35,834</b>	<b>41,801</b>	<b>74,119</b>
Total comprehensive income attributable to non-controlling interests	<b>\$ 44,910</b>	<b>31,512</b>	<b>68,515</b>	<b>70,124</b>
Cash flow from operating activities	\$ 124,377	55,041	106,003	156,395
Cash flow from investing activities	(118,747)	(126,200)	(139,230)	(174,232)
Cash flow from financing activities	(74,344)	(13,185)	(88,589)	(80,916)
Effects of foreign exchange rate changes	(265)	(97)	(205)	288
Net decrease in cash and cash equivalents	<b>\$ (68,979)</b>	<b>(84,441)</b>	<b>(122,021)</b>	<b>(98,465)</b>
Cash dividends paid to non-controlling interests	<b>\$ -</b>	<b>-</b>	<b>(124,814)</b>	<b>(142,796)</b>

iii. The summarized financial information of TDI:

	December 31,		June 30, 2022	
	June 30, 2023	2022	June 30, 2022	
Current assets	\$ 782,939	694,833	632,481	
Non-current assets	127,430	134,396	141,824	
Current liabilities	(199,311)	(157,963)	(111,726)	
Non-current liabilities	(16,694)	(22,780)	(28,836)	
Net assets	<b>\$ 694,364</b>	<b>648,486</b>	<b>633,743</b>	
The carrying amount of non-controlling interests	<b>\$ 239,820</b>	<b>222,731</b>	<b>217,239</b>	
	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Net sales	<b>\$ 120,915</b>	<b>109,537</b>	<b>271,845</b>	<b>258,574</b>
Net income	\$ 7,480	(4,789)	13,194	1,599
Other comprehensive income	46,349	(13,831)	57,936	(6,372)
Total comprehensive income	<b>\$ 53,829</b>	<b>(18,620)</b>	<b>71,130</b>	<b>(4,773)</b>
Net income attributable to non-controlling interests	<b>\$ 2,787</b>	<b>(1,784)</b>	<b>4,915</b>	<b>596</b>
Total comprehensive income attributable to non-controlling interests	<b>\$ 20,052</b>	<b>(6,936)</b>	<b>26,497</b>	<b>(1,778)</b>

(Continued)

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Cash flow from operating activities	\$ 113,325	(117,739)	136,957	(138,495)
Cash flow from investing activities	(5,237)	27,548	(4,886)	25,688
Cash flow from financing activities	(33,961)	(3,115)	(31,061)	(6,222)
Net increase (decrease) in cash and cash equivalents	<u>\$ 74,127</u>	<u>(93,306)</u>	<u>101,010</u>	<u>(119,029)</u>
Cash dividends paid to non-controlling interests	<u>\$ (9,407)</u>	<u>-</u>	<u>(9,407)</u>	<u>-</u>

iv. The summarized financial information of ATC:

	June 30, 2023	December 31, 2022	June 30, 2022
	Current assets	\$ 3,128,972	2,943,347
Non-current assets	2,469,499	2,451,630	2,424,861
Current liabilities	(2,498,615)	(2,237,125)	(1,961,454)
Non-current liabilities	(387,368)	(395,698)	(265,169)
Net assets	<u>\$ 2,712,488</u>	<u>2,762,154</u>	<u>2,341,271</u>
The carrying amount of non-controlling interests	<u>\$ 1,355,329</u>	<u>1,381,970</u>	<u>1,064,478</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Net sales	<u>\$ 1,365,493</u>	<u>1,053,848</u>	<u>2,557,109</u>	<u>1,788,628</u>
Net income	\$ 105,632	97,913	199,389	100,555
Other comprehensive income	(9,128)	(16,788)	14,943	(4,004)
Total comprehensive income	<u>\$ 96,504</u>	<u>81,125</u>	<u>214,332</u>	<u>96,551</u>
Net income attributable to non-controlling interests	<u>\$ 56,661</u>	<u>47,977</u>	<u>106,952</u>	<u>49,272</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 51,756</u>	<u>39,752</u>	<u>114,959</u>	<u>47,311</u>
Cash flow from operating activities	\$ 394,549	159,362	183,565	(39,289)
Cash flow from investing activities	(45,811)	(155,486)	(110,370)	(266,926)
Cash flow from financing activities	(159,568)	(2,254)	64,968	127,418
Effects of foreign exchange rate changes	(16,150)	(13,646)	1,281	(10,114)
Net increase (decrease) in cash and cash equivalents	<u>\$ 173,020</u>	<u>(12,024)</u>	<u>139,444</u>	<u>(188,911)</u>
Cash dividends paid to non-controlling interests	<u>\$ (141,600)</u>	<u>(28,224)</u>	<u>(141,600)</u>	<u>(28,224)</u>



## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(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	47,543	18,613	127,251	29,364	671,469	894,240
Disposals	-	(5,273)	(616,880)	(45,348)	-	(667,501)
Other reclassification	4,145	3,946	257,515	5,514	(59,606)	211,514
Effect of exchange rates change	245	99,484	(13,210)	(225)	10,794	97,088
Balance at June 30, 2023	<b><u>\$ 1,738,582</u></b>	<b><u>5,504,706</u></b>	<b><u>7,583,385</u></b>	<b><u>699,849</u></b>	<b><u>1,772,102</u></b>	<b><u>17,298,624</u></b>
Balance at January 1, 2022	\$ 1,441,633	6,980,628	7,207,808	590,424	414,211	16,634,704
Additions	138,614	33,953	115,726	57,619	482,736	828,648
Disposals	-	(620)	(143,382)	(11,733)	(735)	(156,470)
Reclassification	101,283	17,295	151,579	6,937	(45,977)	231,117
Effect of exchange rates change	-	175,924	211,050	6,794	15,909	409,677
Balance at June 30, 2022	<b><u>\$ 1,681,530</u></b>	<b><u>7,207,180</u></b>	<b><u>7,542,781</u></b>	<b><u>650,041</u></b>	<b><u>866,144</u></b>	<b><u>17,947,676</u></b>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2023	\$ -	2,462,239	5,673,643	472,914	-	8,608,796
Depreciation	-	110,660	299,641	50,034	-	460,335
Disposals	-	(2,998)	(605,727)	(45,348)	-	(654,073)
Effect of exchange rates change	-	62,763	(105,263)	(1,833)	-	(44,333)
Balance at June 30, 2023	<b><u>\$ -</u></b>	<b><u>2,632,664</u></b>	<b><u>5,262,294</u></b>	<b><u>475,767</u></b>	<b><u>-</u></b>	<b><u>8,370,725</u></b>
Balance at January 1, 2022	\$ -	3,219,163	5,187,941	384,050	-	8,791,154
Depreciation	-	147,911	280,102	42,343	-	470,356
Disposals	-	(587)	(141,442)	(8,134)	-	(150,163)
Effect of exchange rates change	-	83,885	162,374	4,798	-	251,057
Balance at June 30, 2022	<b><u>\$ -</u></b>	<b><u>3,450,372</u></b>	<b><u>5,488,975</u></b>	<b><u>423,057</u></b>	<b><u>-</u></b>	<b><u>9,362,404</u></b>
Carrying amount:						
Balance at June 30, 2023	<b><u>\$ 1,738,582</u></b>	<b><u>2,872,042</u></b>	<b><u>2,321,091</u></b>	<b><u>224,082</u></b>	<b><u>1,772,102</u></b>	<b><u>8,927,899</u></b>
Balance at January 1, 2023	<b><u>\$ 1,686,649</u></b>	<b><u>2,925,697</u></b>	<b><u>2,155,066</u></b>	<b><u>237,630</u></b>	<b><u>1,149,445</u></b>	<b><u>8,154,487</u></b>
Balance at June 30, 2022	<b><u>\$ 1,681,530</u></b>	<b><u>3,756,808</u></b>	<b><u>2,053,806</u></b>	<b><u>226,984</u></b>	<b><u>866,144</u></b>	<b><u>8,585,272</u></b>

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.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(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	-	26,983	-	26,983
Disposals	-	(16,821)	-	(16,821)
Effect of exchange rates change	5,567	(1,213)	174	4,528
Balance at June 30, 2023	<u>\$ 765,042</u>	<u>531,533</u>	<u>8,512</u>	<u>1,305,087</u>
Balance at January 1, 2022	\$ 776,958	461,006	10,299	1,248,263
Additions	-	52,191	-	52,191
Disposals	-	(30,483)	(258)	(30,741)
Effect of exchange rates change	23,948	8,929	(62)	32,815
Balance at June 30, 2022	<u>\$ 800,906</u>	<u>491,643</u>	<u>9,979</u>	<u>1,302,528</u>
Accumulated depreciation of right-of-use assets:				
Balance at January 1, 2023	\$ 109,807	273,846	4,499	388,152
Depreciation	18,414	64,878	1,277	84,569
Disposals	-	(16,116)	-	(16,116)
Effect of exchange rates change	532	(164)	115	483
Balance at June 30, 2023	<u>\$ 128,753</u>	<u>322,444</u>	<u>5,891</u>	<u>457,088</u>
Balance at January 1, 2022	\$ 76,218	195,797	3,464	275,479
Depreciation	19,224	60,858	1,582	81,664
Disposals	-	(26,693)	(259)	(26,952)
Effect of exchange rates change	1,291	4,166	(24)	5,433
Balance at June 30, 2022	<u>\$ 96,733</u>	<u>234,128</u>	<u>4,763</u>	<u>335,624</u>
Carrying amount:				
Balance at June 30, 2023	<u>\$ 636,289</u>	<u>209,089</u>	<u>2,621</u>	<u>847,999</u>
Balance at January 1, 2023	<u>\$ 649,668</u>	<u>248,738</u>	<u>3,839</u>	<u>902,245</u>
Balance at June 30, 2022	<u>\$ 704,173</u>	<u>257,515</u>	<u>5,216</u>	<u>966,904</u>

On June 30, 2023, December 31, 2022 and June 30, 2022, 100% purchase prices of \$201,404 thousand, \$202,211 thousand and \$198,638 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.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(m) Investment property

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

	Land	Buildings	Total
Carrying amount:			
Balance at June 30, 2023	\$ -	-	-
Balance at January 1, 2023	\$ -	-	-
Balance at June 30, 2022	<u>\$ 52,359</u>	<u>9,691</u>	<u>62,050</u>

There are no material additions, disposals and impairments or reversals for the Group during the six months ended June 30, 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	-	259	-	-	1,470	1,729
Effect of exchange rates change	-	-	-	-	967	967
Balance at June 30, 2023	<u>\$ 637,110</u>	<u>161,119</u>	<u>212,746</u>	<u>114,690</u>	<u>128,579</u>	<u>1,254,244</u>
Balance at January 1, 2022	\$ 637,110	160,824	212,746	114,690	100,438	1,225,808
Additions	-	36	-	-	8,912	8,948
Reclassification	-	-	-	-	305	305
Effect of exchange rates change	-	-	-	-	493	493
Balance at June 30, 2022	<u>\$ 637,110</u>	<u>160,860</u>	<u>212,746</u>	<u>114,690</u>	<u>110,148</u>	<u>1,235,554</u>
Accumulated amortization:						
Balance at January 1, 2023	\$ -	67,496	116,101	59,735	72,512	315,844
Amortization	-	23,387	10,934	7,168	12,039	53,528
Effect of exchange rates change	-	-	-	-	784	784
Balance at June 30, 2023	<u>\$ -</u>	<u>90,883</u>	<u>127,035</u>	<u>66,903</u>	<u>85,335</u>	<u>370,156</u>
Balance at January 1, 2022	\$ -	51,534	63,427	45,399	47,402	207,762
Amortization	-	23,383	10,934	7,168	11,107	52,592
Effect of exchange rates change	-	-	-	-	403	403
Balance at June 30, 2022	<u>\$ -</u>	<u>74,917</u>	<u>74,361</u>	<u>52,567</u>	<u>58,912</u>	<u>260,757</u>
Carrying amount:						
Balance at June 30, 2023	<u>\$ 637,110</u>	<u>70,236</u>	<u>85,711</u>	<u>47,787</u>	<u>43,244</u>	<u>884,088</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 June 30, 2022	<u>\$ 637,110</u>	<u>85,943</u>	<u>138,385</u>	<u>62,123</u>	<u>51,236</u>	<u>974,797</u>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 June 30, 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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured bank borrowings	\$ 5,766,634	5,786,396	4,876,347
Secured bank borrowings	91,289	-	208,000
	<u>\$ 5,857,923</u>	<u>5,786,396</u>	<u>5,084,347</u>
Unused credit facilities	<u>\$ 11,344,969</u>	<u>10,491,800</u>	<u>10,616,607</u>
Interest rate	<u>0.98%~6.69%</u>	<u>1.7%~6.75%</u>	<u>0.53%~4.7%</u>

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

#### (p) Short-term notes and bills payable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Commercial paper payable	\$ 230,000	100,000	-
Less: discount on commercial paper payable	(112)	(416)	-
	<u>\$ 229,888</u>	<u>99,584</u>	<u>-</u>
Interest rate	<u>1.998%~2.108%</u>	<u>2.2%</u>	<u>-</u>

#### (q) Long-term debt

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Unsecured bank loans	\$ 734,524	633,808	113,149
Secured bank loans	4,050,000	4,050,000	4,050,000
Less: current portion of long-term debt	(193,300)	(96,095)	(13,149)
	<u>\$ 4,591,224</u>	<u>4,587,713</u>	<u>4,150,000</u>
Unused credit facilities	<u>\$ 4,258,525</u>	<u>4,250,433</u>	<u>3,537,587</u>
Year to maturity	<u>112~116</u>	<u>112~114</u>	<u>111~114</u>
Interest rate	<u>1.8%~6.06%</u>	<u>2.4%~6.1%</u>	<u>0.82%~2.12%</u>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 June 30, 2023, December 31, 2022 and June 30, 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:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Current	<u>\$ 109,116</u>	<u>113,214</u>	<u>121,381</u>
Non-current	<u>\$ 136,593</u>	<u>174,506</u>	<u>175,080</u>

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Interest expense on lease liabilities	<u>\$ 434</u>	<u>2,445</u>	<u>3,057</u>	<u>4,927</u>
Expenses relating to short-term leases	<u>\$ 12,135</u>	<u>14,038</u>	<u>25,634</u>	<u>26,676</u>

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

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<u>\$ 96,246</u>	<u>94,221</u>

Major terms of lease:

i. Land and buildings leases

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

ii. Other leases

The Group leases transportation equipment with lease terms ranged from 2 to 3 years. Additionally, the Group leases machine, warehouses and 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

	<b>December 31,</b>		
	<b>June 30, 2023</b>	<b>2022</b>	<b>June 30, 2022</b>
Warranty provisions	<u>\$ 139,230</u>	<u>132,692</u>	<u>118,235</u>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

There was no significant change in the Group's warranty provisions for the six months ended June 30, 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 June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Cost of sales	\$ 45	5	53	10
Operating expenses	<u>144</u>	<u>145</u>	<u>289</u>	<u>291</u>
	<b><u>\$ 189</u></b>	<b><u>150</u></b>	<b><u>342</u></b>	<b><u>301</u></b>

ii. Defined contribution plans

Expenses recognized in profit or loss:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Cost of sales	\$ 47,889	56,382	96,323	112,158
Operating expenses	<u>17,009</u>	<u>16,835</u>	<u>34,592</u>	<u>33,520</u>
	<b><u>\$ 64,898</u></b>	<b><u>73,217</u></b>	<b><u>130,915</u></b>	<b><u>145,678</u></b>

(u) Income taxes

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Current income tax expense	\$ 90,172	110,183	158,247	206,580
Deferred income tax benefit	<u>(6,461)</u>	<u>(6,533)</u>	<u>(13,064)</u>	<u>(13,065)</u>
	<b><u>\$ 83,711</u></b>	<b><u>103,650</u></b>	<b><u>145,183</u></b>	<b><u>193,515</u></b>

ii. For the six months ended June 30, 2023 and 2022, there was no income tax recognized directly in equity.

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.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(v) Capital and other equity

Except as described below, there was no significant change in the Group's capital and other equity for the six months ended June 30, 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 June 30, 2023, December 31, 2022 and June 30, 2022, the total authorized common stock of the Company is \$4,500,000 thousand, with a face value of \$10 per share, divided into 450,000 thousand shares, and the issued shares are all 280,000 thousand shares.

	<b>Common stocks</b>	
	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance of January 1	\$ 280,000	280,000
Subsidiaries repurchase parent company stocks as treasury stocks	(2,050)	-
Ending balance of June 30	<b>\$ 277,950</b>	<b>280,000</b>

ii. Capital surplus

The components of capital surplus were as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
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	213,960	212,064	233,032
	<b>\$ 4,117,954</b>	<b>4,116,058</b>	<b>4,137,026</b>

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

## **DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

#### 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.

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 the regulations of the Financial Supervisory Commission, 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.

The company, in accordance with the regulations of the Financial Supervisory Commission, shall not allocate special surplus reserves of the same amount calculated based on the shareholding ratio for the difference between the market price and book value of the company's shares held by subsidiaries at the end of the period. Afterwards, if there is a rebound in the market price, the amount of that portion can be converted into special surplus reserves based on the shareholding ratio.



## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

3) Earnings distribution

The company passed resolutions by the board of directors' meeting on March 7, 2023 and March 8, 2022 to determine the cash dividend amount for the profit distribution plans for the years 2022 and 2021, as well as other profit distribution plans for the years 2022 and 2021 on June 9, 2023 and June 16, 2022.

	2022		2021	
	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)	Amount
Provision of legal reserve		<u>\$ 116,287</u>		<u>117,572</u>
Provision of special reserve (reversal)		<u>\$ (366,206)</u>		<u>35,916</u>
Dividends per share:				
Cash dividend	\$ 3.0	<u>840,000</u>	3.0	<u>840,000</u>

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

iv. Treasury stocks

Based on long-term strategic cooperation considerations, the consolidated subsidiary UTC purchased a total of 2050 thousand shares of the company from May to June 2023, with a cost per share of NT\$46.51, totaling \$95,340 thousand. As of June 30, 2023, none of them have been sold yet, and the stock price per share on June 30, 2023 was NT\$46.3.

v. 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	62,827	-	-	62,827
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	-	874,789	-	874,789
Share of other comprehensive income of joint ventures and associates	(1,923)	3,659	-	1,736
Balance at June 30, 2023	<u>\$ (236,973)</u>	<u>1,135,641</u>	<u>(15,632)</u>	<u>883,036</u>

(Continued)

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	Foreign currency translation differences	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Remeasurme nt of defined benefit plans	Total
Balance at January 1, 2022	\$ (765,143)	379,613	(36,993)	(422,523)
Foreign exchange differences arising from translation of foreign operations	341,132	-	-	341,132
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	-	(90,831)	-	(90,831)
Share of other comprehensive income of joint ventures and associates	(1,198)	(9,153)	-	(10,351)
Balance at June 30, 2022	<u>\$ (425,209)</u>	<u>279,629</u>	<u>(36,993)</u>	<u>(182,573)</u>

vi. Non-controlling interests (net after tax)

	<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 3,388,170	2,879,152
Equity attributable to non-controlling interests:		
Net income	167,780	128,793
Foreign currency translation differences	9,889	15,916
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	48,658	(6,541)
Share of other comprehensive income loss of joint ventures and associates	2,410	(8,604)
Shares of the parent company purchased by subsidiaries are regarded as treasury stocks	(50,769)	-
Changes in ownership interests in subsidiaries	(1896)	(4,259)
Acquisition of subsidiary's partial interest	(600)	(180)
Compensation cost of stock option issued by subsidiaries	395	665
Capital injection from non-controlling interests	36,272	163,066
Distribution of cash dividend by subsidiaries to non-controlling interests	(282,620)	(171,019)
Balance at June 30	<u>\$ 3,317,689</u>	<u>2,996,989</u>

(w) Earnings per share ("EPS")

i. Basic earnings per share

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income attributable to ordinary shareholders of the Company	<u>\$ 228,213</u>	<u>286,382</u>	<u>370,924</u>	<u>534,733</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>279,633</u>	<u>280,000</u>	<u>279,817</u>	<u>280,000</u>
Basic earnings per share (in New Taiwan dollars)	<u>\$ 0.82</u>	<u>1.02</u>	<u>1.33</u>	<u>1.91</u>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### ii. Diluted earnings per share

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Net income attributable to ordinary shareholders of the Company	\$ 228,213	286,382	370,924	534,733
Weighted-average number of ordinary shares outstanding (in thousands)	279,633	280,000	279,817	280,000
Effect of dilutive potential ordinary shares (in thousands):				
Remuneration to employees	1,093	1,904	2,312	3,054
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares) (in thousands)	280,726	281,904	282,129	283,054
Diluted earnings per share (in New Taiwan dollars)	\$ 0.81	1.02	1.31	1.89

#### (x) Share-based payment

For the six months ended June 30, 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. The remuneration costs incurred by the share-based payment transaction from January 1 to June 30, 2023 and 2022 were \$395 thousand and \$665 thousand, respectively.

#### (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 June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Primary geographical markets:				
Taiwan	\$ 1,319,024	1,011,907	2,510,726	2,191,851
United States	339,496	371,879	717,307	738,140
Mainland China	3,164,773	3,221,420	5,489,637	6,600,571
Canada	401,643	391,863	780,194	911,947
Others	1,663,402	2,756,621	3,391,335	4,726,508
	<u>\$ 6,888,338</u>	<u>7,753,690</u>	<u>12,889,199</u>	<u>15,169,017</u>
Major products and services lines:				
Peripheral electronic products	\$ 2,989,333	3,339,354	5,490,267	6,918,112
Green energy products and passive components	3,899,005	4,414,336	7,398,932	8,250,905
	<u>\$ 6,888,338</u>	<u>7,753,690</u>	<u>12,889,199</u>	<u>15,169,017</u>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

ii. Contract balance

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Notes and accounts receivable (including related parties)	\$ 8,130,929	7,446,698	8,329,636
Less: loss allowance	<u>(100,391)</u>	<u>(82,649)</u>	<u>(70,181)</u>
	<b><u>\$ 8,030,538</u></b>	<b><u>7,364,049</u></b>	<b><u>8,259,455</u></b>
Contract liabilities (included in other current liabilities)	<b><u>\$ 135,728</u></b>	<b><u>88,049</u></b>	<b><u>751,134</u></b>

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 June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022 that were included in the balances of contract liabilities on January 1, 2023 and 2022, were \$3,702 thousand, \$312,326 thousand, \$42,876 thousand, and \$382,184 thousand, respectively.

iii. Refund liabilities

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Other current liabilities—refund liabilities	<b><u>\$ 448,046</u></b>	<b><u>396,870</u></b>	<b><u>372,775</u></b>

(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 June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the Company estimated its remuneration to employees amounting to \$31,551 thousand, \$41,083 thousand, \$50,607 thousand, and \$77,021 thousand, respectively; the remuneration to directors amounting to \$2,337 thousand, \$2,413 thousand, \$3,749 thousand, and \$5,075 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. If the board of directors decides to issue employee remuneration through stock, the calculation basis for the number of shares shall be based on the closing price of common stock on the day before the board of directors' resolution.

The estimated amounts of remuneration to employees and directors for the year 2022 were

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

\$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 June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Interest income from bank deposits	\$ 20,405	2,865	30,616	4,969

ii. Other income

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Rental income	\$ 754	1,443	1,105	2,843
Subsidy	1,160	15,045	8,664	20,660
Other	17,257	11,775	29,088	19,810
	\$ 19,171	28,263	38,857	43,313

iii. Other gains and losses

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Gains (losses) on disposal of property, plant and equipment	\$ 30,820	(960)	12,968	(611)
Gains on lease modification	-	-	-	23
Foreign exchange gains, net	60,517	20,603	82,167	41,177
Gains (losses) on financial instruments measured at fair value through profit or loss	(6,582)	1,633	(7,148)	6,363
Other gains (losses), net	(2,283)	(560)	6,205	(710)
	\$ 82,472	20,716	94,256	46,242

iv. Finance costs

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Interest expense from bank	\$ (69,886)	(34,230)	(137,480)	(57,442)
Financial expense on lease liabilities	(434)	(2,445)	(3,057)	(4,927)
	\$ (70,320)	(36,675)	(140,537)	(62,369)

(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.

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

i. Categories of financial instruments

1) Financial assets

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Financial assets at fair value through profit or loss:			
Financial assets mandatorily measured at fair value through profit or loss—			
Foreign currency forward contracts	\$ -	1,098	435
Foreign exchange swaps	-	261	-
Open-end mutual funds	30,428	30,252	50,218
Structured deposits	988,377	367,441	365,897
Subtotal	1,018,805	399,052	416,550
Financial assets at fair value through other comprehensive income	2,394,529	1,471,082	1,496,114
Financial assets measured at amortized cost:			
Cash and cash equivalents	4,760,933	3,368,030	2,637,114
Financial assets at amortized cost	216,910	217,202	5,373
Notes and accounts receivable and other receivables (including related parties)	8,171,942	7,527,701	8,313,922
Refundable deposits	47,700	42,549	42,646
Subtotal	13,197,485	11,155,482	10,999,055
Total	<b>\$ 16,610,819</b>	<b>13,025,616</b>	<b>12,911,719</b>

**(Continued)**

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 2) Financial liabilities

	<b>June 30, 2023</b>	<b>December 31, 2022</b>	<b>June 30, 2022</b>
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contracts	\$ 5,977	662	3,124
Subtotal	5,977	662	3,124
Financial liabilities measured at amortized cost:			
Short-term borrowings	5,857,923	5,786,396	5,084,347
Short-term notes and bills payable	229,888	99,584	-
Notes and accounts payable and other payables (including related parties)	8,528,071	7,519,046	9,928,348
Lease liabilities	245,709	287,720	296,461
Long-term debt (including current portion)	4,784,524	4,683,808	4,163,149
Long-term payables (included in other non-current liabilities)	150,417	150,533	149,814
Guarantee deposits (included in other non-current liabilities)	10,430	11,241	12,790
Subtotal	19,806,962	18,538,328	19,634,909
<b>Total</b>	<b>\$ 19,812,939</b>	<b>18,538,990</b>	<b>19,638,033</b>

#### ii. Liquidity risk

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

	<b>Contractual cash flow</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>
<b>June 30, 2023</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 5,901,258	5,901,258	-	-	-
Short-term notes and bills payable	230,055	230,055	-	-	-
Long-term debt (including current portion)	5,019,474	289,129	381,049	4,349,296	-
Notes and accounts payable and other payables (including related parties)	8,528,071	8,528,071	-	-	-
Lease liabilities	286,923	116,102	65,136	52,493	53,192
Long-term payables	150,417	-	81,299	69,118	-

(Continued)

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
Guarantee deposits	10,430	-	2,848	528	7,054
Subtotal	<u>20,126,628</u>	<u>15,064,615</u>	<u>530,332</u>	<u>4,471,435</u>	<u>60,246</u>
Derivative financial instruments:					
Foreign currency forward contracts – settled in gross:					
Outflow	318,115	318,115	-	-	-
Inflow	<u>(312,138)</u>	<u>(312,138)</u>	-	-	-
Subtotal	<u>5,977</u>	<u>5,977</u>	-	-	-
	<b><u>\$ 20,132,605</u></b>	<b><u>15,070,592</u></b>	<b><u>530,332</u></b>	<b><u>4,471,435</u></b>	<b><u>60,246</u></b>
<b>December 31, 2022</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 100,000	100,000	-	-	-
Short-term notes and bills payable	4,945,981	194,067	379,096	4,372,818	-
Long-term debt (including current portion)	7,519,046	7,519,046	-	-	-
Notes and accounts payable and other payables (including related parties)	332,638	121,129	82,372	69,287	59,850
Lease liabilities	150,533	-	81,494	69,039	-
Long-term payables	<u>11,241</u>	<u>484</u>	<u>3,137</u>	<u>546</u>	<u>7,074</u>
Guarantee deposits	<u>18,906,404</u>	<u>13,781,691</u>	<u>546,099</u>	<u>4,511,690</u>	<u>66,924</u>
Subtotal					
Derivative financial instruments:					
Foreign currency forward contracts – settled in gross:					
Outflow	295,665	295,665	-	-	-
Inflow	<u>(296,101)</u>	<u>(296,101)</u>	-	-	-
Subtotal	<u>(436)</u>	<u>(436)</u>	-	-	-
Foreign exchange swap					
Outflow	114,024	114,024	-	-	-
Inflow	<u>(114,285)</u>	<u>(114,285)</u>	-	-	-
Subtotal	<u>(261)</u>	<u>(261)</u>	-	-	-
	<b><u>\$ 18,905,707</u></b>	<b><u>13,780,994</u></b>	<b><u>546,099</u></b>	<b><u>4,511,690</u></b>	<b><u>66,924</u></b>
<b>June 30, 2022</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 5,113,596	5,113,596	-	-	-
Long-term debt (including current portion)	4,264,469	64,952	992,028	3,207,489	-
Notes and accounts payable and other payables (including related parties)	9,928,348	9,928,348	-	-	-
Lease liabilities	328,052	124,471	91,987	54,237	57,357
Long-term payables	149,814	-	80,777	69,037	-
Guarantee deposits	<u>12,790</u>	<u>779</u>	<u>4,468</u>	<u>462</u>	<u>7,081</u>
Subtotal	<u>19,797,069</u>	<u>15,232,146</u>	<u>1,169,260</u>	<u>3,331,225</u>	<u>64,438</u>
Derivative financial liabilities:					
Foreign currency forward contracts – settled in gross:					
Outflow	377,358	377,358	-	-	-
Inflow	<u>(374,669)</u>	<u>(374,669)</u>	-	-	-
Subtotal	<u>2,689</u>	<u>2,689</u>	-	-	-
	<b><u>\$ 19,799,758</u></b>	<b><u>15,234,835</u></b>	<b><u>1,169,260</u></b>	<b><u>3,331,225</u></b>	<b><u>64,438</u></b>



## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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):

June 30, 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	\$ 321,122	31.1000	9,986,894	1%	99,869
CNY	345,850	4.2897	1,483,593	1%	14,836
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	88,978	31.1000	2,767,216	1%	27,672
CNY	559,380	4.2897	2,399,572	1%	23,996

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

June 30, 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	\$ 416,711	29.7200	12,384,651	1%	123,847
CNY	209,552	4.4391	930,222	1%	9,302
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	339,924	29.7200	10,102,541	1%	101,025
CNY	148,622	4.4391	659,748	1%	6,597

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 June 30, 2023 and 2022 and for the six months ended June 30, 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.

##### 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).

	June 30, 2023				
	Carrying amount	Fair value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss:					
Non-derivative financial assets mandatorily measured at fair value through profit or loss:					
Open-end mutual fund	\$ 30,428	30,428	-	-	30,428
Structured deposits	988,377	-	988,377	-	988,377
Subtotal	1,018,805	30,428	988,377	-	1,018,805
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	2,394,529	2,394,529	-	-	2,394,529
<b>Total</b>	<b>\$ 3,413,334</b>	<b>2,424,957</b>	<b>988,377</b>	<b>-</b>	<b>3,413,334</b>
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments	-				
Foreign currency forward contracts	\$ (5,977)	-	(5,977)	-	(5,977)
<b>Total</b>	<b>\$ (5,977)</b>	<b>-</b>	<b>(5,977)</b>	<b>-</b>	<b>(5,977)</b>

(Continued)

# DARFON ELECTRONICS CORP. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

		December 31, 2022				
		Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss:						
Derivative financial instruments—						
Foreign currency forward contracts	\$ 1,098	-	1,098	-	1,098	
Foreign exchange swaps	261	-	261	-	261	
		December 31, 2022				
		Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	Total	
Non-derivative financial assets mandatorily measured at fair value through profit or loss:						
Open-end mutual fund	30,252	30,252	-	-	30,252	
Structured deposits	367,441	-	367,441	-	367,441	
Subtotal	399,052	30,252	368,800	-	399,052	
Financial assets at fair value through other comprehensive income:						
Domestic listed stocks	1,471,082	1,471,082	-	-	1,471,082	
Total	<u>\$ 1,870,134</u>	<u>1,501,334</u>	<u>368,800</u>	<u>-</u>	<u>1,870,134</u>	
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments—						
Foreign currency forward contracts	<u>\$ (662)</u>	<u>-</u>	<u>(662)</u>	<u>-</u>	<u>(662)</u>	
		June 30, 2022				
		Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss:						
Derivative financial instruments—						
Foreign currency forward contracts	\$ 435	-	435	-	435	
Non-derivative financial assets mandatorily measured at fair value through profit or loss:						
Open-end mutual fund	50,218	50,218	-	-	50,218	
Structured deposits	365,897	-	365,897	-	365,897	
Subtotal	416,550	50,218	366,332	-	416,550	
Financial assets at fair value through other comprehensive income:						
Domestic listed stocks	1,496,114	1,496,114	-	-	1,496,114	
Total	<u>\$ 1,912,664</u>	<u>1,546,332</u>	<u>366,332</u>	<u>-</u>	<u>1,912,664</u>	
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments—						
Foreign currency forward contracts	<u>\$ (3,124)</u>	<u>-</u>	<u>(3,124)</u>	<u>-</u>	<u>(3,124)</u>	

## **DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

#### **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 six months ended June 30, 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.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

ii. Investing activities with partial cash payments:

	For the six months Ended June 30,	
	2023	2022
Additions to property, plant and equipment	\$ 894,240	828,648
Add: payables on equipment at January 1	323,419	265,225
Prepayment for equipment at June 30	259,659	475,561
Prepayments for land at June 30	-	4,004
Reclassification from prepayments for equipment and land	211,514	231,422
Less: payables on equipment at June 30	(244,086)	(159,730)
Prepayment for equipment at January 1	(263,504)	(403,631)
Prepayment for land at January 1	-	(105,283)
Effect of exchange rates change	-	(8,260)
Cash paid during the year	<b>\$ 1,181,242</b>	<b>1,127,956</b>

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

	January 1, 2023	Cash flows	Non-cash changes			June 30, 2023
			Additions of lease liabilities	Lease modificati ons	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 5,786,396	56,969	-	-	14,558	5,857,923
Short-term notes and bills payable	99,584	130,304	-	-	-	229,888
Long-term debt (including current portion)	4,683,808	96,000	-	-	4,716	4,784,524
Lease liabilities	287,720	(67,555)	26,983	(769)	(670)	245,709
Guarantee deposits	11,241	(811)	-	-	-	10,430
Total liabilities from financing activities	<b>\$10,868,749</b>	<b>214,907</b>	<b>26,983</b>	<b>(769)</b>	<b>18,604</b>	<b>11,128,474</b>

	January 1, 2022	Cash flows	Non-cash changes			June 30, 2023
			Additions of lease liabilities	Lease modificati ons	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 5,039,971	6,289	-	-	38,087	5,084,347
Long-term debt (including current portion)	3,640,850	521,316	-	-	983	4,163,149
Lease liabilities	304,102	(62,618)	52,191	(3,812)	6,598	296,461
Guarantee deposits	99,420	(86,630)	-	-	-	12,790
Other non-current liabilities	149,623	191	-	-	-	149,814
Total liabilities from financing activities	<b>\$ 9,233,966</b>	<b>378,548</b>	<b>52,191</b>	<b>(3,812)</b>	<b>45,668</b>	<b>9,706,561</b>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 7. Related-party transactions

##### (a) Related party name and categories

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

Name of related party	Relationship with the Group
Qisda Corporation (“Qisda”)	The entity with significant influence over the Group
BESV Japan Co., Ltd. (“BESVJ”)	Joint venture
Other related parties:	
Qisda (Suzhou) Co., Ltd. (“QCSZ”)	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd. (“QCOS”)	Subsidiary of Qisda
Qisda Electronics (Suzhou) Co., Ltd. (“QCES”)	Subsidiary of Qisda
Qisda Vietnam Co., Ltd. (“QVH”)	Subsidiary of Qisda
Suzhou Super Pillar Automation Equipment (“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 Inc. (“HT”)	Subsidiary of Qisda
Hitron Technologies Viet Nam company limited	Subsidiary of Qisda
Advancedtek International Corp. (“ADVANCEDTEK”)	Subsidiary of Qisda
Alpha Networks Inc. (“Alpha”)	Subsidiary of Qisda
Transnet Corporation (“Transnet”)	Subsidiary of Qisda
Topview Optrnocs Corporation (“Topview”)	Originally a subsidiary of Qisda, it has become an affiliated enterprise of Qisda since June 30, 2023.
Shiton Investment Co., Ltd.	Other related party
Silver Star Co., Ltd.	Other related party

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

i. Net sales

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

	<u>For the three months Ended June 30,</u>		<u>For the six months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Entity with significant influence over the Group \$	4,237	1,732	4,247	2,046
Joint venture	32,398	38,314	66,940	97,288
Other related parties	30,078	73,599	57,887	125,570
	<u>\$ 66,713</u>	<u>113,645</u>	<u>129,074</u>	<u>224,904</u>

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

ii. Purchase

The amount of goods purchased by the consolidated company from related parties is as follows:

	<u>For the three months Ended June 30,</u>		<u>For the six months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties	<u>\$ 119</u>	<u>16,713</u>	<u>119</u>	<u>16,713</u>

The purchase price of the consolidated company from related parties is incomparable with the general transaction price due to different product specifications and is handled according to the agreed purchase price and conditions.

iii. Leases

The Group leased land, plant and employee dormitories from related parties. The rental is paid monthly with reference to the nearby office rental rates. The additions of the right-of-use assets were \$10,793 thousand and \$9,745 thousand for the six months ended June 30, 2023 and 2022, respectively.

The Group recognized the related interest expenses of \$155 thousand and \$197 thousand for the six months ended June 30, 2023 and 2022, respectively.

iv. Receivables

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

<u>Account</u>	<u>Related-party categories</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts receivable from related parties	Entity with significant influence over the group	\$ 3,235	1,794	1,809
	Joint venture	87,720	84,495	90,338
	Other related parties	41,674	38,048	61,730
		<u>\$ 132,629</u>	<u>124,337</u>	<u>153,877</u>

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

v. Payables

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

<u>Account</u>	<u>Related-party categories</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Accounts payable	Other related parties	\$ 4,437	12,130	18,088
Other payables	Entity with significant influence over the group	\$ -	21	289
Other payables	Joint venture	-	-	31
Other payables	Other related parties	10,557	4,319	3,718
		<u>\$ 10,557</u>	<u>4,340</u>	<u>4,038</u>
Lease liability	Other related parties	\$ 12,924	7,723	12,614

(c) Compensation for key management personnel

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 65,457	69,301	133,721	129,036
Post-employment benefits	762	493	1,443	1,183
	<u>\$ 66,219</u>	<u>69,794</u>	<u>135,164</u>	<u>130,219</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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Land, buildings and plants	Credit lines of bank loans	\$ 1,211,406	1,237,702	1,543,504
Time deposit	Guarantees for customs duties and credit limit of credit cards	1,910	2,202	5,373
		<u>\$ 1,213,316</u>	<u>1,239,904</u>	<u>1,548,877</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>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Guarantees for customs duties	\$ 47,962	48,948	51,232
Performance bonds	21,050	68,153	76,545
	<u>\$ 69,012</u>	<u>117,101</u>	<u>127,777</u>



## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) Significant unrecognized commitments

	June 30, 2023	December 31, 2022	June 30, 2022
Acquisition of property, plant and equipment	\$ 220,438	302,169	480,992

**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 June 30, 2023			For the three months ended June 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
<b>Nature</b>						
Employee benefits:						
Salaries	798,572	435,148	1,233,720	900,356	487,071	1,387,427
Labor and health insurance	84,809	31,749	116,558	56,430	28,977	85,407
Pension	47,934	17,153	65,087	56,387	16,980	73,367
Other employees' benefits	24,048	12,607	36,655	26,009	12,645	38,654
Depreciation	226,680	44,696	271,376	228,232	51,732	279,964
Amortization	2,009	24,563	26,572	2,342	24,230	26,572

Function	For the six months ended June 30, 2023			For the six months ended June 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
<b>Nature</b>						
Employee benefits:						
Salaries	1,534,944	820,670	2,355,614	1,805,642	930,610	2,736,252
Labor and health insurance	135,097	64,581	199,678	112,614	59,776	172,390
Pension	96,376	34,881	131,257	112,168	33,811	145,979
Other employees' benefits	50,056	25,058	75,114	56,111	25,942	82,053
Depreciation	456,769	88,135	544,904	441,969	110,051	552,020
Amortization	4,225	49,400	53,625	3,753	49,293	53,046

For the six months ended June 30, 2023 and 2022, the depreciation of investment property \$0 thousand and \$212 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 June 30, 2023 (excluding investments in subsidiaries, associates, and jointly controlled entities): Please refer to table 2.

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- iv. Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital: Please refer to table 3.
  - v. Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: Please refer to table 4.
  - vi. Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: Please refer to table 5.
  - vii. Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: Please refer to table 6.
  - viii. Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: Please refer to table 7.
  - ix. Transactions about derivative instruments: Please refer to note 6(b).
  - x. Business relationships and significant intercompany transactions: Please refer to table 8.
- (b) Information on investees (excluding investments in Mainland China): Please refer to table 9.
- (c) Information on investment in Mainland China: Please refer to table 10.
- (d) Major shareholders:

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 June 30, 2023			
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 2,989,333	3,899,005	-	6,888,338
Inter-segment revenues	-	182,136	(182,136)	-
<b>Total</b>	<b>\$ 2,989,333</b>	<b>4,081,141</b>	<b>(182,136)</b>	<b>6,888,338</b>

(Continued)

## DARFON ELECTRONICS CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	<b>For the three months ended June 30, 2022</b>			
	<b>Peripheral electronic products</b>	<b>Green energy products and passive components</b>	<b>Adjustment and eliminations</b>	<b>Total</b>
Revenue from external customers	\$ 3,339,354	4,414,336	-	7,753,690
Inter-segment revenues	-	156,899	(156,899)	-
<b>Total</b>	<b><u>\$ 3,339,354</u></b>	<b><u>4,571,235</u></b>	<b><u>(156,899)</u></b>	<b><u>7,753,690</u></b>

	<b>For the six months ended June 30, 2023</b>			
	<b>Peripheral electronic products</b>	<b>Green energy products and passive components</b>	<b>Adjustment and eliminations</b>	<b>Total</b>
Revenue from external customers	\$ 5,490,267	7,398,932	-	12,889,199
Inter-segment revenues	-	344,508	(344,508)	-
<b>Total</b>	<b><u>\$ 5,490,267</u></b>	<b><u>7,743,440</u></b>	<b><u>(344,508)</u></b>	<b><u>12,889,199</u></b>

	<b>For the six months ended June 30, 2022</b>			
	<b>Peripheral electronic products</b>	<b>Green energy products and passive components</b>	<b>Adjustment and eliminations</b>	<b>Total</b>
Revenue from external customers	\$ 6,918,112	8,250,905	-	15,169,017
Inter-segment revenues	-	379,185	(379,185)	-
<b>Total</b>	<b><u>\$ 6,918,112</u></b>	<b><u>8,630,090</u></b>	<b><u>(379,185)</u></b>	<b><u>15,169,017</u></b>

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

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

**Financing provided to other parties  
For the six months ended June 30, 2023**

**Table 1**

**(In thousands of NTD and foreign currencies)**

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the Period	Range of Interest Rates During the period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reason for the Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	KST	KSG	Other receivables from related parties	Yes	68,420 (USD2,200)	68,420 (USD2,200)	-	4.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	155,500 (USD 5,000)	-	-	3.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	31,100 (USD 1,000)	31,100 (USD 1,000)	31,100 (USD 1,000)	3.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	55,980 (USD1,800)	55,980 (USD1,800)	55,980 (USD1,800)	4.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	155,500 (USD5,000)	155,500 (USD5,000)	155,500 (USD5,000)	5.00%	2	-	Operating requirements	-	-	-	461,102	461,102
2	DFS	DFQ	Other receivables from related parties	Yes	248,800 (USD 8,000)	248,800 (USD 8,000)	248,800 (USD 8,000)	4.73%	2	-	Operating requirements	-	-	-	1,477,497	1,477,497
2	DFS	ISC	Other receivables from related parties	Yes	77,215 (CNY18,000)	77,215 (CNY18,000)	60,056 (CNY14,000)	3.65%	2	-	Operating requirements	-	-	-	1,477,497	1,477,497
2	DFS	DTC	Other receivables from related parties	Yes	155,500 (USD5,000)	155,500 (USD5,000)	77,750 (USD2,500)	4.65%	2	-	Operating requirements	-	-	-	1,477,497	1,477,497
2	DFS	KST	Other receivables from related parties	Yes	311,000 (USD10,000)	311,000 (USD10,000)	311,000 (USD10,000)	5.00%	2	-	Operating requirements	-	-	-	1,477,497	1,477,497
2	DFS	KST	Other receivables from related parties	Yes	155,500 (USD5,000)	-	-	5.00%	2	-	Operating requirements	-	-	-	1,477,497	1,477,497
2	DFS	DFH	Other receivables from related parties	Yes	257,382 (CNY 60,000)	257,382 (CNY 60,000)	244,513 (CNY 57,000)	3.65%	2	-	Operating requirements	-	-	-	1,477,497	1,477,497
3	DPS	DFQ	Other receivables from related parties	Yes	128,691 (CNY 30,000)	-	-	3.70%	2	-	Operating requirements	-	-	-	184,158	184,158
3	DPS	DFQ	Other receivables from related parties	Yes	128,691 (CNY 30,000)	128,691 (CNY 30,000)	128,691 (CNY 30,000)	3.65%	2	-	Operating requirements	-	-	-	184,158	184,158
4	DZL	DTC	Other receivables from related parties	Yes	64,000	-	-	1.30%	2	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	DTC	Other receivables from related parties	Yes	100,000	100,000	90,000	2.00%	2	-	Operating requirements	-	-	-	261,910	261,910
5	DTC	IOC	Other receivables from related parties	Yes	15,550 (USD 500)	15,550 (USD 500)	-	4.00%	2	-	Operating requirements	-	-	-	242,837	242,837

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

Note 2: The aggregate financing amount and individual financing amount of DFS to other parties shall not exceed 40% of the most recent net worth of DFS.

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

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

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

Note 6: Purpose of Fund Financing:

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\$31.10 and CNY\$1=NT\$4.2897 as of June 30, 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 six months ended June 30, 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				Note
				Number of Shares	Carrying Value	Percentage of Ownership	Fair Value	
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	1,829,528	2.03%	1,829,528	-
DZL	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income – current	5,887	270,213	0.30%	270,213	-
DZL	Stock: Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income – current	102	9,721	0.02%	9,721	-
DZL	Stock: DFI	Subsidiary of the entity with significant influence over the Group	Financial assets at fair value through other comprehensive income – current	50	3,975	0.04%	3,975	-
UTC	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income – current	2,860	131,274	0.15%	131,274	-
TDI	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income – current	3,264	149,818	0.17%	149,818	-
TDI	Fund: Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss – current	-	30,428	-	30,428	-
DFS	Bank of Suzhou – Principal protected currency deposits in CNY	-	Financial assets at fair value through profit or loss – current	-	459,574	-	459,574	-
DFS	Shanghai Pudong Development Bank – Principal protected currency deposits in CNY	-	Financial assets at fair value through profit or loss – current	-	171,700	-	171,700	-
DPS	Bank of Suzhou – Principal protected currency deposits in CNY	-	Financial assets at fair value through profit or loss – current	-	357,103	-	357,103	-
KST	Haro Bicycle Corporation	-	Financial assets at fair value through other comprehensive income – non-current	26	-	10.00%	-	-

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

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

**For the six months ended June 30, 2023**

**Table 3**

**(In thousands of NTD and foreign currencies / 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	-	-	-	377,494 (CNY88,000)	-	377,935 (CNY88,103)	377,494 (CNY88,000)	441 (CNY103)	-	-	

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of CNY\$1=NT\$4.2897 as of June 30, 2023.

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**

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

**For the six months ended June 30, 2023**

**Table 4**

**(In thousands of NTD and foreign currencies)**

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	888,697	758,149	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
DFS	Buildings and land use rights	February 1, 2023	363,213	363,213	Panasonic Semiconductor Components (Suzhou) Co., Ltd. Panasonic Automotive Systems (Suzhou) Co.,LTD	-	-	-	-	-	Bargain	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 six months ended June 30, 2023**

**Table 5**

**(In thousands of NTD and foreign currencies)**

<b>Company Name</b>	<b>Property Name</b>	<b>Transaction Date</b>	<b>Acquisition Date</b>	<b>Book Value</b>	<b>Transaction Amount</b>	<b>Status of Payment</b>	<b>Gain or Loss on Disposal of Real Estate</b>	<b>Relationship with the Counter Party</b>	<b>Counter Party</b>	<b>Purpose of Disposal</b>	<b>Price Reference</b>	<b>Note</b>
DFS	Land use rights and buildings	December 21, 2022	Land: December 2002 Buildings I: December 2005 Building II: August 2007 Building III: July 2009	899,755 (CNY209,747) (Note 1)	3,049,488 (CNY710,886) (Note 1)	CNY215,000 thousand was received on January 15, 2023 CNY142,000 thousand was received on April 26, 2023 CNY71,000 thousand was received on June 15, 2023 CNY71,000 thousand will be received by the end of August, 2023 CNY211,886 thousand will be received within 1 month after the transfer in land use rights and buildings	(Note 2)	-	Suzhou High-tech Zone (Huqiu District) Land Reserve Center Management Committee of Suzhou High-tech Industrial Development Zone	To activate assets and respond to the needs of urban construction and 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\$4.2897 as of June 30, 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 six months ended June 30, 2023**

**Table 6**

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	DFS	Parent-subsiary	Sales	(107,799)	2%	OA90 to OA180	Note 1	OA30 to OA180	92,111	2%	-
The Company	DFA	Parent-subsiary	Sales	(217,117)	3%	OA135	Normal price	OA30 to OA135	271,037	5%	-
The Company	DTC	Parent-subsiary	Sales	(236,965)	4%	OA135	Normal price	OA30 to OA135	239,113	4%	-
DFS	DFH	Affiliates	Sales	(120,216)	5%	OA90 to OA135	Note 1	OA30 to OA180	110,911	5%	-
DFS	DET	Affiliates	Sales	(269,798)	11%	OA180	Normal price	OA30 to OA180	317,101	14%	-
DFS	The Company	Parent-subsiary	Sales	(773,579) (Note 2)	32%	OA90 to OA180	Note 1	OA30 to OA180	1,422,344	63%	-
DFH	The Company	Parent-subsiary	Sales	(2,818,789)	98%	OA90 to OA180	Note 1	OA30 to OA180	3,036,195	97%	-
DFQ	The Company	Parent-subsiary	Sales	(1,610,146)	93%	OA90 to OA180	Note 1	OA30 to OA180	1,468,187	97%	-
DTC	Dfeu	Affiliates	Sales	(436,523)	65%	OA135	Normal price	OA30 to OA135	550,552	77%	-
DFS	The Company	Parent-subsiary	Purchases	107,799	6%	OA90 to OA180	Normal price	OA30 to OA180	(92,111)	10%	-
DFA	The Company	Parent-subsiary	Purchases	217,117	97%	OA135	Normal price	OA30 to OA135	(271,037)	100%	-
DTC	The Company	Parent-subsiary	Purchases	236,965	41%	OA135	Normal price	OA30 to OA135	(239,113)	65%	-
DET	DFS	Affiliates	Purchases	269,798	63%	OA180	Normal price	OA30 to OA180	(317,101)	83%	-
DFH	DFS	Affiliates	Purchases	120,216	6%	OA90 to OA135	Note 1	OA30 to OA180	(110,911)	7%	-
The Company	DFS	Parent-subsiary	Purchases	773,579 (Note 2)	13%	OA90 to OA180	Note 1	OA30 to OA180	(1,422,344)	22%	-
The Company	DFH	Parent-subsiary	Purchases	2,818,789	48%	OA90 to OA180	Note 1	OA30 to OA180	(3,036,195)	48%	-
The Company	DFQ	Parent-subsiary	Purchases	1,610,146	28%	OA90 to OA180	Note 1	OA30 to OA180	(1,468,187)	23%	-
Dfeu	DTC	Affiliates	Purchases	436,523	100%	OA135	Normal price	OA30 to OA135	(550,552)	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 six months ended June 30, 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	DFH	Parent-Subsidiary	504,528	0.23	-	-	-	-	-
The Company	DFQ	Parent-Subsidiary	203,984	0.31	-	-	-	-	-
The Company	DFA	Parent-Subsidiary	271,037	1.83	-	-	-	-	-
The Company	DTC	Parent-Subsidiary	239,113	2.87	-	-	-	-	-
DFS	DFH	Affiliates	110,911	2.15	10,568	-	-	-	-
DFS	DET	Affiliates	317,101	1.74	41,713	-	-	-	-
DFS	The Company	Parent-Subsidiary	1,422,344	1.15	22,312	-	16,692	-	-
DFH	The Company	Parent-Subsidiary	3,036,195	2.08	779,850	-	400,245	-	-
DFQ	The Company	Parent-Subsidiary	1,468,187	2.85	143,074	-	226,074	-	-
DTC	Dfeu	Affiliates	550,552	2.11	-	-	-	-	-
KST	KSG	Parent-Subsidiary	548,054	0.03	-	-	-	-	-
KST	KSV	Parent-Subsidiary	127,630	1.08	-	-	-	-	-
DFS	DFQ	Affiliates	254,635	Note 1	-	-	-	-	-
DPS	DFQ	Affiliates	129,252	Note 1	-	-	-	-	-
KST	KSV	Parent-Subsidiary	244,690	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 six months ended June 30, 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	217,117	OA135	2%
0	The Company	DTC	1	Sales	236,965	OA135	2%
0	The Company	DFH	1	Accounts receivable	504,528	OA180	1%
1	DFS	DET	3	Sales	269,798	OA180	2%
1	DFS	The Company	2	Sales	773,579	OA90 to OA180	6%
1	DFS	The Company	2	Accounts receivable	1,422,344	OA90 to OA180	4%
2	DFH	The Company	2	Sales	2,818,789	OA90 to OA180	22%
2	DFH	The Company	2	Accounts receivable	3,036,195	OA90 to OA180	8%
3	DFQ	The Company	2	Sales	1,610,146	OA90 to OA180	12%
3	DFQ	The Company	2	Accounts receivable	1,468,187	OA90 to OA180	4%
4	KST	KSG	1	Accounts receivable	548,054	Individual Stipulation	1%
5	DTC	DFeu	3	Sales	436,523	OA135	3%
5	DTC	DFeu	3	Accounts receivable	550,552	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 six months ended June 30, 2023**

**Table 9**

(in thousands of NTD / shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2023			Net Income or Loss of the Investee	Investment Income or Loss	Note
				June 30, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
The Company	DFBVI	BVI	Investment holding	317,103	317,103	31,450	100.00%	1,939,250	81,115	81,115	The Company's subsidiary
The Company	DFLB	Malaysia	Investment holding	2,633,584	2,633,584	77,989	100.00%	5,905,330	270,038	270,038	The Company's subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	6,969	6,969	2,772	100.00%	27,382	(414)	(414)	The Company's subsidiary
The Company	DZL	Taiwan	Investment holding	550,000	550,000	55,910	100.00%	735,884	11,458	11,458	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%	344,782	32,741	18,288	The Company's subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	9,776	(12,536)	(12,536)	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%	829,607	93,583	29,439	The Company's subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related components	919,940	819,960	32,466	57.24%	926,571	1,213	(3,333)	The Company's subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	598,558	292,558	-	100.00%	563,508	(18,716)	(18,716)	The Company's subsidiary
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	407,809	26,410	62.75%	454,544	14,381	8,279	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%	1,357,159	228,699	92,437	The Company's subsidiary
The Company	DET	Taiwan	Manufacturing and wholesale of batteries and electric components	421,800	421,800	25,308	85.85%	533,992	56,057	48,581	The Company's subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related components	77,138	77,138	6,398	13.47%	83,349	32,741	-	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%	215,995	93,583	-	The Company's subsidiary

(Continued)

**DARFON ELECTRONICS CORP. AND SUBSIDIARIES**  
**Information on investees (excluding investments in Mainland China)**  
**For the six months ended June 30, 2023**

**Table 9** (in thousands of NTD / shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2023			Net Income or Loss of the Investee	Investment Income or Loss	Note
				June 30, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
DZL	KST	Taiwan	Manufacture and trading of bicycles and related components	74,429	-	3,100	5.47%	74,897	1,213	-	The Company's subsidiary
UTC	UTI	Mauritius	Investment holding	29,756	29,756	968	100.00%	7,907	(3,974)	-	The Company's indirect subsidiary
KST	KSG	Germany	Assemble and sale of bicycles	361,371	361,371	-	100.00%	142,651	(3,545)	-	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%	89,786	362	-	The Company's indirect subsidiary
KST	KSV	Vietnam	Manufacture and trading of bicycles and related components	596,554	475,406	-	100.00%	400,896	(30,688)	-	The Company's indirect subsidiary
DFLB	DFC	Czech Republic	Trading of electronic products	94,514	94,514	-	100.00%	220,838	19,851	-	The Company's indirect subsidiary
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	48,721	(772)	-	The Company's indirect subsidiary
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	1,708	214	-	The Company's indirect subsidiary
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	455,280	4,402	-	The Company's indirect subsidiary
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	4,538	(49)	-	The Company's indirect subsidiary
DTC	BESVJ	Japan	Trading of green products	43,793	43,793	3	49.00%	26,849	(3,757)	-	Joint ventures
DTC	IOC	Hong Kong	Agent of bicycles and related components	148,235	148,235	19,000	76.00%	162,466	(5,543)	-	The Company's indirect subsidiary
ATC	Rich Glory International Inc.	Samoa	Investment holding	35,107	35,107	1,241	33.33%	48,597	(312)	-	Associate
ATC	ATB	BVI	Investment holding	577,385	577,385	3	100.00%	618,138	13,536	-	The Company's indirect subsidiary
ATB	ATV	Vietnam	Manufacture and trading of bicycles and related components	872,463	872,463	-	100.00%	618,138	13,536	-	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 six months ended June 30, 2023**

**Table 10**

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

(In thousands of NTD and foreign currencies)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2023	Investment Flows during this Period		Accumulated Outflow of Investment from Taiwan as of June 30, 2023	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value of June 30, 2023	Accumulated Inward Remittance of Earnings as of June 30, 2023
					Outflow	Inflow						
DFS	Manufacture and sale of the Company's products	862,248 (USD 27,725) (Note 4)	(Note 1)	727,740 (USD 23,400)	-	-	727,740 (USD 23,400)	158,719	100.00%	158,719 (Note 3)	3,693,742	252,470 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,523,900 (USD 49,000)	(Note 1)	1,523,900 (USD 49,000)	-	-	1,523,900 (USD 49,000)	119,766	100.00%	119,766 (Note 3)	2,548,975	-
DPS	Mold development and manufacture	31,100 (USD 1,000)	(Note 1)	31,100 (USD 1,000)	-	-	31,100 (USD 1,000)	4,465	100.00%	4,465 (Note 2)	452,596	-
DFQ	Manufacture and sale of the Company's products	466,500 (USD 15,000) (Note 7)	(Note 1)	311,000 (USD 10,000)	-	-	311,000 (USD 10,000)	48,383	100.00%	48,383 (Note 3)	872,432	-
DES	Manufacturing and wholesale of batteries and electric components	31,100 (USD 1,000)	((Note 6)	-	31,100 (USD 1,000)	-	31,100 (USD 1,000)	(5,199)	100.00%	(5,199) (Note 2)	23,797	-
UTZ	Wireless antennas for telecommunication, components design and marketing	28,146 (USD 905)	(Note 1)	28,146 (USD 905)	-	-	28,146 (USD 905)	(3,978)	100.00%	(3,978) (Note 3)	7,082	-
ISC	Agent of bicycles and related components	7,939 (HKD 2,000)	(Note 5)	-	-	-	-	(6,418)	76.00%	(4,878) (Note 2)	2,948	-

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.

Note 7: Including US\$5,000 thousand from capitalization of retained earnings.

2. Limits on investments in Mainland China:

<b>Investor Company Name</b>	<b>Accumulated Investment in Mainland China as of June 30, 2023</b>	<b>Investment Amounts Authorized by Investment Commission, MOEA</b>	<b>Upper Limit on Investment Authorized by Investment Commission, MOEA</b>
The Company	2,341,270 (USD 75,282)	2,600,178 (USD 83,607)	(Note)
DET	31,100 (USD 1,000)	155,500 (USD 5,000)	373,203
UTC	28,146 (USD 905)	45,779 (USD 1,472)	959,626
DTC	-	6,034 (HKD 1,520)	371,266

The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$31.1 and HKD\$1=NT\$3.9697 as of June 30, 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 six months ended June 30, 2023, please refer to “Information on significant transactions”.