

**DARFON ELECTRONICS CORP. AND
SUBSIDIARIES**

Consolidated Financial Statements

With Independent Auditors' Review Report

For the Nine Months Ended September 30, 2023 and 2022

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

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Independent Auditors' Review Report

To the Board of Directors of Darfon Electronics Corp.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Darfon Electronics Corp. and its subsidiaries (“the Company”) as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income and loss from the three months ended September 30, 2023 and 2022 and from the nine months ended September 30, 2023 and 2022, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 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 \$10,482,522 thousand and \$10,345,591 thousand, constituting 28.13% and 30.13% of the consolidated total assets; and the total liabilities amounting to \$4,577,260 thousand and \$6,390,115 thousand, constituting 21.32% and 30.47% of the consolidated total liabilities as of September 30, 2023 and 2022, respectively; as well as the total comprehensive income (loss) for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 were \$(106,078) thousand, \$122,450 thousand, \$(53,766) thousand, and \$77,740 thousand, constituting (7.64)%, 17.90%, (1.84)%, and 4.90%, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have influenced by the financial statements of certain investee companies described in the Basis for Qualified Conclusion paragraph which were not reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Darfon and its subsidiaries as of September 30, 2023 and 2022, and the consolidated financial performance and the consolidated cash flows for the three months ended September 30, 2023 and 2022 and for the nine months ended September 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
November 2, 2023

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2023, December 31, 2022 and September 30, 2022

(Expressed in thousands of New Taiwan dollars)

	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6(a))	\$ 5,422,494	15	3,368,030	10	2,491,838	8
1110 Financial assets at fair value through profit or loss—current (note 6(b))	1,742,524	5	399,052	1	423,435	1
1120 Financial assets at fair value through other comprehensive income—current (note 6(c))	553,777	1	349,051	1	336,627	1
1136 Financial assets at amortized cost—current (notes 6(d) and 8)	216,100	1	216,100	1	8,100	-
1170 Notes and accounts receivable, net (notes 6(e) and (y))	8,289,220	22	7,239,712	21	8,293,460	24
1180 Accounts receivable from related parties (notes 6(e) 、(y) and 7)	138,180	-	124,337	-	151,163	1
1200 Other receivables (note 6(e) and (g))	121,493	-	163,652	-	42,461	-
130X Inventories (note 6(f))	6,891,048	18	8,288,403	25	8,651,678	25
1460 Non-current assets held for sale (note 6(g))	-	-	921,812	3	-	-
1470 Prepayments and other current assets	636,248	2	621,216	2	1,095,099	3
Total current assets	24,011,084	64	21,691,365	64	21,493,861	63
Non-current assets:						
1517 Financial assets at fair value through other comprehensive income—non-current (note 6(c))	1,779,704	5	1,122,031	3	1,080,179	3
1535 Financial assets at amortized cost—non-current (notes 6(d) and 8)	810	-	1,102	-	1,084	-
1550 Investments accounted for using equity method (note 6(h))	68,172	-	75,245	-	66,749	-
1600 Property, plant and equipment (notes 6(k) and 8)	9,161,133	25	8,154,487	24	8,828,267	26
1755 Right-of-use assets (notes 6(l) and 7)	867,716	2	902,245	3	993,954	3
1760 Investment property, net (note 6(m))	-	-	-	-	61,941	-
1780 Intangible assets (note 6(n))	724,283	2	935,704	3	950,076	3
1840 Deferred income tax assets	214,813	1	211,570	1	165,411	-
1915 Prepayments for equipment	158,957	-	263,504	1	430,824	1
1920 Refundable deposits	55,854	-	42,549	-	40,792	-
1975 Net defined benefit asset—non-current	-	-	18,521	-	17,076	-
1990 Other non-current assets (notes 6(l))	225,144	1	218,864	1	210,652	1
Total non-current assets	13,256,586	36	11,945,822	36	12,847,005	37
Total assets	\$ 37,267,670	100	33,637,187	100	34,340,866	100

(Continued)

(See accompanying notes to the consolidated financial statements)

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2023, December 31, 2022 and September 30, 2022

(Expressed in thousands of New Taiwan dollars)

	September 30, 2023		December 31, 2022		September 30, 2022		
	Amount	%	Amount	%	Amount	%	
Liabilities and Equity							
Current liabilities:							
2100	Short-term borrowings (notes 6(o) and 8)	\$ 5,967,388	16	5,786,396	17	5,897,523	17
2110	Short-term notes and bills payable (note 6(p))	229,602	1	99,584	-	-	-
2120	Financial liabilities at fair value through profit or loss – current (note 6(b))	8,224	-	662	-	13,742	-
2170	Notes and accounts payable (note 7)	4,443,547	12	4,160,462	12	5,488,869	16
2200	Other payables (notes 6(z) and 7)	4,230,716	11	3,685,281	11	3,436,702	10
2250	Provisions – current (note 6(s))	121,247	-	132,692	1	128,091	1
2280	Lease liabilities – current (notes 6(r) and 7)	105,137	-	113,214	-	118,789	-
2322	Current portion of long-term debt (notes 6(q) and 8)	229,080	1	96,095	-	24,081	-
2399	Other non-current liabilities (notes 6(y))	<u>961,529</u>	<u>3</u>	<u>538,947</u>	<u>2</u>	<u>892,504</u>	<u>3</u>
	Total current liabilities	<u>16,296,470</u>	<u>44</u>	<u>14,613,333</u>	<u>43</u>	<u>16,000,301</u>	<u>47</u>
Non-current liabilities:							
2540	Long-term debt (notes 6(q) and 8)	4,675,241	13	4,587,713	14	4,389,059	13
2570	Deferred income tax liabilities	143,309	-	163,453	1	158,732	-
2580	Lease liabilities – non-current (notes 6(r) and 7)	166,977	1	174,506	1	195,735	1
2640	Net defined benefit liabilities – non-current	26,947	-	33,687	-	62,048	-
2670	Other non-current liabilities	<u>161,180</u>	<u>-</u>	<u>161,774</u>	<u>-</u>	<u>162,907</u>	<u>-</u>
	Total non-current liabilities	<u>5,173,654</u>	<u>14</u>	<u>5,121,133</u>	<u>16</u>	<u>4,968,481</u>	<u>14</u>
	Total liabilities	<u>21,470,124</u>	<u>58</u>	<u>19,734,466</u>	<u>59</u>	<u>20,968,782</u>	<u>61</u>
Equity attributable to shareholders of the Company (notes 6(i) and (v)):							
3110	Common stock	<u>2,800,000</u>	<u>8</u>	<u>2,800,000</u>	<u>8</u>	<u>2,800,000</u>	<u>8</u>
3200	Capital surplus	<u>4,136,729</u>	<u>11</u>	<u>4,116,058</u>	<u>12</u>	<u>4,099,778</u>	<u>12</u>
Retained earnings:							
3310	Legal reserve	1,350,849	3	1,234,562	4	1,234,562	4
3320	Special reserve	56,317	-	422,523	1	422,523	1
3350	Unappropriated earnings	<u>2,852,997</u>	<u>8</u>	<u>1,997,724</u>	<u>6</u>	<u>1,708,262</u>	<u>5</u>
		<u>4,260,163</u>	<u>11</u>	<u>3,654,809</u>	<u>11</u>	<u>3,365,347</u>	<u>10</u>
Other equity							
3410	Foreign currency translation differences	63,030	-	(297,877)	(1)	(114,441)	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	1,073,565	3	257,193	1	201,503	-
3445	Remeasurements of defined benefit plans	<u>(15,632)</u>	<u>-</u>	<u>(15,632)</u>	<u>-</u>	<u>(36,993)</u>	<u>-</u>
		<u>1,120,963</u>	<u>3</u>	<u>(56,316)</u>	<u>-</u>	<u>50,069</u>	<u>-</u>
3500	Treasury stock	<u>(44,571)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Equity attributable to shareholders of the Company	<u>12,273,284</u>	<u>33</u>	<u>10,514,551</u>	<u>31</u>	<u>10,315,194</u>	<u>30</u>
36XX	Non-controlling interests (notes 6(j) and (v))	<u>3,524,262</u>	<u>9</u>	<u>3,388,170</u>	<u>10</u>	<u>3,056,890</u>	<u>9</u>
	Total equity	<u>15,797,546</u>	<u>42</u>	<u>13,902,721</u>	<u>41</u>	<u>13,372,084</u>	<u>39</u>
	Total liabilities and equity	<u>\$ 37,267,670</u>	<u>100</u>	<u>33,637,187</u>	<u>100</u>	<u>34,340,866</u>	<u>100</u>

(See accompanying notes to the consolidated financial statements)

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Three and Nine Months Ended September 30, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	For the three months ended September 30,				For the nine months ended September 30,				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Net sales (notes 6(y) & 7 and 14)	\$ 6,843,507	100	7,572,485	100	19,732,706	100	22,741,502	100
5000	Cost of sales (notes 6(f), (k), (l), (n), (r), (t) & (z) 7 and 12)	(5,662,376)	(83)	(6,290,766)	(83)	(16,256,301)	(82)	(18,908,070)	(83)
	Gross profit	<u>1,181,131</u>	<u>17</u>	<u>1,281,719</u>	<u>17</u>	<u>3,476,405</u>	<u>18</u>	<u>3,833,432</u>	<u>17</u>
	Operating expenses (notes 6(e), (k), (l), (n), (r), (t), (x) & (z), 7 and 12):								
6100	Selling expenses	(366,643)	(5)	(357,794)	(5)	(995,934)	(5)	(1,072,658)	(5)
6200	Administrative expenses	(311,436)	(5)	(257,019)	(3)	(817,570)	(5)	(754,676)	(3)
6300	Research and development expenses	(301,845)	(4)	(248,704)	(3)	(797,054)	(4)	(759,503)	(4)
6000	Total operating expenses	<u>(979,924)</u>	<u>(14)</u>	<u>(863,517)</u>	<u>(11)</u>	<u>(2,610,558)</u>	<u>(14)</u>	<u>(2,586,837)</u>	<u>(12)</u>
	Operating income	<u>201,207</u>	<u>3</u>	<u>418,202</u>	<u>6</u>	<u>865,847</u>	<u>4</u>	<u>1,246,595</u>	<u>5</u>
	Non-operating income and loss (notes 6(g), (p) & (x), 7 and 12):								
7100	Interest income	19,374	-	3,017	-	49,990	-	7,986	-
7010	Other income	131,819	2	150,107	2	170,676	1	193,420	1
7020	Other gains and losses	1,700,836	25	27,396	-	1,795,092	9	73,638	-
7050	Finance costs	(74,009)	(1)	(48,165)	(1)	(214,546)	(1)	(110,534)	-
7060	Share of profit (loss) of associates and joint ventures	(398)	-	93	-	(4,343)	-	(3,414)	-
	Total non-operating income and loss	<u>1,777,622</u>	<u>26</u>	<u>132,448</u>	<u>1</u>	<u>1,796,869</u>	<u>9</u>	<u>161,096</u>	<u>1</u>
7900	Income before income tax	<u>1,978,829</u>	<u>29</u>	<u>550,650</u>	<u>7</u>	<u>2,662,716</u>	<u>13</u>	<u>1,407,691</u>	<u>6</u>
7950	Income tax expenses (note 6(u))	<u>(824,789)</u>	<u>(12)</u>	<u>(118,990)</u>	<u>(1)</u>	<u>(969,972)</u>	<u>(4)</u>	<u>(312,505)</u>	<u>(1)</u>
8200	Net income	<u>1,154,040</u>	<u>17</u>	<u>431,660</u>	<u>6</u>	<u>1,692,744</u>	<u>9</u>	<u>1,095,186</u>	<u>5</u>
	Other comprehensive income (loss) (notes 6(h) & (v)):								
8310	Items that will not be reclassified subsequently to profit or loss								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(61,048)	(1)	(79,308)	(1)	862,399	4	(176,680)	(1)
8320	Share of profit (loss) of associates and joint ventures accounted for using equity method	(8,626)	-	(6,089)	-	(1,804)	-	(24,037)	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
		<u>(69,674)</u>	<u>(1)</u>	<u>(85,397)</u>	<u>(1)</u>	<u>860,595</u>	<u>4</u>	<u>(200,717)</u>	<u>(1)</u>
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign operations	302,534	4	333,910	4	375,250	2	690,958	3
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method	1,751	-	3,718	-	(925)	-	2,711	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
		<u>304,285</u>	<u>4</u>	<u>337,628</u>	<u>4</u>	<u>374,325</u>	<u>2</u>	<u>693,669</u>	<u>3</u>
	Other comprehensive income (loss) for the year, net of income tax	<u>234,611</u>	<u>3</u>	<u>252,231</u>	<u>3</u>	<u>1,234,920</u>	<u>6</u>	<u>492,952</u>	<u>2</u>
8500	Total comprehensive income for the year	<u>\$ 1,388,651</u>	<u>20</u>	<u>683,891</u>	<u>9</u>	<u>2,927,664</u>	<u>15</u>	<u>1,588,138</u>	<u>7</u>
	Net income attributable to:								
8610	Shareholders of the Company	\$ 1,074,430	16	338,673	5	1,445,354	8	873,406	4
8620	Non-controlling interests	79,610	1	92,987	1	247,390	1	221,780	1
		<u>\$ 1,154,040</u>	<u>17</u>	<u>431,660</u>	<u>6</u>	<u>1,692,744</u>	<u>9</u>	<u>1,095,186</u>	<u>5</u>
	Total comprehensive income attributable to:								
8710	Shareholders of the Company	\$ 1,312,357	19	571,315	8	2,622,633	13	1,345,998	6
8720	Non-controlling interests	76,294	1	112,576	1	305,031	2	242,140	1
		<u>\$ 1,388,651</u>	<u>20</u>	<u>683,891</u>	<u>9</u>	<u>2,927,664</u>	<u>15</u>	<u>1,588,138</u>	<u>7</u>
	Earnings per share (in New Taiwan dollars) (note 6(w))								
9750	Basic earnings per share	<u>\$ 3.86</u>		<u>1.21</u>		<u>5.17</u>		<u>3.12</u>	
9850	Diluted earnings per share	<u>\$ 3.79</u>		<u>1.20</u>		<u>5.06</u>		<u>3.08</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 Nine Months Ended September 30, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the Company													
	Retained earnings						Other equity				Treasury stock	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated earnings	Subtotal	Foreign currency Translation Differences	Unrealized gains (losses) from financial asset at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal				
Balance at January 1, 2022	\$ 2,800,000	4,132,767	1,116,990	386,607	1,828,344	3,331,941	(765,143)	379,613	(36,993)	(422,523)	-	9,842,185	2,879,152	12,721,337
Net income	-	-	-	-	873,406	873,406	-	-	-	-	-	873,406	221,780	1,095,186
Other comprehensive income	-	-	-	-	-	-	650,702	(178,110)	-	472,592	-	472,592	20,360	492,952
Total comprehensive income	-	-	-	-	873,406	873,406	650,702	(178,110)	-	472,592	-	1,345,998	242,140	1,588,138
Appropriation of earnings:														
Legal reserve	-	-	117,572	-	(117,572)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	35,916	(35,916)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(840,000)	(840,000)	-	-	-	-	-	(840,000)	-	(840,000)
Acquisition of subsidiary's partial interest	-	-	-	-	-	-	-	-	-	-	-	-	(180)	(180)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(39,328)	-	-	-	-	-	-	-	-	-	(39,328)	(46,597)	(85,925)
Changes in ownership interests in subsidiaries	-	6,339	-	-	-	-	-	-	-	-	-	6,339	(6,339)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	2,470	2,470
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	163,535	163,535
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(177,291)	(177,291)
Balance at September 30, 2022	<u>\$ 2,800,000</u>	<u>4,099,778</u>	<u>1,234,562</u>	<u>422,523</u>	<u>1,708,262</u>	<u>3,365,347</u>	<u>(114,441)</u>	<u>201,503</u>	<u>(36,993)</u>	<u>50,069</u>	<u>-</u>	<u>10,315,194</u>	<u>3,056,890</u>	<u>13,372,084</u>
Balance at January 1, 2023	\$ 2,800,000	4,116,058	1,234,562	422,523	1,997,724	3,654,809	(297,877)	257,193	(15,632)	(56,316)	-	10,514,551	3,388,170	13,902,721
Net income	-	-	-	-	1,445,354	1,445,354	-	-	-	-	-	1,445,354	247,390	1,692,744
Other comprehensive income	-	-	-	-	-	-	360,907	816,372	-	1,177,279	-	1,177,279	57,641	1,234,920
Total comprehensive income	-	-	-	-	1,445,354	1,445,354	360,907	816,372	-	1,177,279	-	2,622,633	305,031	2,927,664
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)
Dividends distributed to subsidiaries to adjust capital reserves	-	2,875	-	-	-	-	-	-	-	-	-	2,875	-	2,875
Acquisition of subsidiary's partial interest	-	-	-	-	-	-	-	-	-	-	-	-	(600)	(600)
Changes in ownership interests in subsidiaries	-	17,796	-	-	-	-	-	-	-	-	-	17,796	(17,796)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	323	323
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	182,523	182,523
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(282,620)	(282,620)
Balance at September 30, 2023	<u>\$ 2,800,000</u>	<u>4,136,729</u>	<u>1,350,849</u>	<u>56,317</u>	<u>2,852,997</u>	<u>4,260,163</u>	<u>63,030</u>	<u>1,073,565</u>	<u>(15,632)</u>	<u>1,120,963</u>	<u>(44,571)</u>	<u>12,273,284</u>	<u>3,524,262</u>	<u>15,797,546</u>

(See accompanying notes to the consolidated financial statements)

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

Consolidated Statements of Cash Flows

For the Nine Months Ended September 30, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	For the nine months ended September 30,	
	2023	2022
Cash flows from operating activities:		
Income before income tax	\$ 2,662,716	1,407,691
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation	795,978	838,505
Amortization	84,383	80,063
Expected credit loss	34,556	13,269
Interest expense	214,546	110,534
Interest income	(49,990)	(7,986)
Dividends earned	(107,709)	(130,069)
Share of losses of associated and joint ventures	4,343	3,414
Stock option compensation cost of subsidiaries	323	2,470
Losses (gains) on disposal of property, plant and equipment	(17,641)	357
Impairment losses on non-financial assets	133,924	-
Disposal of interests in non-current assets held for sale	(1,420,217)	-
Gains on lease modification	(1,414)	(1,116)
Total adjustments to reconcile profit or loss	(328,918)	909,441
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets mandatorily measured at fair value through profit or loss	1,359	(18)
Notes and accounts receivable	(1,084,064)	(582,866)
Accounts receivable from related parties	(13,843)	(13,892)
Other receivables	42,437	1,763
Inventories	1,397,355	(112,843)
Prepayments and other current assets	3,489	(238,863)
Total changes in operating assets	346,733	(946,719)
Changes in operating liabilities:		
Financial liabilities held for trading	7,562	13,719
Notes and accounts payable	283,085	(1,195,340)
Other payables	39,484	(43,889)
Provisions	(11,445)	17,375
Other current liabilities	422,582	177,301
Net defined benefit liabilities	(6,740)	(3,329)
Total changes in operating liabilities	734,528	(1,034,163)
Total changes in operating assets and liabilities	1,081,261	(1,980,882)
Total adjustments	752,343	(1,071,441)
Cash provided by operations	3,415,059	336,250
Interest received	49,712	7,972
Interest paid	(216,123)	(105,060)
Income taxes paid	(408,168)	(353,807)
Net cash provided by operating activities	2,840,480	(114,645)

(Continued)

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

Consolidated Statements of Cash Flows

For the Nine Months Ended September 30, 2023 and 2022

(Expressed in thousands of New Taiwan dollars)

	For the nine months ended September 30,	
	2023	2022
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(108,391)
Acquisition of amortized cost financial assets	-	(6,463)
Proceeds from disposal of amortized cost financial assets	292	1,189
Acquisition of financial assets at fair value through profit or loss	(4,183,705)	(788,813)
Proceeds from disposal of financial assets at fair value through profit or loss	2,843,439	1,035,317
Additions to investments accounted for using equity method	-	(17,103)
Disposal of interests in non-current assets held for sale	2,340,737	-
Additions to property, plant and equipment (including prepayments for land and equipment)	(1,436,052)	(1,466,099)
Proceeds from disposal of property, plant and equipment	44,452	10,634
Acquisition of investment real estate	-	(137)
Increase in refundable deposits	(13,305)	(831)
Additions to intangible assets	(6,620)	(10,990)
(Increase) decrease in other non-current assets	(6,413)	4,582
Dividends received	107,709	130,069
Net cash flows used in investing activities	(309,466)	(1,217,036)
Cash flows from financing activities:		
Increase in short-term borrowings	15,787,772	27,975,274
Decrease in short-term borrowings	(15,638,691)	(27,199,418)
Increase in short-term notes and bills payable	130,018	-
Increase in long-term debt	294,028	2,304,000
Payment of lease liabilities	(80,850)	(1,533,254)
Decrease in guarantee deposits received	(476)	(86,583)
Repayments of lease liabilities	(94,089)	(93,312)
Increase (decrease) in other non-current liabilities	(118)	447
Payment of cash dividends	(837,125)	(840,000)
Cost of treasury stock repurchase	(95,340)	-
Decrease in non-controlling interests	-	(85,925)
Distribution of dividends by subsidiaries to non-controlling interests	(282,620)	(177,291)
Acquisition of subsidiary's partial equities	(600)	(180)
Capital injection from non-controlling interests	182,523	163,535
Net cash provided by (used in) financing activities	(635,568)	427,293
Effects of exchange rate changes	159,018	351,023
Net increase (decrease) in cash and cash equivalents	2,054,464	(553,365)
Cash and cash equivalents at beginning of year	3,368,030	3,045,203
Cash and cash equivalents at end of year	\$ 5,422,494	2,491,838

(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

For the Nine Months Ended September 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 November 2, 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”

The Group has started to apply the following newly revised International Financial Reporting Standards since May 23, 2023, and has not had a significant impact on the consolidated financial report.

- Amendments to IAS 12 “International Tax Reform Pillar 2 Rules Model”

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

The Group’s assessment will be subject to the following newly revised IFRS that took effect on January 1, 2024, and will not have a significant impact on the consolidated financial report.

- Amendment to IAS 1 “Classification of Liabilities as Current or Non-Current”
- Amendments to IAS 1 “Non-current liabilities with contractual terms”
- Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”
- Amendments to IFRS 16 “Lease Liabilities in Sale and Leaseback”

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) The newly issued and revised standards and interpretations not yet approved by the FSC

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17
- IAS 21 “Lack of Convertibility”

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 consolidation

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
			September 30, 2023	December 31, 2022	September 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	71.64%	87.00%	100.00%	Note 1
DET	Suzhou Darfon Energy Technology Co., Ltd (DES)	Manufacture and sale of bicycles and related components	71.64%	-	-	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%	46.75%	-
UTC	Unicom Technologies, Inc. (UTI)	Investment holding	46.75%	46.75%	46.75%	-

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Investee	Main Business	Percentage of Ownership			Notes
			September 30, 2023	December 31, 2022	September 30, 2022	
UTI	Unictron Technologies Corporation (Shenzhen) Co., Ltd. (UTC)	Sale, design and marketing of wireless antennas for telecommunication and modules	46.75%	46.75%	46.75%	-
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%	-
The Company	Darfon Electronics (Thailand) Co, Ltd (DFT)	Manufacture of electronic components	100.00%	-	-	Note 1 and 2

Note 1: It is a non-important subsidiary, and its financial statements for the third quarter of 2023 and 2022 have not been reviewed by accountants.

Note 2: It is a newly established subsidiary in 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: It is a newly established subsidiary in 2022.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Employee benefits

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

(d) Income taxes

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

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

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

(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.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(a) Cash and cash equivalents

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand	\$ 6,996	7,453	5,584
Demand deposits and checking accounts	3,514,987	2,310,913	1,521,310
Time deposits with original maturities less than three months	1,897,309	1,045,469	963,227
Cash equivalents	3,202	4,195	1,717
	\$ 5,422,494	3,368,030	2,491,838

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

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	\$ -	1,098	-
Foreign exchange swaps	-	261	-
Non-derivative financial assets:			
Open-end mutual funds	30,522	30,252	50,300
Structured deposits	1,712,002	367,441	373,135
	\$ 1,742,524	399,052	423,435
Financial liabilities held for trading:			
Derivative instruments not designated for hedge accounting:			
Foreign currency forward contracts	\$ (8,224)	(662)	(13,742)

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:

September 30, 2023			
	Contract amount (in thousands)	Currency	Maturity Period
Foreign currency forward contracts	USD\$ 11,892	NTD Buy / USD Sell	2023.11 ~ 2024.01

(Continued)

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

December 31, 2022			
	Contract amount (in thousands)	Currency	Maturity Period
Foreign currency forward contracts	USD\$ <u>5,000</u>	CNY Buy / USD Sell	2023.01
Foreign currency forward contracts	USD\$ <u>3,886</u>	NTD Buy / USD Sell	2023.01 ~ 2023.03
Foreign currency forward contracts	USD\$ <u>750</u>	JPY Buy/USD Sell	2023.03
Foreign exchange swaps	USD\$ <u>3,719</u>	USD Swap in / TWD Swap out	2023.02 ~ 2023.03
September 30, 2022			
	Contract amount (in thousands)	Currency	Maturity Period
Foreign currency forward contracts	JPY\$ <u>530,000</u>	JPY Buy/USD Sell	2022.10~2022.11
Foreign currency forward contracts	USD\$ <u>2,000</u>	USD Buy / NTD Sell	2022.10
Foreign currency forward contracts	USD\$ <u>5,207</u>	NTD Buy / USD Sell	2023.01

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

	September 30, 2023	December 31, 2022	September 30, 2022
Equity investments at fair value through other comprehensive income:			
Domestic listed stocks	<u>\$ 2,333,481</u>	<u>1,471,082</u>	<u>1,416,806</u>
Current	\$ 553,777	349,051	336,627
Non-current	<u>1,779,704</u>	<u>1,122,031</u>	<u>1,080,179</u>
	<u>\$ 2,333,481</u>	<u>1,471,082</u>	<u>1,416,806</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 nine months ended September 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.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Financial assets at amortized costs

	September 30, 2023	December 31, 2022	September 30, 2022
Current:			
Time deposits with original maturities more than 3 months	\$ 215,500	215,000	-
Restricted deposits	600	1,100	8,100
	\$ 216,100	216,100	8,100
Non-current:			
Restricted deposits	\$ 810	1,102	1,084

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

(e) Notes and accounts receivable

	September 30, 2023	December 31, 2022	September 30, 2022
Notes and accounts receivable	\$ 8,400,349	7,322,361	8,362,714
Accounts receivable from related parties	138,180	124,337	151,163
	8,538,529	7,446,698	8,513,877
Less: loss allowance	(111,129)	(82,649)	(69,254)
	\$ 8,427,400	7,364,049	8,444,623

- 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:

	September 30, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance
Current	\$ 7,433,900	0.30%	22,009
Past due 1-30 days	885,860	2.28%	20,181
Past due 31-60 days	111,183	5.02%	5,578
Past due 61-90 days	51,623	24.54%	12,669
Past due 91-120 days	8,501	38.00%	3,230
Past due over 121 days	47,462	100.00%	47,462
	\$ 8,538,529		111,129

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

	For the nine months ended September 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 September 30	\$ 100,391	70,181

- 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:

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2023						
Underwriting bank	Factored amount	Unpaid advance amount	Advanced amount	Amount recognized in other receivables	Range of interest rates	Collateral
Taipei Fubon Bank	<u>\$ 66,058</u>	<u>66,058</u>	<u>-</u>	<u>66,058</u>	-	-

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

(f) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 3,185,769	4,454,602	4,932,301
Work in process	1,263,222	1,425,325	1,645,804
Finished goods and merchandise	2,442,057	2,408,476	2,073,573
	<u>\$ 6,891,048</u>	<u>8,288,403</u>	<u>8,651,678</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Cost of inventories sold	\$ 5,420,269	6,112,083	15,767,489	18,558,095
Write-downs of inventories	242,107	133,243	328,814	218,178
Losses on scrap	-	45,440	159,998	131,797
	<u>\$ 5,662,376</u>	<u>6,290,766</u>	<u>16,256,301</u>	<u>18,908,070</u>

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

(g) Non-current assets held for sale

In December 2022, the Board of Directors of DFS approved a resolution to dispose its land use rights and buildings located at No. 99, Zhuyuan Road, Suzhou New District, Suzhou City in Mainland China. On December 21, 2022, DFS entered into an agreement with Management Committee of Suzhou High-tech Industrial Development Zone and Suzhou High-tech Zone (Huqiu District) Land Reserve Center, with a total purchase price of CNY\$710,820 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:

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31,
	2022
Property, plant and equipment	867,308
Right-of-use assets	54,504
	921,812

The above-mentioned transaction was disposed of in the third quarter of 2023, with a total amount of approximately \$3,087,684 thousand, including \$2,340,737 thousand for the disposal of land use rights and house prices, \$746,947 thousand for various compensations for factory relocation, after deducting \$920,520 thousand for the book value of non-current assets to be sold and \$405,085 thousand for various expenses and losses related to factory relocation, respectively. The disposal benefits of non-current assets to be sold amounting to \$1,420,217 thousand and the net benefits of compensation for factory relocation amounting to \$341,862 thousand are respectively recognized and reported under "Other benefits and losses". Please refer to Note 6 (27) for details. In addition, as of September 30, 2023, the uncollected amount was \$7,989 thousand, which was recorded under other accounts receivables.

(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:

	September 30,	December 31,	September 30,
	2023	2022	2022
Carrying amounts of joint ventures	\$ 25,48	33,826	33,438
Carrying amounts of associates	42,69	41,419	33,311
	\$ 68,17	75,245	66,749

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Attributable to the Group of joint ventures:				
Net income (loss)	\$ (1,628)	(446)	(5,469)	(3,833)
Other comprehensive income (loss)	262	351	(2,875)	(3,166)
Total comprehensive	\$ (1,366)	(95)	(8,344)	(6,999)
Attributable to the Group of associates:				
Net income (loss)	\$ 1,230	539	1,126	419
Other comprehensive income (loss)	(7,137)	(2,722)	146	(18,160)
Total comprehensive	\$ (5,907)	(2,183)	1,272	(17,741)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

UTC purchased treasury shares back from the open market for \$85,925 thousand in cash from July to August 2022, resulting in an increase in the proportion of equity held by the Group.

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.

In August 2023, DET's employees exercised stock options, resulting in a reduction in the proportion of equity held by the Group.

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 September 30, 2023 and 2022, to \$17,796 thousand and \$6,339 thousand, respectively.

(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		
		September 30, 2023	December 31, 2022	September 30, 2022
KST	Taiwan	37.29%	41.46%	41.46%
UTC	Taiwan	53.25%	53.25%	53.25%
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.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

i. The summarized financial information of KST:

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 3,831,047	4,304,320	4,911,478
Non-current assets	773,234	945,602	949,125
Current liabilities	(3,063,565)	(3,807,678)	(4,371,367)
Non-current liabilities	(160,563)	(134,685)	(174,058)
Net assets	<u>\$ 1,380,153</u>	<u>1,307,559</u>	<u>1,315,178</u>
The carrying amount of non-controlling interests	<u>\$ 515,159</u>	<u>486,589</u>	<u>489,394</u>

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net sales	<u>\$ 1,045,186</u>	<u>1,605,565</u>	<u>2,691,316</u>	<u>4,635,828</u>
Net income (loss)	\$ (5,508)	5,147	(10,973)	20,752
Other comprehensive income	2,298	14,614	16,327	25,929
Total comprehensive income	<u>\$ (3,210)</u>	<u>19,761</u>	<u>5,354</u>	<u>46,681</u>
Net income (loss) attributable to non-controlling interests	<u>\$ (1,561)</u>	<u>2,183</u>	<u>(3,676)</u>	<u>8,702</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ (705)</u>	<u>8,242</u>	<u>2,578</u>	<u>19,400</u>
Cash flow from operating activities	\$ 655,269	(268,705)	967,754	(849,730)
Cash flow from investing activities	(12,346)	(3,151)	(20,721)	(68,882)
Cash flow from financing activities	(500,210)	158,436	(792,346)	874,552
Effects of foreign exchange rate changes	349	(4,209)	4,999	(14,090)
Net (decrease) increase in cash and cash equivalents	<u>\$ 143,062</u>	<u>(117,629)</u>	<u>159,686</u>	<u>(58,150)</u>
Cash dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

ii. The summarized financial information of UTC:

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 1,401,793	1,573,193	1,399,229
Non-current assets	1,075,569	1,146,113	1,207,746
Current liabilities	(351,169)	(531,505)	(440,573)
Non-current liabilities	(46,448)	(60,866)	(70,838)
Net assets	<u>\$ 2,079,745</u>	<u>2,126,935</u>	<u>2,095,564</u>
The carrying amount of non-controlling interests	<u>\$ 915,016</u>	<u>987,249</u>	<u>988,134</u>

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net sales	\$ 412,809	333,974	1,084,519	1,162,333
Net income	\$ 67,945	40,800	146,444	177,476
Other comprehensive income	(9,409)	(4,038)	40,741	(11,407)
Total comprehensive income	\$ 58,536	36,762	187,185	166,069
Net income attributable to non-controlling interests	\$ 36,180	22,127	77,981	96,246
Total comprehensive income attributable to non-controlling interests	\$ 34,835	19,936	103,350	90,060
Cash flow from operating activities	\$ 2,744	(8,302)	108,747	148,093
Cash flow from investing activities	(1,757)	(14,854)	(140,987)	(189,086)
Cash flow from financing activities	(249,118)	(354,487)	(337,707)	(435,403)
Effects of foreign exchange rate changes	640	375	435	663
Net decrease in cash and cash equivalents	\$ (247,491)	(377,268)	(369,512)	(475,733)
Cash dividends paid to non-controlling interests	\$ -	-	(124,814)	(142,796)

iii. The summarized financial information of TDI:

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 738,637	694,833	697,952
Non-current assets	120,575	134,396	137,555
Current liabilities	(148,551)	(157,963)	(174,554)
Non-current liabilities	(11,451)	(22,780)	(25,812)
Net assets	\$ 699,210	648,486	635,141
The carrying amount of non-controlling interests	\$ 241,626	222,731	217,760

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net sales	\$ 95,032	222,695	366,877	481,269
Net income	\$ 8,927	23,293	22,121	24,892
Other comprehensive income	(4,080)	(5,059)	53,856	(11,431)
Total comprehensive income	\$ 4,847	18,234	75,977	13,461
Net income attributable to non-controlling interests	\$ 3,325	8,676	8,240	9,272
Total comprehensive income attributable to non-controlling interests	\$ 1,805	6,793	28,302	5,015
Cash flow from operating activities	\$ (42,039)	18,526	94,918	(119,969)
Cash flow from investing activities	4,643	6,281	(243)	31,969
Cash flow from financing activities	(2,587)	(19,695)	(33,648)	(25,917)
Net increase (decrease) in cash and cash equivalents	\$ (39,983)	5,112	61,027	(113,917)
Cash dividends paid to non-controlling interests	\$ -	(6,272)	(9,407)	(6,272)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

iv. The summarized financial information of ATC:

	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 2,612,460	2,943,347	2,736,371
Non-current assets	2,431,393	2,451,630	2,385,734
Current liabilities	(1,883,208)	(2,237,125)	(2,387,508)
Non-current liabilities	(385,645)	(395,698)	(259,687)
Net assets	<u>\$ 2,775,000</u>	<u>2,762,154</u>	<u>2,474,910</u>
The carrying amount of non-controlling interests	<u>\$ 1,388,860</u>	<u>1,381,970</u>	<u>1,129,961</u>

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net sales	<u>\$ 1,029,937</u>	<u>1,188,698</u>	<u>3,587,046</u>	<u>2,977,326</u>
Net income	\$ 72,599	110,485	271,988	211,040
Other comprehensive income	(10,087)	23,155	4,856	19,151
Total comprehensive income	<u>\$ 62,512</u>	<u>133,640</u>	<u>276,844</u>	<u>230,191</u>
Net income attributable to non-controlling interests	<u>\$ 38,942</u>	<u>54,138</u>	<u>145,894</u>	<u>103,410</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 33,530</u>	<u>65,483</u>	<u>148,489</u>	<u>112,794</u>
Cash flow from operating activities	\$ 70,458	(79,379)	254,023	(118,668)
Cash flow from investing activities	(17,584)	4,015	(127,954)	(262,911)
Cash flow from financing activities	(178,663)	217,756	(113,695)	345,174
Effects of foreign exchange rate changes	(4,143)	5,639	(2,862)	(4,475)
Net increase (decrease) in cash and cash equivalents	<u>\$ (129,932)</u>	<u>148,031</u>	<u>9,512</u>	<u>(40,880)</u>
Cash dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</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	45,251	224,953	64,854	481,570	864,171
Disposals	-	(13,215)	(1,416,739)	(125,927)	-	(1,555,881)
Reclassification	4,145	500,589	364,912	13,005	(253,238)	629,413
Effect of exchange rates change	153	92,903	(15,214)	58,769	22,998	159,609
Balance at September 30, 2023	<u>\$ 1,738,490</u>	<u>6,013,464</u>	<u>6,986,621</u>	<u>721,245</u>	<u>1,400,775</u>	<u>16,860,595</u>
Balance at January 1, 2022	\$ 1,441,633	6,980,628	7,207,808	590,424	414,211	16,634,704
Additions	138,614	130,384	182,207	98,793	564,045	1,114,043
Disposals	-	(1,020)	(217,842)	(14,519)	(735)	(234,116)
Reclassification	101,283	31,805	250,257	7,602	(96,942)	294,005
Effect of exchange rates change	-	331,556	394,481	11,099	44,328	781,464
Balance at September 30, 2022	<u>\$ 1,681,530</u>	<u>7,473,353</u>	<u>7,816,911</u>	<u>693,399</u>	<u>924,907</u>	<u>18,590,100</u>
Accumulated depreciation and impairment losses:						
Balance at January 1, 2023	\$ -	2,462,239	5,673,643	472,914	-	8,608,796
Depreciation	-	166,483	426,928	76,351	-	669,762
Disposals	-	(10,964)	(1,403,232)	(114,874)	-	(1,529,070)
Reclassification	-	8,032	-	-	-	8,032
Effect of exchange rates change	-	89,070	(148,090)	962	-	(58,058)
Balance at September 30, 2023	<u>\$ -</u>	<u>2,714,860</u>	<u>4,549,249</u>	<u>435,353</u>	<u>-</u>	<u>7,699,462</u>
Balance at January 1, 2022	\$ -	3,219,163	5,187,941	384,050	-	8,791,154
Depreciation	-	223,465	425,374	64,373	-	713,212
Disposals	-	(987)	(211,219)	(10,919)	-	(223,125)
Effect of exchange rates change	-	170,553	302,490	7,549	-	480,592
Balance at September 30, 2022	<u>\$ -</u>	<u>3,612,194</u>	<u>5,704,586</u>	<u>445,053</u>	<u>-</u>	<u>9,761,833</u>
Carrying amount:						
Balance at September 30, 2023	<u>\$ 1,738,490</u>	<u>3,298,604</u>	<u>2,437,372</u>	<u>285,892</u>	<u>1,400,775</u>	<u>9,161,133</u>
Balance at January 1, 2023	<u>\$ 1,686,649</u>	<u>2,925,697</u>	<u>2,155,066</u>	<u>237,630</u>	<u>1,149,445</u>	<u>8,154,487</u>
Balance at September 30, 2022	<u>\$ 1,681,530</u>	<u>3,861,159</u>	<u>2,112,325</u>	<u>248,346</u>	<u>924,907</u>	<u>8,828,267</u>

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.

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(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	-	105,081	5,436	110,517
Disposals	-	(99,644)	(2,088)	(101,732)
Effect of exchange rates change	7,231	4,804	186	12,221
Balance at September 30, 2023	<u>\$ 766,706</u>	<u>532,825</u>	<u>11,872</u>	<u>1,311,403</u>
Balance at January 1, 2022	\$ 776,958	461,006	10,299	1,248,263
Additions	-	102,632	-	102,632
Disposals	-	(53,254)	(2,200)	(55,454)
Effect of exchange rates change	46,938	16,965	(35)	63,868
Balance at September 30, 2022	<u>\$ 823,896</u>	<u>527,349</u>	<u>8,064</u>	<u>1,359,309</u>
Accumulated depreciation of right-of-use assets:				
Balance at January 1, 2023	\$ 109,807	273,846	4,499	388,152
Depreciation	27,685	96,452	2,079	126,216
Disposals	-	(71,912)	(1,961)	(73,873)
Effect of exchange rates change	685	2,357	150	3,192
Balance at September 30, 2023	<u>\$ 138,177</u>	<u>300,743</u>	<u>4,767</u>	<u>443,687</u>
Balance at January 1, 2022	\$ 76,218	195,797	3,464	275,479
Depreciation	30,228	92,543	2,201	124,972
Disposals	-	(43,770)	(1,930)	(45,700)
Effect of exchange rates change	2,607	8,003	(6)	10,604
Balance at September 30, 2022	<u>\$ 109,053</u>	<u>252,573</u>	<u>3,729</u>	<u>365,355</u>
Carrying amount:				
Balance at September 30, 2023	<u>\$ 628,529</u>	<u>232,082</u>	<u>7,105</u>	<u>867,716</u>
Balance at January 1, 2023	<u>\$ 649,668</u>	<u>248,738</u>	<u>3,839</u>	<u>902,245</u>
Balance at September 30, 2022	<u>\$ 714,843</u>	<u>274,776</u>	<u>4,335</u>	<u>993,954</u>

On September 30, 2023, December 31, 2022 and September 30, 2022, 100% purchase prices of \$201,691 thousand, \$202,211 thousand and \$202,211 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 September 30, 2023	\$ -	-	-
Balance at January 1, 2023	\$ -	-	-
Balance at September 30, 2022	\$ 52,359	9,582	61,941

There are no material additions, disposals and impairments or reversals for the Group during the nine months ended September 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	-	1,147	-	-	5,473	6,620
Derecognition	-	-	(7,673)	-	-	(7,673)
Effect of exchange rates change	-	-	-	-	799	799
Balance at September 30, 2023	\$ 637,110	162,007	205,073	114,690	132,414	1,251,294
Balance at January 1, 2022	\$ 637,110	160,824	212,746	114,690	100,438	1,225,808
Additions	-	36	-	-	10,954	10,990
Reclassification	-	-	-	-	318	318
Effect of exchange rates change	-	-	-	-	1,133	1,133
Balance at September 30, 2022	\$ 637,110	160,860	212,746	114,690	112,843	1,238,249
Accumulated amortization:						
Balance at January 1, 2023	\$ -	67,496	116,101	59,735	72,512	315,844
Amortization	-	35,073	20,685	10,752	17,740	84,250
Impairment Loss	133,924	-	-	-	-	133,924
Derecognition	-	-	(7,673)	-	-	(7,673)
Effect of exchange rates change	-	-	-	-	666	666
Balance at September 30, 2023	\$ 133,924	102,569	129,113	70,487	90,918	527,011
Balance at January 1, 2022	\$ -	51,534	63,427	45,399	47,402	207,762
Amortization	-	35,076	16,401	10,752	17,153	79,382
Effect of exchange rates change	-	-	-	-	1,029	1,029
Balance at September 30, 2022	\$ -	86,610	79,828	56,151	65,584	288,173
Carrying amount:						
Balance at September 30, 2023	\$ 503,186	59,438	75,960	44,203	41,496	724,283
Balance at January 1, 2023	\$ 637,110	93,364	96,645	54,955	53,630	935,704
Balance at September 30, 2022	\$ 637,110	74,250	132,918	58,539	47,259	950,076

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According to IAS 36, goodwill obtained from business combinations should undergo impairment testing annually or when there are signs of impairment. On September 30, 2023, KST, the cash generating unit of goodwill from the Group's subsidiary, suffered a significant decrease in revenue and profit due to high inventory in the entire bicycle industry, which did not meet expectations. After conducting impairment test, the recoverable amount of its cash generating unit was lower than its book value. Therefore, a goodwill impairment loss of \$133,924 thousand was recognized, and the impairment loss was presented in the "Other benefits and losses" item of the consolidated comprehensive income statement. There is no sign of impairment in other cash generating units.

The above-mentioned recoverable amount of KST's cash generating unit as of September 30, 2023 was determined based on its value in use. The key assumptions for use are as follows:

	September 30, 2023
Revenue Growth Rate	(29%)~10%
Pre-tax discount rate	15.55%
i. The future cash flow estimates used are based on a five-year financial budget projected by the management according to the future operational plans. For cash flows beyond the initial five-year period, a yearly growth rate of 2% is applied for extrapolation.	
ii. The discount rate for determining the value in use is estimated based on the weighted average cost of funds.	

On September 30, 2023, the Group evaluated the expected operating income and net operating profit of the cash generating unit to which goodwill belongs, and there were no signs of impairment.

(o) Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank borrowings	\$ 5,967,388	5,786,396	5,745,523
Secured bank borrowings	-	-	152,000
	\$ 5,967,388	5,786,396	5,897,523
Unused credit facilities	\$ 13,522,234	10,491,800	11,354,937
Interest rate	0.82%~7.04%	1.7%~6.75%	0.77%~5.26%

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

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(p) Short-term notes and bills payable

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Commercial paper payable	\$ 230,000	100,000	-
Less: discount on commercial paper payable	(398)	(416)	-
	<u>\$ 229,602</u>	<u>99,584</u>	<u>-</u>
Interest rate	<u>1.98%~2.29%</u>	<u>2.2%</u>	<u>-</u>

(q) Long-term debt

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank loans	\$ 854,321	633,808	1,413,140
Secured bank loans	4,050,000	4,050,000	3,000,000
Less: current portion of long-term debt	(229,080)	(96,095)	(24,081)
	<u>\$ 4,675,241</u>	<u>4,587,713</u>	<u>4,389,059</u>
Unused credit facilities	<u>\$ 5,800,950</u>	<u>4,250,433</u>	<u>4,500,000</u>
Year to maturity	<u>113~117</u>	<u>112~114</u>	<u>112~114</u>
Interest rate	<u>1.8%~6.53%</u>	<u>2.4%~6.1%</u>	<u>1.23%~4.97%</u>

According to certain loan agreements, the Group is required to maintain certain financial ratios, including current ratio, net liability ratio, financial liability ratio, interest coverage ratio and tangible net worth, calculated based on its annual audited consolidated financial statements and semi-annual reviewed consolidated financial statements. On September 30, 2023, December 31, 2022 and September 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:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current	<u>\$ 105,137</u>	<u>113,214</u>	<u>118,789</u>
Non-current	<u>\$ 166,977</u>	<u>174,506</u>	<u>195,735</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest expense on lease liabilities	<u>\$ 2,433</u>	<u>3,016</u>	<u>5,490</u>	<u>7,943</u>
Expenses relating to short-term leases	<u>\$ 13,485</u>	<u>11,533</u>	<u>39,119</u>	<u>38,209</u>

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

	<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	<u>\$ 138,698</u>	<u>139,464</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	September 30, 2023	December 31, 2022	September 30, 2022
Warranty provisions	\$ 121,247	132,692	128,091

There was no significant change in the Group’s warranty provisions for the nine months ended September 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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Cost of sales	\$ (346)	6	(293)	16
Operating expenses	145	146	434	437
	\$ (201)	152	141	453

ii. Defined contribution plans

Expenses recognized in profit or loss:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Cost of sales	\$ 45,094	51,615	141,417	163,773
Operating expenses	17,084	17,201	51,676	50,721
	\$ 62,178	68,816	193,093	214,494

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(u) Income taxes

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Current income tax expense	\$ 832,179	122,581	990,426	329,161
Deferred income tax benefit	(7,390)	(3,591)	(20,454)	(16,656)
	\$ 824,789	118,990	969,972	312,505

- ii. For the nine months ended September 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 2021.

(v) Capital and other equity

Except as described below, there was no significant change in the Group's capital and other equity for the nine months ended September 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 September 30, 2023, December 31, 2022 and September 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.

	Common stocks	
	For the nine months ended September 30,	
	2023	2022
Beginning balance of January 1	280,000	280,000
Subsidiaries repurchase parent company stocks as treasury stocks	(2,050)	-
Ending balance of September 30	277,950	280,000

- ii. Capital surplus

The components of capital surplus were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Paid-in capital in excess of par value	\$ 3,563,940	3,563,940	3,563,940
Treasury stock transactions	241,055	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	229,860	212,064	195,784
	\$ 4,136,729	4,116,058	4,099,778

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

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

iii. Retained earnings

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

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

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

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 September 30, 2023, none of them have been sold yet, and the stock price per share on June 30, 2023 was NT\$43.15.

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	361,850	-	-	361,850
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	-	817,340	-	817,340
Share of other comprehensive income of joint ventures and associates	(943)	(968)	-	(1,911)
Balance at September 30, 2023	<u>\$ 63,030</u>	<u>1,073,565</u>	<u>(15,632)</u>	<u>1,120,963</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	649,935	-	-	649,935
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	-	(165,851)	-	(165,851)
Share of other comprehensive income of joint ventures and associates	767	(12,259)	-	(11,492)
Balance at September 30, 2022	<u>\$ (114,441)</u>	<u>201,503</u>	<u>(36,993)</u>	<u>50,069</u>

vi. Non-controlling interests (net after tax)

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 3,388,170	2,879,152
Equity attributable to non-controlling interests:		
Net income	247,390	221,780
Foreign currency translation differences	13,400	41,023
Unrealized gains (losses) from financial assets at fair value through other comprehensive income	45,059	(10,829)
Share of other comprehensive income loss of joint ventures and associates	(818)	(9,834)
Shares of the parent company purchased by subsidiaries are regarded as treasury stocks	(50,769)	-
Changes in ownership interests in subsidiaries	(17,796)	(6,339)
The difference between the actual acquisition or disposal of subsidiary equity prices and the book value	-	(46,597)
Acquisition of subsidiary's partial interest	(600)	(180)
Compensation cost of stock option issued by subsidiaries	323	2,470
Capital injection from non-controlling interests	182,523	163,535
Distribution of cash dividend by subsidiaries to non-controlling interests	(282,620)	(177,291)
Balance at September 30	<u>\$ 3,524,262</u>	<u>3,056,890</u>

(w) Earnings per share ("EPS")

i. Basic earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net income attributable to ordinary shareholders of the Company	<u>\$ 1,074,430</u>	<u>338,673</u>	<u>1,445,354</u>	<u>873,406</u>
Weighted-average number of ordinary shares outstanding (in thousands)	<u>278,668</u>	<u>280,000</u>	<u>279,556</u>	<u>280,000</u>
Basic earnings per share (in New Taiwan dollars)	<u>\$ 3.86</u>	<u>1.21</u>	<u>5.17</u>	<u>3.12</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ii. Diluted earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Net income attributable to ordinary shareholders of the Company	<u>\$ 1,074,430</u>	<u>338,673</u>	<u>1,445,354</u>	<u>873,406</u>
Weighted-average number of ordinary shares outstanding (in thousands)	278,668	280,000	279,556	280,000
Effect of dilutive potential ordinary shares (in thousands):				
Remuneration to employees	5,067	3,182	5,875	3,944
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares) (in thousands)	<u>283,735</u>	<u>283,182</u>	<u>285,431</u>	<u>283,944</u>
Diluted earnings per share (in New Taiwan dollars)	<u>\$ 3.79</u>	<u>1.20</u>	<u>5.06</u>	<u>3.08</u>

(x) Share-based payment

For the nine months ended September 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 September 30, 2023 and 2022 were \$323 thousand and \$2470 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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Primary geographical markets:				
Taiwan	\$ 1,573,138	1,175,554	4,083,864	3,367,405
United States	377,100	393,227	1,094,407	1,131,367
Mainland China	3,104,035	3,362,173	8,593,672	9,962,744
Canada	382,570	582,250	1,162,764	1,494,197
Others	<u>1,406,664</u>	<u>2,059,281</u>	<u>4,797,999</u>	<u>6,785,789</u>
	<u>\$ 6,843,507</u>	<u>7,572,485</u>	<u>19,732,706</u>	<u>22,741,502</u>
Major products and services lines:				
Peripheral electronic products	\$ 3,247,073	2,980,852	8,737,340	9,898,964
Green energy products and passive components	<u>3,596,434</u>	<u>4,591,633</u>	<u>10,995,366</u>	<u>12,842,538</u>
	<u>\$ 6,843,507</u>	<u>7,572,485</u>	<u>19,732,706</u>	<u>22,741,502</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ii. Contract balance

	September 30, 2023	December 31, 2022	September 30, 2022
Notes and accounts receivable (including related parties)	\$ 8,538,529	7,446,698	8,513,877
Less: loss allowance	(111,129)	(82,649)	(69,254)
	\$ 8,427,400	7,364,049	8,444,623
Contract liabilities (included in other current liabilities)	\$ 149,146	88,049	422,815

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 September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022 that were included in the balances of contract liabilities on January 1, 2023 and 2022, were \$601 thousand, \$17,916 thousand, \$43,477 thousand, and \$400,100 thousand, respectively.

iii. Refund liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Other current liabilities—refund liabilities	\$ 513,792	396,870	420,555

(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 September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the Company estimated its remuneration to employees amounting to \$168,049 thousand, \$48,356 thousand, \$218,656 thousand, and \$125,377 thousand, respectively; the remuneration to directors amounting to \$12,448 thousand, \$4,212 thousand, \$16,197 thousand, and \$9,287 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.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(aa) Non-operating income and loss

i. Interest income

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest income from bank deposits	\$ 19,374	3,017	49,990	7,986

ii. Other income

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Rental income	\$ 611	809	1,716	3,652
Dividend income	107,709	130,069	107,709	130,069
Subsidy benefits	7,611	2,094	16,275	22,754
Other	15,888	17,135	44,976	36,945
	\$ 131,819	150,107	170,676	193,420

iii. Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Gains (losses) on disposal of property, plant and equipment	\$ 4,673	254	17,641	(357)
Gains from disposal of assets held for sold (Note 6(g))	1,420,217	-	1,420,217	-
Gains on lease modification	1,350	1,093	1,414	1,116
Foreign exchange gains, net	62,399	42,884	144,566	84,061
Gains (losses) on financial instruments measured at fair value through profit or loss	(2,573)	(8,262)	(9,721)	(1,899)
Impairment losses on non-financial assets (Note 6(m))	(133,924)	-	(133,924)	-
Net benefit from factory relocation compensation (Note 6(g))	341,862	-	341,862	-
Other gains (losses), net	6,832	(8,573)	13,037	(9,283)
	\$ 1,700,836	27,396	1,795,092	73,638

iv. Finance costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest expense from bank	\$ (71,576)	(45,149)	(209,056)	(102,591)
Financial expense on lease liabilities	(2,433)	(3,016)	(5,490)	(7,943)
	\$ (74,009)	(48,165)	(214,546)	(110,534)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ab) Financial instruments

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

i. Categories of financial instruments

1) Financial assets

	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets at fair value through profit or loss:			
Financial assets mandatorily measured at fair value through profit or loss—			
Foreign currency forward contracts	\$ -	1,098	-
Foreign exchange swaps	-	261	-
Open-end mutual funds	30,522	30,252	50,300
Structured deposits	1,712,002	367,441	373,135
Subtotal	1,742,524	399,052	423,435
Financial assets at fair value through other comprehensive income	2,333,481	1,471,082	1,416,806
Financial assets measured at amortized cost:			
Cash and cash equivalents	5,422,494	3,368,030	2,491,838
Financial assets at amortized cost	216,910	217,202	9,184
Notes and accounts receivable and other receivables (including related parties)	8,548,893	7,527,701	8,487,084
Refundable deposits	55,854	42,549	40,792
Subtotal	14,244,151	11,155,482	11,028,898
Total	\$ 18,320,156	13,025,616	12,869,139

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Financial liabilities

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial liabilities at fair value through profit or loss:			
Foreign currency forward contracts	\$ 8,224	662	13,742
Financial liabilities measured at amortized cost:			
Short-term borrowings	5,967,388	5,786,396	5,897,523
Short-term notes and bills payable	229,602	99,584	-
Notes and accounts payable and other payables (including related parties)	7,767,550	7,519,046	8,638,521
Lease liabilities	272,114	287,720	314,524
Long-term debt (including current portion)	4,904,321	4,683,808	4,413,140
Long-term payables (included in other non-current liabilities)	150,415	150,533	150,070
Guarantee deposits (included in other non-current liabilities)	10,765	11,241	12,837
Subtotal	<u>19,302,155</u>	<u>18,538,328</u>	<u>19,426,615</u>
Total	<u>\$ 19,310,379</u>	<u>18,538,990</u>	<u>19,440,357</u>

ii. Liquidity risk

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

	<u>Contractual cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
September 30, 2023					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 5,992,191	5,992,191	-	-	-
Short-term notes and bills payable	230,000	230,000	-	-	-
Long-term debt (including current portion)	5,164,341	337,729	417,262	4,409,350	-
Notes and accounts payable and other payables (including related parties)	7,767,550	7,767,550	-	-	-
Lease liabilities	316,952	113,349	65,193	86,215	52,195
Long-term payables	150,415	-	81,297	69,118	-
Guarantee deposits	10,765	221	2,919	544	7,081
Subtotal	<u>19,632,214</u>	<u>14,441,040</u>	<u>566,671</u>	<u>4,565,227</u>	<u>59,276</u>
Derivative financial instruments:					
Foreign currency forward contracts – settled in gross:					
Outflow	381,957	381,957	-	-	-
Inflow	<u>(373,733)</u>	<u>(373,733)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	8,224	8,224	-	-	-
	<u>\$ 19,640,438</u>	<u>14,449,264</u>	<u>566,671</u>	<u>4,565,227</u>	<u>59,276</u>

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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
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 5,846,965	5,846,965	-	-	-
Short-term notes and bills payable	100,000	100,000	-	-	-
Long-term debt (including current portion)	4,945,981	194,067	379,096	4,372,818	-
Notes and accounts payable and other payables (including related parties)	7,519,046	7,519,046	-	-	-
Lease liabilities	332,638	121,129	82,372	69,287	59,850
Long-term payables	150,533	-	81,494	69,039	-
Guarantee deposits	11,241	484	3,137	546	7,074
Subtotal	<u>18,906,404</u>	<u>13,781,691</u>	<u>546,099</u>	<u>4,511,690</u>	<u>66,924</u>
Derivative financial instruments:					
Foreign currency forward contracts – settled					
in gross:					
Outflow	295,665	295,665	-	-	-
Inflow	<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>	-	-	-
	<u>\$ 18,905,707</u>	<u>13,780,994</u>	<u>546,099</u>	<u>4,511,690</u>	<u>66,924</u>
September 30, 2022					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 5,934,553	5,934,553	-	-	-
Long-term debt (including current portion)	4,605,804	92,945	227,121	4,285,738	-
Notes and accounts payable and other payables (including related parties)	8,638,521	8,638,521	-	-	-
Lease liabilities	399,060	136,398	97,181	98,678	66,803
Long-term payables	150,070	-	81,032	69,038	-
Guarantee deposits	12,837	779	4,414	555	7,089
Subtotal	<u>19,740,845</u>	<u>14,803,196</u>	<u>409,748</u>	<u>4,454,009</u>	<u>73,892</u>
Derivative financial liabilities:					
Foreign currency forward contracts – settled					
in gross:					
Outflow	357,361	357,361	-	-	-
Inflow	<u>(343,619)</u>	<u>(343,619)</u>	-	-	-
Subtotal	<u>13,742</u>	<u>13,742</u>	-	-	-
	<u>\$ 19,754,587</u>	<u>14,816,938</u>	<u>409,748</u>	<u>4,454,009</u>	<u>73,892</u>

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):

September 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	\$	326,474	32.2700	10,535,316	1%
CNY		379,294	4.4182	1,675,797	1%
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD		69,211	32.2700	2,233,439	1%
CNY		600,018	4.4182	2,651,000	1%
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%
CNY		171,641	4.4057	756,199	1%
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD		111,146	30.7300	3,415,517	1%
CNY		233,701	4.4057	1,029,616	1%
September 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	\$	391,651	31.7500	12,434,919	1%
CNY		169,314	4.4764	757,917	1%
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD		293,120	31.7500	9,306,560	1%
CNY		114,094	4.4764	510,730	1%

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 September 30, 2023 and 2022 and for the nine months ended September 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).

	September 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	\$ 30,522	30,522	-	-	30,522
Structured deposits	<u>1,712,002</u>	-	<u>1,712,002</u>	-	<u>1,712,002</u>
Subtotal	<u>1,742,524</u>	<u>30,522</u>	<u>1,712,002</u>	-	<u>1,742,524</u>
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	<u>2,333,481</u>	<u>2,333,481</u>	-	-	<u>2,333,481</u>
Total	<u>\$ 4,076,005</u>	<u>2,364,003</u>	<u>1,712,002</u>	-	<u>4,076,005</u>
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments	-				
Foreign currency forward contracts	\$ (8,224)	-	(8,224)	-	(8,224)
Total	<u>\$ (8,224)</u>	-	<u>(8,224)</u>	-	<u>(8,224)</u>

(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
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	<u>399,052</u>	<u>30,252</u>	<u>368,800</u>	<u>-</u>	<u>399,052</u>
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>
September 30, 2022					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Foreign currency forward contracts					
Non-derivative financial assets mandatorily measured at fair value through profit or loss:					
Open-end mutual fund	\$ 50,300	50,300	-	-	50,300
Structured deposits	373,135	-	373,135	-	373,135
Subtotal	<u>423,435</u>	<u>50,300</u>	<u>373,135</u>	<u>-</u>	<u>423,435</u>
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	1,416,806	1,416,806	-	-	1,416,806
Total	<u>\$ 1,840,241</u>	<u>1,467,106</u>	<u>373,135</u>	<u>-</u>	<u>1,840,241</u>
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments—					
Foreign currency forward contracts	<u>\$ (13,742)</u>	<u>-</u>	<u>(13,742)</u>	<u>-</u>	<u>(13,742)</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 nine months ended September 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 nine months Ended September 30,	
	2023	2022
Additions to property, plant and equipment	\$ 864,171	1,114,043
Add: payables on equipment at January 1	323,419	265,225
Prepayment for equipment at September 30	158,957	430,824
Reclassification from prepayments for equipment and land	629,413	431,811
Effect of exchange rates change	-	59,555
Less: payables on equipment at September 30	(268,372)	(326,445)
Prepayment for equipment at January 1	(263,504)	(403,631)
Prepayment for land at January 1	-	(105,283)
Effect of exchange rates change	(8,032)	-
Cash paid during the year	\$ 1,436,052	1,466,099

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

	January 1, 2023	Cash flows	Non-cash changes			September 30, 2023
			Additions of lease liabilities	Lease modificati ons	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 5,786,396	149,081	-	-	31,911	5,967,388
Short-term notes and bills payable	99,584	130,018	-	-	-	229,602
Long-term debt (including current portion)	4,683,808	213,178	-	-	7,335	4,904,321
Lease liabilities	287,720	(94,089)	110,517	(29,273)	(2,761)	272,114
Guarantee deposits	11,241	(476)	-	-	-	10,765
Other non-current liabilities	150,533	(118)	-	-	-	150,415
Total liabilities from financing activities	\$ 11,019,282	397,594	110,517	(29,273)	36,485	11,534,605

	January 1, 2022	Cash flows	Non-cash changes			September 30, 2023
			Additions of lease liabilities	Lease modificati ons	Fluctuation of foreign exchange rate	
Short-term borrowings	\$ 5,039,971	775,856	-	-	81,696	5,897,523
Long-term debt (including current portion)	3,640,850	770,746	-	-	1,544	4,413,140
Lease liabilities	304,102	(93,312)	102,632	(10,870)	11,972	314,524
Guarantee deposits	99,420	(86,583)	-	-	-	12,837
Other non-current liabilities	149,623	447	-	-	-	150,070
Total liabilities from financing activities	\$ 9,233,966	1,367,154	102,632	(10,870)	95,212	10,788,094

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 Precision Industry (Suzhou) Co., Ltd. (“QCPS”)	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 Optnoci 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 September 30,</u>		<u>For the nine months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Entity with significant influence over the Group	\$ 2,664	2,089	6,911	4,135
Joint venture	36,407	70,168	103,347	167,456
Other related parties	<u>31,887</u>	<u>37,423</u>	<u>89,774</u>	<u>162,993</u>
	<u>\$ 70,958</u>	<u>109,680</u>	<u>200,032</u>	<u>334,584</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 EOM180 days.

ii. Purchase

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

	<u>For the three months Ended September 30,</u>		<u>For the nine months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other related parties	<u>\$ 74</u>	<u>139</u>	<u>193</u>	<u>16,852</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 nine months ended September 30, 2023 and 2022, respectively.

The Group recognized the related interest expenses of \$186 thousand and \$259 thousand for the nine months ended September 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts receivable from related parties	Entity with significant influence over the group	\$ 2,720	1,794	2,198
	Joint venture	102,025	84,495	107,941
	Other related parties	<u>33,435</u>	<u>38,048</u>	<u>41,024</u>
		<u>\$ 138,180</u>	<u>124,337</u>	<u>151,163</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

v. Payables

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

Account	Related-party categories	September 30, 2023	December 31, 2022	September 30, 2022
Accounts payable	Other related parties	\$ 4,416	12,130	13,048
Other payables	Entity with significant influence over the group	\$ 51	21	24
Other payables	Other related parties	4,419	4,319	4,025
		<u>\$ 4,470</u>	<u>4,340</u>	<u>4,049</u>
Lease liability	Other related parties	\$ 7,996	7,723	10,157

(c) Compensation for key management personnel

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$ 90,587	84,606	224,308	213,642
Post-employment benefits	542	525	1,985	1,708
	<u>\$ 91,129</u>	<u>85,131</u>	<u>226,293</u>	<u>215,350</u>

8. Pledged assets

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

Pledged assets	Pledged to secure	September 30, 2023	December 31, 2022	September 30, 2022
Land, buildings and plants	Credit lines of bank loans	\$ 1,198,204	1,237,702	1,530,351
Time deposit	Guarantees for customs duties and credit limit of credit cards	1,410	2,202	9,184
		<u>\$ 1,199,614</u>	<u>1,239,904</u>	<u>1,539,535</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:

	September 30, 2023	December 31, 2022	September 30, 2022
Guarantees for customs duties	\$ 54,055	48,948	53,549
Performance bonds	15,127	68,153	77,211
	<u>\$ 69,182</u>	<u>117,101</u>	<u>130,760</u>

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Significant unrecognized commitments

	September 30, 2023	December 31, 2022	September 30, 2022
Acquisition of property, plant and equipment	\$ 151,639	302,169	465,249

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 September 30, 2023			For the three months ended September 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Nature						
Employee benefits:						
Salaries	755,538	546,813	1,302,351	774,987	455,193	1,230,180
Labor and health insurance	67,303	32,658	99,961	52,823	31,044	83,867
Pension	44,748	17,229	61,977	51,621	17,347	68,968
Other employees' benefits	22,853	13,128	35,981	24,020	13,053	37,073
Depreciation	206,827	44,247	251,074	230,122	56,042	286,164
Amortization	2,140	28,618	30,758	1,882	25,135	27,017

Function	For the nine months ended September 30, 2023			For the nine months ended September 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Nature						
Employee benefits:						
Salaries	2,290,482	1,367,483	3,657,965	2,580,629	1,385,803	3,966,432
Labor and health insurance	202,400	97,239	299,639	165,437	90,820	256,257
Pension	141,124	52,110	193,234	163,789	51,158	214,947
Other employees' benefits	72,909	38,186	111,095	80,131	38,995	119,126
Depreciation	663,596	132,382	795,978	672,091	166,093	838,184
Amortization	6,365	78,018	84,383	5,635	74,428	80,063

For the nine months ended September 30, 2023 and 2022, the depreciation of investment property \$0 thousand and \$321 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.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- iii. Marketable securities hold as of June 30, 2023 (excluding investments in subsidiaries, associates, and jointly controlled entities): Please refer to table 2.
- iv. Marketable securities for which the accumulated purchase or sale amounts exceed \$300 million or 20% of the paid-in capital: Please refer to table 3.
- v. Acquisition of real estate which exceeds \$300 million or 20% of the paid-in capital: Please refer to table 4.
- vi. Disposal of real estate which exceeds \$300 million or 20% of the paid-in capital: Please refer to table 5.
- vii. Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital: Please refer to table 6.
- viii. Receivables from related parties which exceed \$100 million or 20% of the paid-in capital: Please refer to table 7.
- ix. Transactions about derivative instruments: Please refer to note 6(b).
- x. Business relationships and significant intercompany transactions: Please refer to table 8.

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

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

(d) Major shareholders:

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

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

14. Segment information

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

	For the three months ended September 30, 2023			
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 3,247,073	3,596,434	-	6,843,507
Inter-segment revenues	-	211,437	(211,437)	-
Total	\$ 3,247,073	3,807,871	(211,437)	6,843,507

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the three months ended September 30, 2022

	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 2,980,852	4,591,633	-	7,572,485
Inter-segment revenues	-	162,880	(162,880)	-
Total	\$ 2,980,852	4,754,513	(162,880)	7,572,485

For the nine months ended September 30, 2023

	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 8,737,340	10,995,366	-	19,732,706
Inter-segment revenues	-	555,945	(555,945)	-
Total	\$ 8,737,340	11,551,311	(555,945)	19,732,706

For the nine months ended September 30, 2022

	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	\$ 9,898,964	12,842,538	-	22,741,502
Inter-segment revenues	-	542,065	(542,065)	-
Total	\$ 9,898,964	13,384,603	(542,065)	22,741,502

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 nine months ended September 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	70,994 (USD2,200)	-	-	4.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	161,350 (USD 5,000)	-	-	3.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	32,270 (USD 1,000)	-	-	3.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	58,086 (USD1,800)	58,086 (USD1,800)	58,086 (USD1,800)	4.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	161,350 (USD5,000)	161,350 (USD5,000)	161,350 (USD5,000)	5.00%	2	-	Operating requirements	-	-	-	461,102	461,102
1	KST	KSV	Other receivables from related parties	Yes	70,994 (USD2,200)	70,994 (USD2,200)	64,540 (USD2,000)	5.00%	2	-	Operating requirements	-	-	-	461,102	461,102
2	DFS	DFQ	Other receivables from related parties	Yes	258,160 (USD 8,000)	258,160 (USD 8,000)	258,160 (USD 8,000)	4.73%	2	-	Operating requirements	-	-	-	1,602,411	1,602,411
2	DFS	ISC	Other receivables from related parties	Yes	79,528 (CNY18,000)	79,528 (CNY18,000)	17,673 (CNY4,000)	3.65%	2	-	Operating requirements	-	-	-	1,602,411	1,602,411
2	DFS	DTC	Other receivables from related parties	Yes	161,350 (USD5,000)	161,350 (USD5,000)	80,675 (USD2,500)	4.65%	2	-	Operating requirements	-	-	-	1,602,411	1,602,411
2	DFS	KST	Other receivables from related parties	Yes	322,700 (USD10,000)	322,700 (USD10,000)	322,700 (USD10,000)	5.00%	2	-	Operating requirements	-	-	-	1,602,411	1,602,411
2	DFS	KST	Other receivables from related parties	Yes	161,350 (USD5,000)	-	-	5.00%	2	-	Operating requirements	-	-	-	1,602,411	1,602,411
2	DFS	KST	Other receivables from related parties	Yes	258,160 (USD8,000)	258,160 (USD8,000)	258,160 (USD8,000)	5.50%	2	-	Operating requirements	-	-	-	1,602,411	1,602,411
2	DFS	DFH	Other receivables from related parties	Yes	265,092 (CNY 60,000)	265,092 (CNY 60,000)	265,092 (CNY 60,000)	3.65%	2	-	Operating requirements	-	-	-	1,602,411	1,602,411
2	DFS	DFH	Other receivables from related parties	Yes	154,637 (CNY 35,000)	154,637 (CNY 35,000)	154,637 (CNY 35,000)	3.55%	2	-	Operating requirements	-	-	-	1,602,411	1,602,411
3	DPS	DFQ	Other receivables from related parties	Yes	132,546 (CNY 30,000)	-	-	3.70%	2	-	Operating requirements	-	-	-	184,158	184,158
3	DPS	DFQ	Other receivables from related parties	Yes	132,546 (CNY 30,000)	132,546 (CNY 30,000)	132,546 (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	30,000	2.00%	2	-	Operating requirements	-	-	-	261,910	261,910
4	DZL	DTC	Other receivables from related parties	Yes	100,000	100,000	60,000	2.50%	2	-	Operating requirements	-	-	-	261,910	261,910

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Financing provided to other parties

For the nine months ended September 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		
5	DTC	IOC	Other receivables from related parties	Yes	100,000	100,000	30,000	2.00%	2	-	Operating requirements	-	-	-	261,910	261,910
6	DFH	DFV	Other receivables from related parties	Yes	100,000	100,000	60,000	2.50%	2	-	Operating requirements	-	-	-	261,910	261,910

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

Note 7: Purpose of Fund Financing:

1 Business transaction purpose.

2 Short-term financing purpose.

Note 8: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.27 and CNY\$1=NT\$4.4182 as of September 30, 2023.

Note 9: 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 nine months ended September 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	1,779,704	2.03%	1,779,704	-
DZL	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income – current	5,887	262,854	0.30%	262,854	-
DZL	Stock: Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income – current	102	14,076	0.02%	14,076	-
DZL	Stock: DFI	The subsidiary of the entity with significant influence over the Group	Financial assets at fair value through other comprehensive income – current	50	3,410	0.04%	3,410	-
UTC	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income – current	2,860	127,699	0.15%	127,699	-
TDI	Stock: Qisda Corp.	The entity with significant influence over the Group	Financial assets at fair value through other comprehensive income – current	3,264	145,738	0.17%	145,738	-
TDI	Fund: Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss – current	-	30,522	-	30,522	-
DFS	Bank of Suzhou – Principal protected currency deposits in CNY	-	Financial assets at fair value through profit or loss – current	-	1,056,930	-	1,056,930	-
DFS	China Construction Bank – Principal protected currency deposits in CNY	-	Financial assets at fair value through profit or loss – current	-	442,151	-	442,151	-
DPS	Bank of Suzhou – Principal protected currency deposits in CNY	-	Financial assets at fair value through profit or loss – current	-	212,921	-	212,921	-
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 nine months ended September 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	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	-	-	-	388,802 (CNY88,000)	-	389,257 (CNY88,103)	388,802 (CNY88,000)	455 (CNY103)	-	-	

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of CNY\$1=NT\$4.4182 as of September 30, 2023.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

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

For the nine months ended September 30, 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	962,988	804,442	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	374,093	374,093	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 nine months ended September 30, 2023

Table 5

(In thousands of NTD and foreign currencies)

Company Name	Property Name	Transaction Date	Acquisition Date	Book Value	Transaction Amount	Status of Payment	Gain or Loss on Disposal of Real Estate	Relationship with the Counter Party	Counter Party	Purpose of Disposal	Price Reference	Note
DFS	Land use rights and buildings	December 21, 2022	Land: December 2002 Buildings I: December 2005 Building II: August 2007 Building III: July 2009	920,520 (CNY209,747) (Note 1)	3,119,577 (CNY710,820) (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 was received on August 15, 2023 CNY210,000 thousand was received on September 12, 2023 CNY1,820 thousand will be received within 1 month after the transfer in land use rights and buildings	(Note 6(g))	-	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	-

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of CNY\$1=NT\$4.3887 at the time of transaction.

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital

For the nine months ended September 30, 2023

Table 6 (In thousands of NTD and foreign currencies)

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	(108,350)	1%	OA90 to OA180	Note 1	OA30 to OA180	7,365	-	-
The Company	DFH	Parent-subsiary	Sales	(154,733)	2%	OA90 to OA180	Note 1	OA30 to OA180	910,674	15%	-
The Company	DFA	Parent-subsiary	Sales	(292,666)	3%	OA135	Normal price	OA30 to OA180	261,020	4%	-
The Company	DFC	Parent-subsiary	Sales	(103,493)	1%	OA180	Normal price	OA30 to OA180	110,129	2%	-
The Company	DTC	Parent-subsiary	Sales	(298,139)	3%	OA135	Normal price	OA30 to OA180	268,951	4%	-
The Company	DET	Parent-subsiary	Purchases	104,947	1%	OA90	Normal price	OA30 to OA180	(37,590)	1%	-
The Company	DFS	Parent-subsiary	Purchases	977,791 (Note 2)	11%	OA90 to OA180	Note 1	OA30 to OA180	(1,536,426)	22%	-
The Company	DFH	Parent-subsiary	Purchases	4,705,580	51%	OA90 to OA180	Note 1	OA30 to OA180	(3,262,372)	47%	-
The Company	DFQ	Parent-subsiary	Purchases	2,550,814	28%	OA90 to OA180	Note 1	OA30 to OA180	(1,736,164)	25%	-
DET	The Company	Parent-subsiary	Sales	(104,947)	13%	OA90	Normal price	OA30 to OA180	37,590	11%	-
DET	DFS	Affiliates	Purchases	396,792	64%	OA180	Normal price	OA30 to OA180	(400,852)	90%	-
DFS	The Company	Parent-subsiary	Sales	(977,791) (Note 2)	28%	OA90 to OA180	Note 1	OA30 to OA180	1,536,426	60%	-
DFS	DET	Affiliates	Sales	(396,792)	11%	OA180	Normal price	OA30 to OA180	400,852	16%	-
DFS	DFH	Affiliates	Sales	(370,123)	10%	OA90 to OA135	Note 1	OA30 to OA180	304,535	12%	-
DFS	The Company	Parent-subsiary	Purchases	108,350	5%	OA90 to OA180	Note 1	OA30 to OA180	(7,365)	1%	-
DFS	DFQ	Affiliates	Purchases	120,880	5%	OA90 to OA135	Note 1	OA30 to OA180	(15,198)	2%	-
DFH	The Company	Parent-subsiary	Sales	(4,705,580)	96%	OA90 to OA180	Note 1	OA30 to OA180	3,262,372	94%	-
DFH	The Company	Parent-subsiary	Purchases	154,733	4%	OA90 to OA180	Normal price	OA30 to OA180	(910,674)	33%	-
DFH	DFS	Affiliates	Purchases	370,123	10%	OA90 to OA135	Note 1	OA30 to OA180	(304,535)	11%	-
DFQ	The Company	Parent-subsiary	Sales	(2,550,814)	94%	OA90 to OA180	Note 1	OA30 to OA180	1,736,164	96%	-
DFQ	DFS	Affiliates	Sales	(120,880)	4%	OA90 to OA135	Note 1	OA30 to OA180	15,198	1%	-
DFA	The Company	Parent-subsiary	Purchases	292,666	97%	OA135	Normal price	OA30 to OA180	(261,020)	99%	-
DFC	The Company	Parent-subsiary	Purchases	103,493	62%	OA180	Normal price	OA30 to OA180	(110,129)	94%	-
DET	DFeu	Affiliates	Sales	(543,559)	61%	OA135	Normal price	OA30 to OA180	612,066	82%	-
DET	BESVJ	Joint venture	Sales	(103,347)	12%	O/A 60	Normal price	OA30 to OA180	102,025	14%	-
DET	The Company	Parent-subsiary	Purchases	298,139	40%	OA135	Normal price	OA30 to OA180	(268,951)	80%	-

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

**Total purchases from and sales to related parties which exceed \$100 million or 20% of the paid-in capital
For the nine months ended September 30, 2023**

Table 6

(In thousands of NTD and foreign currencies)

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	
DFeu	DTC	Affiliates	Purchases	543,559	100%	OA135	Normal price	OA30 to OA180	(612,066)	100%	-
BESVJ	DTC	Joint venture	Purchases	103,347	100%	O/A 60	Normal price	OA30 to OA180	(102,025)	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 nine months ended September 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-subsiary	910,674 (Note 3)	0.29	121,221	-	117,717	-	-
The Company	DFQ	Parent-subsiary	272,207 (Note 3)	0.17	55,553	-	55,553	-	-
The Company	DFA	Parent-subsiary	261,020	1.68	5,945	-	-	-	-
The Company	DFC	Parent-subsiary	110,129	1.32	30,316	-	11,184	-	-
The Company	DTC	Parent-subsiary	268,951	2.21	77,868	-	941	-	-
DFS	The Company	Parent-subsiary	1,536,426	0.93(Note 2)	290,643	-	144,568	-	-
DFS	DET	Affiliates	400,852	1.51	126,328	-	-	-	-
DFS	KST	Affiliates	592,807	(Note 1)	-	-	-	-	-
DFS	DFH	Affiliates	304,535	2.36	24	-	-	-	-
DFS	DFH	Affiliates	424,049	(Note 1)	-	-	-	-	-
DFS	DFQ	Affiliates	276,822	(Note 1)	-	-	-	-	-
DFH	The Company	Parent-subsiary	3,262,372	2.23	-	-	499,360	-	-
DFH	DFV	Affiliates	116,899	0.83	-	-	-	-	-
DFQ	The Company	Parent-subsiary	1,736,164	2.69	-	-	278,564	-	-
DPS	DFQ	Affiliates	134,333	(Note 1)	-	-	-	-	-
DTC	DFeu	Affiliates	612,066	1.63	-	-	6,676	-	-
DTC	BESVJ	Joint venture	102,025	1.50	-	-	9,714	-	-
KST	KSG	Parent-subsiary	372,851	-	-	-	-	-	-

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

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

For the nine months ended September 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			
KST	KSV	Parent-subsiary	149,605	0.62	-	-	-	-	-
KST	KSV	Parent-subsiary	283,976	(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: It includes the payment for purchasing raw materials on behalf of subsidiaries.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES
Business relationships and significant intercompany transactions
For the nine months ended September 30, 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	292,666	OA135	1%
0	The Company	DTC	1	Sales	298,139	OA135	2%
0	The Company	DFH	1	Accounts receivable	910,674	OA90 to OA180	2%
1	DFS	DET	3	Sales	396,792	OA180	2%
1	DFS	The Company	2	Sales	977,791	OA90 to OA180	5%
1	DFS	DFH	3	Sales	370,123	OA90 to OA135	2%
1	DFS	The Company	2	Accounts receivable	1,536,426	OA90 to OA180	4%
1	DFS	DET	3	Accounts receivable	400,852	OA180	1%
1	DFS	DFH	3	Other Accounts receivable	424,049	-	1%
1	DFS	KST	3	Other Accounts receivable	592,807	-	2%
2	DFH	The Company	2	Sales	4,705,580	OA90 to OA180	24%
2	DFH	The Company	2	Accounts receivable	3,362,372	OA90 to OA180	9%
3	DFQ	The Company	2	Sales	2,550,814	OA90 to OA180	13%
3	DFQ	The Company	2	Accounts receivable	1,736,164	OA90 to OA180	5%
4	KST	KSG	1	Accounts receivable	372,851	Individual Stipulation	1%
5	DTC	DFeu	3	Sales	543,559	OA135	3%
5	DTC	DFeu	3	Accounts receivable	612,066	OA135	2%

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

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

Note 2: 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 nine months ended September 30, 2023

Table 9 (in thousands of NTD / shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2023			Net Income or Loss of the Investee	Investment Income or Loss	Note
				September 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%	2,663,850	782,375	782,375	The Company's subsidiary
The Company	DFLB	Malaysia	Investment holding	2,633,584	2,633,584	77,989	100.00%	7,007,324	1,068,139	1,068,139	The Company's subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	6,969	6,969	2,772	100.00%	27,710	(86)	(86)	The Company's subsidiary
The Company	DZL	Taiwan	Investment holding	550,000	550,000	55,910	100.00%	750,674	29,119	29,119	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%	352,205	39,673	22,165	The Company's subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	(4,798)	(27,287)	(27,287)	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%	851,702	169,070	52,595	The Company's subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related components	919,940	819,960	32,466	57.24%	791,164	3,803	(140,063)	The Company's subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	598,558	292,558	-	100.00%	520,772	(63,302)	(63,302)	The Company's subsidiary
The Company	DFT	Thailand	Manufacture of electronic products	39,938	-	17,000	100.00%	40,338	-	-	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%	457,585	23,900	13,881	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%	1,386,139	315,952	126,093	The Company's subsidiary
The Company	DET	Taiwan	Manufacturing and wholesale of batteries and electric components	421,800	421,800	25,308	71.64%	552,920	59,709	50,932	The Company's subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related components	77,138	77,138	6,398	13.47%	85,122	39,673	-	The Company's subsidiary

(Continued)

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

Table 9 (in thousands of NTD / shares)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2023			Net Income or Loss of the Investee	Investment Income or Loss	Note
				September 30, 2023	December 31, 2022	Shares	Percentage of Ownership	Carrying Value			
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%	221,484	169,070	-	The Company's subsidiary
DZL	KST	Taiwan	Manufacture and trading of bicycles and related components	74,429	-	3,100	5.47%	75,160	3,803	-	The Company's subsidiary
UTC	UTI	Mauritius	Investment holding	47,321	29,756	1,535	100.00%	25,275	(5,360)	-	The Company's indirect subsidiary
KST	KSG	Germany	Assemble and sale of bicycles	361,371	361,371	-	100.00%	133,521	(13,411)	-	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%	90,870	1,130	-	The Company's indirect subsidiary
KST	KSV	Vietnam	Manufacture and trading of bicycles and related components	596,554	475,406	-	100.00%	378,199	(54,630)	-	The Company's indirect subsidiary
DFLB	DFC	Czech Republic	Trading of electronic products	94,514	94,514	-	100.00%	229,874	33,553	-	The Company's indirect subsidiary
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	56,128	4,535	-	The Company's indirect subsidiary
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	1,889	384	-	The Company's indirect subsidiary
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	471,111	6,537	-	The Company's indirect subsidiary
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	4,671	(75)	-	The Company's indirect subsidiary
DTC	BESVJ	Japan	Trading of green products	43,793	43,793	3	49.00%	25,481	(7,081)	-	Joint ventures
DTC	IOC	Hong Kong	Agent of bicycles and related components	148,235	148,235	19,000	76.00%	168,795	(5,066)	-	The Company's indirect subsidiary
ATC	Rich Glory International Inc.	Samoa	Investment holding	35,107	35,107	1,241	33.33%	42,691	3,378	-	Associate
ATC	ATB	BVI	Investment holding	577,385	577,385	3	100.00%	613,639	11,988	-	The Company's indirect subsidiary
ATB	ATV	Vietnam	Manufacture and trading of bicycles and related components	872,463	872,463	-	100.00%	613,639	11,988	-	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 nine months ended September 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 September 30, 2023	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value of September 30, 2023	Accumulated Inward Remittance of Earnings as of September 30, 2023
					Outflow	Inflow						
DFS	Manufacture and sale of the Company's products	894,686 (USD 27,725) (Note 4)	(Note 1)	755,118 (USD 23,400)	-	-	755,118 (USD 23,400)	1,538,702	100.00%	1,538,702 (Note 3)	4,006,026	261,968 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,581,230 (USD 49,000)	(Note 1)	1,581,230 (USD 49,000)	-	-	1,581,230 (USD 49,000)	131,869	100.00%	131,869 (Note 3)	2,172,260	-
DPS	Mold development and manufacture	32,270 (USD 1,000)	(Note 1)	32,270 (USD 1,000)	-	-	32,270 (USD 1,000)	6,600	100.00%	6,600 (Note 2)	468,326	-
DFQ	Manufacture and sale of the Company's products	484,050 (USD 15,000) (Note 7)	(Note 1)	322,700 (USD 10,000)	-	-	322,700 (USD 10,000)	120,003	100.00%	120,003 (Note 3)	972,094	-
DES	Manufacturing and wholesale of batteries and electric components	32,270 (USD 1,000)	((Note 6)	-	32,270 (USD1,000)	-	32,270 (USD 1,000)	(7,505)	100.00%	(7,505) (Note 2)	22,160	-
UTC	Wireless antennas for telecommunication, components design and marketing	47,501 (USD 1,472)	(Note 1)	29,204 (USD 905)	18,297 (USD 567)	-	47,501 (USD 1,472)	(5,364)	100.00%	(5,364) (Note 3)	24,418	-
ISC	Agent of bicycles and related components	8,248 (HKD 2,000)	(Note 5)	-	-	-	-	(11,322)	76.00%	(8,605) (Note 2)	(1,062)	-

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:

Investor Company Name	Accumulated Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company	2,429,350 (USD 75,282)	2,697,998 (USD 83,607)	(Note)
DET	32,270 (USD 1,000)	161,350 (USD 5,000)	463,082
UTC	47,501 (USD 1,472)	47,501 (USD 1,472)	999,272
DTC	-	6,268 (HKD 1,520)	379,259

The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.27 and HKD\$1=NT\$4.1238 as of September 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 nine months ended September 30, 2023, please refer to “Information on significant transactions”.