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DARFON ELECTRONICS CORP.
2020 Annual Report

Printed on March 26, 2021

<u>Notice to readers</u>

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

1. Spokesperson and Deputy Spokesperson

Spokesperson	Deputy Spokesperson
Name: Jery Lin	Name: Gavin Lin, Frank Su
Title: Vice President of Finance	Title: Senior Director of Finance,Director of Chairman office
Tel: 886-3-2508800	Tel: 886-3-2508800
E-mail: Investor@Darfon.com.tw	E-mail: Investor@Darfon.com.tw

2. Headquarters, Branches and Plant

Headquarters: No.167-1, Shanying Road., Guishan District, Taoyuan City, 333 Taiwan (R.O.C.).

Tel: 886-3-2508800

Taoyuan Plant: No.167, Shanying Road., Guishan District, Taoyuan City, 333 Taiwan (R.O.C.).

Tel: 886-3-2508800

Tainan Plant: No. 21, Gongye 2nd Road, Annan District, Tainan City 709Taiwan (R.O.C.).

Tel: 886-6- 5108800

3. Stock Transfer Agent

Name : Stock Affairs Department of Taishin International Bank Co. Ltd.

Address : B1 No.96, Section 1, Jianguo North Road, Zhongshan District, Taipei City, 104 Taiwan (R.O.C.).

Website: www.taishinbank.com.tw

Tel: 886-2-25048125

4. Auditors

Auditors: Huei-Chen Chang, Wei-Ming Shih

Name : KPMG International Accounting Firm

Address: Taipei 101 Tower, 68F, No.7, Sec. 5, Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Website: www.kpmg.com.tw

Tel.: 886-2-81016666

5. Overseas Securities Exchange : None

6. Corporate Website

www.Darfon.com.tw

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I. Letter to Shareholders

Dear Shareholders,

The spreading of the coronavirus and the continuous disputes between China and the United States in 2020 caused significant impacts and challenges to global political and economic trends and even to our lifestyles. However, the pandemic also brought emerging needs for notebook PC for working from home and online learning. There is also a significant increase in the demand of bicycles for both in exercising and maintaining social distancing. This allowed the company's revenue to increase against all odds. The consolidated revenue for the year was NTD $ 22.3 billion, which increased by 17% compared to the same time of previous year. There was also a steady and healthy performance on net profit after tax. The net profit after tax attributable to the shareholders of the parent company for the year was NTD $0.9 billion, and the earnings per share after tax was NTD $3.23.

In terms of operations, the global notebook PC market was better than in previous years due to the consumption powers under the influence of the coronavirus, and the shipments arrived at a new high in recent years. The peripheral components business fully grasped the customers' urgent needs for commercial enterprise order and consumer Chromebooks. Not only was the production efficiency improved, the product's quality was also ensured. For sales, product combinations were continually optimized and we continued to focus on valuable customers, using increasing profitability as the main spindle while maintaining leading market shares. In terms of technology, we shortened product development timelines. We focused on the development of our core competitiveness on notebook and high-end desktop keyboard technologies. At the same time, we invested resources to launch various high-quality gaming peripheral application products, committed to becoming a top global manufacturer of input equipment. Results were achieved for our green energy business from our deployment of differentiated products and strategic alliances, and there were significant growths and contributions for our businesses centered on pedelec bike (eBike). In addition, we formed a strategic alliance with TD HiTech Energy to accelerate the development of key components for eBike laying the potential for future growth. As for the passive component business, we focus on enhancing our improvement of technology, the development of niche products and the expansion of diverse channels. Unictron, the subsidiary of Darfon, specializes in piezoelectric and antenna components, was also registered as a listed company at the emerging stock market in the 4th quarter of 2020, displaying preliminary results for the strategic deployment of the company's component business.

In terms of management, the company upholds its high standard requirements for product quality and yield. Smart manufacturing was deployed and designs were integrated into production to improve efficiency. While our manufacturing bases expanded from Taiwan and China to South-East Asia and Europe, we emphasized regional complementarity and supply chain management, using cross-business integrated platforms to exert economies of scale. Faced with the changes in global management and environmental safety and health regulations, the company also kept up with the times with green manufacturing processes and compliance with laws and regulations, making company operations more rigorous and corporate governance more transparent. In human resources, in response to the new generation of talent management models, we focused on finding the right people, doing the right jobs and cultivating group talent echelons to build teams that create value together. In addition, Darfon invests approximately 3.6% of its revenue each year as R&D funds for developing new products and technologies and designing automated production equipment to build its core competitiveness. The company currently has over a thousand patents from various countries, showing the company's advantage and innovation capacity on intellectual property rights.

The world is still shrouded by the harassment of the coronavirus, the conflicts of international trades, the more and more rigorous environmental protection laws, and the geopolitical disputes in 2021. Even though faced with the uncertainties of the future, Darfon will promote the strategy of lean integration internally and strategic alliance externally from three aspects: down-to-earth lean management, synergies from strategic alliances and the improvement of core business competitiveness. We will grasp opportunities for growth from IT and green energy industries and add momentum to the company's sustainable management by expanding its business territories.

Thank you to the shareholders for your long-term support and encouragement to the company; The management team and all employees will continue to put in all our efforts to maximize profit for our shareholders, customers, and employees.

Sincerely yours,

Andy Su	**Josh Tsai**	**Jery Lin**
Chairman & CEO	General Manager	CFO

II. Company Profile

2.1 Date of Incorporation: May 8th, 1997

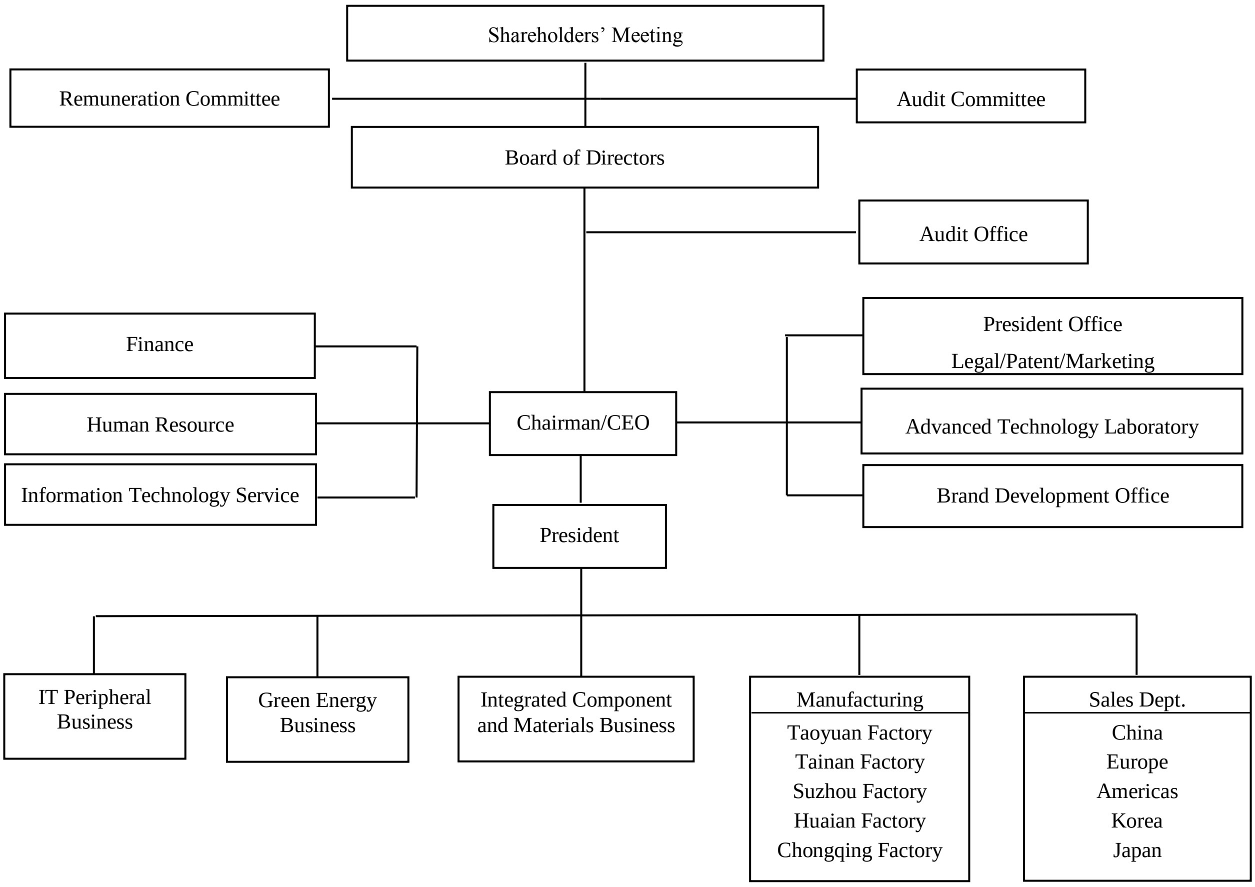
2.2 Company History

May 1997	Company established with a registered capital at NT$0.6 billion, the paid in capital was NT$150 million.
March 1998	FSC approved to be a public company.
June 1999	Established Darfon Electronics (Suzhou) Co., Ltd.
September 1999	Darfon Tainan Factory officially activated for production.
May 2005	Established Darfon Optronics Technology (Suzhou) Co., Ltd.
December 2005	Taipei OTC center (TPEx) approved to log in as a counter stock.
April 2006	Established Darfon Electronics Czech s.r.o
June 2006	Established Darfon America Corp.
March 2007	Established Huaian Darfon Electronics Co., Ltd.
July 2007	Established Darfon Korea Co, Ltd.
October 2007	Acquired 100% of DARFON Precisions (Suzhou) Co., Ltd.
November 2007	Listed on Taiwan Stock Exchange.
February 2010	Taoyuan Guishan headquarters activated for operation.
October 2011	The Board of Directors approved the proposal of establishing the Remuneration Committee.
February 2012	Established Darfon Electronics (Chongqing) Co., Ltd.
September 2013	Darfon Electronics (Suzhou) Co., Ltd. merged with Darfon Optronics Technology (Suzhou) Co., Ltd.
November 2014	Established Darfon Europe B.V.
September 2017	Published CSR and acquired AA-1000AS certificate
November 2018	Acquired 50.28% of Unictron Technologies Corporation. (as of December 2020)
April 2019	Acquired 60% of Kenstone Metal Co., Ltd.
November 2019	Received Taiwan Corporate Sustainability Awards, organized by Taiwan Institute for Sustainable Energy (TAISE);
August 2020	Acquired 62.75% of TD HiTech Energy Inc.
November 2020	Established Darfon Vietnam Co., Ltd.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Departments Functions

Department	Functions
President's Office	Strategic planning, management, investment and operational analysis, public relations, corporal legal affairs, and relevant affairs about intellectual property rights such as domestic and international patent.
IT Peripheral Business Dept.	Development and deployment of domestic and international marketing of IT products. Execution of marketing plans, product R&D, new launch and improvement of new technology.
Green Energy Business Dept.	Product development of battery and energy storage equipment. New launch and improvement of new technology.
Integrated Component and Materials Business Dept.	Passive components, R&D for ceramic capacitor materials and product manufacturing Development of domestic and international marketing and project execution.
Finance Dept.	Edition and implementation of company finance regulations. Management and operation of funds, reinvestment, stock affairs, taxation, and accounting affairs.
Human Resource Dept.	Planning and management of compensation system, business travel and expatriate, insurance, welfare.Planning, establishment and implementation of system of education training and talent cultivation.Planning and promotion of corporate culture and employee interactions. Planning and management of Environment, Health, Safety(EHS)
Information Technology Service Dept.	Strategy of IT system and implementation of structure. Support and integration of company IT affairs.
Brand Development Office	Business planning, strategic planning, R&D, and launch of new product, E-Bike.
Advanced Technology Laboratory	R&D and assessment of company advanced technology.

3.2 Information of Directors, Independent Directors, President, Vice President, Associated Managers and Management Team of Each Department and Divisions

3.2.1 Directors and Independent Directors:

3.2.1.1 Information of Directors and Independent Directors

April 25, 2021 (Unit: Shares, %)

Title	Nationality / Place of Registration	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Andy Su	Male	June 21, 2018	3	August 26, 1999	4,058,447	1.45	4,058,447	1.45	729,939	0.26	0	0.00	EMBA, National Cheng Chi University Assistant Vice President of BenQ Corp.	CEO, Darfon Electronics Corp. Chairman, Unictron Technologies Corp. Chairman, Darad Innovation Corp. Chairman, Darfon Materials Corp. Chairman, Darfon Gemmy Corp. Director, BenQ Foundation Chairman, Kenstone Metal Co., Ltd. Chairman, TD HiTech Energy Inc. Chairman, Kenlight Sport Marketing Co., Ltd. Chairman, Iron Ore Company Limited Chairman, Astro Tech Co., Ltd.	None	None	None	Note
Director	R.O.C	K.Y. Lee	Male	June 21, 2018	3	April 30, 1997	1,525,729	0.54	1,525,729	0.54	0	0.00	0	0.00	MBA, Switzerland IMD B.S., Electrical Engineering, National Taiwan University Chairman, Qisda Corp. Chairman, AU Optronics Corp.	Director, Qisda Corporation Director, AU Optronics Corp. Director, BenQ Materials Corp. Chairman, BenQ Corp. Chairman, BenQ Foundation	None	None	None	-
Director	R.O.C	Qisda Corporation	Male	June 21, 2018	3	April 30, 1997	58,004,667	20.72	58,004,667	20.72	0	0.00	0	0.00	M.D.,Technology Mangement, National Cheng Chi University EMBA, Thunderbird School of Global Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center EVP, BenQ Corp.	Chairman and President, Qisda Corp. Chairman, DFI Inc. Vice Chairman, Alpha Networks Inc. Director, Hitron Technologies Inc. Chairman, BenQ Medical Tech. Corp. Chairman, Partner Tech Corp. Director, BenQ Materials Corp. Director, BenQ Corp. Director, BenQ Foundation	None	None	None	-
		Peter Chen				March. 8, 2001	294,693	0.11	294,693	0.11	0	0.00	0	0.00			None	None	None	-
Director	R.O.C	Qisda Corporation	Female	June 21, 2018	3	April 30, 1997	58,004,667	20.72	58,004,667	20.72	0	0.00	0	0.00	MBA, California State University, Fullerton Financial Assistant Vice President of Finance, Qisda corp. CFO, Daxon Technology Inc.	CFO, Qisda Corp. group. Director, Alpha Networks Inc. Director, Sysage Technology Co., Ltd. Director, Data Image Corp. Director, Simula Technology Inc. Director, K2 International Medical Inc. Director, BenQ Corp.	None	None	None	-
		Jasmin Hung				August 30, 2019	26,637	0.01	26,637	0.01	0	0.00	0	0.00			None	None	None	-
Director	R.O.C	Josh Tsai	Male	June 21, 2018	3	June 24, 2015	519,271	0.19	519,271	0.19	0	0.00	0	0.00	Ph D, Mechanical Engineering, National Chiao Tung University	President, Darfon Electronics Corp. Director, Darad Innovation Corp. Director, Darfon Materials Corp. Director, Darfon Gemmy Corp. Director, Kenstone Metal Co., Ltd. Director, TD HiTech Energy Inc. Director, Kenlight Sport Marketing Co., Ltd. Director, Astro Tech Co., Ltd.	None	None	None	-

Title	Nationality / Place of Registration	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C	Neng-Pai Lin	Male	June 21, 2018	3	May 11, 2006	0	0.00	0	0.00	0	0.00	0	0.00	Ph D., Business, Ohio State University Chairman of Taiwan Sugar Corp. Chairman of Taiwan Power Company Minister, Public Construction Commission, Executive Yuan Dean, Management Dept. National Taiwan University	Chairman, Taishin Securities Investment Advisory Co., Ltd. Independent Director, Wistron NeWeb Corporation Independent Director, AcBel Polytech Inc.	None	None	None	-
Independent Director	R.O.C	Nelson Lee	Male	June 21, 2018	3	June 24, 2015	0	0.00	0	0.00	0	0.00	0	0.00	PhD Candidate, Department of Horticulture, National Taiwan University MBA, Wharton School of the University of Pennsylvania M.D., The Moore School of Electrical Engineering and Computer Science, Pennsylvania State University BBA, National Taiwan University Independent Director, Easy Field Corp. Chairman, Optoma Corp. President, Coretronic Corp. EVP, Universal Furniture Ltd. CEO, Asia Pacific of Formica Corp. Chairman, Taiwan Arboriculture Society Chairman, Taiwan Green Roof & Green Wall Association	Chairman, Treegarden Corporation Chairman ,Taiwan Biochar Industry Organization	None	None	None	-
Independent Director	R.O.C	Stan Hu	Male	June 21, 2018	3	June 24, 2015	0	0.00	0	0.00	0	0.00	0	0.00	M.D., Accounting, New York State University. Manager, Solomon & Co., CPAs Director, Forhouse Corp.	Partner Accountant, YZ CPA. Supervisor, Favite Inc.	None	None	None	-

Note:Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measure adopted in response thereto must be disclosed. (such as addition of independent directors' number, and actions when more than half of directors are not concurrently serving as employees or managers, etc.):The chairman of the Company concurrently serves the position of CEO, because of his working and corporate governance experience in fields, such as industry knowledge, operational judgement, and corporate management. Chairman shows obvious benefit to company by corporate governance implementation and management, ability to improve decision-making and to strengthen company operation. By such competence, chairman can timely provide professional advice to board of directors. Audit committee was implemented in 2007 in order to strengthen independence of the board, and number of the directors who are also company employees is less than one-third of the board members. Moreover, all board members are required to take professional courses by external institutions in order to maintain board operations. The company re-elected directors at the 2021 regular shareholders' meeting and added an independent director.

3.2.1.2 Major shareholders of the Corporate Shareholders

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholders	
	Name	Percentage (%)
Qisda Corporation	AU Optronics Corp.	17.04
	Acer Incorporated	4.15
	Konly Venture Corp.	2.55
	Darfon Electronics Corp.	1.86
	UBS Europe SE	1.12
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	1.06
	Polunin Developing Countries Fund, LLC	1.02
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.00
	Taishin International Bank entrusted with the Qisda Corporation Employee Stock Ownership Trust Account	0.94
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	0.91

Note: Qisda Corp. is major shareholder, and it’s based on shareholder name list as of the book closure date on April 26, 2021.

3.2.1.3 Major shareholders of the Company’s major Corporate Shareholders

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholders	
	Name	Percentage (%)
AU Optronics Corp. (Note1)	Qisda Corporation	6.90
	Quanta Computer Inc.	4.61
	Trust Holding for Employees of AU Optronics Corp.	4.58
	ADR of AU Optronics Corp.	4.19
	Fubon Life Insurance Co., Ltd	3.93
	Tong Hwei Enterprise Co., Ltd.	1.58
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.26
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	0.97
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	0.94
	New Labor Pension Fund	0.79
ACER Inc. (Note2)	Hung Rouan Investment Corp.	2.42
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Universities Superannuation Scheme Limited	1.53
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	1.33
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.21
	Credit Suisse International	1.20
	J.P. MORGAN SECURITIES PLC	1.16
	Stan Shih	1.15
	ISHARES MSCI TAIWAN ETF	1.01
	Saudi Arabian Monetary Authority - fund manager Amundi Asset Management - Mandate: Emerging Market Equity	0.97
	Acer GDR	0.95
Konly Venture Corp. (Note 3)	AU Optronics Corp.	100

Note 1: Source of information for AU Optronics Corp.is recorded as of the book closure date of AU Optronics Corp. on April 19, 2020.
Note 2: Source of information for ACER Inc.is recorded as of the book closure date of ACER Inc. on April 13, 2021
Note 3: Source of information for Department of Commerce, MOEA.

3.2.1.4 Professional qualifications and independence analysis of directors and independent directors

April 25, 2021

Condition / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Meet conditions of independence (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department or the business sector of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who is necessary for the company's business and who has been certified by national examinations and licensed by the competent authorities	Have work experience in the areas of commerce, law, finance, or accounting, or business sector of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Andy Su			V				V	V	V		V	V	V	V	V	0
K.Y. Lee			V			V	V	V	V	V		V	V	V	V	0
Qisda Corp. Representative: Peter Chen			V			V	V		V	V		V	V	V	V	0
Qisda Corp. Representative: Jasmin Hung			V			V	V		V	V		V	V	V	V	0
Josh Tsai			V			V	V	V	V		V	V	V	V	V	0
Neng-Pai Lin	V		V	V	V	V	V	V	V	V	V	V	V	V	V	0
Nelson Lee			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Stan Hu		V	V	V	V	V	V	V	V	V	V	V	V	V	V	0

Note: Please tick the corresponding boxes that apply to the directors or the independent directors during the two years prior to being elected or during the term of office.

(1)Not an employee of the Company or any of its affiliates.

(2)Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3)Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4)Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons under (2) and (3).

(5)Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of issued shares of the Company or who holds shares ranking in the top five holdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(6)Not a director, supervisor, officer, or employee of other company if a majority of the company's director seats or voting shares and those of that other company are controlled by the same person. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(7)Not a director, supervisor, or employee of other company or institution if the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at that other company or institution are the same person or are spouses. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.) Not a spouse, relative within the second degree of kinship of directors.

(8)Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Do not apply in cases where the specified company or institution holds more than 20 percent but less than 50 percent if the Company's issued shares and are the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(9)Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10)Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(11)Not been a person of any conditions defined in Article 30 of the Company Act.

(12)Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

3.2.2 Information of President, Vice President, Associated Manager, and Management Team of each Department and Branches:

April 25, 2021 (Unit: Shares, %)

Title (note1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Andy Su	Male	November, 2018	4,058,447	1.45	729,939	0.26	0	0.00	EMBA, National Cheng Chi University Assistant VP of BenQ Corp.	Chairman, Unictron Technologies Corporation Chairman, Darad Innovation Corporation Chairman, Darfon Materials Corp. Chairman, Darfon Gemmy Corp. Director, BenQ Foundation Chairman, Kenstone Metal Co., Ltd. Chairman, TD HiTech Energy Inc. Chairman, Kenlight Sport Marketing Co., Ltd. Chairman, Iron Ore Company Limited Chairman, Astro Tech Co., Ltd.	None	None	None	Note 2
President	R.O.C.	Josh Tsai	Male	November, 2018	519,271	0.19	0	0.00	0	0.00	Ph D, Mechanical Engineering, National Chiao Tung University	Director, Darad Innovation Corp. Director, Darfon Materials Corp. Director, Darfon Gemmy Corp. Director, Kenstone Metal Co., Ltd. Director, TD HiTech Energy Inc. Director, Kenlight Sport Marketing Co., Ltd. Director, Astro Tech Co., Ltd.	None	None	None	-
Vice President	R.O.C.	James MH Chiang	Male	August, 2009	16,000	0.01	135,734	0.05	0	0.00	M.D., Business Management, University of Northern Virginia	Director, Kenstone Metal Co., Ltd. Director, TD HiTech Energy Inc. Director, Astro Tech Co., Ltd.	None	None	None	-
V.P, IT Peripheral	R.O.C.	Milton Lai	Male	November, 2016	10,000	0.00	0	0.00	0	0.00	M.D., Business Management, National Cheng Kung University	Director, Darad Innovation Corp. Director, Kenlight Sport Marketing Co., Ltd. Director, Iron Ore Company Limited	None	None	None	-
V.P., Integrated Components	R.O.C.	Dean Lin	Male	March, 2006	1,403,151	0.50	83,832	0.03	0	0.00	EMBA, National Cheng Chi University V.P., BenQ Material Corp.	Director, Darfon Materials Corp. Director, Darfon Gemmy Corp.	None	None	None	-
V.P., Advanced Technology	R.O.C.	ZC Jou	Male	November, 2018	29,002	0.01	879	0.00	0	0.00	Ph D., Material, University of Utah	None	None	None	None	-
V.P., Green Energy Products	R.O.C.	Chris Wang	Male	March, 2021	43,308	0.02	166	0.00	0	0.00	EMBA, Chinese Culture University	None	None	None	None	-
V.P., Finance	R.O.C.	Jery Lin	Male	October, 1999	1,209,429	0.43	0	0.00	0	0.00	M.D.,Technology Mangement of National Chiao Tung University Manager of BenQ Corp..	Director, Unictron Technologies Corporation Director, Iron Ore Company Limited Supervisor Darad Innovation Corporation Supervisor, Darfon Materials Corp. Supervisor Darfon Gemmy Corp. Supervisor, Kenlight Sport Marketing Co., Ltd. Supervisor, Astro Tech Co., Ltd.	None	None	None	-

Note1: Those who currently serve in their respective positions on the publication date of the Annual Report.

Note2: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measure adopted in response thereto must be disclosed. (such as addition of independent directors' number, and actions when more than half of directors are not concurrently serving as employees or managers, etc.) The chairman of this company concurrently serves the position of CEO, because of his working s and corporate governance experience in fields, such as industry knowledge, operational judgement, and corporate management. Chairman shows obvious benefit to company by corporate governance implementation and management, ability to improve decision-making and to strengthen company operation. By such competence, chairman can timely provide professional advice to board of directors. Audit committee was implemented in 2007 in order to strengthen independence of the board, and number of the directors who are also company employees is less than one-third of the board members. Moreover, all board members are required to take professional courses by external institutions in order to maintain board operations. The company re-elected directors at the 2021 regular shareholders' meeting and added an independent director.

Note3: Managing officers concurrently serve on affiliates in mainland China, please refer to the section "Directors, supervisors and presidents of affiliates" page 71 in annual report.

3.2.3 Compensation of Directors, Independent Directors, President, and Vice Presidents

3.2.3.1 Compensation of Directors and Independent Directors,

Unit: NT$ thousands; %

Title		Name	Remuneration								Ratio of sum of Items(A+B+C+D) to profit (%)		Compensation received by directors who is an employee of the Company								Ratio of sum of items (A+B+C+D+E+F+G) to net income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
			Compensation (A) (Note1)		Pension upon Retirement (B)		Director's Remuneration (C) (Note2)		Business execution Expenses (D) (Note3)				Salary, Bonuses, and special expenses (E) (Note4)		Pension upon Retirement (F)		Employee's Remuneration (G) (Note5)						
			The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																	Cash	Stock	Cash	Stock			
General Directors	Chairman	Andy Su	5,000	5,000	0	0	1,470	2,377	200	270	0.74	0.85	44,505	55,960	0	0	15,890	0	23,732	0	7.42	9.66	None
	Director	K.Y. Lee																					
	Director	Josh Tsai																					
	Corporate Director Representative	Qisda Corp., Peter Chen																					
	Corporate Director Representative	Qisda Corp. Jasmin Hung																					
Independent Directors	Independent Director	Neng-Pai Lin	4,200	4,200	0	0	4,411	4,411	120	120	0.97	0.97	0	0	0	0	0	0	0	0	0.97	0.97	None
	Independent Director	Nelson Lee																					
	Independent Director	Stan Hu																					
Corporate Director	Corporate Director	Qisda Corp.	2,000	2,000	0	0	2,940	2,940	0	0	0.55	0.55	0	0	0	0	0	0	0	0	0.55	0.55	None

Note1: Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: Compensation for Company Directors have been authorized for distribution by the Board of Directors pursuant to the Company's Articles of Incorporation, based on individual Director's level of participation and contributions to Company operations, and have been paid pursuant to the "Compensation Policy to the Directors and Functional Committee Members" which is in reference to domestic and overseas industry standards. When earnings are present, compensation for Company Directors have been authorized for distribution by the Board of Directors pursuant to the Article 19 of Company's Article of Incorporation, no more than 1% of the remaining profit for distribution to directors as remuneration. The remuneration may be approved by the Board of Directors and reported to the shareholders' meeting.

Note2: In addition to the information disclosed in the table above, has any Director of the Company provided services to any of the companies included in the Financial Statements and received compensation for such services (e.g. provided consultation services in a non-employee capacity): None

3.2.3.1.1. Table of compensation ranges

Compensation range for each Director	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT$ 1,000,000	Peter Chen Jasmin Hung	Peter Chen Jasmin Hung	Peter Chen Jasmin Hung	Peter Chen Jasmin Hung
NT$ 1,000,000 ~ NT$1,999,999	Josh Tsai	Josh Tsai	-	-
NT$ 2,000,000 ~ NT$3,499,999	Andy Su K.Y. Lee Neng-Pai Lin Nelson Lee Stan Hu	K.Y. Lee Neng-Pai Lin Nelson Lee Stan Hu	K.Y. Lee Neng-Pai Lin Nelson Lee Stan Hu	K.Y. Lee Neng-Pai Lin Nelson Lee Stan Hu
NT$3,500,000 ~ NT$4,999,999	Qisda Corp.	Andy Su Qisda Corp.	Qisda Corp.	Qisda Corp.
NT$5,000,000 ~ NT$9,999,999	-	-	-	-
NT$10,000,000 ~ NT$14,999,999	-	-	-	-
NT$15,000,000 ~ NT$29,999,999	-	-	Josh Tsai	Josh Tsai
NT$30,000,000~ NT$49,999,999	-	-	Andy Su	-
NT$50,000,000 ~ NT$99,999,999	-	-	-	Andy Su
Over NT$100,000,000	-	-	-	-
Total	9 (1 Corporate Director included)	9 (1 Corporate Director included)	9 (1 Corporate Director included)	9 (1 Corporate Director included)

Note1: Refers to compensation for Directors in 2020, including salaries, job allowance, severance pay, bonuses, and performance fees.

Note2: Refers to Directors' remunerations, approved by the Board of Directors on March 15, 2021

Note3: Refers to Directors' business execution expenses in 2020, including transport fees, special expenses, various subsidies, accommodations, or company vehicles and other physical items, etc.

Note4: Refers to compensation for Directors who also served as President, Vice President, other managers or employees in 2020 including salaries, job remuneration, severance pay, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, company vehicles, and other physical items, etc. Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.

Note5: Refers to employees' remuneration, including stock and cash, paid to Directors who also served as President, Vice President, other managers, or employees, according to the company's board of directors' meeting has approved the distribution of employees' compensation amount on March 15, 2021.

Note6: Refers to net income attributable to parent company for the year in the 2020 consolidated financial statements of Darfon Electronics Corp.

3.2.3.2 Remuneration of Supervisors：The Company adopts Audit Committee without supervisors.

3.2.3.3 Compensation of the President and Vice Presidents

Unit: NT$ thousands, %

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary(A)
(Note1)</th><th colspan="2">Pension upon retirement (B)
(Note2)</th><th colspan="2">Bonuses and special expenses etc (C)
(Note3)</th><th colspan="4">Employee’s remuneration (D)
(Note4)</th><th colspan="2">Ratio of sum of items (A+B+C+D) to net income (%)</th><th rowspan="3">Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company’s Subsidiary</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th colspan="2">The company</th><th colspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements (Note5)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Andy Su</td><td rowspan="9">27,848</td><td rowspan="9">37,562</td><td rowspan="9">1,243</td><td rowspan="9">1,243</td><td rowspan="9">62,461</td><td rowspan="9">66,380</td><td rowspan="9">27,140</td><td rowspan="9">0</td><td rowspan="9">35,586</td><td rowspan="9">0</td><td rowspan="9">13.13</td><td rowspan="9">15.58</td><td rowspan="9">None</td></tr>
<tr><td>President</td><td>Josh Tsai</td></tr>
<tr><td>Vice President</td><td>Charles S Liu (Note6)</td></tr>
<tr><td>Vice President</td><td>Dean Lin</td></tr>
<tr><td>Vice President</td><td>James MH Chiang</td></tr>
<tr><td>Vice President</td><td>Milton Lai</td></tr>
<tr><td>Vice President</td><td>ZC Jou</td></tr>
<tr><td>Vice President</td><td>Chris Wang (Note7)</td></tr>
<tr><td>V.P., Finance</td><td>Jery Lin</td></tr>
</table>

3.2.3.3.1 Table of Compensation Level

<table>
<tr><th rowspan="2">Compensation range for each President and Vice President</th><th colspan="2">Name of President and Vice Presidents</th></tr>
<tr><th>The company</th><th>Companies in the consolidated financial statements</th></tr>
<tr><td>Under NT$ 1,000,000</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 1,000,000 ~ NT$1,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 2,000,000 ~ NT$3,499,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$3,500,000 ~ NT$4,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$5,000,000 ~ NT$9,999,999</td><td>Charles S Liu
James MH Chiang
Dean Lin
ZC Jou
Jery Lin
Chris Wang</td><td>Charles S Liu
James MH Chiang
Dean Lin
ZC Jou
Jery Lin
Chris Wang</td></tr>
<tr><td>NT$10,000,000 ~ NT$14,999,999</td><td>Milton Lai</td><td>Milton Lai</td></tr>
<tr><td>NT$15,000,000 ~ NT$29,999,999</td><td>Josh Tsai</td><td>Josh Tsai</td></tr>
<tr><td>NT$30,000,000~ NT$49,999,999</td><td>Andy Su</td><td>-</td></tr>
<tr><td>NT$50,000,000 ~ NT$99,999,999</td><td>-</td><td>Andy Su</td></tr>
<tr><td>Over NT$100,000,000</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>9</td><td>9</td></tr>
</table>

Note1: Refers to compensation for president and vice president in 2020, including salaries, job allowance and severance pay.

Note2: Refers to pension either allocated or paid out per legal requirements in 2020.

Note3: Refers to compensation for president and vice president in 2020, including bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, company vehicles, and other physical items, etc. Any salary expenses recognized under IFRS 2 Share-Based Payment, including employee stock option plan, employee restricted stock and cash capital increase by stock subscription shall also be included in compensation.

Note4: Refers to employees’ remuneration, including stock and cash, according to the company’s board of directors’ meeting has approved the distribution of employees’ compensation amount on March 15, 2021.

Note5: Refers to net income attributable to parent company for the year in the 2020 consolidated financial statements of Darfon Electronics Corp..

Note6: V.P., Charles S Liu has retired on February 9, 2021..

Note7: V.P., Chris Wang was assigned new manager on March 15, 2021.

3.2.3.4 Names of managers provided with employee's remunerations and state of payments

Unit: NT$ thousands, %

Item	Title	Name	Stock	Cash	Total	Ratio of Total Amount to Net Income (%)
Managers (Note1)	Chairman	Andy Su	0	27,140 (Note2)	27,140	3.00 (Note3)
	President	Josh Tsai				
	Vice President	Dean Lin				
	Vice President	Milton Lai				
	Vice President	James MH Chiang				
	Vice President	ZC Jou				
	Vice President	Chris Wang				
	V.P., Finance	Jery Lin				

Note1: Managers application accuracy is in accordance with FSC Securities and Futures Commission, Ministry of Finance-3 NO. 0920001301 published on March 25, 2003.

Note2: Refers to employees' remuneration according to the company's board of directors' meeting has approved the distribution of employees' compensation amount on March 15, 2021, and reference of previous distribution amount.

Note3: Refers to net income attributable to parent company for the year in the 2020 consolidated financial statements of Darfon Electronics Corp.

3.2.4 Compare and analyze the total compensation as a percentage of net income after taxes stated in the parent company only or individual financial statements, paid by the Company and by all companies listed in the consolidated financial statement in the most recent two years to the Company's Directors, president and vice president. Describe the policies, standards, and packages for payment of compensation, the procedures for determining compensation, and its linkage to business performance and future risk exposure

3.2.4.1 The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, president and vice presidents of the Company, to the net income.

Item / Year	2019	2020
Net income after taxes on the Company's Parent Company Only Financial Statements (NT$ thousands)	899,950	903,785
Ratio of compensation for Directors paid by the Company (%)	2.22	2.25
Ratio of compensation for Directors paid by all Companies listed in the Consolidated Financial Statements (%)	2.44	2.36
Ratio of compensation for Managers such as Vice President or above paid by the Company (%)	11.90	13.13
Ratio of compensation for Managers such as Vice President or above paid by all Companies listed in the Consolidated Financial Statements (%)	13.49	15.58

3.2.4.2 The policies, standards, and packages for payment of compensation, the procedures for determining compensation, and its linkage to business performance and future risk exposure.

(1) Statement of Directors' and Independent Directors' compensation

Compensation for Company Directors have been authorized for distribution by the Board of Directors pursuant to the Company's Articles of Incorporation, based on individual Director's level of participation and contributions to Company operations, and have been pursuant to the "Compensation Policy to the Directors and Functional Committee Members" which is in reference to domestic and overseas industry standards. When earnings are present, Board of Directors will resolve on the amount of Directors' remunerations based on the Company's Articles of Incorporation, which stipulate that: "From the profit earned by the Company as shown through the annual account closing, no more than 1% shall be taken for directors' compensation, and amount is submitted to the Board of Directors for discussion before being sent to the shareholders' meeting for resolution.

(2) Statement of president's and vice president's compensation

The compensation to president's and vice president were determined by the Remuneration Committee of the Company in accordance with Company's Articles of Incorporation and compensation (salary), and the individual performance, company net income, profit and the market trends.

(3) Company's compensation is correlation of incompetence and performance. Competitive remuneration is offered to attract, keep and cultivate talent in long run. The compensation is abided by Company's Articles of Incorporation and compensation (salary) and Articles of Performance Management. Fair remuneration is measured based on company's operational performance, industry future corporal risk and future trends, the employee's personal achievements, contribution made to the business operation, and the market averages. It has a positive correlation with the performance of the Company's business, pursuant to the Compensation Policy to the Directors and Functional Committee Members. The company constantly reviews compensation system according to operation conditions and related regulations, and seeks for balance between sustainable management and risk control. Instead of using short-term profit as the sole indicator for remuneration and performance evaluation, the company establishes a link to shareholder's long-term value.

3.3 Implementation of Corporate Governance

3.3.1 Operations of the Board of Directors: The number of meetings, the attendance rate of each director, the objective of strengthening the functions of the board of directors in the current year and the most recent year, the evaluation of the implementation status, and other information that should be recorded.

The Company had convened 5 Board of Directors meetings in 2020 with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	Andy Su	5	0	100	
Director	K.Y. Lee	5	0	100	
Director	Qisda Corp. Peter Chen	5	0	100	
Director	Qisda Corp. Jasmin Hung	5	0	100	
Director	Josh Tsai	5	0	100	
Independent director	Neng-Pai Lin	5	0	100	
Independent director	Nelson Lee	5	0	100	
Independent director	Stan Hu	5	0	100	

Other information that should be recorded:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of proposal, all independent directors' opinions and the company's response should be specified:
   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.: Please refer to Major Resolutions of Shareholders' Meeting and Board Meetings pages 36-37; no dissenting or qualified opinion and all approved by all attending independent directors and directors.
   (2) In addition to the aforementioned matters, any other resolutions from the Board of Directors where an independent director expressed a dissenting or qualified opinion that has been recorded or stated by writing: None.

2. If there are directors' avoidance of proposals in conflict of interest, the directors' names, contents of proposals, causes for avoidance and voting should be specified:

Date	Directors' names	content of proposals	Reasons for conflict of interest	Resolutions
March 16, 2020	Andy Su Josh Tsai	Allocation of remuneration to employees and directors in 2019	Andy Su and Josh Tsai concurrently serve as a manager of the Company.	Except Andy Su and Josh Tsai are in avoidance of voting, all other members presented at the meeting approved the proposal without objection.
		Remuneration to directors and bonus allocation of managerial personnel in 2019		
	K.Y. Lee Andy Su Peter Chen	Donation to the BenQ Foundation	K.Y. Lee, Andy Su, and Peter Chen are directors of BenQ Foundation.	Except K.Y. Lee, Andy Su and Peter Chen are in avoidance of voting, all other members presented at the meeting approved the proposal without objection.
March 15, 2021	Andy Su Josh Tsai	Allocation of remuneration to employees and directors in 2020	Andy Su and Josh Tsai concurrently serve as a manager of the Company.	Except Andy Su and Josh Tsai are in avoidance of voting, all other members presented at the meeting approved the proposal without objection.
		Remuneration to directors and bonus allocation of managerial personnel in 2020		
	K.Y. Lee Andy Su Peter Chen	Donation to the BenQ Foundation	K.Y. Lee, Andy Su, and Peter Chen are directors of BenQ Foundation.	Except K.Y. Lee, Andy Su and Peter Chen are in avoidance of voting, all other members presented at the meeting approved the proposal without objection.

3. Self or peer evaluation of Board of Directors, evaluation period, scope, measures and other information:
   The evaluation of Board of Directors was as follows:

Evaluation Cycle	Evaluation Period	Scope of evaluation	Measures of evaluation	Remarks
Once a year	From January 1, 2020 to December 31, 2020	Board of Directors, Individual directors and Functional Committee. (including Audit Committee and Remuneration Committee.)	Internal self-evaluation of Board of Directors, Individual directors and Functional Committee. (including Audit Committee and Remuneration Committee.)	Note

Note: content of evaluation includes the following items according to the assessment scope:
   (1) The board of directors and its individual members conduct performance evaluations on the "overall board of directors". The evaluation content includes five major aspects, including participation in the company's operations, improvement of the quality of board decisions, board composition and structure, director selection and continuous education, and internal control.
   (2) The performance assessments of individual board members include the following six aspects, such as the grasp of the company's goals and missions, the recognition of director's duties, the degree of participation in the company's operations, the management of internal relationships and communication, the professionalism and continuing professional education, and internal controls.

(3) Audit committee members conduct self-evaluation on the "overall audit committee". The content of the evaluation includes the following five aspects, participation in the company's operations, awareness of the audit committee's responsibilities, improvement of the decision-making quality of the audit committee, audit committee composition and member selection, and internal control.
(4) The members of the remuneration committee conduct self-evaluation on the "Overall remuneration committee". The content of the evaluation includes the following five aspects, the degree of participation in the company's operations, awareness of the responsibilities of the remuneration committee, improvement of the decision-making quality of the remuneration committee, composition and member selection of the remuneration committee, and internal control..

4. Targets for strengthening the functions of the Board of Directors in the current and the most recent year and evaluation of target implementation:

(1) The board of directors of the company is responsible for guiding the company's strategy, supervising the management, various operations and arrangements of the system of corporate governance, being responsible to the company and the shareholders' meeting, and exercising its functions in accordance with laws & regulations, and the company's Articles of Incorporation or the resolutions of the shareholders' meeting.
(2) The company established an audit committee on January 1, 2007 to exercise the functions required by the Securities and Exchange Act, the Company Act and legal regulations. For the operation of the audit committee, please refer to pages 16-18 of the annual report.
(3) The company set up a remuneration committee on October 27, 2011, which regularly evaluates and sets the remuneration of directors and managers, regularly reviews the remuneration of policies, systems, standards and structure of directors, and managers' performance evaluation. Please refer to pages 26-27of the annual report for the operation of the remuneration committee.
(4) The board of directors of the company passed the "Board Performance Evaluation Method" on March 7, 2019, stipulating that the board of directors shall perform an annual performance evaluation of the board of directors and functional committees (audit committee and remuneration committee). The company completed the evaluation of the board of directors and functional committees at the end of 2020, and the board of directors reported the results of the evaluation in March 2021. The achievement rate was above 98% indicating the efficient and good operation by the Board.

3.3.2 Audit Committee: Operations of Audit Committee, the number of meetings, attendance rate of each independent director and other information that should be recorded.

Since January 1, 2007, the company has established an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. Its operations and main responsibilities are as follows:

1. Operations of Audit Committee, the supervision of the following matters shall be the focus of the annual work.
   (1) Appropriate expression of the company's financial statements.
   (2) The hiring (dismissal) of certified accountants, and their independence and performance.
   (3) Effective implementation of the company's internal control.
   (4) The company complies with relevant laws and regulations.
   (5) The management and control of the company's existing or potential risks.
2. The main responsibilities of the audit committee are as follows,
   (1) Establish or amend the internal control system in accordance with the provisions of Article 14-1 of the Securities and Exchange Act.
   (2) Evaluation of the effectiveness of the internal control system.
   (3) In accordance with the provisions of Article 36-1 of the Securities and Exchange Act, stipulate or amend the procedures for the acquisition or disposal of assets, derivative commodity transactions, capital loans to others, endorsements or guarantees for others.
   (4) Matters involving the director's own interests.
   (5) Significant asset or derivative commodity transactions.
   (6) Significant capital lending, endorsements or guarantees.
   (7) Raising, issuing or private placement of equity securities.
   (8)Review the hiring, dismissal, compensation and service matters concerning CPAs.
   (9) Appointment and removal of financial, accounting or internal audit supervisors.
   (10)Annual financial report signed or stamped by the chairman, manager and accounting supervisor, and the second quarter financial report subject to verification by accountants.
   (11) Other important matters specified by the company or the competent authority.
3. The Company had convened 5 Audit Committee meetings in 2020 with the following attendance:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent director	Neng-Pai Lin	5	0	100	None
Independent director	Nelson Lee	5	0	100	None
Independent director	Stan Hu	5	0	100	None

Note: The actual attendance rate (%) is calculated based on the number of meetings of the audit committee during the independent directors' tenure and the actual number of attendance.

4. Resolutions of major proposals of the Audit Committee:

Date	**Session**	**Content of proposals**	**Resolutions and implementation**	**Company's response**
March 16, 2020	1st Audit Committee in 2020	A. Statement and self-evaluation report of internal control system, 2019.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		B. Remuneration of employees and directors, 2019.	All Audit Committee Members presented at the meeting agreed on NT$8,326,376 for directors and NT$111,018,340 for employees, all in cash, and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		C. Operation report and financial statement, 2019.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		D. Approved the distribution of 2019 earnings.	All Audit Committee Members presented at the meeting agreed on the amount of cash dividend NT$2.3 per share of common stock and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		E. Amendment of Article of Incorporation.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		F. Donation to BenQ Foundation.	All Audit Committee Members presented at the meeting agreed on the donation NT$3 million and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
May 8, 2020	2nd Audit Committee in 2020	A. Approved financial statement in Q1, 2020.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.

Date	Session	Content of proposals	Resolutions and implementation	Company's response
May 22, 2020	3rd Audit Committee in 2020	A. Approved additional investment and establishment subsidiary in Vietnam.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
August 5, 2020	4th Audit Committee in 2020	A. Approved financial statement in Q2, of 2020.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		B. Approved acquisition of common stock of TD HiTech Energy Inc.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		C. Approved capital expenditure budget for plant construction of Darfon Vietnam Co., Ltd.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		D. Approved capital increase of Darfon Vietnam Co., Ltd.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		E. Assessment of 2020 Professional fee for service of CPA.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
November 6, 2020	5th Audit Committee in 2020	A. Approved amendment of "Internal control system" and "Internal Audit Implementation Rule".	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		B. Approved Internal Audit 2021 proposal.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		C. Approved financial statement in Q3, of 2020.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		D. Proposal of 2021 appointment of CPAs by the Company.	All Audit Committee Members presented at the meeting agreed on CPAs' independence, obtaining the Declaration of Independence from CPA, and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
February 1, 2021	1st Audit Committee in 2021	A. Approved acquisition of common stock of Astro Tech Co., Ltd.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
March 15, 2021	2nd Audit Committee in 2021	A. Statement and self-evaluation report of internal control system, 2020.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		B. Operation report and financial statement, 2020.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		C. Approved the distribution of 2020 earnings.	All Audit Committee Members presented at the meeting agreed on the amount of cash dividend NT$2.5 per share of common stock and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		D. Remuneration of employees and directors, 2020.	All Audit Committee Members presented at the meeting agreed on NT$8,821,057 for directors and NT$117,614,088 for employees, all in cash, and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.
		E. Donation to BenQ Foundation.	All Audit Committee Members presented at the meeting agreed on the donation NT$3.5 million and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection.

Date	Session	Content of proposals	Resolutions and implementation	Company's response
		F. Proposal of dismissal of non-competition restrictions on newly elected directors and representative.	All Audit Committee Members presented at the meeting agreed without objection and submitted to Board of Directors for resolution.	Submitted to the board of directors. Ratified by all attending directors and independent directors without objection

Other information that should be recorded:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of proposals,, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:
   (1) Matters referred to in Article 14-5 of the Securities and Exchange Act: refers to pages 16-18 of this annual report about Audit Committee's major proposals resolutions, and pages 36-37 about Board of Directors and shareholders' resolutions. All were approved by one-half or more of all members, and again approved by Board of Directors. There was no case which are not approved by the Audit Committee but approved by two-thirds or more of the Directors..
   (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: none.
2. If there are independent directors' avoidance of proposals in conflict of interest, the directors' names, contents of proposals, causes for avoidance and voting should be specified: None.
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)
   (1) The audit committee holds meetings on a quarterly basis, and accountants, audit supervisors and relevant supervisors are invited to attend the meeting.
   (2) The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, Audit Committee conducts auditing to Company periodically about internal control system, internal auditors and audit reports.
   (3) Audit Committee have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered, and under independent audit by its service.
   (4) The internal audit managers and CPAs directly communicate with independent directors via email, phone, or face-to-face meetings as necessary; periodically review the Corporation's financial and business conditions according to regulations; and directly communicate with management and governance units.
   (5) The independent directors communicated well with the internal audit managers; The list of reported items are summarized below:

Date	Communication Matter	Report Highlight	Communication Results and the Company's Response
March 16, 2020	2019 Financial Statements	2019 Financial Audit Report, Significant Accounting Standards and Update of tax laws and regulations. (Individual Meeting)	CPAs explained condition of 2019 financial and gains (losses),and conducted discussions and communications focusing on accounting principles and application of tax regulations, and no objections from independent directors.
	Key Audit matters	2019 Key Audit matters in inventory evaluation, business combination, and impairment assessment of goodwill (Individual Meeting)	Based on CPAs' professional judgements, Key Audit matters of 2019 financial statements of the Company are approved without objections from independent directors.
	Proposal of preparation of Financial Report	The competent authority's explanation in letters and the company's assessment on the necessity to adjust the internal control operations of the financial statement preparation process management (Individual Meeting)	Approved after discussion and communication, and no objections from independent directors.
August 5, 2020	The Financial Statement of first half of 2020	Financial Audit Report, Significant Accounting Standards and Update of tax laws and regulations for first half of 2020. (Individual Meeting)	CPAs explained condition of the first half of 2020 financial and gains (losses), and conducted discussions and communications focusing on accounting principles and application of tax regulations, and no objections from independent directors.
	Quarterly Financial Statement and reinforcing audit items	Upon request by competent authority's letter, the Company shall reinforce the evaluation of impact on corporation continuity ability, impairment loss of assets and financing risk due to COVID-19, and relevant audit and verification process shall be enhanced. (Individual Meeting)	CPAs reinforced the assessment of company customer contract revenue, contract assets and loss allowances for accounts receivable, inventory loss, asset impairment, continued operation and financing risk, and no objections from independent directors.
	Annual Audit Plans	Identification of Key Audit matters and major audit procedures. (Individual Meeting)	Acknowledged by independent directors.

   (6) The communication between the independent directors and the Audit Committee has been functioning well, and major discussions are as below,

Date	Meeting	Discussion	Communication Results and the Company's Response
March16, 2020	Audit Committee	2019 Internal Control System Statement and Report on implementation status of self-evaluation.	No objections from independent directors and submitted for report to the Board of Directors after resolution.
		Audit implementation report in Q4, 2019, and post-term follow-up audit descriptions.	After discussion and communication, no objections from independent directors against audit implementation report.
May 8, 2020	Audit Committee	Audit implementation report in Q1, 2020.	After discussion and communication, no objections from independent directors against audit implementation report.
August 5, 2020	Audit Committee	Audit implementation report in Q2, 2020.	After discussion and communication, no objections from independent directors against audit implementation report.
November 6, 2020	Audit Committee	2021 Audit Plans (Internal audit managers discussed with independent directors prior to the meeting)	No objections from independent directors and submitted for report to the Board of Directors after resolution.
		Audit implementation report in Q3, 2020.	After discussion and communication, no objections from independent directors against audit implementation report.
March 15, 2021	Audit Committee	2020 Internal Control System Statement and Report on implementation status of self-evaluation.	No objections from independent directors and submitted for report to the Board of Directors after resolution.
		Audit implementation report in Q4, 2020, and post-term follow-up audit descriptions.	After discussion and communication, no objections from independent directors against audit implementation report.

3.3.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

3.3.3.1 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td colspan="2">Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?</td><td>✓</td><td></td><td>The Company has established "Corporate Governance Principles" which aims at protecting the shareholders' rights, enhancing the functions of the Board of Directors, respecting stakeholders' rights, and improving information transparency. Company principle expresses rules about the procedures for shareholders meetings, board meetings, remuneration committee and audit committee organization rules. The information has been disclosed on the Company's website for stakeholders' review.</td><td>None</td></tr>
<tr><td rowspan="4">Shareholding structure & shareholders' rights</td><td>Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?</td><td>✓</td><td></td><td>The Company has established an internal operating procedure, and has designated spokesman system in order to ensure that information that may affect shareholders' decision making can be timely and reasonably disclosed. Then, the appropriate departments has set up, such as Investor Relations, Public Relations, Legal Department, to handle shareholders' suggestions, doubts, disputes and litigation.
Email (Investor@Darfon.com.tw) was established for shares and legal consulting, and (integrity@Darfon.com.tw) is for stakeholders</td><td>None</td></tr>
<tr><td>Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?</td><td>✓</td><td></td><td>Darfon is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares. Company reports the changes if directors or shareholders' shareholdings are more than ten present (10%) of the shares of Company and the situation of collateral,, and regularly announce and file on the Market Observation Post System (MOPS) on a monthly base.</td><td>None</td></tr>
<tr><td>Does the company establish and execute the risk management and firewall system between affiliated enterprises?</td><td>✓</td><td></td><td>1. The Company has established and implemented firewalls and risk control mechanisms for associates in the Company's internal control system and "Transaction with related party "and" Management process for the subsidiary " in accordance with laws and regulations.
2. Company's affiliated enterprises have established the specialized Finance and Sales Departments, as well as the detached factories with data-independent preservation and clear management. The company conduct an overall risk assessment of major banks, customers and suppliers at least once a year to reduce credit risk.</td><td>None</td></tr>
<tr><td>Does the company establish internal rules against insiders trading with undisclosed information?</td><td>✓</td><td></td><td>To protect shareholders' rights and fairly treat shareholders, the Company has established "Code of Conduct" and "Policy of Operation Integrity." The internal rules are implemented to forbid insiders trading on undisclosed information. To assure the consistency and righteousness of public information, company has established "Operating procedures for Handling Material Information and Preventing Insider Trading." The Company has also strongly advocated these rules in order to prevent any violations.</td><td>None</td></tr>
<tr><td>Composition and Responsibilities of the Board of Directors</td><td>Does the Board develop and implement a diversified policy for the composition of its members?</td><td></td><td></td><td>Member diversification is considered by the Board members according to Company's "Corporate Governance Principles." Aside from the need of operation, governance, and future development, managerial directors are not exceeding one-third of the members. The Board objectively chooses candidates to meet the goal of member diversification, such as but not limited to :
1. Basic qualifications and value, including gender, age, nationality, cultures, etc.
2. Professional knowledge and skills, including professional background, skills, business experience, etc.
<table>
<tr><th>Management Target</th><th>Achievement</th></tr>
<tr><td>The director who is also the manager of the company should not exceed one-third of the number of directors</td><td>Done</td></tr>
<tr><td>Increase the number of female directors</td><td>Done</td></tr>
<tr><td>Establish more independent director seats than required by law</td><td>None(Note)</td></tr>
</table>
Note: Increase the number of independent directors in 2021 to improve board diversity and corporate governance

In order to maintain member diversification, candidates are requested for qualification of professional knowledge and skills, moreover, leading decisions, industry knowledge, so as to improve the operation of the board of directors. By implementing board diversification, company can deliver supervise and management power, and to strengthen company corporal and operational performances.</td><td>None</td></tr>
</table>

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td rowspan="3">Composition and Responsibilities of the Board of Directors</td><td></td><td>✓</td><td></td><td>In consideration of implementation, the members of the company’s previous board of directors are composed of experts in different areas of expertise. Among all Board members, including 3 independent directors, we have directors good at leadership and decision-making, operational judgement, corporate management, risk management, industry knowledge and view of global market, Andy Su, K.Y. Lee, Peter Chen, Jasmin Hung, Josh Tsai, Neng-Pai Lin, Nelson Lee, and Stan Hu. We have directors with contribution in public welfare, K.Y. Lee, Andy Su, and Peter Chen. We have K.Y. Lee, Neng-Pai Lin and Stan Hu good at legal affairs, and while the other three independent directors are expertise in individual field. Neng-Pai Lin was Taiwan Sugar Corp. and Taiwan Power Co., chairman and Dean of Management department in NTU. Stan Hu who is Chairman of China Intangible Assets and Enterprise Evaluation Association, and Nelson Lee is the Chairman of Taiwan Urban Forest Health and Beautification Association. The percentage of directors who serve managerial role in the company is 25%, independent directors of 37.5%, female directors of 12.5%. Total 5 seats of the directors’ age is above 61 year-old, and 3 directors are aged 51-60 year-old.
Diversification of Board members as below：
<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Title</th><th rowspan="2">Gender</th><th colspan="2">Independent Directors term of office</th><th colspan="2">Professional skills and knowledge</th><th colspan="2">Age</th><th rowspan="2">Employee</th></tr>
<tr><th>3-9 years</th><th>More than 9 years</th><th>Industry or technology</th><th>Law, finance or accounting</th><th>51-60</th><th>61-70</th></tr>
<tr><td>Andy Su</td><td>Chairman</td><td>M</td><td></td><td></td><td>✓</td><td></td><td></td><td>✓</td><td>✓</td></tr>
<tr><td>K.Y. Lee</td><td>Director</td><td>M</td><td></td><td></td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td></tr>
<tr><td>Peter Chen</td><td>Director</td><td>M</td><td></td><td></td><td>✓</td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>Jasmin Hung</td><td>Director</td><td>F</td><td></td><td></td><td>✓</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>Josh Tsai</td><td>Director</td><td>M</td><td></td><td></td><td>✓</td><td></td><td>✓</td><td></td><td>✓</td></tr>
<tr><td>Neng-Pai Lin</td><td>Independent director</td><td>M</td><td></td><td>✓</td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td></tr>
<tr><td>Nelson Lee</td><td>Independent director</td><td>M</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td>✓</td><td></td></tr>
<tr><td>Stan Hu</td><td>Independent director</td><td>M</td><td>✓</td><td></td><td>✓</td><td>✓</td><td></td><td>✓</td><td></td></tr>
</table></td><td>None</td></tr>
<tr><td>Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</td><td>✓</td><td></td><td>1. Company established the Audit Committee, please refer to pages 16-18for its operation.
2. Company established the Remuneration Committee, please refer to pages 26-27 for its operation.
3. Company established the Risk Management Committee, please refer to pages 64-68 for its operation.
4. For the sound supervision and reinforcement of management, though Nomination Committee was not established, in practical, nomination of directors, including independent directors, adopts candidate nomination system. Nomination list is proposed by shareholders whose share is more than 1%. Candidates should be enlisted into nominee list, except for Company Act 192-1 by the Board of Directors.</td><td>None</td></tr>
<tr><td>Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors’ remuneration and renewal?</td><td>✓</td><td></td><td>The company has formulated rules and procedures for evaluating the Board’s performance by establishing “Rules for Board Performance Evaluation” on March 7, 2019. The internal board performance evaluation shall be conducted at least once a year as well as be conducted by external independent institutions or panel of external experts and scholars at least once every three years. The company stipulates that the members of the board directors, the meeting committee, and the functional committee shall conduct internal self-evaluation on the overall board and functional committee on a regular basis each year. This performance evaluation was conducted in the way of internal questionnaire by financial department. Board members fill in the” Self-Assessment Questionnaire for Board Members” at the end of each year and completed in the next year during the Board meeting. To evaluate the performance of each members effectively, the questionnaire contains the following five aspects:
A. The degree of participation in the Company's operations;
B. Improvement in the quality of decision making by the Board of Directors;
C. The composition and structure of the Board of Directors;
D. The election of the directors and their continuing professional education.
E. Internal controls.
The directors evaluate the operation of the board of directors, the degree of participation by the directors and the evaluation of the functional committees, and the evaluation results are reported to the board of directors and suggestions for improvement are made. The evaluation results would use as reference for directors’ remuneration and renewal In accordance with Article 19 of the company’s protocols, the director’s remuneration shall not exceed one percent of the annual profit.</td><td>None</td></tr>
</table>

Evaluation Item		Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Illustration	
Composition and Responsibilities of the Board of Directors				The directors' compensation is prescribed based on the Company's operating results and the "Remuneration Guidelines for Directors and Members of Functional Committee" with reference to evaluation results of Board performance by the Remuneration Committee and Board of Directors. The company has completed performance evaluation report of directors and functional committee in 2020 and published the report in 1st session of Board meeting in 2021. The completion rate of self-evaluation is 98%, report result is "A", and Board of directors are functioning well.	
	Does the company regularly evaluate the independence of CPAs?	✓		Audit Committee and Board of Directors evaluate and assess the independence of CPAs annually, and acquire the Declaration of Independence from CPA. Evaluation and assessments process items below, no other financial interests between CPAs and Board, financing guarantees, employment relationship, commercial business relationship, and no relatives with the company's directors, managers, or persons who have a significant influence on the audit case, except for visa and fiscal and taxation costs. Accountants' family members and accounting firms (certified accountants and their audit team members) do not violate their independence before reviewing the appointment and fees of accountants. Company reviewed and approved the independence of certified accountants in 5th Audit Committee and Board of Directors in 2020 and obtained the Declaration of Independence from CPA.	None
Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to required information provided to directors and supervisors performing their duties, assistance provided to directors, legal compliance of supervisors, handling matters related to Board of Directors' and shareholders' meeting in accordance with the laws, preparation of the minutes of Board of Directors' and shareholders' meeting, and more.)?		✓		On August 5, 2020, the Board of Directors appointed CFO, Jery Lin, as the Corporate Governance Officer, for corporate governance supervision and planning; and appointed Financial Manager as Corporate Governance personnel, for execution of relevant matters. Their qualifications for the position meet the provisions regarding Corporate Governance Supervisors set out in Paragraph One of Article 3-1 of Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies. The official powers performed by the corporate governance supervisors include: Providing the information required by the directors and Audit Committee and the latest regulations regarding corporate operation, providing assistance in legal Compliance of the directors and Audit Committee, regularly reporting the operations of corporate governance to Corporate Governance Committee and Board of Directors on an annual basis, handling matters related to Board of Directors' and shareholders' meeting in accordance with the laws, preparation of the minutes of Board of Directors' and shareholders' meeting, providing assistance in assuming office to directors and Audit Committee members and continuing education. The operation in 2020 is updated as follows: 1. company registration and change. 2. in charge of assisting in related affairs, including handling of matters relating to Board, Audit Committee, Compensation Committee and Shareholders' meetings in compliance with law. In 2020, 5 times of Board and Audit Committee meetings were held, and attendance rate were all 100%. 3. convention of Board and shareholders' meetings in accordance with law and keep records of minutes of each meeting. 4. provision of information required for performance of duties by directors, and assistance in directors' compliance of law. Regularly inform the Board members dedicated to the revised regulations regarding corporate operating domain and corporate governance. 5. Independent directors meet the requirement of "it is not suitable to serve as directors (including independent directors) or supervisors of more than five listed companies at the same time." 6. management of related affairs with investor relations, and maintenance of company website. 7. assistance of the directors and important employees' application for liability insurance and report to the Board of Directors after renewal of insurance. 8. regualr review and amendment of company's corporate governance protocols and relative rules. 9. ranking of 6-20 % from the evaluation result of "the 7th Corporate Governance Evaluation" 10. periodical arrangement for Board directors for education, for details please refer to pages 24-25 in the annual report. The Board members have completed at least six credits of continuing education. 11. completion of 18 credits for freshman year of company corporate governance officer and report on the Market Observation Post System (MOPS). 12. Other matters stipulated in the Company's Articles of Incorporation or contract, and the Market Observation Post System's announcements.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		In respect of right and interest of stakeholders, identifying the company's stakeholders, and understanding their reasonable expectations and needs through appropriate communication methods and the participation of stakeholders, and appropriately responding to important corporate social responsibility issues Stakeholders identified by the company include "shareholders, employees, customers, suppliers", etc., Complete and comprehensive communication channel for stakeholders is established, and proactive responses related to stakeholders' concerned issues. The company regularly, at least once a year, reports to Board of Directors about communications with stakeholders. Stakeholders Communication of 2020 was reported to Board on August 5, 2020. 1. Shareholders Concerned issues: economic performance, social economic regulations, customers' privacy, and patent. Communication channel: (1) Contact: IR Officer, Investor@darfon.com.tw (2) A regular meeting of shareholders is held in June every year. Proposals are voted on a case-by-case basis. Shareholders can also exercise their rights electronically. (3) Shareholder's Annual Report is published annually, for investor's reference. (4) Monthly revenue is announced on the Market Observation Post System (MOPS) and company's website monthly, and financial statement is announced quarterly. (5) Annual legal person briefings are held to enable shareholders to understand the company's operating conditions. (6) The company has "specialized personnel" responsible for the collection of company information, and in accordance with the regulations of the competent authority, regularly disclose the company-related financial, business and corporate governance operations on the Market Observation Post System (MOPS) for the investment public and stakeholders. Immediate release of important information about events that may have an impact on stakeholders. 2. Employees Concerned issues: Labor-management relations, occupational safety and health, labor-employment relations. Communication channel: (1) Contact: HR, Ms. Liao, my.darfon@darfon.com.tw (2) Hold business briefings quarterly to immediately explain to employees the current operating overview and business results and communicate the company's overall operating plans and prospects in the near future, so as to motivate employees to achieve operating goals. (3) The welfare committee meetings, labor-management meetings and labor safety and health management committee meetings are held quarterly. Employees can put forward needs and suggestions through the meetings, and discuss and communicate with the company. (4) The company has a mailbox for the human resources department so that employees can immediately reflect their opinions and deal with related issues. 3. Customers Concerned issues: Compliance with social and economic laws, customer privacy, and environmental protection laws and regulations. Channel of communication: Conduct annual customer satisfaction surveys, participate in customer meetings and interviews from time to time, and customers come to the factory for audits from time to time to obtain customer feedback information. 4. Suppliers Concerned issues: Compliance with social and economic laws, customer privacy, environmental protection laws and regulations, and Anti-competitive behavior. Communication channel: (1) Contact: Procurement Department, integrity@darfon.com.tw (2) Conduct supplier evaluation questionnaires every year, hold supplier meetings, visits, exchange visits and direct telephone communication from time to time, and conduct suppliers evaluation and audit regularly every year to establish a sustainable supply chain. In order to effectively establish communication channels with stakeholders, in addition to implementing the "spokesperson system", the company has set up an "Investor Service" section (www.Darfon.com.tw) and "Investor Mailbox" (Investor@ Darfon.com.tw), as a window for handling shareholder suggestions or disputes, and setting up a "Stakeholder" area (www.Darfon.com.tw), which includes different communication channels for shareholders, employees, customers and other stakeholders. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	None
Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed Stock Affairs Department of Taishin International Bank Co. Ltd. to deal with shareholder affairs.	None

Evaluation Item		Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Illustration	
Information Disclosure	Does the Company set up a website containing the information regarding financial or business operations as well as corporate governance?	✓		1. The Company has established the Investor Relations in its website in Chinese and English (www.Darfon.com.tw) (www.Darfon.com.tw) to disclose information regarding the Company's corporate governance status, Board's important resolutions, directors' information and financials and business status. 2. The company complies with the regulations of the competent authority and discloses various business, financial and corporate governance related information on the Market Observation Post System (MOPS) for interested parties.	None
	Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, display the Company's website during the institutional investor conference, and more)?	✓		1. The Company has assigned an appropriate person to handle information collection and disclosure, on the Market Observation Post System (MOPS) and company's Chinese/English website, where latest and correct information are released. 2. Methods of information disclosure are: Spokesman system. Financial, business and corporate governance information is published in company Chinese/English website, (www.Darfon.com.tw). And investor's mailbox (Investor@Darfon.com.tw), holding the institutional investor conference and upload the presentation materials to the Company's website, so as so respond to invertors' questions.	None
	Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and the financial reports in Q1, Q2 and Q3, as well as the operating status of each month before the prescribed deadline?	✓		Company did not announce and report the annual financial statements within two months after the end of the fiscal year; however, the annual financial announcements, the financial reports in Q1, Q2 and Q3 as well as the operating status of each month were reported on the Market Observation Post System before the prescribed deadline.	None
Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices?	employee rights employee wellness	✓		Company promotes idea of human right respect and workplace care as operational concept, and for employee rights and wellness, Welfare Committee consisting of the Company's colleagues from each department was established. Regular meeting on a quarterly basis was held to implement various welfare planning, such as club activities, sales events, family days and sports classes. Please refer to page 55 in this annual report about employee's right and interest.	None
	investor relations	✓		There is investors' service email in Company website (Investor@Darfon.com.tw) and direct landline to respond invertors' questions. We timely release all announcements from Taiwan Stock and Exchange Bureau, including financial statements, Company's corporate governance regulations and rules, etc. We aim for information publicity and transparency in Company's website, to achieve investors' understanding about Company's corporate governance.	None
	supplier relations	✓		The company's business philosophy is integrity and self-discipline, and we establish supplier's assessment and audit system, which focuses on suppliers' quality, service, green products, EHS risk, ethical standards, and social responsibility. Company regard above mentioned items as main factors for suppliers' selection, and only those who qualified with factors to be Company's business partners. Suppliers are required for "Green Products Assurance," to assure suppliers' products of material, components, assemblies and manufacturing are qualified for green product specifications. Suppliers' green components are certified with "Certificate of Non-use for Hazardous Substances," component ingredient data sheet, MSDS, and test report from 3rd party. In addition, Company has established a stakeholders' zone to enhance efficiency of communication between Company and suppliers.	None
	rights of stakeholders	✓		1. According to Rules and Procedures for Board of Directors Meetings, directors in relation to proposal's interest should apply in avoidance during resolution to avoid conflict of interest, please refer details to page 14 of Annual report. 2. Stakeholders' zone was established in Company website, www.Darfon.com.tw, providing communication channel to stakeholders, such as shareholders, investors, employees, government agencies, suppliers and dealers, etc. for proactive responses to concerned issues. Company releases financial and business-related information to maintain legal right and interest of both party.	None
	directors' continuing education	✓		The Company has undertaken the following training pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" from TWSE. Please see the following table "Continuing Education and Training for the Company Directors in 2020" for details.	None

Evaluation Item		Implementation Status: Yes	No	Abstract Illustration	Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	the implementation of risk management policies and risk evaluation measures	✓		1. The company has established the Risk Management Committee to formulate the risk management policies and regularly evaluate the Company's risk for risk mitigation every year. For more details, please refer to pages 64-68 of this annual report. 2. The company maintains Products General Liability Insurance every year, which is functional coverage to global consumers, and adopt appropriate management policies and improvement measures to mitigate corporate risk	None
	the implementation of customer relations policies	✓		The company cooperates nicely with customers to maintain good relationships by offering high-quality products and services, as well as various channels for customers, shareholders, and stakeholders to obtain company operation situation and financial status. For products information, contact windows for each product have been established in company website, www.Darfon.com.tw.	None
	purchasing insurance for directors	✓		The company maintains D&O Insurance as a starting point of investor's right, for its directors, including independent directors, and officers, so they can execute business with caution and without worries. Major information, such as liability amount, period, scope, and insurance rate were reported to Board of Directors every year. Liability Insurance status of 2020 was report in the 4th Board of Directors meeting, 2020, and was published on the Market Observation Post System (MOPS).	None

Please describe the improvement status according to the evaluation results of Corporate Governance Evaluation publicly announced by Governance Center of Taiwan Stock Exchange Corporate (TWSE) in recent years. In addition, the Company shall propose the matters and measures given priority to strengthen:

1. Darfon was ranked in top 6-20% in Corporate Governance Evaluation in 2019 and 2020 and assessed the feasibility of non-scoring items about current year or future strategy.
2. Company strikes for a balance between policy deployment and corporate development nt, promote implementation on improvable projects, and set a project goal for items with difficulty.
3. Corporate Social Responsibility Report was published in company website to share information about financial, business, EHS issues to investor public and stakeholders. Company Governance zone was established in website to timely release information about company governance functions and implementation status to the investor public. We continue to enhance improvement on items as following: Protection of shareholders' rights, reinforcement of the Board structure and operations, improvement of information transparency, actual implementation of the corporate social responsibility, etc.
4. The implementation status regarding below non-scoring items from 2019 were accomplished in 2020:
   Appointment of Corporate Governance Officer: The Board of Directors appointed the CFO of DARFON, as the Corporate Governance Officer in August 2020, responsible for corporate governance matters, including handling of matters relating to Board, Audit Committee, Remuneration Committee and Shareholders' meetings in compliance with law, assistance in onboarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors' compliance of law, etc.

3.3.3.2. Continuing Education/Training of Directors in 2020

Title	Name	Course Name	Organizer	Hours
Chairman	Andy Su	Propaganda of the board of directors' intellectual property management obligations -Improving the corporate governance structure with intellectual property management.	Institute for Information Industry	2.5
		Business Transformation under Revolution Generations	Taiwan Institute of Directors	3
		Opportunities and Challenges for Enterprises in the U.S.-China Trade Conflict	Taiwan Institute of Directors	3
Director	K.Y. Lee	Business Transformation under Revolution Generations	Taiwan Institute of Directors	3
		Opportunities and Challenges for Enterprises in the U.S.-China Trade Conflict	Taiwan Institute of Directors	3
Director	Peter Chen	Business Transformation under Revolution Generations	Taiwan Institute of Directors	3
		Opportunities and Challenges for Enterprises in the U.S.-China Trade Conflict	Taiwan Institute of Directors	3
Director	Jasmin Hung	Business Transformation under Revolution Generations	Taiwan Institute of Directors	3
		Opportunities and Challenges for Enterprises in the U.S.-China Trade Conflict	Taiwan Institute of Directors	3
Director	Josh Tsai	Business Transformation under Revolution Generations	Taiwan Institute of Directors	3
		Opportunities and Challenges for Enterprises in the U.S.-China Trade Conflict	Taiwan Institute of Directors	3
Independent Director	Neng-Pai Lin	Reflections and Prospects on Risk Management and Control of Anti-Money Laundering	Independent Director Association Taiwan	3
		The latest practical development of Taiwan's domestic online transactions and measures to respond to corporate prevention and control	Taiwan Corporate Governance Association	3
		Analysis of the top ten global risks	Taiwan Corporate Governance Association	3
Independent Director	Nelson Lee	Business Transformation under Revolution Generations	Taiwan Institute of Directors	3
		The risk of drastic change responds to the improvement of corporate governance	Taiwan Institute of Directors	3

Title	Name	Course Name	Organizer	Hours
Independent Director	Stan Hu	Inheritance will, the right to claim the remaining property of the couple, and the will	CPA Associations R.O.C.	3
		Analysis of IFRSs difference between the Announcement of Accounting Standards for Business Enterprises and the latest approved by the Financial Supervisory Commission Taiwan.	CPA Associations R.O.C.	3
		Precautions of regulation update of Business tax and declarations and check	CPA Associations R.O.C.	3
		Practical study on special cases of company registration	CPA Associations R.O.C.	4
		Tax Symposium 2020	CPA Associations R.O.C.	3

3.3.3.3. Continuing Education/Training involving company governance of financial and internal auditors in 2020

Title	Name	Course Name	Organizer	Hours
V.P. Finance/ Accounting Management/ Corporate Governance Officer	Jery Lin	Business Transformation under Revolution Generations	Taiwan Institute of Directors	3
		International development of latest IFRS and the key direction of IFRS adoption/discussion on current affairs	Accounting Research and Development Foundation.	3
		Practice Analysis of the establishment of "Corporate Governance Director/Personnel" requested by government authority	Accounting Research and Development Foundation.	3
		The latest developments of Taiwan fiscal and taxation laws and corporate strategies	Accounting Research and Development Foundation.	3
		Legal Liaibility and Case Study of "Economic Espionage Crime" and "Trade Secrets Act"	Accounting Research and Development Foundation.	3
		Legal system of substantial beneficiaries Symposium 2020	Corporate Governance Professional Association	3
Accounting Management Deputy	Gavin Lin	Financial Accounting and Evaluation Practice of Enterprise Mergers and Acquisitions	Accounting Research and Development Foundation.	3
		Legal responsibilities and practical case analysis of "short-term transactions" of company insiders	Accounting Research and Development Foundation.	3
		The latest IFRS Q&A and analysis of common findings in financial reports	Accounting Research and Development Foundation.	3
		The latest development trend of corporate governance and performance evaluation practices	Accounting Research and Development Foundation.	3
Audit Manager	Sylvia Chang	Policy analysis of enterprises self-editing financial reports, and key discussion on internal audit/control practices	Institute of Internal Auditors-Chinese Taiwan	6
		Audit practices of legal compliance for corporate shareholders' meetings and special issues of mergers and acquisitions	Accounting Research and Development Foundation.	6

3.3.3.4. Certificates involving financial information transparency.

Item	Certificate acquired	Certified by	Number
1	Certified Internal Auditor	Institute of Internal Auditors	4
2	Certified Information Systems Auditor	Information Systems Audit and Control Association	1
3	Certified Valuation Analyst	National Association of Certified Valuation Analysts	1
4	Certified Intangible Asset Valuator-Associate Level	Industrial Development Bureau, Ministry of Economic Affairs	1
5	Self-evaluator, TIPS	Institute for Information Industry	1
6	Senior Securities Specialist	Securities and Futures Institute	2
7	Securities Specialists	Securities and Futures Institute	1
8	Futures Specialist	Securities and Futures Institute	1
9	Stock Affair Specialist	Securities and Futures Institute	2
10	Enterprise Internal Control Basic Ability	Securities and Futures Institute	1
11	Securities Investment Trust and Consulting Professionals	Securities and Futures Institute	1
12	Financial planner	Taiwan Academy of Banking and Finance	2
13	Proficiency Test for Trust Operations Personnel	Taiwan Academy of Banking and Finance	3
14	Bookkeeper	Ministry of Examination, R.O.C	1
15	Basic Competence Exams for corporate governance	Securities and Futures Institute	1

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

1. On October 27, 2011, the company's board of directors approved the establishment of Remuneration Committee and formulated the " Remuneration Committee Organizational Rules." The members, number and term of office of the Remuneration Committee, powers, rules of procedure, and resources to be provided by the company when exercising powers and other matters shall be in accordance with the provisions of these regulations, unless otherwise provided by laws or the company's "Articles of Association".
2. Composition: The members of the Remuneration Committee are appointed by resolution of the board of directors. The current Remuneration Committee is composed of three independent directors, and all members elect one independent director as chairman. The term of the committee members is the same as the term of the appointed board of directors
3. Duty: The members of the Remuneration Committee should take the attention of good managers, faithfully perform the following functions and powers, and submit their suggestions to the board of directors for discussion:
   (1) Formulate and regularly review the policies, systems, standards and structures of directors and managers' performance evaluation and remuneration.
   (2) Regularly evaluate and determine the remuneration of directors and managers.
4. Operations of Remuneration Committee
   (1) The Company has a Remuneration Committee composed of three members.
   (2) The term of current Remuneration Committee: June 21, 2018 to June 20, 2021. The most recent year, 2020 and as of the publish date of the annual report, three meetings were convened (A). The Committee members' attendance status is as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Convener	Neng-Pai Lin	3	0	100	Re-elected
Committee Member	Nelson Lee	3	0	100	Re-elected
Committee Member	Stan Hu	3	0	100	Re-elected
Other mentionable items: 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the proposal, resolution by the board of directors, and the Company's response to the remuneration committee's opinion: None. 2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the proposal, all members' opinions and the response to members' opinion should be specified: None.					

Note: The board of directors of the company appointed independent directors Neng-Pai Lin, Nelson Lee and Stan Hu as members of the remuneration committee on June 21, 2018, and convened Neng-Pai Lin as convener. The terms of reference of the Remuneration Committee of this session have been revealed on section "3.Duty".

(3) Discussion from the Remuneration Committee, resolutions, and ways the Company handled opinions from committee members:

Date	**Session**	**Content of propsals**	**Resolutions and implementation**	**Company's response**
March 16, 2020	1st Remuneration Committee in 2020	A. Remuneration of employees and directors, 2019	All Remuneration Committee Members presented at the meeting agreed on NT$8,326,376 for directors and NT$111,018,340 for employees, all in cash, and submitted to Audit Committee for resolution.	The submission to the board of directors is unanimously approved by all present directors and independent directors.
		B. Discussion and approval of proposal for the bonus distribution of directors' and managers 2019	All Remuneration Committee Members presented at the meeting agreed without objection and submitted to Audit Committee for resolution.	The submission to the board of directors is unanimously approved by all present directors and independent directors.
November 6, 2020	2nd Remuneration Committee in 2020	A. Implementation report of managers' remuneration	All Remuneration Committee Members presented at the meeting agreed without objection and submitted to Audit Committee for resolution.	The submission to the board of directors is unanimously approved by all present directors and independent directors.
March 15, 2021	1st Remuneration Committee in 2021	A. Remuneration of employees and directors, 2020	All Remuneration Committee Members presented at the meeting agreed on NT$8,821,057 for directors and NT$117,614,088 for employees, all in cash, and submitted to Audit Committee for resolution.	The submission to the board of directors is unanimously approved by all present directors and independent directors.
		B. Discussion and approval of proposal for the bonus distribution of directors' and managers 2020	All Remuneration Committee Members presented at the meeting agreed without objection and submitted to Audit Committee for resolution.	The submission to the board of directors is unanimously approved by all present directors and independent directors.

5. Professional qualifications and independence status of the Company's Remuneration Committee members are listed in the table below.

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience: An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department or the business sector of the company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who is necessary for the Company's business and who has been certified by national examinations and licensed by the competent authorities	Has work experience in the areas of commerce, law, finance, or accounting, or business sector of the Company	Meet conditions of independence (Note): 1	2	3	4	5	6	7	8	9	10	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
Independent Director	Neng-Pai Lin	V		V	V	V	V	V	V	V	V	V	V	V	2	None
Independent Director	Nelson Lee			V	V	V	V	V	V	V	V	V	V	V	0	None
Independent Director	Stan Hu		V	V	V	V	V	V	V	V	V	V	V	V	0	None

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons under (2) and (3).

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of issued shares of the Company or who holds shares ranking in the top five holdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(6) Not a director, supervisor, officer, or employee of other company if a majority of the company's director seats or voting shares and those of that other company are controlled by the same person. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(7) Not a director, supervisor, or employee of other company or institution if the chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions at that other company or institution are the same person or are spouses. (Do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.) Not a spouse, relative within the second degree of kinship of directors.

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Do not apply in cases where the specified company or institution holds more than 20 percent but less than 50 percent if the Company's issued shares and are the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)

(9) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not been a person of any conditions defined in Article 30 of the Company Act.

3.3.5 Implementation of Corporate Social Responsibility, and Differences with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons:

<table>
<tr><th rowspan="2" colspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td colspan="2">Does the Company conduct the risk assessment on environmental, social, and corporate governance issues related to corporate operation according to materiality principle? And any establishment of relevant risk management policy or strategies?</td><td>✓</td><td></td><td>To ensure company's continuous operation, we have established Risk Management Committee, assigning GM as chair, Finance Manager as director general, and company's first-level unit and each plant supervisors as members. Regular meetings were held for strategic discussions to manage risk controls on relevant issues.
Risk assessment on environmental, social, and corporate governance issues related to corporate operation according to materiality principle was conducted in Risk Management Committee meetings quarterly. In addition, in the monthly superior managers' meetings of corporate governance strategy, measures for resolutions and actions for implementations were decided.
Relevant policy for risk and strategy for implementation are as below,
1. Referring to risk assessment on environmental, social, and corporate governance, here are company's annual top three risks,
(1) Operational risk: such as capacity transfer, environmental protection, network & information security, and politics.
(2) Damaging risk: such as fire.
(3) Financial risk: such as financial taxation, compliance of finance and accounting.
2. Risk identification: Each unit member identified possible unit annual risk items based on company's annual top three risks and carry out analysis and take relevant countermeasures. This includes,
(1) Possible worst scenario once risk item happens.
(2) Risk countermeasures, prevention, and the expected results of implementing countermeasures.
(3) Formulation of the mechanism of BCP activation
3. Implementation result: This year, a total of measures such as capacity transfer planning, investment increase in environmental protection facilities, fire inspections and drills, network & information security control, and taxation audits have been carried out to control and reduce risks.
4. In response to the infection control of COVID-19, epidemic prevention meetings were held weekly or monthly depends on the severity of the epidemic, and relevant epidemic prevention measures were implemented in a timely manner to effectively control continuous production and possible infection risks.</td><td>None</td></tr>
<tr><td colspan="2">Does the company establish exclusively (or concurrently) dedicated senior managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</td><td>✓</td><td></td><td>In each individual manufacturing plant, company has established the Corporate Social and Environmental Responsibility Committee, responsible for complying with local laws and regulations and related policies and promoting relevant affairs of CSR and EHS. With cooperation with Risk Management Committee, regular meeting per quarter was held for discussion of function effect and update continuous report to the Board of Directors.</td><td>None</td></tr>
<tr><td rowspan="2">Environmental Issues</td><td>Does the company establish proper environmental management systems based on the characteristics of their industries?</td><td>✓</td><td></td><td>1. All DARFON manufacturing facilities in the world have received ISO 14001 certifications for environmental management systems since 2001. The internal and external audits were regularly implemented on an annual basis in worldwide manufacturing facilities to ensure the PDCA continuous improvement of the system as well as efficiency of each environmental management implementation. All DARFON manufacturing facilities accomplished Carbon Footprint Verification and received ISO 14064-1 certifications.
2. In order to ensure that hazardous substances meet the requirements of customers and laws and regulations, the company encourages suppliers to jointly establish compliance with environmentally friendly regulations through supply chain management and the organization of supplier conferences to promote and convey environmentally friendly management concepts.</td><td>None</td></tr>
<tr><td>Does the company dedicate to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</td><td>✓</td><td></td><td>1. According to the types of environmental pollutants produced in the production process, all DARFON manufacturing facilities have full-time management personnel responsible for environmental management related affairs such as air pollution, waste water, waste, etc., and comply with national laws and regulations to properly handle various environmental pollutants to reduce impact of production on the environment
2. In terms of waste management, the classification and recycling of various waste resources and the commissioning of a legally compliant removal treatment agency for waste removal treatment are carried out to achieve the goal of effective reuse of resources and maintenance of sustainable development of the environment.
3. The company has a rainwater recovery system and solar panels in the operating headquarters and each plant. The recovered water resources are used to irrigate the plants and flush the toilet. The electricity converted from solar energy is used to supply electricity to the factory area. The rest is sold to the Taiwan Power Company to fully achieve the effect of resource reuse.
4. Our products are made from green materials with the import of green and lead-free manufacturing processes to establish a green management system and control of substance limits.</td><td>None</td></tr>
</table>

Evaluation Item		Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
		Yes	No	Abstract Explanation	
Environmental Issues	Does the company assess the current and future risk and opportunity of climate change, and adopt response measures of climate-related issues?	✓		Climate change is a worldwide significant and urgent matter, and ~~is~~ also a major concern in regards of sustainable operation and management of the Company. The Risk Management Committee regularly assesses current and future potential risks and opportunities of climate change for the company every year. From risk assessment of the year, prices of energy and possibility of future increases in carbon tax and petrochemical costs are potential operational risks, and the development of green power construction and green energy mobile equipment are the potential opportunities. In addition to developing related green energy products, including energy storage equipment to assist the development of green power, the promotion of E-Bike has been accelerated by the green energy department of the Company to enhance green actions and reduce transportation dependence on fossil fuels. Moreover, in terms of concerning environmental protection issues, we actively invested considerable funds to set up zeolite runners, RTOs, and RCOs to improve the efficiency of environmental treatment equipment, comply with regulations and emission standards, and achieve emission reduction targets for VOCs emissions and reduce the greenhouse effect load	None
	Does the Company tabulate the greenhouse gas emissions, water consumption and total weight of waste over the past two years and formulate policies regarding carbon reduction, greenhouse gas reduction, less water consumption or other waste management?	✓		1. Since 2000, all DARFON manufacturing facilities passed the ISO 14064-1 (greenhouse gas inventory 2006) certification issued by SGS, and procedures have also been established the program of effective reduction emissions in the future. The improvement was reviewed regularly in internal management meetings. Moreover, the company should disclosure of greenhouse gas emissions and reduction information in CDP (Carbon Disclosure Project) related questionnaires and devote to reducing greenhouse gas emissions at various manufacturing sites around the world. The greenhouse gas carbon dioxide reduction target is to reduce at least 1% or more of greenhouse gas emissions per unit of revenue compared to the previous year. In terms of greenhouse gas reduction results, comparing the average per capita hourly emissions of various manufacturing sites around the world, the global greenhouse gas emissions per capita per hour in 2019 was 3.53 kg, which was a decrease of about 4.08% from 3.68 kg in 2018. Total emissions decreased compared with 2018, mainly due to the implementation of energy-saving programs in various factories and the comprehensive effects of production capacity adjustments. Greenhouse gas emissions totaled 78,123 tons in 2019, which represented a reduction of 12.63% compared with the 89,416 tons in 2018 emitted from DARFON operating locations or factories in Taiwan and China. 2. According to the types of environmental pollutants produced in the production process, all DARFON manufacturing facilities have full-time management personnel responsible for environmental management related affairs such as air pollution, waste water, waste, etc., and comply with national laws and regulations to properly handle various environmental pollutants to reduce impact of production on the environment 3. Waste Management Goal: The waste management goal is to reduce the waste production volume of the current year by more than 1% compared to the previous year. The company classifies and recycles resources according to various types of waste and commissions a legally compliant removal and treatment agency to remove and treat the waste to achieve the goal of effective reuse of resources and maintenance of the sustainable development of the environment. 4. Water Management Goal: The goal of water resources management is to reduce the total water consumption of the current year by more than 1% compared to that of the previous year, or increase the recycled water by more than 1%. Rainwater recovery systems have been established by the Company in the operating headquarters and each manufacturing plant. The recycled water is used to irrigate the planted green plants and flush toilet to fully achieve the effect of resource reuse. 5. DARFON performed annual statistics on total weight of water use and waste disposal in the past two years are as follows: (1) Water consumption: The total water consumption of the global manufacturing bases in 2019 was 600,860 tons; the total water consumption in 2018 was 639,427 tons. Total water consumption in the global manufacturing bases in 2019 decreased by 6.03% compared with that in 2018. (2) Total weight of waste: The amount of hazardous industrial waste generated by each manufacturing site in Taiwan in 2019 was 44.31tons; it was 145.34 tons in 2018, and the amount of hazardous industrial waste generated by manufacturing sites in Taiwan in 2019 decreased by 69.51% compared with that in 2018 . For other resource usage, water consumption and total waste weight, energy saving and carbon reduction results, greenhouse gas reduction, water reduction or other waste management policy information, please refer to pages 73-85 of "Corporate Social Responsibility Report 2018" from the company's official website. 6. Our products are made from green materials with the import of green and lead-free manufacturing processes to establish a green management system and control of substance limits.	None

Evaluation Item		Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Explanation	
Social Issues	Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		1. The company complies with labor laws and International Bill of Human Rights to ensure that the employment policy of human resources department is not biased by factors such as race, nationality, color, age, gender, sexual orientation, religious beliefs, political inclination, disability, pregnancy or marital status, etc., and no such factors to affect the opportunities of recruitment, promotion, salary and training of the employees. 2. Company regularly convenes labor-management meetings. Effective and appropriate complaint mechanism was well functioning for situations that endanger labor rights; moreover, Company formulates the "Code of Colleague Integrity " to incorporate employment contracts and training materials for new recruits and organize advocacy activities irregularly.	None
	Does the company formulate and implement reasonable employee welfare measures (including salary, paid leaves, and other benefits, etc.), and appropriately reflect operating performance or results in employee compensation?	✓		The company's paid-leaves system complies with the Labor Standards Act and provides market-competitive salaries. At the same time, for employees' lives and well-being as a priority, leaves were provided better than Labor Standards Act standards, and numerous benefits and incentives created as timely response to employees' credit. To share business achievements with employees and based on annual profitability, Company allocates compensation according to their performance.	None
	Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		1. In order to provide employees with a safe and healthy working environment, all factories around the world have obtained the certification of the internationally recognized occupational safety and health management system ISO 45001, and safety inspections are carried out on all factories from time to time. For new and in-service employees, labor safety & health education and training, and employee fire drills are conducted to prevent occupational disasters. 2. The company's employment principles, open selection and recruitment based on actual business needs. No discriminations because of race, class, religion, skin color, nationality, gender, family status, horoscope, blood type, etc., and no child worker is allowed 3. The company provides life insurance, health insurance, illness and disability insurance for all employees, and provides maternity and parental leave, retirement reserves, etc. 4. In terms of working hours, it is controlled within the allowable range according to law. Meanwhile, the overtime hours reminder and early warning function are set in the attendance management system. The human resources department and system provide various data and report, which can effectively advise managers and employees. 5. The company's factories hold labor-management meetings irregularly, and major labor conditions are implemented after the resolution of the factory's labor-management representatives to ensure that the rights and opinions of employees are respected. 6. The company cooperates with professional medical institutions to organize health promotion and lectures, arrange doctors' visits and annual physical examinations for employees, and set up sports venues as well as various health, aerobic and physical fitness courses to maintain the physical and mental health of employees.	None
	Does the company provide its employees with career development and training sessions?	✓		1. The company, by competency as a tool and long-term development need of the potential talent as the goal, establishes three training systems for function, class and self-development courses for supervisors and colleagues at all levels. Company formulates a complete career training plan and constructs the online learning information platform DLS (Darfon Learning System) to provide employees with diversified course learning information. 2. The succession of the company's board of directors and important management levels, besides excellent working abilities, personality traits must include integrity, honest and innovation, etc. The company not only appoints vice president in the chairman's office, but also assigns high-level management in business units, such as V.P., Integrated Components, V.P., IT Peripheral, V.P., Advanced Technology and V.P., Finance to cultivate candidates for board of directors' and presidents' succession. Senior management talent trainings include leadership and management competency training, business lecture courses management, key talent development plans and job rotations, etc. Content covers important areas, including leadership thinking training, strategic planning, innovative development, team motivation and communication, industry trends, new knowledge, marketing management, human resources and financial risk, etc. By annual relevant course modules and regular trainings, we strengthen the leadership, management ability and professional quality of successors. Chris Wang was promoted as V.P. of Green Energy Products Department in March 2021, and we elected Andy Su, President, as company CEO in November 2018, and meanwhile President was succeeded by Josh Tsai.	None

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td rowspan="2">Social Issues</td><td>For customer health and safety, customer privacy, marketing and labeling regarding the Company’s products and services, does the Company follow relevant laws, regulations and international guidelines? And any establishment of policies on consumer rights and interests as well as procedures for accepting consumer complaints?</td><td>✓</td><td></td><td>The labeling and marketing of products and services comply with relevant domestic regulations and international standards, and international regulations or related management systems and verification requested by customers. Without violation of product health and safety, product information and labeling regulations. Non-disclosure agreement and General Data Protection Regulation (GDPR) were abided by in respond to customer’s privacy. Contact window for each product was established on the company's website (www.Darfon.com.tw) to protect consumer rights and provide channels for complaints.</td><td>None</td></tr>
<tr><td>Does the Company establish the supplier management policy and request suppliers to follow the corresponding rules for the issues such as environmental protection, occupational safety and health or labor and human rights? And any implementation status?</td><td>✓</td><td></td><td>1. The company’s supplier management system focuses on green procurement. To fulfill the responsibility of maintaining society and environmental protection, the company requires suppliers to provide green product assurance letters, green product specifications, test report of quality and material, and MSDA, etc., to comply with international regulations and the hazardous substance management.
2. For products containing gold, tantalum, tin, and tungsten, the supplier must provide a letter of guarantee, stating that the mineral source of the product does not come from People’s Republic of the Congo or illegally developed areas in the neighboring countries in order to protect the sustainability of the environment and ecology
3. The company follows the Responsible Business Alliance Code of Conduct (RBA), ISO 14001, OHSAS 18001, RoHS, HSF, PFOs (Control of Hazardous Substances), the prohibition of conflict minerals and other international standards or regulations. For environmental protection, labor human rights, and safety of occupation, and health, we establish corresponding supplier management system and management standards, and arrange supplier audits irregularly to facilitate the supervision of the quality of supplier materials.</td><td>None</td></tr>
<tr><td colspan="2">Does the company disclose relevant and reliable information regarding its corporate social responsibility referring to international guidelines? Does the Company obtain a third-party assurance or verification for the foregoing reports?</td><td>✓</td><td></td><td>The company published the second edition of the Corporate Social Responsibility Report in 2019, in accordance with GRI Standards, AA 1000 AS 2008, ISO 26000 and global sustainability report standards, and verification of the third-party unit, SGS Taiwan Ltd. It meets the requirements of the AA 1000 Type 1 Moderate Assurance Level and is disclosed on the Market Observation Post System (MOPS) and the company website (www.Darfon.com.tw). The content structure of the company’s corporate social responsibility report follows the Global Reporting Initiative’s GRI Standards, AA 1000 Accountability Principle Standards (AA1000APS), and the guidelines and framework from Taiwan Stock Exchange’s “Management Measures for the Preparation and Filing of Corporate Social Responsibility Reports by Listed Companies” It follows the "core options" as the disclosure principles in this report.</td><td>None</td></tr>
<tr><td colspan="6">If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation:
Darfon has established corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies”. All colleagues promote and fulfill corporate social responsibility and set up a corporate sustainable development promotion team. The overall operation situation is in line with the spirit of corporate social responsibility, and there is no major difference.</td></tr>
<tr><td colspan="6">Other important information to facilitate better understanding of the company’s corporate social responsibility practices：
1. The company won model award in the Global Views CSR Annual Survey 2021.
2. The global operation headquarters adopts green building construction:
The headquarters of the company adopts environmentally friendly and low carbon construction methods, such as "green building" and " architectural concrete". Rainwater recycling system, which is processed and filtered and recycled to make use of water resources, has been set up; solar power generation systems are installed in each manufacturing plant to full use of natural resources. In addition, the company was rewarded by FCFC of the honor as Industrial Zone Greenification Excellence Awards.
3. Community participation, social contribution, social service, social welfare, consumer rights and other social responsibility activities:
(1). Community service:
The company calls on colleagues and company associations to increase community participation and local connections with neighboring areas through activity opportunities. Participating in the Guishan Art and Culture Street Activities in 2020, we use creative modeling and performance ingenuity to interact and have fun with residents and friends. By full display of local elements, we won the affirmation of excellent works.
(2). Social welfare:
Social welfare is implemented locally. We care for disadvantaged groups in Taoyuan, and pay regular visiting to Taoyuan Honghua Kindergarten, accompany the children in morning jogging, fasting, having fun, and organizing the activities of festivals, as caring with practical actions to local disadvantaged groups. In addition, in 2020, we purchased 1,000 boxes each of Down’s Syndrome Foundation's public welfare products and Miaoli Hangju small farmers gift boxes to implement social welfare.
(3) Material donation or charity sale:
we organize material donation and invoice fundraising activities irregularly. In 2020, we organized blood donation activities, donations of used clothes and invoices, and conduct charity performances and charity sales activities at the Bali Leshan Garden Festival. Employees actively participate in the charity activities of the BenQ Foundation. In 2020, company donated NT$3 million to the BenQ Foundation to jointly realize the corporate vision of "the truth, goodness and beauty of information life".
(4) Sustainability:
Actively participation in the sustainability of Taoyuan's local environment, such as implementation of green living, and keeping Taoyuan's forest and mountains clean. In 2020, colleagues and associations removed 237 kilograms of waste together at Hutou Mount, Taoyuan. We take practical actions to protect our precious mountains and forests and let residents feel a clean home.
(5) E-co Green Action:
Resource recovery activities have been carried out continuously. We are main focus on the recycling of three types of resources, 3C products, second-hand clothing and waste batteries. After sorting out the recycled resources, they will be transferred to the social welfare and environmental groups, such as Green 3C Recycling Network and the Eden Social Welfare Foundation, so that the used materials will become renewable resources and committing an effort to the earth.</td></tr>
</table>

3.3.6 Implementation of Corporate Governance, and Differences with Contents of Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons:

Evaluation Item		Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
		Yes	No	Abstract Illustration	
Establish ethical management policies and plans	Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		The Board of Directors and the management place the greatest importance in adopting the highest standards of integrity and ethics in corporate management and employee work conduct, and thus Code of Conduct for Business Integrity" was formulated. One of company's missions is to treat customers, suppliers, shareholders, employees and public general by integrity, which is also colleagues' responsibility. Any forms of corruption, bribery and deception is strictly forbidden. Promotion on code of conduct is carried out to strengthen colleagues' will of integrity. The Company's Ethical Corporate Management Best-Practice Principles is a guideline to provide high ethical standards for all employees, specifying codes of conduct regarding conflicts of interest, compliance with regulations, trade secrets and company assets.	None
	Does the company establish the evaluation mechanism on higher risk of unethical behavior, regularly analyze and evaluate the business activities with higher risk of unethical behavior, as well as adopt appropriate precautions against high-potential unethical conducts or listed activities stated in Paragraph 2, Article 7, of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		Company establishes the internal control mechanism on potential unethical conducts to reduce the possibility of incidents. Audit Committee of the company regularly assesses the performance of internal control system and gathers suggestions for potential risk from top management of each department, to optimize appropriate audit plans. Company has formulated Code of Conduct for Business and Code of Conduct for Employees, the scope covers, avoidance of conflict of interests, trade secrets, company assets, political activities, and relevant conducts referring to Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies. For illegal or improper behavior, it is determined after investigation that it does not conform to or violates relevant regulations or laws, or causes damage to the rights of the company and colleagues, then the relevant departments will be notified immediately, and relevant mechanisms will be activated immediately to prevent subsequent consequences. We analyze and evaluate the norms and standards of integrity conduct to comply with relevant laws and regulations to prevent dishonest behavior from occurring.	None
	Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? And any regular review of the foregoing programs for better implementation?	✓		The Company's Ethical Corporate Management Best-Practice Principles have established operating procedures, behavior guidelines, punishment and appeal systems for violations. Based on principle, company has established code of integrity of employees as well as reported and appealed administrative measures for all colleagues to abide by unethical conduct hasn't happened before, and relevant regulations will be reviewed and revised regularly to prevent dishonest behavior from occurring.	None

<table>
<tr><th colspan="2" rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td rowspan="5">Fulfill operations integrity policy</td><td>Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</td><td>✓</td><td></td><td>An ethic-related clause is included in every business contract, conveying our integrity requirements to all our business partners. In addition, Letter of Undertaking of Integrity is compulsory. If there is any breach of the clause, the Company may terminate the partnership at any time without any further obligation or compensation.</td><td>None</td></tr>
<tr><td>Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity, and responsible for reports to the Board regularly, at least once a year?</td><td>✓</td><td></td><td>Implementation of Company’s ethical corporate management include inspections of formulation of regulations, education and publicity, appeal mechanism and integrity risk, whose responsibility falls on following units. Regular reports were submitted to the Board of Directors, at least once a year, about integrity business policy, prevention of unethical conducts and supervision on implementations. No violation occurred since the initiation of units. Implementation of integrity business in 2020 was reported to the Board in August 2020:
1.Formulation, education and promotion of Company’s Ethical Corporate Management Best-Practice Principles were organized by human resources department, including “Code of Employee Integrity,” “Report and Appeal Administrative Measures,” and the “Disciplinary Measures” that regulate various violations of discipline. Human resources mailbox and a stakeholder mailbox were established to provide channels of complaint to internal and external public. Each new employed must participate in the "Integrity Promotion Course" and sign a declaration of integrity when enrollment. Every year, company posts notice and poster regularly to remind colleagues that the company attaches great importance to integrity management.
2. Audit unit affiliated to the board of directors takes responsibility of integrity risk assessment and inspection, to strengthen various operating procedures, implement the assignment of accountability, and reduce the occurrence of fraud through system assistance.
3. If there is a breach of integrity, the case is reviewed by the personnel council composed of cross functional senior executives and legal affairs. If it is a major breach of integrity, it will be reported to the audit committee and the board of directors for trial in accordance with relevant laws and operating procedures.</td><td>None</td></tr>
<tr><td>Does the company establish policies to prevent conflicts of interest and provide appropriate channels of communication, and implement it?</td><td>✓</td><td></td><td>While pursuing corporate growth, the company upholds an attitude of honest management, provides customers with high-quality products and services, and maintains a sincere and transparent relationship with suppliers. To prevent the occurrence of conflicts of interest, the company has formulated relevant policies such as the "Code of Integrity Business", "Report and Appeal Administrative Measures" and appropriate channels of complaint for stakeholders .The company has mailboxes from the Human Resources Department for internal complaint, and investor mailboxes for external, stakeholders' mailboxes, and hotline as channels for complaints.</td><td>None</td></tr>
<tr><td>Has the Company established the Effective accounting system and internal control system for implementing the ethical management, where the relevant audit plans are devised based on evaluation results of the risk of unethical behavior by internal audit unit, or by commissioning the accountant to review the information related to prevention programs of unethical behavior?</td><td>✓</td><td></td><td>1.The company follows the requirements of laws and regulations, continuously revises the internal control system, and reviews and evaluates the effectiveness of the implementation of the internal control system. The internal audit unit assesses risks in accordance with the internal control system and draws up an annual audit plan. When performing relevant audits according to the plan and the inspection shows whether there is any violation of the company’s code of integrity business. Audit results were reported to the audit committee and the board of directors regularly to let the management levels understand the implementation status of internal control.
2.The company's accounting system is formulated in accordance with the requirements of laws and regulations. The certified accountant conducts audits or reviews of the company's financial statements on a quarterly basis, and issues report. Results of the audit or review were submitted to the Audit Committee and the Board of Directors every six months with communicating on corporate governance.</td><td>None</td></tr>
<tr><td>Does the company regularly hold internal and external educational trainings on operational integrity?</td><td>✓</td><td></td><td>Integrity is company’s core values. The Company carries out regular training for employees by internal and external educational trainings and promotion campaign. For new employees, training on "Integrity Promotion Course" are carried out during their enrollment, and declaration of integrity is signed. In 2020, a total of 424 people completed the training, and the signing rate reached 100%. In the follow-up, through public broadcast and publicity, the company regularly reminds colleagues of the company's emphasis on integrity management by company notice and posters every year. Through corporate culture courses, employees are encouraged to recognize the concept of integrity and strengthen their self-discipline.</td><td>None</td></tr>
<tr><td>The operations of corporate whistleblowing system</td><td>Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</td><td>✓</td><td></td><td>The company’s integrity-related regulations, such as the “Report and Appeal Management Measures” and the “Code of Integrity Management”, clearly stipulate that improper business behaviors must be immediately reported in escalation; internal reporting channels include direct supervisors, human resources supervisors, auditors, human resources mailboxes, and president’s mailbox, while external reporting channels is stakeholders’ mailbox. According to the seriousness of the circumstances and the level of involvement, it will be evaluated whether the case will be further reviewed by the personnel council composed of cross functional supervisors. Once the case is verified as likely to cause major damage to the company, the council will prepare a report and notify The Audit Committee in writing.</td><td>None</td></tr>
</table>

Evaluation Item		Implementation Status: Yes	Implementation Status: No	Implementation Status: Abstract Illustration	Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
The operations of corporate whistleblowing system	Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		The Company has in place SOPs based on Code of Employee Integrity, Employee Complaints Management Measures and Sexual Harassment Prevention and Treatment Measures, and Reporting and Complaint Management Measures which could be applied on any confidential investigations on such cases. Confidentiality of the filed complaint should be kept during the investigation by auditors and investigating personnel. Upon investigation completion, the person in charge of the case will encrypt the file for the identity of the whistleblower and the content of the report.	None
	Does the company provide proper whistleblower protection?	✓		The Company takes whistleblower protection seriously, abiding by the company's "Reporting and Appeal Management Measures", and will strictly keep the content of investigation and confidential results as regard of protection from unlawful reprisal for diligent employees who step forward to identify potential wrongdoing.	None
Strengthen information disclosure	Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		The Company's Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company's website (www.Darfon.com.tw)and annual report. Please refer to company's website or pages 32-34 of this annual report for implementation.	None
If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. Company establishes "Code of Integrity Management", "Code of Employee Integrity" and "Report and Appeal Management Measures" for employees to abide by. There have been no differences between "Code of Integrity Management" and Company's Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, and details are disclosed in company's website (www.Darfon.com.tw).					
Other important information to facilitate a better understanding of the company's ethical corporate management policies. 1. For the various operating procedures of daily business activities, the company designs appropriate internal control mechanisms for operations that may have potential corruption risks to reduce the possibility of corruption and take precautions. The company's audit unit regularly evaluates the management effect of the internal control mechanism and collects suggestions from the senior executives of various departments on potential risks, draws up an appropriate audit plan, and performs related audits accordingly. Reports of the audit were submitted to the audit committee and the board of directors regularly to convey understanding of current status of corporate governance to achieve of management goals. 2. Based on the core values "Integrity", the company has formulated a corporate culture of "Practical and fair, pursuing excellence, and caring for the society", emphasizing the spirit of "innovation, initiative, and positive attitude" to care about the society and people in which we live. Please refer to the company website for the company's business philosophy (www.Darfon.com.tw).					

3.3.7 Please disclose the access to Company's "Corporate Governance Best Practice" and relevant regulations:

The company's "Corporate Governance Code" has standards for protecting the rights and interests of shareholders, strengthening the functions of the board of directors, respecting the rights and interests of stakeholders, and enhancing information transparency. There is "Corporate Governance" section under "Investor Service" on the company website for investors to inquire about corporate governance-related regulations and important board resolutions. For corporate governance-related regulations, please visit www.Darfon.com.tw. and for corporate governance operation status, please refer to Section three Corporate Governance Operation Status of this Annual Report.

3.3.8 Other Important Information for enhancing understanding of the implementation of corporate governance:

1. To assure the effectiveness of internal information management, company has established "Operating procedures for Handling Material Information and Preventing Insider Trading", and published in company's website for all colleagues to abide by to prevent any violations or insider trading.
2. The latest version of the "Directors and Supervisors Handbook" and "Directors and Supervisors Propaganda Materials" compiled by the competent authority were released upon inauguration of directors, independent directors, managers and other insiders. In addition, Company provided latest version of "Company insider equity trading publicity manual" edited by Taiwan Stock Exchange Corp. every year for insiders' adherence.
3. The company has three independent directors, and the audit committee and remuneration committee are composed of independent directors to strengthen corporate governance operations.
4. Information about the company's corporate governance is disclosed on the company's website (www.Darfon.com.tw).

3.3.9 Status of Implementation of Internal Control Systems

3.3.9.1 Statement of internal control system

DARFON ELECTRONICS CORP.

Statement of Internal Control System

March 15, 2021

Based on the findings of a self-assessment, Darfon Electronics Corp. states the following with regard to its internal control system during the year 2020:

1. Board of Directors and management of Darfon Electronics Corp. are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Darfon Electronics Corp. takes immediate remedial actions in response to any identified deficiencies.
3. Darfon Electronics Corp. evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Darfon Electronics Corp. has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Darfon Electronics Corp. believes that, on December 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was passed by the Board of Directors in their meeting held on March 15, 2021, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

DARFON ELECTRONICS CORP.

Chairman: Andy Su

President: Josh Tsai

3.3.9.2 Companies which CPAs to professionally review the internal control system shall disclose the review report provided by the accountants: Not applicable.

3.3.10 The Company and its personnel have been punished by law, the Company has undertaken disincentive measures for its personnel for breaching the internal control system, and any material deficiencies and revisions in the most recent year up to the publication date of the Annual Report: None

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

Date	Session	Content of Proposals	Resolutions and implementation
March 16, 2020	1st Board Meeting in 2020	A. Statement of Internal Control System and implementation report of self-evaluation 2019	All independent directors and directors presented at the meeting agreed without objection.
		B. Approved the 2019 allocation of employees and Directors' remuneration.	Except Andy Su and Josh Tsai are in avoidance of application, all other independent directors presented at the meeting agreed without objection NT$8,326,376 for directors and NT$111,018,340 for employees, all in cash, and published by regulations and reported in the shareholders meeting in 2020.
		C. Recognized the 2019 business report and financial statements.	All independent directors and directors presented at the meeting agreed without objection, published on March 27, 2020, and recognized in shareholders meeting in 2020.
		D. Approved the distribution of 2019 earnings.	All independent directors and directors presented at the meeting agreed on the amount of cash dividend NT$2.3 per share of common stock and published by regulations and reported in shareholders meeting in 2020.
		E. Approved amendment to the Articles of Incorporation.	All independent directors and directors presented at the meeting agreed without objection and reported in shareholders meeting in 2020 for resolution.
		F. Approved amendment to the Board meeting regulations	All independent directors and directors presented at the meeting agreed without objection.
		G. Approved amendment to the Audit Committee organization guidelines.	All independent directors and directors presented at the meeting agreed without objection.
		H. Approved amendment to the Remuneration Committee organization guidelines.	All independent directors and directors presented at the meeting agreed without objection.
		I. Approved donation to BenQ Foundation.	Except K.Y. Lee, Andy Su and Peter Chen are in avoidance of application, all other independent directors and directors presented at the meeting agreed on the donation of NT$3 million without objection. The proposal was reported in accordance with regulations.
		J. Approved schedule and meeting agenda of the 2020 Shareholders' Meeting.	All independent directors and directors presented at the meeting agreed without objection. The proposal was scheduled for June 18, 2020 for the meeting and organized in accordance.
May 8, 2020	2nd Board Meeting in 2020	A. Recognized financial statement in Q1, 2020.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published on May 11, 2020
		B. Approved amendment to schedule and meeting agenda of the 2020 Shareholders' Meeting.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published in accordance.
May 22, 2020	3rd Board Meeting in 2020	A. Approved investment and establishment subsidiary in Vietnam.	All independent directors and directors presented at the meeting agreed without objection.
		B. Approved authorization for land use rights, assets and other related matters in Darfon Vietnam Co., Ltd.	All independent directors and directors presented at the meeting agreed without objection.
June 18, 2020	2020 Shareholders' Meeting	A. Recognized the 2019 business report and financial statements.	Consulted by the chairman, all shareholders presented at the meeting agreed without objection. The proposal was published in accordance.
		B. Recognized the distribution of 2019 earnings.	Consulted by the chairman, all shareholders presented at the meeting agreed on the amount of cash dividend NT$2.3 per share of common stock without objection. The proposal was recognized July 17, 2020 as base date for distribution and due before August 5, 2020.
		C. Approved amendment to the Articles of Incorporation.	Consulted by the chairman, all shareholders presented at the meeting agreed without objection. The proposal was approved by the Ministry of Economic Affairs for registration and announced on the company's website, on July 9, 2020.
August 5, 2020	4th Board Meeting in 2020	A. Recognized financial statement in Q2, 2020.	All independent directors and directors presented at the meeting agreed without objection, and published on August 12, 2020.
		B. Approved proposal of acquisition of common stock of TD HiTech Energy Inc.	All independent directors and directors presented at the meeting agreed without objection.
		C. Approved proposal of capital expenditure budget for plant construction of Darfon Vietnam Co., Ltd.	All independent directors and directors presented at the meeting agreed without objection.

Date	Session	Content of Proposals	Resolutions and implementation
		D. Approved proposal of capital increase of Darfon Vietnam Co., Ltd.	All independent directors and directors presented at the meeting agreed without objection.
		E. Approved amendment to the provisions of Corporate Governance Principles.	All independent directors and directors presented at the meeting agreed without objection.
		F. Approved formulation of "Risk Management Policy and Procedure."	All independent directors and directors presented at the meeting agreed without objection.
		G. Approved 2020 Professional fee for service of CPA.	All independent directors and directors presented at the meeting agreed without objection.
November 6, 2020	5th Board Meeting in 2020	A. Approved formulation of "Internal control system" and "Internal Audit Implementation Rule".	All independent directors and directors presented at the meeting agreed without objection.
		B. Approved proposal of Internal Audit Plan 2021.	All independent directors and directors presented at the meeting agreed without objection.
		C. Recognized financial statement in Q3, 2020.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published on November 6, 2020.
		D. Approved amendment of "Evaluation Principles of Board Performance".	All independent directors and directors presented at the meeting agreed without objection.
		E. Approved amendment of "Operating procedures for Handling Material Information and Preventing Insider Trading".	All independent directors and directors presented at the meeting agreed without objection.
		F. Approved amendment of "Corporate Governance Code".	All independent directors and directors presented at the meeting agreed without objection.
		G. Approved amendment of "Code of Ethical Conduct".	All independent directors and directors presented at the meeting agreed without objection.
		H. Approved appointment of CPAs 2021.	All independent directors and directors presented at the meeting agreed on CPAs' independence without objection, obtaining the Declaration of Independence from CPA.
February 1, 2021	1st Board Meeting in 2021	A. Approved acquisition of common stock of Astro Tech Co., Ltd.	All independent directors and directors presented at the meeting agreed without objection.
March 15, 2021	2nd Board Meeting in 2021	A. Statement of Internal Control System and implementation report of self-evaluation 2020.	All independent directors and directors presented at the meeting agreed without objection.
		B. Recognized the 2020 business report and financial statements.	All independent directors and directors presented at the meeting agreed without objection. The proposal was published on March 15, 2021, and recognized in Shareholders Meeting in 2021.
		C. Approved the distribution of 2020 earnings.	All independent directors and directors presented at the meeting agreed on the amount of cash dividend NT$2.5 per share of common stock. The proposal was published by regulations and reported in regular shareholders meeting in 2021.
		D. Approved the 2020 allocation of employees and Directors' remuneration.	Except Andy Su and Josh Tsai are in avoidance of application, all other independent directors presented at the meeting agreed on NT$8,821,057 for directors and NT$117,614,088 for employees, all in cash, without objection. The proposal was published by regulations and reported in Shareholders Meeting in 2021.
		E. Approved election of nine directors, including four independent directors, for the 9th term of directors.	All independent directors and directors presented at the meeting agreed without objection, The proposal was reported for elections in Shareholders Meeting 2021
		F. Approved donation to BenQ Foundation.	Except K.Y. Lee, Andy Su and Peter Chen are in avoidance of application, all other independent directors and directors presented at the meeting agreed on the donation of NT$3.5 million without objection. The proposal was reported in accordance with regulations.
		G. Approved Proposal of releasing non-competition restrictions on newly elected directors and representatives.	All independent directors and directors presented at the meeting agreed without objection, and reported for elections in Shareholders Meeting 2021
		H. Approved schedule and meeting agenda of the 2021 Shareholders' Meeting.	All independent directors and directors presented at the meeting agreed without objection. The proposal was scheduled for June 23, 2021 for the meeting and organized in accordance.

3.3.12 In the most recent year up to the publication date of the Annual Report, Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None

3.3.13 In the most recent year up to the publication date of the Annual Report, Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D: None

3.4 Information on CPA fees

3.4.1 Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
KPMG Taiwan	Huei-Chen Chang and Wei-Min Shi	2020.01.01~2020.12.31	-

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					CPAs Audit Period	Remark
			System Design	Company Registration	Human Resource	Others (Note)	Subtotal		
KPMG	Huei-Chen Chang	3,600	0	0	0	2,000	2,000	2020.01.01~2020.12.31	-
	Wei-Min Shi								

Note: Fees mainly related to Transfer Pricing report, project audit and PPA.

Unit: NT$ thousands

Fee Range	Fee Items	Audit Fee	Non-Audit Fee	Total
1	Under NT$ 2,000,000	-	-	-
2	NT$2,000,001 ~ NT$4,000,000	3,600	2,000	5,600
3	NT$4,000,001 ~ NT$6,000,000	-	-	-
4	NT$6,000,001 ~ NT$8,000,000	-	-	-
5	NT$8,000,001 ~ NT$10,000,000	-	-	-
6	Over NT$100,000,000	-	-	-

3.4.2 Non-audit fees paid to the CPA, accounting firm of CPA and its affiliates were more than 25% of the audit fees: The amount of audited and non-audited public expenses and the content of non-audit services have been disclosed in above "Audit Fee ".

3.4.3 Replacement of accounting firm and the audit fees in the replacing year is less than that in the previous year: None

3.4.4 Audit fees were reduced by over 10% compared with the previous year: None

3.5 Replacement of CPA

3.5.1 Regarding the former CPA

Replacement Date	January 1, 2019		
Replacement reasons and explanations	Due to internal restructuring of accounting firm.		
Describe whether the Company terminated, or the CPA did not accept the appointment	Parties / Status	CPA	Appointor
	Termination of appointment	NA	NA
	No longer accepted (continued) appointment	NA	NA
Other issues (except for unqualified issues) in the audit reports within the past two years, and reason	2019: None 2020: None		
Differences with the company	None		
Other Revealed Matters (disclosures for Clause 6.1.4~7, Article 10 of these guidelines)	None		

3.5.2 Regarding the successor CPA

Name of accounting firm	KPMG
Name of CPA	Huei-Chen Chang and Wei-Min Shi
Date of appointment	January 1, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.5.3 Former CPA Letters Regarding Clause 6.1 and 6.2.3, Article 10 of these Guidelines:

No disagreement between the former accountant and the company on Clause 6.1 and 6.2.3, Article 10 of these Guidelines.

3.6 Has any of the Company's Chairman, President, or managers responsible for finance or accounting duties served in the Company's CPA firm or its affiliated Company within the most recent year: None

3.7 The Situation of equity transfer or changes to equity pledge of Directors, managers or shareholders holding more than 10% of Company shares in the most recent year up to the publication date of this report. Where the counterparty in any such transfer or pledge of equity interests is a related party, disclose the counterparty's name, its relationship between that party and the company as well as the company's directors, supervisors, managerial officers, and ten-percent shareholders, and the number of shares transferred or pledged

3.7.1. Changes in Shareholding of Directors, independent directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2020		As of April 25, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Andy Su	0	0	0	0
Director	K.Y. Lee	0	0	0	0
Director	Qisda Corporation	0	0	0	0
	Representative: Peter Chen	0	0	0	0
Director	Qisda Corporation	0	0	0	0
	Representative: Jasmin Hung	0	0	0	0
Director	Josh Tsai	0	0	0	0
Independent Director	Neng-Pai Lin	0	0	0	0
Independent Director	Nelson Lee	0	0	0	0
Independent Director	Stan Hu	0	0	0	0
CEO	Andy Su	0	0	0	0
President	Josh Tsai	0	0	0	0
Vice President	Charles S Liu (Note 1)	0	0	NA	NA
Vice President	Dean Lin	0	0	0	0
Vice President	Milton Lai	0	0	0	0
Vice President	James MH Chiang	0	0	0	0
Vice President	ZC Jou	8,000	0	11,000	0
Vice President	Chris Wang (Note 2)	0	0	0	0
V.P. of Finance	Jery Lin	0	0	0	0
Major Shareholder	Qisda Corporation	0	0	0	0

Note1, V.P. Charles S Liu was retired on February 9, 2021.
Note2, V.P. Chris Wang was appointed new management on March 15, 2021.

3.7.2 Equity Transfer with Related Parties: None

3.7.3 Equity Pledge with Related Parties: None

3.8 Relationship among the Top Ten Shareholders are Spouses or Relatives within the second degree of kinship Relationship

As of April 25, 2021; Unit: Shares, %

Name	Current Shareholding		Spouse's/minor's Shareholding		Total sharesheld in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its name and relationships		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Qisda Corporation	58,004,667	20.72	0	0	0	0	Note		-
Qisda Corporation Representative: Peter Chen	294,693	0.11	0	0	0	0	None	None	-
BenQ Corporation	14,016,563	5.01	0	0	0	0	Note		-
BenQ Corporation Representative: K.Y. Lee	1,525,729	0.54	0	0	0	0	None	None	-
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	5,765,000	2.06	0	0	0	0	None	None	-
Ching-Jui Chang	4,640,000	1.66	0	0	0	0	None	None	-
Mega International Commercial Bank Co., Ltd.	4,540,285	1.62	0	0	0	0	None	None	-
Mega International Commercial Bank Co., Ltd. Representative: Chao-shun Chang	0	0	0	0	0	0	None	None	-
Credit Suisse International	4,156,000	1.48	0	0	0	0	None	None	-
Andy Su	4,058,447	1.45	729,939	0.26	0	0	None	None	-
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	3,034,000	1.08	0	0	0	0	None	None	-
J.P. MORGAN SECURITIES LTD	2,993,000	1.07	0	0	0	0	None	None	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,655,164	0.95	0	0	0	0	None	None	-

Note: Qisda Corp. is the parent company of BenQ Corp., Peter Chen is the head of Qisda Corp. and K.Y. Lee is the head of BenQ Corp.

3.9 Shareholdings and Combined Joint Shareholdings of Businesses Invested in by the Company, Company Directors, Supervisors or Executive Officers or Directly or Indirectly Controlled by the Company

As of April 25, 2021; Unit: thousand shares, %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/ Independent directors /Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Darfon (BVI) Corporation	34,150	100	0	0	34,150	100
Darfon (Labuan) Corporation	74,589	100	0	0	74,589	100
Darfon Materials Corporation	13,067	100	0	0	13,067	100
Darfon Gemmy Corporation	35,910	100	0	0	35,910	100
Darad Innovation Corporation	19,995	57.96	9,330	27.04	29,325	85
Unictron Technologies Corporation	17,651	40.32	5,694	13.01	23,345	53.33
Kenstone Metal Co., Ltd.	24,302	60	0	0	24,302	60
TD HiTech Energy Inc.	26,410	62.75	0	0	26,410	62.75
Astro Tech Co., Ltd.	24,480	51	0	0	24,480	51

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

Unit: NT$ thousands, thousand shares

Month/ Year	Issued price (par value per share)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital increase by assets other than cash	Other
May 1997	10	60,000	600,000	15,000	150,000	Establishment	-	-
March 1998	18	60,000	600,000	50,000	500,000	Capital increase by cash	-	Note 1
June 1999	20	100,000	1,000,000	70,000	700,000	Capital increase by cash	-	Note 2
April 2000	48	100,000	1,000,000	100,000	1,000,000	Capital increase by cash	-	Note 3
May 2001	10	185,380	1,853,800	105,000	1,050,000	Capital increase by capital surplus	-	Note 4
				121,346	1,213,460	Capital increase by retained earnings		
May 2002	25	185,380	1,853,800	149,346	1,493,460	Capital increase by cash	-	Note 5
June 2006	10	185,380	1,853,800	182,614	1,826,142	Capital increase by retained earnings	-	Note 6
June 2007	10	300,000	3,000,000	222,120	2,221,203	Capital increase by retained earnings	-	Note 7
June 2007	80	300,000	3,000,000	247,120	2,471,203	Capital increase by cash	-	Note 8
November 2007	100	300,000	3,000,000	275,320	2,753,203	Capital increase by cash	-	Note 9
March 2008	-	300,000	3,000,000	265,320	2,653,203	Capital decrease by treasury stocks	-	Note 10
August 2008	10	400,000	4,000,000	299,610	2,996,103	Capital increase by retained earnings	-	Note 11
August 2009	10	400,000	4,000,000	316,755	3,167,558	Capital increase by retained earnings	-	Note 12
August 2010	10	400,000	4,000,000	334,902	3,349,020	Capital increase by retained earnings	-	Note 13
March 2011	-	400,000	4,000,000	318,902	3,189,020	Capital decrease by treasury stocks	-	Note 14
October 2015	-	400,000	4,000,000	297,902	2,979,020	Capital decrease by treasury stocks	-	Note 15
March 2017	-	400,000	4,000,000	280,000	2,800,000	Capital decrease by treasury stocks	-	Note 16
June 2019	-	450,000	4,500,000	280,000	2,800,000	-	-	Note 17

Note1: Approved under (87)Securities and Futures Commission, Ministry of Finance -1-NO. 25012 on March 12, 1998.
Note2: Approved under (88)Securities and Futures Commission, Ministry of Finance -1 NO. 58315 on June 29, 1999.
Note3: Approved under (89)Securities and Futures Commission, Ministry of Finance -1 NO. 34163 on April 27, 2000.
Note4: Approved under (90)Securities and Futures Commission, Ministry of Finance -1 NO. 131015 on May 18, 2001.
Note5: Approved under (91)Securities and Futures Commission, Ministry of Finance -1 NO.126219 on May 16, 2002.
Note6: Approved under (95) Financial Supervisory Securities-1NO. 0950127557 on June 30, 2006.
Note7: Approved under (96) Financial Supervisory Securities-1NO. 0960028167 on June 1, 2007.
Note8: Approved under (96) Financial Supervisory Securities-1NO. 0960027119 on June 1, 2007.
Note9: Approved under (96) Financial Supervisory Securities-1NO. 0960061687 on November 17, 2007.
Note10: Approved under Financial Supervisory Securities-3 NO. 0970013582 on March 25, 2008.
Note11: Approved under Financial Supervisory Securities-1 NO. 0970033934 on July 8, 2008.
Note12: Approved under Financial Supervisory Securities NO. 0980031525 on June 24, 2009.
Note13: Approved under Financial Supervisory Securities NO. 0990033585 on June 29, 2011.
Note14: Approved under Financial Supervisory Securities NO. 0990072913 on December 30, 2011.
Note15: Approved under Financial Supervisory Securities NO. 1040041962 on October 22, 2015.
Note16: Approved under Moeaic NO. 10601035060 on March 23, 2017.
Note17: Approved under Moeaic NO. 10801075280 on June 26, 2019.

4.1.2 Type of Stock

As of April 25, 2021; Unit: Shares

Share Type	Authorized Capital			Remarks
	Outstanding Shares	Un-issued Shares	Total Shares	
Common Stock	280,000,001	169,999,999	450,000,000	Listed company shares

4.1.3 Shareholder structure

As of April 25, 2021

Shareholder structure / Quantity	Government Institutions	Financial Institutions	Other corporations	Individual	Foreign Institutions and foreigners	Total
Number of Shareholders	1	18	161	44,860	169	45,209
Shareholding (shares)	544,000	9,932,350	75,128,621	144,972,210	49,422,820	280,000,001
Percentage(%)	0.19	3.55	26.83	51.78	17.65	100.00

4.1.4 Shareholding Distribution Status

As of April 25, 2021

Class of Shareholding (Unit: Share)	Number of Shareholders	Number of shares held	Percentage
1 ~ 999	22,183	715,401	0.25
1,000 ~ 5,000	18,118	36,594,414	13.07
5,001 ~ 10,000	2,623	21,066,627	7.52
10,001 ~ 15,000	689	8,794,582	3.14
15,001 ~ 20,000	517	9,623,654	3.44
20,001 ~ 30,000	401	10,380,565	3.71
30,001 ~ 40,000	171	6,148,805	2.20
40,001 ~ 50,000	131	6,170,559	2.20
50,001 ~ 100,000	195	14,100,552	5.04
100,001 ~ 200,000	94	12,945,203	4.62
200,001 ~ 400,000	31	9,347,384	3.34
400,001 ~ 600,000	17	8,051,733	2.88
600,001 ~ 800,000	8	5,577,016	1.99
800,001 ~ 1,000,000	8	6,974,550	2.49
1,000,001 or over	23	123,508,956	44.11
Total	45,209	280,000,001	100.00

Note: The par value of common stock is NT$10 Per share.

4.1.5 List of Major Shareholders

Name, holding amount and percentage of shareholders with holding percentage more than 5% or top-ten majority

As of April 25, 2021

Shares / Major Shareholders	Number of shares held	Holding percentage (%)
Qisda Corporation	58,004,667	20.72
BenQ Corporation	14,016,563	5.01
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	5,765,000	2.06
Ching-Jui Chang	4,640,000	1.66
Mega International Commercial Bank Co., Ltd.	4,540,285	1.62
Credit Suisse International	4,156,000	1.48
Andy Su	4,058,447	1.45
VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	3,034,000	1.08
J.P. MORGAN SECURITIES LTD	2,993,000	1.07
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,655,164	0.95

4.1.6 Market Price, Net Worth, Earnings Per Share and Dividend in most recent two years

Unit: NT$

Item \ Fiscal Year			2019	2020	As of March 26, 2021
Market Price per Share	Highest		56.90	48.80	47.55
	Lowest		36.60	25.85	39.65
	Average		43.29	38.44	46.35
Net Worth per Share	Before Distribution		31.00	32.83	Note 5
	After Distribution (Note 1)		28.70	Note 1	-
Earnings per Share	Weighted Average Shares (thousand shares)		280,000	280,000	280,000
	Earnings Per Share	Before retrospective	3.21	3.23	-
		After retrospective	3.21	Note 1	-
Dividends per Share	Cash Dividends		2.30	2.50	-
	Stock Dividends	Dividends from Retained Earnings	-	Note 1	-
		Dividends from Capital Surplus	-	Note 1	-
	Cumulative unpaid dividend		-	-	-
Return on Investment	Price / Earnings Ratio (Note 2)		13.49	11.90	Note 5
	Price / Dividend Ratio (Note 3)		18.82	15.38	-
	Cash Dividend Yield Rate (Note 4)		5.31	6.50	-

Note 1: 2020 distribution of retained earnings hasn’t been resolute by 2021 Shareholders’ meeting.
Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price
Note 5: No availability of information attested or approved by an independent accountant up to the publication date of this annual report

4.1.7 Dividend Policy and Implementation Status

1. Article 19, 19-1, and 20 of the Articles of Incorporation of the Company regulates the dividend policy as follows:

Article 19: If earnings are available for distribution at the end of a fiscal year, 5-20% of earnings shall be set for employees’ compensation and no more than 1% for directors’ compensation. If there are still accumulated losses, compensation amount shall be reserved in advance. Subjects referring to above mentioned compensation shares or cash should comply with requirements of conditional controls and affiliated company. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. Where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside 5%-20% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration. The Company may allocate employee's remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of parent company or subsidiary meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method. The distribution of earnings in the preceding paragraph is distributed in the form of cash, the distribution may be approved by the Board of Directors and reported to the shareholders’ meeting

Article 19-1: Where the Company has a profit at the end of each fiscal year, the Company shall first allocate the profit to pay taxes and cover accumulated losses, and then 10% of the remaining net earnings shall be allocated as the Company's legal reserve and certain amount shall be further allocated as special reserve or the special reserve shall be reversed in accordance with applicable laws and regulation. The balance (if any) together with accumulated unappropriated retained earnings can be distributed after the distribution plan proposed by the Board and approved by the shareholders’ meeting. When the legal reserve and capital surplus are to be distributed in cash, the distribution may be approved by the Board of Directors in accordance with the Company Act and reported to the shareholders’ meeting The Company may distribute new shares or cash by way of legal reserve or capital reserve in accordance with Article 241 of the Company Act. Where the means of cash is performed in the preceding paragraph, it is proposed the Board of Directors be authorized for resolution. The resolution thereof shall be reported in the Shareholders’ Meeting.

Article 20: The Company is in a technology-intensive and capital-intensive technology industry at a developing stage coordinating with long-term capital planning and taking into account the shareholders’ cash flow requirement, the Company's dividend policy is to pay dividends from surplus considering factors to improve the growth and sustainable operation of the Company. If there is distributable net profit more than 2% of the paid-in capital, the ratio for cash dividends shall not be less than 10% of total distribution. If it is less than 2%, the company might not distribute dividends.

2. Dividend payout plans proposed during the most recent shareholders' meeting

Cash dividend: NT$ 700,000,003 (NT$ 2.5 per common share)

4.1.8 The influence of the bonus shares issuance proposed at the current shareholders' meeting on the business performance and EPS of the Company:

Unit: NT$ thousands

Item \ Fiscal year			2020（Estimated）
The amount of paid-in capital at the beginning of the period			2,800,000
Dividend distribution of the current year	Cash dividend per share		NT$ 2.5(Note1)
	Stock dividends per share (from capitalization of earnings)		-
	Stock dividends per share (from capitalization of reserves)		-
Business performance Changes	Operating profit		(Note2)
	Increase (decrease) % of operating profit over the same period last year		
	Net profit after tax		
	Increase (decrease) % of net profit after tax over the same period last year		
	Earnings per share		
	Earnings per share increase (decrease) % ratio over the same period last year		
	Annual average return on investment (the reciprocal of the annual average P/E)		
Pro forma EPS and PE ratio	If capitalized earnings were entirely distributed as cash dividends	Pro forma earnings per share	
		Pro forma annual average return on investment	
	Without capitalization of reserves	Pro forma earnings per share	
		Pro forma annual average return on investment	
	If capitalized earnings were entirely distributed as cash dividends without the capitalization of serves	Proposed earnings per share	
		Proposed annual average return on investment	

Note1: The estimated dividend distribution of 2020 is NT$ 2.5 per share, which is based on the surplus distribution proposal approved by the board of directors on March 15, 2021.

Note2: In accordance of (89) Securities and Futures Commission, Ministry of Finance -1 NO. 00371 on February 1, 2000, financial statement of 2021 is not published, disclosure of the estimated information for fiscal year 2020 is not applicable.

4.1.9 Remuneration of Employees, Directors and independent directors

1. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation
   Article 19 of the Articles of Incorporation stipulates that:
   "Where the Company has a profit before tax for each fiscal year, the Company shall first reserve certain amount of the profit to recover losses for preceding years, and then set aside 5%-20% of the remaining profit for distribution to employees as remuneration and no more than 1% of the remaining profit for distribution to directors as remuneration. The Company may allocate employee's remuneration prescribed in the preceding paragraph in the form of stock or cash to employees of parent company or subsidiary meeting certain conditions. The Board or the person duly designated by the Board is authorized to decide the conditions and allocation method."

2. Estimation basis of this annual period for the remuneration and compensation for employees and Directors, and the accounting approach for handling the differences between the calculation basis for the shares of employees' remuneration distributed by stock and the actual distributed amount and the estimated number of shares:
   The remuneration of employees and directors of the Company is estimated in accordance with the Accounting Research and Development Foundation (2007) SVS No. 052 Summary, and listed as appropriate accounting items under operating costs or operating expenses based on the nature of the remuneration of employees and directors . If there is a difference between the actual distribution and the estimated number in the financial statements, it will be regarded as an estimated change and recognized as the current profit and loss.

3. Distribution of Remuneration of Employees, Directors for 2020 Approved in the Board of Directors Meeting
   The information of 2020 distribution by the resolution in 2021 is as following::
   (1) Recommended Distribution of Compensation of Employees, Directors

   Employee Compensation – in Cash: NT$ 117,614,088
   Directors' Compensation: NT$ 8,821,057
   No difference between the above amount and the amount recognized on the account

   (2) The proportion of employee remuneration paid by stocks to the total amount of the amount of individual profit (after tax) plus the amount of employee remuneration in the current period: 0%

4. The actual distribution of remunerations for employee, directors and supervisors in the previous year (including the distributed number of shares, amount and share price). If there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor remuneration, please describe the discrepancy, cause, and management:
   (1) The actual distribution of the remuneration of employees and directors in the previous year: NT$111,018,340 for employee remuneration and NT$8,326, 376 for directors' remuneration in cash.
   (2) The difference between the proposed distribution situation approved by the original board of directors and the actual: the actual distribution situation is the same as the original proposed distribution situation by board of directors.
   (3) The Company is an audit committee system without a supervisor.

4.1.10 Repurchase of the Company's Shares by the Company: The Company didn't repurchase its own shares in the most recent year and up to the publication date of this Annual Report.

4.2-Corporate Bonds processing: None

4.3 Handling of Preferred Stock: None

4.4 Overseas Depositary Receipts: None

4.5 Employee stock option handling status: None

4.6 Operations of new restricted employee shares: None

4.7 Issuance of new shares in connection with the merger or acquisition of other Corporations: None

4.8 Implementation of Assets Process and Planning:

Due on the quarter before the publication date of the annual report, the Company has not issued or privately placed securities that have not been completed, or been completed within the past three years but the benefits of the plan have not yet been shown.

V.Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Main areas of business operations

As the expert and leader of the world-class optoelectronics and precision components, Darfon provides a full range of integrated services, such as R&D, manufacturing, sales, consulting and specialty technologies. The Company strives to provide the best overall value to its customers by supreme quality of products, including computers, smart phone peripheral products, communication-related product components, display components, power supply and energy storage products, core equipment of solar power generation, and electric assisted bicycles, etc. Over the years, we have successfully created many innovative, breakthrough and market-leading products.

2. Revenue distribution

Unit；NT$ thousands, %

Major Divisions	Year 2020	
	Total Revenues	Percentage of Total Revenues
Peripheral electronic products	14,731,090	65.91
Green Energy Product and passive component	7,618,438	34.09
Total	22,349,528	100.00

3. Main products

(1) Peripheral electronic products:

Laptop and desktop computer keyboards, illuminated keyboards, gaming keyboards, gaming headsets, leather case keyboards, portable keyboards, mice, precision for use in tablets and smart phones Molds and chassis, notebook computer touch panel modules, etc.

(2) Green energy products and passive components:

LED backlight module converters, power supplies, handheld 3C battery modules, power and energy storage lithium battery modules, micro solar inverters, hybrid energy storage inverters, Energy storage systems, energy management systems, multilayer ceramic capacitors, power inductors, etc.

(3) E-Bike:

Motor electric control kit, lithium battery pack for electric bicycle, electric assisted mountain bike, electric assisted road bike, electric assisted folding bike, electric assisted city bike.

4. Development of New products

The peripheral component product section focuses on the development of high value-added products, including various innovative products such as advanced gaming peripherals (switchable feel gaming keyboard, wireless gaming mouse, gaming headset, ultra-thin notebook gaming keyboard) and innovative notebook keyboards (new mini-LED backlit keyboards, fully waterproof keyboards, vibration feedback keyboards, etc.) to show the industry's leading position in keyboard product technology innovation. Company integrates the technical advantages of the existing precision mechanism design and button modules, and combines the capabilities of optics, electronics, firmware, software and acoustics, and continues to develop integration, new applications and new products that meet the needs of users, and expand the power of application scope of gaming and mobile devices.

In terms of green energy products and passive components, we continue to introduce more cost-effective solutions for Mini LED backlight module converter to strive for business opportunities in large-size, high-resolution 8K,4K, LCD and multi-zone high dynamic range (2500 zone HDR) TVs and gaming displays . In the part of smart energy products, we design multiple parallel and higher wattage stand-alone products, combined with energy management system software, to provide a complete solution. In terms of passive components, in response to the booming market of high-speed computing and storage devices such as IoT/cloud/big data and AI, as well we 5G Netcom, based on group cooperation, we develop industrial and automotive products and establish product differentiation, and move toward high capacity, high voltage, and high frequency and high reliability to strengthen the depth of the product and the breadth of application.

In terms of power lithium battery modules, the Company continues to launch and maintain Shimano motor compatible batteries, 21700 new-generation battery cells and complete accessories in E-Bike. Currently, development of the full range of 360/418/504/630/720Wh/Range Extender has been completed. It can be applied to various application requirements of eMTB/Treking/City/Road bikes. In addition, it can be equipped with various chargers and mechanism assembly modules to provide one-stop service for front-line customers. Moreover, in regard of wireless cleaning vacuum cleaner, a series of complete lithium battery and controller integration platforms have been developed to provide front-line brand demand in Europe, America and Japan. We continue to maintain the growth trend, and expand the development to other sports equipment, commercial machine tools and other lithium batteries.

For E-Bike, an electronic control system equipped with IoT networking functions was developed to strengthen product competitiveness, which provides related intelligent functions such as electronic locks, electronic automatic transmissions, anti-theft positioning and tracking, and remote system monitoring for various consumer usage situations. We develop a new generation of mountain bikes and city models for the European market, equipped with Shimano mid-mounted motors and self-made 418Wh-720Wh battery capacity options, and develop a new generation of road bikes for the Asian market, with lightweight rear motors and 360Wh in-tube batteries as its lightweight design of the whole vehicle.

5.1.2 Industry Overview

1.Current Status and Future Development of Industry

(1) Peripheral electronic products

Peripheral electronic products include desktop and laptop keyboards, keyboards and gaming keyboards for tablets and smartphones, wireless keyboard and mouse sets, peripheral Bluetooth devices, laptop touchpad modules, etc.

According to the latest report from Trend Force's Display Research Office, benefiting from the effects of the housing economy derived from the epidemic, global notebook shipments in 2020 not only exceeded 200 million units for the first time, but the annual growth rate was also a record high of 22.5%. However, compared with the booming demand for laptops due to the resumption of work at Q2, 2020, the global epidemic became severe again at the beginning of 2021, when countries are having border controls and cities lock down, it is difficult to determine the market trend of the second half of 2021, we estimated global notebook shipments in 2021 may reach up to 217 million units with growth rate of 8.6%. One thing worth to talk about, due to the continuous increase in demand for distance learning, Chromebooks' contribution to the notebook market cannot be underestimated. In 2020, Chromebooks accounted for 14.8% of global notebook shipments, and it is expected that the proportion of total shipments in 2021 will rise to 18.5%. According to the preliminary results of the International Data Information (IDC) Global Quarterly Personal Computing Equipment Tracking Report, global PC shipments in the fourth quarter of 2020 grew by 26.1% compared with the same period in 2019, reaching 91.6 million units. For the whole year of 2020, the global PC market shipments grew by 13.1% annually, with home office, online learning, and consumer demand recovering as the main driving factors.

The world’s top five traditional personal computer brand manufacturers’ shipments, market share and annual growth rate performance in 2020: the top five market shares were Lenovo, HP, Dell, Apple, and Acer. From the perspective of annual growth in shipments, Apple and Acer's annual growth in shipments last year exceeded 20%. Acer shipped 20.989 million units last year. The WFH (Work From Home) and distant learning demand brought about by the global outbreak of COVID-19 in 2020, unexpectedly resulting in strong growth to the NB industry. Vaccines are expected to be launched in some areas in 2021, but the spread of the COVID-19 will not be completely isolated, and WFH and distant learning will become general, which is benefit for NB shipments growth. However, due to the overall economic downturn and the epidemic relief subsidies may also be reduced, it is expected that NB shipments will only be the same as in 2020. In 2021, we can pay attention to three major focuses in regards of NB markets. First, the global education market will continue to grow due to the epidemic and emerging market demand, and shipments will outperform the consumer and business markets. Among them, Chromebook shipments will exceed 30 million units. In 2022-2023, more and more countries who lifted the city lock down, the benefits from the epidemic will gradually decrease, and the competition for processor platforms will continue to intensify. The expansion of AMD's 5nm product line and the industry's product line using the ARM architecture will comprehensively improve the cost-effectiveness of NB, this is favorable to the growth of NB shipments, in contrast to the growth rate. In 2024-2025, we expect to meet a new wave of replacement demand in the market.

The source of high value-added product creation and profit comes from Company’s leading advantage in the design and manufacture of high-end keyboards, coupled with the deep cultivation of customers for traditional notebook brand and the continuous development of gaming keyboard technology. The effect of the housing economy derived from the epidemic has brought new buying momentum to the long-silent notebook market. It is estimated that overall demand will have a chance to remain stable in shipments and increase in shipments. In addition to strengthening keyboard shipments and market share growth for desktop and notebook computers, we actively take advantage of the increasingly blurred boundary between tablet and notebook computers to seize the business opportunities of 2 in 1 and external wireless keyboards, so as to respond Market demand for data input of various mobile devices. Moreover, emerging e-sports market is also a potential market for high-end keyboards. It is believed that the complete product line will continue to drive the performance and profit growth of peripheral components.

Global Market Volume change in desktop, notebook and tablet

Unit：million，%

Year / Product	2019	2020	2021	2024	2019-2020 (YoY%)	2020-2021 (YoY%)	Compound annual growth rate 2020-2024
Desktop	79.0	60.8	60.7	66.8	-23.1%	0.0%	2.4%
Notebook	188.6	241.1	249.0	244.3	27.9%	3.3%	0.3%
Tablet	123.5	156.1	154.6	150.9	26.5%	-1.0%	0.8%
Total	391.0	458.0	464.4	461.9	17.1%	1.4%	0.2%

Source：Canalys

(2) Green Energy Products and passive Components

The power supply and energy storage component product line include LED backlight module converters, power supplies, handheld 3C battery modules, power and energy storage lithium battery modules, energy storage systems, hybrid energy storage inverters, and micro solar inverters. Applications fall in green energy industry such as computer terminal displays, flat panel displays, LCD TVs, e-sports displays, solar power generation and energy storage systems.

According to the analysis of DIGITIMES Research of global large-size TFT LCD panel product trends in 2021 and the next few years, Mini LED backlight, Micro LED, and OLED will become the mainstream of high-end panels, and strong demand for new specifications of 8K TV and large-size displays for game applications is the focus of the market. According to AVC Revo's forecast, global shipments of Mini LED TVs in 2021 are estimated to reach 4 million units, and in the next 5 years, Mini LED TVs will usher in a period of high-speed growth. This demand trend brings new business opportunities for the Company's LED backlight module converters and power supply related products.

Smart energy products, as the gradual transition of electricity consumption in various countries to renewable energy, its importance of energy storage systems will increase again. Bloomberg Energy Finance (BNEF) predicts that in 2050, the cumulative amount of investment in energy storage systems globally will reach 548 billion US dollars; two third is for grid-level energy storage systems, and the rest is for small energy storage equipment for households and businesses. Taking the United States as an example, compared with the same period in 2019, the number of energy storage system installations in the United States in the second quarter of 2020 doubled. It is optimistic about the amount of renewable energy installations in the future, Wood Mackenzie Power & Renewables predicts that the volume of energy storage installations in the United States is expected to break through to 7.1GW in 2025, and the market value will also increase to 7 billion US dollars.

The integrated component and material product line includes multilayer ceramic capacitors, power inductors, etc. The characteristics of this passive component is small size and high stability, and it is mainly used in information and consumer as well as industrial electronic products, such as PC industry and peripherals, the mobile phone network industry, the panel and display industry, power storage, automotive applications, etc.

Research institutes predicts, the global passive component industry’s 2020 output value, despite of the influence of COVID-19, will continue to grow against the trend due to the growth of the housing economy and long-distance activities, the increase in the penetration rate of 5G base stations and mobile phones, and the trend of electrification of automobiles. In 2021, it is estimated that the number of 5G base stations will further increase, thereby increasing the penetration rate of 5G mobile phones. In addition to the consumption increase of each product such as smart phones, notebook computers and LCD TVs, and the demand momentum of future applications and markets of IoT, cloud and AI grows strong, and this will drive business opportunities for high-speed computing and data storage applications, and maintain and drive the gradual expansion of demand for multilayer ceramic capacitors. Moreover, although automobile sales have declined in the past two years, the trend of automobile electronics and electrification remains unchanged. More safety control and detection integration into the industry will bring more demand for passive component products such as multilayer ceramic capacitors. The trend of an increase of 6-10% in output value in 2021 compared with that in 2020 will continue. The Company is actively developing towards integration, miniaturization, development of high-capacity, high-voltage, and high-frequency, and enters the high-frequency end communications and industrial electronics markets to grasp key factors to increase revenue and profit.

In the trend of the E-Bike industry, due to the global epidemic COVID-19, the global bicycle market demand has increased dramatically. Due to the epidemic, the European market has drastically reduced public transportation commuting and replaced it with bicycles. According to statistics from the German Bicycle Association Zweirad-Industrie-Verband, it is estimated that the German E-Bike market can grow to 1.7 million units in 2021. The U.S. market has also relaxed regulations and restrictions, allowing E-Bike to enter its national parks. It is estimated that the U.S. market will reach 500,000 units in 2021. According to statistics from the Japan Bicycle Promotion Association, the Japanese market scale is estimated to grow to 700,000 units in 2021.

2.Relationship with Up-, Middle- and Downstream Companies

(1) Peripheral electronic products

Upstream Material	Midstream	Downstream applicants
* Integrated circuit chip * Membrane switch * Support frame * Light guide plate * keycap * Middle board * Aluminum plate * iron plate * Rubber	* Notebook computer touchpad module * Laptop keyboard * Desktop keyboard * Optical/laser mouse * Tablet keyboard * Gaming keyboard * Bluetooth headset	* Notebooks * Desktops * Smart phones * Smart TVs * Tablets

(2) Green Energy Products and Passive Components - LED power component

Upstream Material	Midstream	Downstream applicants
* Integrated circuit chip * Printed circuit board * Electrolytic capacitor * Diode * semiconductor * Transformer * Filter * Capacitance * Wire * Resistance * Inductors	* Backlight converter * Power Supplier	* Energy storage device for light electric vehicle * Small and medium uninterruptible power devices * Smart grid energy storage equipment * Computer room and communication base station * Gaming display * Notebooks * LCD TV * Tablet

(3) Green Energy Products and Passive Components - Green Energy component

Upstream Material	Midstream	Downstream applicants
* Semiconductor control chip * Surge absorber * Lightning protector * Printed circuit board * Flash memory * Epoxy resin * Electrolytic capacitor * Metal case * Diode * Transformer * Filter * Inductors * Wire * Resistance	* Hybrid energy storage inverter * Solar Micro Inverter * Network data collector * Solar inverters * Power cord communicator * Energy recovery device * Lithium battery module	* Factory energy recovery and power saving system * Electric motorcycles and industrial vehicles * Home power generation and energy storage system * Community emergency power supply system * Electric assisted bicycle * Power saving monitoring system * Solar power plant * Electric machine tool

(4) Green Energy Products and Passive Components - integrated component and materials

Upstream Material	Midstream	Downstream applicants
* Ceramic powder * Electrode material * Alloy powder * Iron powder	* Multilayer ceramic capacitors * Multilayer power inductors * Winding power inductor	* Car audio and video system * Digital set-top box * Notebooks * Wearable products * Tablet * Power bank * Server * TV/Home Appliances * Industrial Control Products * Wireless network card * Bluetooth device * Storage device * Panel * Cell phone

(5)E-Bike

Upstream Material	Midstream	Downstream applicants
* Frames and other bicycle parts * Torque sensor * Speed sensor * Speed sensor * Lithium battery cell * Charger * Motor	* Mid-mounted motor electric control system * Electric control system of drum motor * Lithium battery pack	* Electric assisted bicycle

3. Product Trends

(1) Peripheral electronic products

The popularity of notebook computer backlight keyboards and the demand for lightness and thinness have made the development of power-saving technologies for backlight modules increasingly important. A variety of new backlight technologies and LED types are constantly being introduced and new ones are expected to appear in the market in the short term; the breakthrough methods of development of thin keyboards are expected to launch, such as electronic vibration mode to replace physical mechanism strokes, or keyboard lifting methods to save space, all above is for dual-screen laptops or foldable computers with Microsoft Win 10 system.

As for gaming products, as chip technology matures, it is expected that wireless keyboards and mice with high transmission rates will become more and more popular.

(2) Green Energy Products and Passive Components - LED power component

The size of TV panels continues to expand while energy-saving requirements are becoming more and more stringent. In response to relevant regulations such as ErP for power products, the trend of development is to develop high-efficiency and low-no-load power consumption products. At the same time, in response to the rapid popularization of LED thin-type TVs, thinning trend is motivated for power products.

(3) Green Energy Products and Passive Components -Green Energy component

The demand for renewable energy devices maintains steady growth all over the world. Therefore, a new generation of cost-competitive hybrid energy storage inverter products and energy storage systems are the focus of product development. With the annual increase in the installation of renewable energy, the reduction of government subsidies, and the deployment and load of peak demand from the power grid, self-consumption of power generation is the new development focus, which also drives the demand for energy storage systems.

As countries pay attention to global warming, environmental protection, PM2.5, etc., and accelerate the application and growth of lithium batteries, the annual growth rate of the market in the next five years will be more than 10%. The main growth drivers are all kinds of electric vehicles, E-Bike, Energy storage, tools, cleaning machines, etc. The Company will start the development and promotion of related lithium battery modules.

(4) Green Energy Products and Passive Components -integrated component and material

Notebook computers, mobile phones, tablets, Netcom products, wearable products and TVs are all designed to be light, thin and multifunctional. The trend of integrated component products is also developing towards miniaturization and thinning, high frequency, high reliability and high integration to meet the needs of end products.

(5) E-Bike

E-Bike products continue to develop towards lightweight and intelligent functions. With the maturity of IoT technology, integration in E-bike products can add more consumer usage scenarios, including functions as anti-theft tracking, remote system monitoring, and soft firmware. automatic update.

4.Product Competition

Peripheral electronic products：Chicony, Sunrex, Liteon, Primax, etc.

LED Power Components：Delta, Liteon, Chicony, Fsp, etc.

Green Energy Components：Sma, Enphase, Schneider, Delta, Chicony, Eaton, Ablerex, Simplo, Celxpert, etc.

Integrated Components：Yageo, Huashin, Holy Stone, Fenghua, Uct, Viyong, Cyntec, Arlitech, Chilisin, Sunlord, etc.

E-Bike：Giant, Merida, Idea, Panasonic, Yamaha, Bosch, etc.

5.1.3 Research and Development

1.Technical level and research development of the business

Peripheral electronic products are developing towards the use of light and thin and environmentally friendly materials, and are designed with precision mechanisms. The focus of technology research and development is on ultra-thin keyboard modules, maglev keyboard modules and gaming keyboard modules. In terms of optical design, a more power-saving mini-LED backlight technology has been developed. For special applications, fully waterproof keyboards are developed, which can be used in industry, national defense or medical treatment. In terms of peripheral component products, the development of gaming peripherals, such as headsets, mice, keyboards and so on are expanded to meet the current development trend of e-sports sports.

Most of the backlight module converters and power supply factories are Taiwanese manufacturers, and they concentrate on the products required for notebook computers and LCD displays. Therefore, cost advantages such as mass production capacity and production scale economies are the main competitive advantages of the industry. The backlight module converter used in LCD TVs is a product with higher technical capabilities. In order to meet the needs of future consumers and maintain market competitiveness, in response to the tide of TV replacement, panels are constantly developing towards large-size and high-quality 8K TVs, HDR TVs, and quantum dot TVs. Power component R&D technologies are moving towards lighter, thinner, shorter, and smaller panels to match thinning trend of TV appearance design. The LED converter, LCD TV power module and LCD integrated power supply (LIPS) developed by the Company have effectively result in size reduction and cost decrease.

Green energy products require high-efficiency power conversion efficiency technology in R&D to achieve the lowest noise interference and stable output generated by power parallel mains or independent power supply, and combine the high series and parallel battery modules of the energy storage system to cooperate and manage. The Company has established a complete study of material impedance characteristics, mastered heat dissipation and temperature technology, and continued to verify the reliability of each power supply and energy storage module system. At the same time, integration system has been optimized continuously, including lithium battery module management new high-level serial-parallel platform, safe use, and motor control vehicle frame, and smart battery technology. Platform capabilities of inverter and converter power engineering have accumulated to correspond to the Company's E-Bike development strategy and direction. Company integrates the expertise of chargers and batteries to provide more advantageous integrated design and services. Based on the solid research and development foundation, Company is looking forward to further development in the power battery industry of two-wheelers or more in the future

Integrated component products, as electronic products are becoming more versatile and miniaturized as a market trend. The Company place its focus towards developments of high-reliability, high-capacity and miniaturized passive component products required by computer-related industries such as wireless communication technology, radio frequency modules, notebook computers and servers, and automotive and industrial control-related electronic products used in Netcom. The Company is also actively introducing new powder materials, continuously optimizing the process and reducing costs, and further strengthening the depth and breadth of products

The E-Bike technology focuses on the electronic control system and its integration with the frame. The electronic control system includes power assist calculation logic, which is equipped with various sensors to adjust the motor assist output to optimize, so as to provide the rider with the most immediate and comfortable auxiliary power system. In recent years, in response to the trend of IoT, we have invested in the research and development of GSM/GPS modules, cloud service platforms, and apps, looking forward to strengthening product competitiveness through new technologies to meet the market's demand for intelligent E-Bike.

2.Research and Development Expenses by the Central Research Institute (CRI) in the most recent Years as of publication of annual report

Unit：NT$ thousands

Item	2019	2020	As of March 26, 2021
R&D expense	752,650	806,796	138,528
Business Revenue	19,137,173	22,349,528	3,809,671
Percentage (%)	4	4	4

3.Successful Development Overview of Technology and Product

(1) Overview of Product Development

- ●Height-adjustable scissors button device
- ●Ultra-thin RGB Per Key gaming keyboard
- ●Ultra-thin RGB luminous keyboard
- ●Ultra-thin mechanical gaming keyboard
- ●Ultra-thin vibration feedback keyboard
- ●Ultra-thin magnetic keyboard
- ●Colorful LED gaming keyboard
- ●Switchable keyboard
- ●Liftable keyboard
- ●Leather keyboard
- ●Full waterproof keyboard
- ●Optical axis button
- ●Optical axis keyboard
- ●Wireless Stereo Bluetooth Headset
- ●Lithium battery module for energy storage
- ●Battery Module for Machine Tool/Cleaning Machine
- ●E-Bike battery module
- ●E-Bike iOS/Android App
- ●Electric assisted mountain bike
- ●Electric assisted folding bike
- ●Electric assisted city car
- ●Ceramic material formula modulation
- ●Electrode material formula modulation
- ●High-end capacitors/medium and high voltage/car capacitors
- ●01005/0201/0402 high frequency capacitors
- ●Thin power inductor
- ●New filter
- ●New type transformer
- ●Solar Micro Inverter
- ●Hybrid Energy Storage Inverter
- ●Energy Management System
- ●High efficiency energy recovery system
- ●Hybrid solar energy storage system
- ●Solar power generation monitoring system
- ●In-wheel motor electric control system
- ●Mid-mounted motor electric control system
- ●Lithium battery module for light vehicle
- ●E-Bike man-machine interface system
- ●E-Bike GSM/GPS positioning module
- ●E-Bike wireless communication module
- ●Electric-assisted road bike

(2) Future R&D Scope

The Company owns more than 900 patents, and its products have won many international design awards such as German iF and Red Dot. In 2020, it was ranked 74th in the top 100 corporate patent applications of the Intellectual Property Bureau of the Ministry of Economic Affairs, showing that the Company’s capabilities of product design and R&D innovation are deeply favored by the market and professional institutions. The Company will continue to invest resources in the research and development of new products and technologies to provide customers with higher quality and convenient products to meet the diverse needs of the market.。

Related parts of the notebook computers, in addition to the development of lightweight models based on the original thin keyboard structure to meet the needs of more portable products, further development a flat vibrating keyboard is also in schedule to increase product diversification.

For E-sports product series, in addition to the characteristic products that have been developed, such as the switchable touch keyboard that can be used for entertainment and paper works at the same time, development of the mechanical keyboard used in the new generation of e-sports notebook computers is to be continued. For earphone products, we plan to cooperate with schools as industry-university cooperation to develop optimized acoustic effects for products applications.

In the scope of green energy products, we continue to research and develop notebook computers and power related products of TV. Among them, in the part of lithium battery modules, platforms of cleaning machines, laptops, and machine tools are gradually expanded; meanwhile research and development of related power and industrial battery products are carried out. For smart energy products, development of high-volume, high-efficiency and energy storage system products for different applications is sustained.

For integrate component products, continue to develop high-end ceramic powder/metal paste and other key materials and process technologies, and invest resources and equipment to accelerate and continue to strengthen product characteristics and competitiveness

The R&D schedule of E-Bike continues to focus on development towards intelligence and weight reduction. We develop such lightweight frame materials and lightweight motor battery packs to be applied to high-end road vehicles to achieve the advantages of lightweight vehicles. In addition, intelligence will emphasize on the development of electronic locks, electronic automatic transmissions, IoT modules and 4G antenna modules

5.1.4 Long-term and Short-term Development

1. Long-term Development

(1) Strengthen global business layout, establish diversified sales channels, deepen customer relationships, and expand market share

(2) Grasp future product trends, grasp growth opportunities from the IT and green energy industries, and accelerate the development of innovative products and market launch timeline

(3) Optimize product portfolio and build a vertically integrated system to achieve a one-stop service model, so that customers are satisfied with one-time purchase.

(4) Enhance the three core technical capabilities of institutions, materials and energy. Implement the operational development strategy of "Backward Integration-master core capabilities and technologies, Forward Master-create and expand output"

(5) Strengthen human resource management, refine the allocation of talents, promote a flat organization, and focus on the identification and development of key talents to build a competitive and high-quality team

2. Short-term Development

(1) Strive to achieve annual KPI, improve the proportion of sales of high value-added products, and aim for growth in revenue and profitability

(2) Continue to strengthen thorough quality management, respond promptly to customers' requirements, and satisfy customers' requests in terms of quality, quantity and delivery

(3) Strengthen the global logistics management and establish a cross-business integration platform to achieve economies of scale, and strictly investigate the reasonableness and necessity of various expenses

5.2 Overview of Market and Sales

5.2.1 Market Analysis

1. Sales (Service) Region

Unit, NT$ thousands, %

Year / Region	2019		2020	
	Sales Amount	percentage (%)	Sales Amount	percentage (%)
Local	2,594,579	14	2,984,740	13
Export	16,542,594	86	19,364,788	87
Total	19,137,173	100	22,349,528	100

2. Market Share (%) and KPI of Major Product Categories

The top six global notebook computer brands account for approximately 90% of global shipments. The Company has close relationships with major brand companies in product development and has established a good foundation for cooperation with related OEM/ODM manufacturers. Darfon ranks among the top three in the world in peripheral component products such as notebook computer keyboards, with a market share of more than 30%.

3. Market Analysis of future supply and demand situation and growth

(1) Peripheral electronic products

Due to the impact of WFH (Work From Home) brought by the epidemic, notebook computers have seen a slight increase in personal computer shipments. Innovative products and designs can still bring growth momentum to the Company's revenue and profit. Taiwanese manufacturers play an important role in PC OEMs in the world and notebook PC OEMs are already the world's largest shipments. World-renowned brand manufacturers are all important customers. The Company has a leading position in the supply chain of computer keyboards and continues to strengthen competitiveness with innovative products and processes

(2) Green Energy Products and Passive Components - LED power and green components

TFT-LCD production technology has been widely used in various flat-panel displays and its main demand is notebook computers, tablet computers, LCD monitors, mobile phones and LCD TVs. The industry performance is also closely related to the market of this terminal electronic product. When informatization in mainland China becomes increasingly popular and the production cost and efficiency of various sizes improves, this will continue to increase the demand of components for power conversion and power supply.

(3) Integrated components and products

The steady demand for passive components in products such as motherboards, laptops, servers, portable personal information products, LCD TVs and smartphones, in addition to big data brought by 5G/IoT/cloud, high-speed computing of AI/VR/AR, development of storage devices as well as development of long-term environmental protection trends for electric vehicles and self-driving cars, all will continue to steadily drive the growth of demand for multilayer ceramic capacitors and inductors.

(4) E-Bike

Due to the epidemic, the market demand for the bicycle industry has increased sharply, but the upstream material supply chain is insufficient, and the delivery period of major material suppliers has been greatly extended. In the short term, there will still be an imbalance of supply and demand, which is expected to affect until the fourth quarter in 2021.

4. Competitiveness Scope

The Company has laid a good foundation in the industry through years of experiences in the manufacturing of computer peripheral products. Since its establishment, the scope and depth of each product line has been actively expanded, in addition to the advantage of economics of scale as the main source of growth and profitability. Besides ODM customers, there are also geographical and cultural advantages so to actively explore emerging markets in China and the Asia-Pacific. The Company has successfully developed new products, such as energy storage systems, solar hybrid inverters, E-Bikes, and lithium batteries in use of three core technologies, mechanism, energy, and material, in regards of building an advance product portfolio with time.

5. Favorable and Unfavorable Factors in the Long Term and Countermeasures

(1) Favorable

a. The rapid innovation and growth of 3C products such as PC, LCD monitors, TVs, e-sports computers and communications have continued to inject growth momentum into the Company's peripheral, power supply and integrated component products.

b. To maintain procurement flexibility and to avoid risk of excessively concentrated sources of purchases, we closely cooperate with domestic and foreign raw material suppliers to seek for stable material supply and established long-term stable cooperative relations, and we maintain all major raw material suppliers are more than two.

c. Domestic component manufacturers have brought highly automated process improvements in response to the continuous cost reduction trend of major international manufacturers, which will greatly reduce the impact of labor costs.

d. The popularization of environmental protection concepts of energy saving and carbon reduction, and the promotion and subsidies of renewable energy policies in various countries will effectively drive the purchase demand for power management, energy storage equipment, and energy-related products and systems.

e. Benefited from the epidemic, the bicycle market demand has increased greatly, together with the increase in the E-Bike market demand。

(2) Unfavorable

a. The outbreak of COVID-19 in 2020 has increased the demand for WFH and on-line schooling, and e-commerce promotions and government subsidies also expanded the demand for the consumer market. Even if components such as ICs and panels are facing unprecedented shortages, shipments still hit a new high. DIGITIMES Research summarized the global NB shipments, excluding detachable models, in the fourth quarter of 2020, which not only increased by more than 10% compared with the previous quarter, but also exceeded the 60 million mark for the first time, a record high. In the first quarter of 2021, it is expected that the demand will not be weak in the off-season, and the severe conditions have also made the brand still actively stocking the supply chain, preferring to build more inventory to face the still strong demand in the short and medium term. It is expected that the global NB shipments in the first quarter will only decline by less than 10%, which is far better than the 15% to 25% quarterly decline in previous years. The annual growth rate is expected to have nearly doubled due to the low base period last year. In terms of supply and demand, there were many unfavorable factors in the global NB market in the first quarter of 2021, and insufficient supply was the main bottleneck for shipments in the first quarter. The capacity situation of the largest bottleneck 8-inch wafer fab was slightly worse than the previous quarter. The warming up of the car market at the end of the fourth quarter has also led the industry to favor less profitable NB-related ICs in the production line arrangement, which may exacerbate the NB-related IC gap

Countermeasures:

(i) The Company actively strengthens the global operations system and puts emphasis on supplier management, lean production, and material costs management.

(ii) Actively promote the automation of production lines, and constantly review the production process, effectively control costs and expenses, and reduce the dependence on manpower.

b. Development technology of domestic materials and mold is incompetent to meet the Company's needs of product development.

Countermeasures:

(i) Cultivate good relations with foreign material and component suppliers, and jointly develop materials and equipment to secure source of supply.

(ii) Take advantage of a large number of procurements by two-pronged approach of both procurement and R&D to create room for negotiation with suppliers to reduce procurement costs. In addition, R&D is used to reduce the use of components and simplify the production process.。

(iii) Self-manufacturing molds to reduce dependence on suppliers.

c. Due to the fierce price competition of electronic products in recent years, the profit margins of manufacturers have been squeezed, and labor costs have been rising year by year, causing the industry to face pressure from cost competition.

Countermeasures:

The Company develops innovative and high value-added products for customers to highlight the uniqueness and competitiveness of products. We enhance product added value, reduce customers' requirements for price reduction, and actively reduce production costs by accelerating production automation and transferring production centers to manufacturing plants with lower labor costs. In addition to reducing labor costs, supplemented by vertical integration to strengthen the Company's competitiveness, we take advantage of local orders and customers nearby services to be able to serve customers quickly.

d. Power systems in different countries are different, and the formulation of laws and regulations is time-consuming. Except for the major European and American countries that have successively issued relevant inspection specifications, customers are still in a learning stage about their industrial scale and system application familiarity, regional development is relatively scattered, and standard requirements are inconsistent.

Countermeasures:

Invest resources to strengthen the development and construction of core technologies, master key materials and technology platforms, and launch product modules to quickly respond to demand of different specifications. Select key customers in key development areas to grasp the trends of policies and regulations in various countries, launch innovative and integrated services, and build product brand value.

5.2.2 Production Procedures of Main Products

1. Major Products and Their Main Uses

(1) Peripheral electronic products input components for computer products and smart phones

(2) Green Energy Products and Passive Components:

a. Power supply: It is an important component of liquid crystal display, notebook computer, tablet computer, AIO computer, used in AC/DC conversion of external power supply, as the source of product power input

b. Hybrid Energy Storage Inverter: used to convert solar panels into commercial power, which can be used by household loads. The excess power can be stored in batteries or fed back to the mains. When the power fails, it can be used as an uninterrupted power system to achieve power generation and energy saving effects

c. Multilayer ceramic capacitors: have the functions of storing charge, reducing electromagnetic interference and bypass coupling.

d. High-frequency capacitors: used in high-frequency communication products, such as 5G, Wi-Fi, LTE, etc

e. Power inductors and high-voltage capacitors: used in power supply and communication products, such as notebook computers, Panel and Mobile, etc.

f. Lithium battery: use various kinds of power and industrial and commercial products, such as E-Bike, electric scooters and motorcycles, cleaning machine tools, other power vehicles, notebook computers, etc.

(3) E-Bike electronic control system and lithium battery pack: used in electric assisted bicycles

2. Major Products and Their Production Processes

(1) Desktop computer keyboard and tablet computer keyboard production process

Assembly → plug-in → word key assembly →word key laser → printed circuit board assembly, software circuit board and accessory assembly → cable, base plate assembly →function test →general inspection, packaging

(2) Production process of laptop keyboard

Aluminum plate, support column, software circuit board, etc. assembly → blank character key assembly → character key screen printing, pad printing →character key laser →UV drying, curing →appearance inspection →accessory assembly →function test general inspection, packaging

(3) Backlight module converter production process

Surface-adhesive parts →assembly test →thermal engine test → voltage and current test →test inspection →packaging

(4) Power Supplier

Surface adhesive printing →Automatic plug-in →Assembly test →Heat engine test →Voltage and current test →Test inspection →Packaging

(5) Multilayer ceramic capacitor production process

Ball milling →ingredients →thin strip production →screen printing →stacking pressure equalization →cutting →adhesive burning out →sintering →barrel grinding→ terminal silver →electrode burning →plating →testing →packaging

(6) Power inductor production process

Ingredients →thin strip production →punching →screen printing →stacking →equalizing pressure →cutting →sintering →barrel grinding →terminal silver →electrode burning → plating →testing →packaging

(7) Alloy core production process

Glue adjustment →mixing →whole grain →dividing plate →baking →whole grain→ crushing →dividing plate →baking →whole grain

(8) Lithium battery

Cell classification →Grouping into bracket →Nickel sheet spot welding →Protective plate soldering →Product into shell lock →Electrical testing →Packaging

(9)E-Bike

Front fork assembly of the frame →head bowl assembly riser assembly →front and rear wheel assembly →electric control parts assembly →transmission system assembly→ seat car handle assembly →testing →packaging

5.2.3 Supply Status of Main Materials

1. The main materials of computer keyboards are rubber, iron, aluminum plates, key caps, etc. The Company maintains a good relationship with customers and actively implements vertical integration. Some keyboards are made of self-made plastic injection, which not only reduces production costs, but also controls plastic materials cost to mitigate the risk of price increase of raw material.
2. The main raw materials of the backlight module converter are iron core, wire frame, enameled copper wire, high voltage capacitor, power chip and printed circuit board. The Company maintains at least two or more suppliers to ensure the stability of the source of purchases。
3. The manufacturing process of multilayer ceramic capacitors has been fully converted to base metal manufacturing. Nickel and copper are used to replace precious metals such as silver and palladium. We are committed to strengthening the development of ceramic powder blending and materials self-production to reduce manufacturing costs and improve product quality.

5.2.4 A list of any suppliers and clients accounting for 10% or more of the Company's total purchases (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total purchases (sales) accounted for by each, and an explanation of the reason for increases or decreases in the below figures

1. Major Suppliers in the Past Two Years

Unit: NT$ thousands; %

2019				2020				2021 (As of previous quarter) (Note2)			
Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
Others	16,053,881	100	-	Others	19,797,312	100	-	Others	-	-	-
Net Total Purchases	16,053,881	100	-	Net Total Purchases	19,797,312	100	-	Net Total Purchases	-	-	-

Note 1: Reason for the increase or decrease: There is no major purchase supplier in the Company's consolidated financial report.

Note 2: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2020 has been disclosed as of the printing date of this Annual Report.

2. Major Clients in the Past Two Years

Unit: NT$ thousands, %

2019				2020				2021 (As of previous quarter) (Note2)			
Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
A	2,560,809	13	-	A	3,459,900	15	-	-	-	-	-
B	1,555,150	8	-	B	1,763,972	8	-	-	-	-	-
Others	15,021,214	79	-	Others	17,125,656	77	-	Others	-	-	-
Net Sales	19,137,173	100	-	Net Sales	22,349,528	100	-	Net Sales	-	-	-

Note 1: Reason for the increase or decrease: There have been no major changes in the past two years.

Note 2: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2020 has been disclosed as of the printing date of this Annual Report.

5.2.5 Production in the Past Two Years

Unit: NT$ thousands, thousand sets (pcs)

Major Products \ Output	2019			2020		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Peripheral electronic products	20,000,000	59,000	14,000,000	17,330,000	51,000	13,000,000
Green Energy Products and Passive Components	6,290,000	100,239,000	4,400,000	11,000,000	196,724,000	8,300,000
Total	26,290,000	100,298,000	18,400,000	28,330,000	196,775,000	21,300,000

Change analysis: The Company has no major changes in the past two years.

5.2.6 Shipments and Sales in the Past Two Years

Unit: NT$ thousands, thousand set (pcs)

Major Products \ Shipments & Sales	2019				2020			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Peripheral electronic products	6,703	1,613,747	802,630	11,513,535	7,682	1,504,158	1,046,260	13,226,932
Green Energy Products and Passive Components	29,969,793	980,844	161,447,972	5,029,047	36,115,131	1,480,582	174,897,177	6,137,856
Total	29,976,496	2,594,591	162,250,602	16,542,582	36,122,813	2,984,740	175,943,437	19,364,788

Change analysis: The Company has no major changes in the past two years.

5.3 Human Resources

Year		December 31, 2019	December 31, 2020	Data as of March 26, 2021
Number of Employees	Direct employee	7,206	9,278	8,822
	Indirect employee	1,289	1,307	1,321
	Total	8,495	10,585	10,143
Average Age		37.0	37.2	38.8
Average Duration of Service		8.2	8.6	7.4
Education Allocation percentage (%)	Ph.D. / Masters	18	18	18
	Bachelor’s Degree/college	80	80	80
	Senior High School and below Senior High School	2	2	2

5.4 Environmental Protection Expenditure

5.4.1 Environmental Protection Expenditure

Losses, including indemnity and if any result violates environmental protection laws and regulations, the punishment date and number, the details of the regulations, the content of the violation and the punishment should be listed, caused by environmental pollution and the total indemnity amount involved in the most recent year up to the date this report is published; accounts of future countermeasure, including improvement actions, and possible expenditures, including loss, disposition, and an estimate of indemnity incurred by a failure to implement countermeasures; if a reasonable estimation cannot be made, the justification shall be provided: None

5.4.2 Management Policy of energy savings

Every year, Company regularly collects statistics on water and electricity consumption and waste recycling information generated in manufacturing plants around the world, and aims to reduce water and solid waste. By reducing water and solid waste unit emissions for more than 1% compared to the previous year’s unit revenue or unit man-hours in that year, and planning to invest in energy management systems and develop cleaner production mechanisms, in line with GHG emissions issues, and gradually complete comprehensive inventory of greenhouse gases in global manufacturing and ISO 14064-1 verification.

According to the greenhouse gas inventory data, most of the greenhouse gas emission sources are Scope 2, i.e. indirect energy and electricity emissions. The Company continues to promote energy saving and consumption reduction measures to achieve the goal of reducing greenhouse gas carbon dioxide emissions, with the goal of reducing more than 1%. Through suppliers’ meetings, the Company continues to carry out supply chain organizational carbon inventory programs, calling on manufacturers to work together to protect the earth.

5.5 Labor Relations

5.5.1 List of employee benefits, in-service training, internal training, retirement system, and implementation status, as well as employer-employee agreements, and protection measures for employee entitlements:

1. Employee welfare and implementation:

The Company has always been adhered to the business philosophy as "respecting humanity" and "caring for employees". In order to fully take care of the physical and mental health of staff and their relatives, and to establish a life support so that the staff can be dedicated to their work without unnecessary worries. The Company provides and sponsors various welfare plans, and the Welfare Committee is composed of staff themselves. The main measures for the planning and implementation of welfare are as follows:

(1) Comprehensive insurance plan

In addition to labor and health insurance, the Company also provides comprehensive insurance systems such as life insurance, accident insurance, cancer insurance, medical insurance, and free group insurance, as worry-free all-round insurance.

(2) Thoughtful welfare

a. Each of the Company's factories is equipped with staff restaurants and coffee bars, serving breakfast, lunch and dinner, and providing colleagues dining subsidies. The Company occasionally organizes annual special sales activities to provide healthy and affordable consumption for colleagues' daily needs.

b. In addition to statutory special leave, paternity leave, menstrual leave, etc., the Company provides leaves that are superior to the labor law, such as voluntary leave, engagement leave, and special leave in advance, as well as flexible planning of holidays and festivals, weddings, funerals and childbirth subsidies, and comprehensive health care to monitor the physical and mental health of employees.

(3) Company environment with sound facilities

a. Set up a "Wellness Center", a medical team composed of specialist physicians and nurses, through the organizations of various activities, we monitor the health of colleagues, such as health checks, medical health speeches, cancer screening activities, physical therapy, health information, etc. , we build a comprehensive health care mechanism for body, mind and spirit.

b. Company established multi-functional gymnasium and fitness center, which are managed by sports professionals. In addition to the use of permanent billiards, badminton, basketball courts, fitness equipment, rhythm classrooms, and massage rooms, various sports courses such as spinning, aerobics, and yoga are regularly opened. Colleagues are allowed to enjoy healthy sports and leisure activities outside of work

(4) Diversified Welfare Committee activities

In order to balance the work and life of employees, the Welfare Committee takes vitality, humanities and arts, green public welfare, and community activities as themes, and launches various festivals, parent-child interactions, annual meetings, and family days every month, so that employees can relieve their physical and mental pressure, can indulge in work and enjoy life.

(5) Compensation policy

Employees are regarded as the most important asset of the Company, so the employees' work performance and career development are extremely emphasized. The Company formulates a competitive remuneration system through market salary surveys every year. According to the Articles of Incorporation, the Company shall allocate 5 to 20% for employees' remuneration and no more than 1% for directors' compensation if earnings of the year is available. However, if there is accumulated losses, the Company should reserve the amount for impairment loss in advance, and issue performance bonuses based on the operating conditions and individual performance of employees every year to meet the requirements of employees in work, life and achievement, and enable employees to share operating results with the Company.

(6) Employee Stock Ownership Trust

To enhance the concept of financial management among employees, the "employee stock ownership trust system" is implemented. In addition to the chosen amount allocated from employees' salary, the Company also provides incentives.

2. Employee Training and Development:

(1) Talent is the Company's most significant competitive advantage, and the training and development of talent is an important element of the Company's long-term development. The Company has established a complete selection and training mechanism to allow employees to realize their potential and stimulate performance. The long-term goal is to cultivate global talents, deeply root corporate culture and values in employees' working behavior and establish unique competitive advantages that are difficult to replace. Emphasize the manpower investment of companies and individuals, equal emphasis on short-term quick results and long-term training, combining with practical applications, and stimulating the potential of employees to learn independently.

(2) According to the Company's "internal and external training management methods" and "employees' on-the-job training methods", the overall Company training courses are planned for the Company's organizational strategy, personal performance development and job needs, and three training systems of function, class and self-development courses have been established, such as newcomer training, supervisor management ability training, professional function training, general education courses, government subsidized courses, etc.

2020 employee education and training implementation

Item / Types of course	Content	Hours	Number	Total (NT$ thousands)
Quality System	Quality system, quality tools, statistical methods, etc.	50	235	4,117
Self-development	Sharing of lectures in different industries, software application, work efficiency improvement, etc.	74	535	
Professional Skills	Professional courses such as business, research and development	80	1,007	
Organizational Strategy	Consolidate team consensus, strategy description, etc.	55	803	
Management Competency	Supervisor training at all levels	131	121	
E.H.S	Training of emergency personnel, safety and health personnel, and fire drill personnel, etc.	20	877	
Total		410	3,578	

(3) An online learning information platform DLS (Darfon Learning System) was constructed to provide employees with diversified course learning information

(4) The Company cooperated with the Ministry of Economic Affairs to build an online learning platform for Darfon e University. There are more than 2,000 courses in the system for employees to go online and learn independently at any time.

(5) Corporate culture is an important key to the sustainable growth of a Company. Therefore, training employees to recognize and implement corporate culture is the focus of the Company's talent development.

3. Retirement Policy and Implementation:

(1) The Company's labor pension system is handled in accordance with the Labor Standards Law, the Labor Retirement Regulations, and other relevant regulations. If the provisions of the Labor Standards Law's retirement pensions apply, the retirement provisions are provided monthly at 2%~15% of the total monthly salary in accordance with the Labor Standards Law. The funds are deposited in the Bank of Taiwan in the name of the Labor Retirement Reserve Supervision Committee, and the committee is responsible for income and expenditure, custody, use and supervision.

(2). Those who apply the pension system of the Labor Pension Regulations shall bear a labor pension withholding rate of not less than 6% per month in accordance with the Labor Pension Regulations, and withholding and depositing in the employee's monthly wage grading table approved by the Executive Yuan Individual labor pension account established by the Labor Insurance Bureau.

4. Agreements between labor and management and various employee rights protection measures

The Company attaches great importance to the rights and interests of employees and two-way communication. In addition to the establishment of channels of complaint, it also establishes multiple communication channels for employees, including labor-management meetings, human resources mailboxes, employee welfare committees, employee meal committees, secretarial assistant associations, etc. In response to complaints or incidents, the personal information of colleagues is carefully kept confidential and handled, so that employees can fully reflect and communicate with each other to promote labor-management harmony and create a win-win situation for the Company and employees. Since its establishment, the labor-management relationship has been harmonious.

5. Protective measures for working environment and employees' personal safety

The Company has long been committed to environmental protection, energy conservation and employee care, and hopes to fulfill its social responsibilities and operate continuously while the Company grows. In addition to complying with relevant domestic laws and regulations, all factories have passed the internationally recognized ISO 14001 environmental management system and OHSAS 18001 occupational health and safety management system certification.

The Company provides pre-employment physical examinations for new employees, organizes physical health examinations and annual physical health examinations for specific items irregularly, and provides labor safety and health education and training in accordance with the Labor Safety and Health Law.

In order to prevent the occurrence of occupational diseases and occupational disasters, in accordance with the provisions of the Labor Safety and Health Law, labor safety and health management personnel and factory guards are set up to maintain the health of employees, and regular environmental inspections are performed to maintain a safe working environment.

6. Code of Ethical Conduct for Employees

The employees of the Company use "Work Rules", "Newcomers Teaching and Warfare Manual" and "Employee Service Code" as the basis for their daily work compliance and the guidance of the development direction. The Company's employees should abide by the code of ethical conduct as summarized below:

(1) Strict work discipline; and team spirit execution.
(2) Abide by Company rules and regulations, and Company arrangements cooperation.
(3) Keep confidentiality; and keep the environment clean and tidy.
(4) Company's credibility maintenance and not receiving gifts or banquets.
(5) Working hours adherence and no dangerous goods allowed.
(6) Environmental actions implementation and job distribution clearly

5.5.2 List of losses due to labor disputes in the most recent year up to the date this report is published, disclosure of the estimated amount, and countermeasures against current and possible future occurrences. If the amount cannot be reasonably estimated, the reason shall be provided: None

5.6 Important Contracts

Contract Type	Counterparty	Contract Term	Major Contents	Restrictions
Licensing	Qisda Corporation	July 1, 1999~	Licensing of specific patents for keyboard technology	None
Licensing	Chicony Electronics Co., Ltd	By Contract	Licensing of specific patents for keyboard technology	None
Licensing	Liteon Technology Corporation	By Contract	Licensing of specific patents for keyboard technology	None
Loan	Taipei Fubon Commercial Bank Co., Ltd.	November 24, 2018 ~ November 24, 2023	Credit of NT$ 2 billion	Pledge to land/factory

VI. Financial Information

6.1 Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years, showing the name of the certified public accountant and the auditor's opinion given thereby

6.1.1 International Financial Reporting Standards (IFRS)

Condensed Consolidated Balance Sheet

Unit: NT$ thousands

Item / Year		Financial Summary for The Past Five Years					As of March 26, 2021 of financial information. (Note 3)
		2016	2017	2018	2019	2020	
Current assets		11,374,316	10,028,855	12,741,445	13,073,263	14,983,083	-
Property, Plant and Equipment		5,298,102	4,860,822	4,869,743	5,772,601	6,045,946	-
Intangible assets		29,991	17,137	599,677	718,064	774,027	-
Other assets (Note 1)		287,619	440,763	884,567	1,323,836	2,466,450	-
Total assets		16,990,028	15,347,577	19,095,432	20,887,764	24,269,506	-
Current liabilities	Before distribution	7,376,241	6,675,261	8,968,442	9,721,813	11,672,915	-
	After distribution	7,797,921	7,011,261	9,948,442	10,365,813	Note 2	-
Non-current liabilities		1,261,480	654,165	684,007	1,398,360	2,017,529	-
Total liabilities	Before distribution	8,637,721	7,329,426	9,652,449	11,120,173	13,690,444	-
	After distribution	9,059,401	7,665,426	10,632,449	11,764,173	Note 2	-
Equity attributable to shareholders of the parent		8,322,715	7,987,761	8,910,525	8,680,537	9,191,066	-
Capital stock		2,979,020	2,800,000	2,800,000	2,800,000	2,800,000	-
Capital surplus		4,351,038	4,026,120	3,802,120	3,802,120	3,921,454	-
Retained earnings	Before distribution	1,331,675	1,490,688	2,674,946	2,570,687	2,856,219	-
	After distribution	909,995	1,154,688	1,694,946	1,926,687	Note 2	-
Other equity interest		2,703	(329,047)	(366,541)	(492,270)	(386,607)	-
Treasury stock		(341,721)	-	-	-	-	-
Non-controlling interest		29,592	30,390	532,458	1,087,054	1,387,996	-
Total equity	Before distribution	8,352,307	8,018,151	9,442,983	9,767,591	10,579,062	-
	After distribution	7,930,627	7,682,151	8,462,983	9,123,591	Note 2	-

Note 1: Other assets are non-current assets other than property, plant and equipment and intangible assets.

Note 2: To be resolved by the 2021 BOD Meeting.

Note 3: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2020 has been disclosed as of the printing date of this Annual Report.

Condensed Parent Company Only Balance Sheet

Unit: NT$ thousands

Item \ Year		Financial Summary for The Past Five Years					As of March 26, 2021 of financial information. (Note 3)
		2016	2017	2018	2019	2020	
Current assets		5,806,185	5,789,045	7,572,410	6,597,321	7,757,970	-
Fixed assets		2,019,389	1,895,682	1,850,138	2,345,890	2,635,063	-
Intangible assets		29,991	17,137	4,284	-	-	-
Other assets (Note 1)		7,693,876	6,535,633	8,020,766	8,802,916	9,708,625	-
Total assets		15,549,441	14,237,497	17,447,598	17,746,127	20,101,658	
Current liabilities	Before distribution	5,974,439	5,608,483	7,940,591	7,935,795	9,253,511	-
	After distribution	6,396,119	5,944,483	8,920,591	8,579,795	Note 2	-
Non-current liabilities		1,252,287	641,253	596,482	1,129,795	1,657,081	-
Total liabilities	Before distribution	7,226,726	6,249,736	8,537,073	9,065,590	10,910,592	-
	After distribution	7,648,406	6,585,736	9,517,073	9,709,590	Note 2	-
Equity attributable to shareholders of the parent		8,322,715	7,987,761	8,910,525	8,680,537	9,191,066	-
Capital stock		2,979,020	2,800,000	2,800,000	2,800,000	2,800,000	-
Capital surplus		4,351,038	4,026,120	3,802,120	3,802,120	3,921,454	-
Retained earnings	Before distribution	1,331,675	1,490,688	2,674,946	2,570,687	2,856,219	-
	After distribution	909,995	1,154,688	1,694,946	1,926,687	Note 2	-
Other equity		2,703	(329,047)	(366,541)	(492,270)	(386,607)	-
Treasury stock		(341,721)	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	8,322,715	7,987,761	8,910,525	8,680,537	9,191,066	-
	After distribution	7,901,035	7,651,761	7,930,525	8,036,537	Note 2	-

Note 1: Other assets are non-current assets other than property, plant and equipment and intangible assets.
Note 2: To be resolved by the 2021 BOD Meeting.
Note 3: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2020 has been disclosed as of the printing date of this Annual Report.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT$ thousands

Item \ Year	Financial Summary for The Past Five Years					As of March 26, 2021 of financial information. (Note)
	2016	2017	2018	2019	2020	
Operating revenue	18,681,618	17,664,072	20,113,619	19,137,173	22,349,528	-
Gross profit	2,793,815	2,832,569	4,314,477	3,543,114	3,857,576	-
Profit from operations	485,763	633,953	1,896,724	1,064,116	1,134,325	-
Non-operating income and expenses	103,427	93,681	38,163	172,609	90,366	-
Profit before income tax	589,190	727,634	1,934,887	1,236,725	1,224,691	-
Profit from continuing operations for the year	472,390	583,044	1,525,848	969,393	953,347	-
Losses from discontinued operations	-	-	-	-	-	-
Net income (Loss)	472,390	583,044	1,525,848	969,393	953,347	-
Other comprehensive income (income after tax)	(392,867)	(331,803)	(36,920)	(133,115)	124,103	-
Total comprehensive income	79,523	251,241	1,488,928	836,278	1,077,450	-
Net income attributable to shareholders of the parent	468,400	580,693	1,520,258	899,950	903,785	-
Net income attributable to non-controlling interest	3,990	2,351	5,590	69,443	49,562	-
Comprehensive income attributable to Shareholders of the parent	75,533	248,943	1,482,764	774,221	1,035,195	-
Comprehensive income attributable to non-controlling interest	3,990	2,298	6,164	62,057	42,255	-
Earnings per share (NT$)	1.58	2.07	5.43	3.21	3.23	-

Note: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2020 has been disclosed as of the printing date of this Annual Report.

Condensed Parent Company Only Statement of Comprehensive Income

Unit: NT$ thousands

Item \ Year	Financial Summary for The Past Five Years					As of March 26, 2021 of financial information (Note)
	2016	2017	2018	2019	2020	
Operating revenue	13,816,568	14,348,244	16,123,527	13,851,669	15,056,289	-
Gross profit	1,647,608	1,589,350	2,841,712	1,557,490	1,987,341	-
Profit from operations	191,550	259,814	1,162,995	432,232	516,524	-
Non-operating income and expenses	283,119	422,138	568,594	558,607	533,905	-
Profit before income tax	474,669	681,952	1,731,589	990,839	1,050,429	-
Profit from continuing operations for the year	468,400	580,693	1,520,258	899,950	903,785	-
Losses from discontinued operations	-	-	-	-	-	-
Net income (Loss)	468,400	580,693	1,520,258	899,950	903,785	-
Cumulative effect of accounting principle changes	(392,867)	(331,750)	(37,494)	(125,729)	131,410	-
Net income	75,533	248,943	1,482,764	774,221	1,035,195	-
Earnings per share (NT$)	1.58	2.07	5.43	3.21	3.23	-

Note: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2020 has been disclosed as of the printing date of this Annual Report.

6.1.2 The names of CPA and their opinions for the most recent five years

Year	Accounting Firm	CPA	Audit Opinion
2016	KPMG	Tang, Tzu-Chieh Shih, Wei-Ming	Unqualified opinion
2017	KPMG	Tang, Tzu-Chieh Shih, Wei-Ming	Unqualified opinion
2018	KPMG	Tang, Tzu-Chieh Shih, Wei-Ming	Unqualified opinion
2019	KPMG	Chang, Huei-Chen Shih, Wei-Ming	Unqualified opinion
2020	KPMG	Chang, Huei-Chen Shih, Wei-Ming	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – Based on IFRS

Item \ Year		Financial Analysis for the Past Five Years					As of March 26, 2021of this annual report(Note)
		2016	2017	2018	2019	2020	
Financial structure	Ratio of debts to assets (%)	50.84	47.76	50.55	53.24	56.41	-
	Ratio of long-term capital to property, plant and equipment (%)	181.46	174.83	202.95	186.62	201.44	-
Solvency	Current ratio (%)	154.20	150.24	142.07	134.47	128.36	-
	Quick ratio (%)	119.58	119.77	113.40	100.70	89.08	-
	Interest coverage ratio	17.95	19.55	49.12	27.51	19.33	-
Operating performance	Receivable turnover ratio (times)	3.66	3.16	3.28	3.06	3.50	-
	Average collection days for receivables	100	116	112	120	105	-
	Inventory turnover rate (times)	6.73	7.05	6.86	5.57	5.02	-
	Payable turnover rate (times)	4.09	3.87	3.99	3.82	4.02	-
	Average days for sales	55	52	54	66	73	-
	Property, plant and equipment turnover rate (times)	3.40	3.51	4.13	3.60	3.78	-
	Total assets turnover rate (times)	1.09	1.15	1.05	0.92	0.92	-
Profitability	Return on total assets (%)	2.92	3.80	9.04	5.03	4.45	-
	Return on shareholders' equity (%)	5.38	7.12	17.48	10.09	9.37	-
	Pre-tax income to paid-in capital (%)	19.78	25.99	69.10	44.17	43.74	-
	Profit margin (%)	2.53	3.30	7.59	5.07	4.27	-
	Earnings per share (NT$)	1.58	2.07	5.43	3.21	3.23	-
Cash flow	Cash flow ratio (%)	27.83	10.94	25.69	17.57	9.42	-
	Cash flow adequacy ratio (%)	168.28	177.79	183.97	151.06	97.65	-
	Cash reinvestment ratio (%)	9.07	2.05	12.21	4.32	2.61	-
Leverage	Operating leverage	12.21	8.63	3.88	15.79	17.46	-
	Financial leverage (%)	107.71	106.59	102.17	104.58	106.26	-

Analysis of financial ratio differences for the past two years. (Not required if the difference does not exceed 20%)

- Decrease in interest coverage ratio: Mainly due to the decrease in net profit before tax and the increase in interest expenses for the current period.
- Decrease in cash flow ratio: Mainly due to the increase in current liabilities during the current period.
- Decrease in allowable cash flow ratio: Mainly due to the decrease in net cash from operating activities during the current period.
- Decrease in cash reinvestment ratio: Mainly due to the decrease in net cash from operating activities during the current period

Note: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2020 has been disclosed as of the printing date of this Annual Report.

6.2.2 Parent Company Only Financial Analysis – Based on IFRS

Item		Financial Analysis for the Past Five Years 2016	2017	2018	2019	2020	As of March 26, 2021of this annual report(Note)
Financial structure	Ratio of debts to assets (%)	46.48	43.90	48.93	51.08	54.28	-
	Ratio of long-term capital to fixed assets (%)	474.15	446.69	505.40	412.66	409.52	-
Solvency	Current ratio (%)	97.18	103.22	95.36	83.13	83.84	-
	Quick ratio (%)	83.62	90.57	83.10	70.26	69.07	-
	Interest coverage ratio	16.07	19.60	44.18	29.41	31.49	-
Operating performance	Receivable turnover ratio (times)	3.00	3.00	3.05	2.71	2.86	-
	Average collection days for receivables	122	122	120	135	128	-
	Inventory turnover rate (times)	14.92	17.74	16.72	12.72	11.20	-
	Payable turnover rate (times)	3.37	3.24	3.05	2.74	2.66	-
	Average days for sales	25	21	22	29	33	-
	Property, plant and equipment turnover rate (times)	6.84	7.57	8.71	6.60	6.05	-
	Total assets turnover rate (times)	0.89	1.01	0.92	0.78	0.75	-
Profitability	Return on total assets (%)	3.22	4.12	9.82	5.29	4.93	-
	Return on shareholders' equity (%)	5.35	7.12	17.99	10.23	10.11	-
	Pre-tax income to paid-in capital (%)	15.93	24.36	61.84	35.39	37.52	-
	Profit margin (%)	3.39	4.05	9.43	6.50	6.00	-
	Earnings per share (NT$)	1.58	2.07	5.43	3.21	3.23	-
Cash flow	Cash flow ratio (%)	19.88	6.92	23.49	6.16	1.29	-
	Cash flow adequacy ratio (%)	74.77	91.05	153.08	120.42	83.25	-
	Cash reinvestment ratio (%)	5.20	Note 1	13.92	Note 1	Note 1	-
Leverage	Operating leverage	7.26	5.33	2.55	4.00	2.59	-
	Financial leverage (%)	119.68	116.43	103.57	108.78	107.15	-

Analysis of financial ratio differences for the past two years. (Not required if the difference does not exceed 20%)
- Decrease in Cash flow ratio: Mainly due to the decrease in net cash from operating activities during the current period
- Decrease in Cash flow adequacy ratio: Mainly due to the decrease in net cash from operating activities during the current period
- Decrease in operating leverage: Mainly due to the increase in operating costs and expenses during the current period.

Note 1: The cash reinvestment ratio is negative and will not be analyzed

Note 2: The financial information of the most recent previous quarter has been verified by CPAs. and financial statement for 2020 has been disclosed as of the printing date of this Annual Report.

Calculated as follows

1. Financial structure
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Interest coverage ratio = Net income before income tax and interest expense / Interest expenses over this period.
3. Operating Performance Analysis
   (1) Receivable (including accounts receivable and notes receivable due to business operations) turnover rate = Net sales / Balance of average accounts receivable for various periods (including accounts receivable and notes receivable due to business operations).
   (2) Average collection days for receivables = 365/Receivables turnover rate.
   (3) Inventory turnover rate = Cost of goods sold/ Average inventory.
   (4) Payable (including accounts payable and notes payable due to business operations) turnover rate = Cost of goods sold / Balance of average accounts payables of various periods (including accounts payable and notes payable due to business operations).
   (5) Average days for sales = 365 / Inventory turnover rate.
   (6) Property, plant and equipment turnover rate = Net sale/Average net property, plant and equipment.
   (7) Total assets turnover rate = Net Sales / Average total assets
4. Profitability
   (1) Return on Total Assets = [Net income after taxes + interest expense x (1 - tax rate)] / Average total assets
   (2) Return on shareholders' equity = Net income after taxes / Average total shareholders' equity
   (3) Profit margin = Net income after taxes/Net sales
   (4) Earnings per share = (Net income attributable to shareholders of the parent company - preferred stock dividend) / Weighted average number of shares outstanding.

5. Cash Flow

(1) Cash flow ratio = Net cash flow of operating activities / Current liabilities.

(2) Cash Flow adequacy ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + inventory increase + cash dividend) for the most recent five years.

(3) Cash Reinvestment Ratio = (Net cash flow from operating activities - cash dividends) / (Gross value of property, plant, and equipment + Long-term investments + Other non-current assets + working capital).

6. Leverage

(1) Operating Leverage = (Net operating revenue - variable operating cost and expenses) / Operating profit.

(2) Financial Leverage = Operating profit / (Operating profit - interest expenses).

6.3 Audit Committee's Review Report

The Board of Directors has prepared the Company's Financial Statements for the year of 2020. Huei-Chen Chang and Wei-Ming Shih Certified Public Accountants of KPMG, have audited the Financial Statements. The 2020 Financial Statements, Business Report, Independent Auditors' Report, and Earnings Distribution Proposal have been reviewed and determined to be correct and accurate by the Audit Committee of DARFON ELECTRONICS CORP. I, as the Chair of the Audit Committee, hereby submit this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

DARFON ELECTRONICS CORP.

Chair of the Audit Committee
Neng-Pai Lin
March 15, 2021

6.4 Consolidated Financial Statements with Independent Auditors' Report of the most recent year:

Please refer to appendix 1 (page 76)

6.5 Parent Company only Financial Statements with Independent Auditors' Report for the most recent year:

Please refer to appendix 2 (page 171)

6.6 Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the publication date of this report need to be stated as well as the impact on the Company's financial position need to be outlined: None

VII. Review and Analysis of Financial Conditions, Financial Performance, and Risk Management

7.1 Financial Status

The main reasons and effects of major changes in assets, liabilities and shareholders' equity in the past two years

Unit: NT$ thousands

Item \ Year	2019	2020	Difference	
			Amount	Percentage (%)
Current Assets	13,073,263	14,983,083	1,909,820	14.61
Long-term Assets	12,435	29,069	16,634	133.77
Property, plant and equipment	5,772,601	6,045,946	273,345	4.74
Intangible Assets	718,064	774,027	55,963	7.79
Other Assets (Note)	1,311,401	2,437,381	1,125,980	85.86
Total Assets	20,887,764	24,269,506	3,381,742	16.19
Current Liabilities	9,721,813	11,672,915	1,951,102	20.07
Long-term Liabilities	1,005,070	1,600,000	594,930	59.19
Other Liabilities	393,290	417,529	24,239	6.16
Total Liabilities	11,120,173	13,690,444	2,570,271	23.11
Common stock	2,800,000	2,800,000	-	-
Capital surplus	3,802,120	3,921,454	119,334	3.14
Retained Earnings	2,570,687	2,856,219	285,532	11.11
Other components of equity	(492,270)	(386,607)	105,663	21.46
EquityAttributes to Shareholders of the parent	8,680,537	9,191,066	510,529	5.88
Non-controlling interest	1,087,054	1,387,996	300,942	27.68
Total Equity	9,767,591	10,579,062	811,471	8.31

Note: Other assets are non-current assets excluding long-term investments ,property, plant and equipment, and intangible assets.

Description of major changes (if the rate of increase or decrease is more than 20% and the amount of change amounts to 10 million yuan):

- The increase in long-term investment was mainly due to the increase in investment using the equity method.
- The increase in other assets was mainly due to the increase in non-current financial assets measured at fair value through other comprehensive gains and losses.
- The increase in current liabilities was mainly due to the increase in notes and accounts payable.
- The increase in long-term liabilities was mainly due to the increase in bank borrowings.
- The increase in total liabilities was mainly due to the increase in notes and accounts payable.
- The increase in other equity is mainly due to the increase in unrealized gain (loss) from financial assets at fair value through other comprehensive income.
- The increase in non-controlling interests was mainly due to the acquisition of subsidiaries.

7.2 Financial Performance

The main reasons and effects of major changes in operation revenue, operation net profit and net profit before tax in the past two years

7.2.1 Analysis of Financial Performance

Unit: NT$ thousands

Item \ Year	2019	2020	Difference	
			Amount	%
Net Revenue	19,137,173	22,349,528	3,212,355	16.79
Cost of Sales	15,594,059	18,491,952	2,897,893	18.58
Gross Profit	3,543,114	3,857,576	314,462	8.88
Operating Expenses	2,478,998	2,723,251	244,253	9.85
Operating Profit	1,064,116	1,134,325	70,209	6.60
Non-operating Income and Expenses	172,609	90,366	(82,243)	(47.65)
Profit before income tax for the year	1,236,725	1,224,691	(12,034)	(0.97)
Income tax expense	(267,332)	(271,344)	(4,012)	(1.50)
Profit for the year	969,393	953,347	(16,046)	(1.66)

Description of major changes (if the rate of increase or decrease is more than 20%):

- The reason for the decrease of Non-operating Income and Expenses is the increase of other losses.

7.2.2 Estimated sales volume and supporting info , and effected of changes on the Company's future business and future response actions:

The Company's expected sales volume is based on the overall industry environment and market supply and demand and considering its own production capacity and business development. Mainly due to the global shipment of personal computers, in the past two years, the global shipments of personal computers and LCD TVs have grown steadily, and it is estimated that the Company's personal computer keyboards will increase along with market demand trend. The Company has invested in the research and development and manufacturing of keyboards, transformers, and frequency converters for many years. We are proud to be a leader in the industry and have close cooperation with major manufacturers in related industries. In addition, we also hold a number of key patents.

7.3 Cash Flow

7.3.1 Changes in cash flows and liquidity improvement plan:

Item \ Year	2019	2020	Increase (decrease) amount	Change in proportion%
Net cash flows provided by operating activities	1,707,778	1,100,043	(607,735)	(35.59)
Net cash flows used in investing activities	(2,661,531)	(375,214)	2,286,317	85.90
Net cash flows provided by financing activities	1,068,746	286,435	(782,311)	(73.20)

1. The decrease in net cash inflow from operating activities was mainly due to the increase in notes and accounts receivable and inventories.
2. The decrease in net cash outflows from investment activities was mainly due to the decrease in financial assets at amortized cost.
3. The decrease in net cash inflow from financing activities was mainly due to the decrease in short-term borrowings.
4. Liquidity improvement plan: Not applicable.

7.3.2 Cash Flow Analysis for the Coming Year: Not applicable.

7.4 Major Capital Expenditure Items of the Most Recent Year and its Influence

The Company has no significant capital expenditures in the most recent year.

On the basis of consolidated statements, the Company and its subsidiaries purchased approximately NT$1 billion in property, plant and equipment in 2020, accounting for 4.44% of net sales, and had no significant impact on the Company's financial business.

7.5 Investment Policy in the Most Recent Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

The Company's reinvestment policy is mainly to invest in related businesses in the industry, with the main objectives of expanding the scale of product production, deepening the development of key raw materials, and developing product outlets. The Company's investment management strategy is dedicated to improving the manufacturing process, controlling the progress of production and sales, reviewing the progress of new products and new raw materials, and the results of market development. The recognized investment income in 2020 was NT$ 450,315 thousand. In 2020, we continued to promote lean production policies, integrate manufacturing sites, concentrate resources to accelerate the use of industrial automation, strictly control expenses and expenditures, and actively expand customers to increase the profitability of reinvestment businesses.

7.6 Analyze and assess the following risks in the most recent year up to the publication date of the Annual Report

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

1. Interest rate

The bank loans of the Company and its subsidiaries are based on floating interest rates. The measures taken by the Company and its subsidiaries to deal with the risk of interest rate changes are to regularly evaluate the borrowing rates of banks and various currencies and maintain good relationships with financial institutions to obtain lower financing costs. At the same time, it cooperates with methods such as strengthening working capital management to reduce the dependence on bank loans and diversify the risk of interest rate changes.

The sensitivity analysis below is determined based on interest rate risk exposure. For floating-rate liabilities, the analysis method is based on the assumption that the amount of liabilities out of circulation at the reporting date will be out of circulation throughout the year.

If the interest rate increases or decreases by 1%, and all other variables remain unchanged, the net profit of the Company and its subsidiaries in 2020 and 2019 will decrease or increase by NT$ 45,101 thousand and NT$ 36,410 thousand respectively.

2. Foreign exchange rates

The Company's exchange rate risk mainly comes from foreign currency-denominated cash and cash equivalents, accounts receivable, borrowings and accounts payable. Therefore, fluctuations in international exchange rates may affect foreign currency-denominated operating income, operating costs and even profit performance. In order to prevent exchange rate changes from adversely affecting the Company's operating results, the Company uses forward foreign exchange contracts to conduct hedging transactions to reduce the impact of exchange rate risks on the Company. The derivative financial instruments undertaken by the Company do not meet the requirements of hedging accounting.

On the basis of the consolidated financial statements, the derivative products and foreign currency exchange gains and losses measured at fair value in 2020 were included in the current profit and loss as a net loss of NT$25,418 thousand. In the future, hedging transactions will continue to reduce exchange rate risks. The book value of monetary assets and liabilities of the Company that are not denominated in functional currencies at the balance sheet date of 2020, including monetary items denominated in non-functional currencies that have been offset in the consolidated financial report, are as follows.

Unit：NT$ thousand

	December. 31, 2020				
	Foreign currency	Exchange rate	NT$	Change in magnitude	Pre-tax effect on profit or loss
Financial assets					
USD	$ 416,510	28.3500	11,808,059	1%	118,081
RMB	316,402	4.3216	1,367,363	1%	13,674
Financial Liabilities					
USD	276,689	28.3500	7,844,133	1%	78,441
RMB	174,692	4.3216	754,949	1%	7,549

3. Inflation

Prices have risen steadily in recent years, the Company and its subsidiaries will continue to pay close attention to inflation, adjust product prices and inventory levels appropriately to reduce the impact of inflation on the Company and its subsidiaries, and sign purchase contract with major raw material manufacturers.

7.6.2 The policies to engage in high-risk, high-leverage investments, capital lending, endorsements and guarantees, and the derivative transactions, the main reasons for profits and losses, and the future countermeasures

1. The Company did not engage in any high-risk or high-leveraged investments.
2. Loans of funds to others: The short-term financing objects approved by the Company's board of directors are all 100% owned subsidiaries.
3. Endorsement and guarantee: The Company does not guarantee any endorsement.
4. Derivative commodity transactions: The Company and its subsidiaries have always adhered to the policy of not engaging in high-risk and high-leveraged investments. Derivative commodity trading uses risk avoidance as a strategy and does not engage in speculative trading. Under the principle of hedging, no relevant operational risks occurred in the Company's 2020 derivatives transactions. In the future, the Company will continue to engage in derivative product transactions based on the principle of avoiding risks caused by fluctuations in exchange rates and interest rates, and continue to evaluate foreign exchange positions and risks on a regular basis to reduce the Company’s operational risks.

7.6.3 Future Research & Development Projects and Corresponding Budget

Unit：NT$ thousands

Research Projects	Completion	Expected Research Expenditure in 2021	Expected Completion Schedule	Major Risk Factors
Notebook computer mechanical keys II	Design plan	10,000	December, 2022	Product effect, unit price
Plane vibration keyboard	Design phase	5,000	December, 2023	Product effect
Headphone acoustics simulation	Industry-university cooperation is in progress	1,000	December, 2021	Simulation correctness
Electronic and automatic transmission system	Sample making	2,000	December, 2021	Firmware calculation logic Compatibility with E-Bike electronic control
A new generation of hybrid inverter	designing	10,000	December, 2021	Hardware/Safety

7.6.4 Effects of and Response to Changes on domestic and foreign Policies and Regulations Relating to Corporate’s Finance and Sales

1. Policy: The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. In recent years and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.
2. Regulations: The Company’s business philosophy is based on compliance with relevant laws and regulations as the highest guiding principle; therefore, the Company’s management team always pays attention to the replacement of related laws and regulations, and expects to be able to respond to various situations arising from the replacement of laws and regulations at any time. Up to now, changes in related laws have not had a significant impact on our major strategies.

7.6.5 Effects of and Response to Changes on Technology and the Industry Relating to Corporate’s Finance and Sales

The Company attaches great importance to input and training of R&D talents and developments in technology. The Company has a stable financial situation, and the existing funds and bank credit lines are sufficient to meet the needs of future technology and technology development.

7.6.6 The Impact of Changes of Corporate Image on Corporate’s Risk Management, and the Company’s Response Measures

1. The Company reviews corporate operations and management systems on a regular basis, and understands and simulates any possible issues that may affect the Company, and proposes appropriate countermeasures in a timely manner to reduce the risk of uncertainty; the Company has a risk management unit responsible for operation Analysis of relevant risks and impacts, and take relevant contingency plans.
2. Aside from working to strengthen internal management and conforming to all relevant corporate governance requirements, the Company has also consistently maintained an ethical business philosophy and fulfilled its social responsibilities by taking integrity and sustainable operation as the goal. Operation results briefings on the Company’s operating conditions were held irregularly, and major resolutions of the Company’s board of directors were disclosed immediately to increase financial transparency.

7.6.7 The expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures

The Company acquired equity in a Company specializing in high-power battery modules and energy system products in 2020.

1. Expected benefits: Supply chain integration of green energy and energy system products, acceleration of the Company's strategic layout in the development of the electric-assisted bicycle battery business and key technologies, and expansion of scale of the green energy product business.
2. Possible risks: The operating performance is not as expected due to the impact of the overall economic environment.
3. Countermeasures: regularly review its operating conditions, timely review and supervise and assist in the integration of resources, so as to achieve comprehensive investment effects.

7.6.8 The expected benefits and possible risks to expand the fabs and the countermeasures

The main focus of the Company’s plant and equipment at this stage is to make full use of the existing production capacity to maximize economic scale benefits, and there is no need for major plant expansion.

7.6.9 Risk of purchases and sales concentration, and countermeasures

The distribution of the Company’s main raw material suppliers and customers at home and abroad is quite scattered, and has established long-term and stable cooperative relations. Therefore, there is no problem and risk of excessive concentration of purchases and sales. The Company has consistently worked to diversify its customer financial base in order to control transaction mode, such as through insurance companies, bank letters of credit and collateral, etc., and timely track customer payment status to safeguard the Company’s interests.

7.6.10 The impacts and risks arising from major transfer or exchange of shares by directors or shareholders with over 10 percent of shares in the Company and the countermeasures

The director and major shareholder of the Company, Qisda Corp., did not transfer the Company’s shares in 2020. As of April 25, 2021, it held 58,004,667 shares of the Company, accounting for 20.72% of the Company’s equity, is the Company's largest shareholder.

7.6.11Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations

As of the date of this Annual Report, such risks were not identified by the Company.

7.6.12 Litigation or Non-litigation Matters

1. If there are any litigation, non-litigation or administrative proceedings that has received final judgment or is still ongoing in which the Company, has a material impact on the shareholders’ interests or stock price, the Company shall disclose the facts in dispute, amount in dispute, filing date, parties, and status as of the printing of the Report:: None.
2. If there are any litigation, non-litigation or administrative proceedings that has received final judgment or is still ongoing in which the Company’s director, supervisor, general manager, substantial representative, major shareholder (having holding of more than 10%) or subsidiary is a party and has a material impact on the shareholders’ interests or stock price, the Company shall disclose the facts in dispute, amount in dispute, filing date, parties, and status as of the printing of the Report: The litigation incidents of the Company's legal person director and major shareholder Qisda CORPORATION (hereinafter referred to as Qisda) are explained as follows:
   (1) Certain direct and indirect consumers in the United States filed a class action lawsuit for damages in September 2001 for allegedly participating in the ODD (Optical Disk Drive) product pricing agreement by Qisda and its subsidiary BQA, which violated the US antitrust law. In the case of the indirect consumer part of the class action, Qisda received its final judgment in February 2010, and other cases were settled with the plaintiff.
   (2) Several direct and indirect consumers in the United States filed a class action lawsuit of damage loss claim in January 2012, arguing that the Company’s subsidiary BQA was suspected to have been participating in the ODD (Optical Disk Drive) product pricing agreement, which violated the Canadian antitrust laws. The appointment of lawyers had been settled and the final results of the remaining related cases have not yet been reached.

7.6.13 The Company established a risk management policy in 2008 to effectively manage risks that exceed the Company's risk tolerance, and use risk management tools to optimize the total cost of risk management, as a guideline for the Company's colleagues in risk management. The structure of its organization and authority is as follows:

Type	Responsibility	Supervision
Strategic risk	Company staff	Board of Directors
Operational risk	Company staff	Risk Management Committee
Financial risk	Company staff	Risk Management Committee
Hazard risk	Company staff	Risk Management Committee

7.6.14 Vision of Risk Management

1. Commitment to continue to provide products and services to create long-term value for customers, shareholders, employees, and society.
2. Risk management requires systematic risk management procedures and organization, timely and effective identification, evaluation, processing, reporting, and monitoring of major risks that affect the Company's viability, and enhance all employees' risk awareness.
3. Risk management is not the pursuit of "zero" risk, but the pursuit of maximum benefits to optimize risk management costs when risks are acceptable.

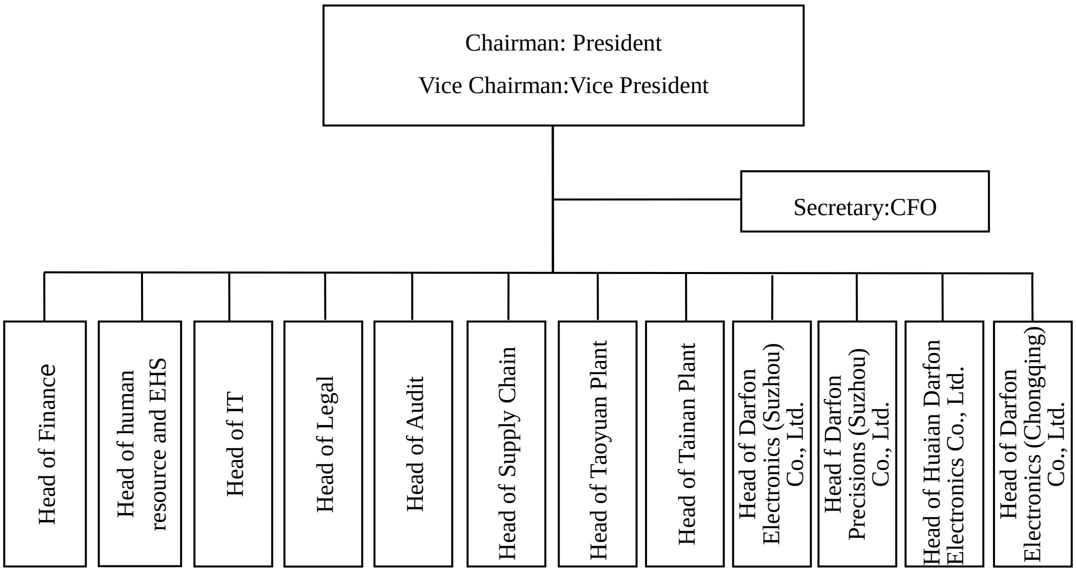
7.6.15 Policy of Risk Management

1. To ensure the Company's sustainable operation, a risk management committee should be established to identify, evaluate, process, report, and monitor risks that may cause a negative impact on the Company's operating objectives on a regular basis every year.
2. Risks should be identified and controlled before accidents occur, losses should be suppressed when accidents occur, and the provision of products and services should be quickly restored after the accident. Business continuity plans are formulated for major risk scenarios identified by the Risk Management Committee.

3. For risks that do not exceed the risk tolerance, risk management costs must be considered, and different management tools should be used to deal with them, but the following conditions are not limited:
(1) Negative impact on the life and safety of employees.
(2) Negative impact on the Company's goodwill.
(3) Violation against laws and regulations.

7.6.16 Structure and Responsibility of Risk Management

The Risk Management Committee is to effectively control the risk management work to implement the work related to the establishment, implementation, supervision, and maintenance of the risk management plan



7.6.17 Purpose and measures of hedge accounting: Not applicable

7.6.18 Other Risks and Countermeasures

1. Information security risk
(1) Information security risk management framework
The Company's information security management structure is divided as follows:
a. Management unit: The management unit is the Information Technology Service Department, which is responsible for planning, implementing and promoting various tasks of information security management, as well as responsible for promoting the Company's information security concept, and supervising the obligation of departments and management.
b. Auditing unit: The auditing unit is the auditing office responsible for information security supervision. If a major defect is found in the audit, it will immediately request the inspected unit to propose a relevant improvement plan and report it to the board of directors, and regularly track the improvement effect to reduce internal risk of information security.
c. Information security management operation mode: PDCA (Plan-Do-Check-Action) cyclic management is adopted to ensure the achievement of reliability targets and continuous improvement.
(2) Information Security Policy
The Company formulates relevant internal operation regulations in accordance with the "Computerized Information System Management" of the " Internal Control System Processing Guidelines in public enlisted Companies" to reduce the unknown information security risk threats caused by the ever-changing information technology applications and environmental variations. Additionally, Company has formulated relevant information security standards, such as "System Security Management Operating Specifications", "Network Security Management Operating Specifications", etc., and revise information-related specifications and policies in accordance with the information security environment and its development, and control hardware, software, and personal data. Moreover, the computer operation control is regularly inspected and audited every year and reviewed and improved according to the inspection results. The inspection items are listed as follows, and due to the thorough implementation from Company’s information department of a complete information management structure to ensure data security, technological changes place no major adverse effects on the Company's information security, and no major circumstances have occurred in the Company's operations.

The Company's basic information security policy is controlled as follows:
a. The internal and external network access needs to pass the firewall, virus wall and intrusion prevention system inspection.
b. All information equipment shall be installed with anti-virus and anti-backdoor software.
c. Change the user password regularly, and it must comply with the password complexity principle.
d. Access to any system requires an account and permission restrictions.
e. Confidential files are encrypted in the whole process.
f. All business processes need to be electronically signed and approved before they can take effect.
g. All user terminal information equipment reclaims administrator authority, and then installs asset management software and endpoint security protection software

The Company regular inspect and audit of computer operation control and review and improvement are conducted every year. The items are as follows:
a. Division of powers and responsibilities between the information department and the user department.
b. The division of functions and responsibilities of the information processing department.
c. System development and program modification control.
d. Control of the compilation of system documents.
e. Access control of programs and data.
f. Control of data import and export.
g. Control of data processing.
h. Security control of files and equipment.
i. The purchase, use and maintenance control of hardware and system software.
j. System recovery plan and test procedure.
k. Control of information security inspection.

(3) Information security specific management plan

In order to strengthen the overall information security, the Company promotes relevant information security strengthening policies, the scope is as follows:

a. Future Information Security Planning (from 2019 to 2022)
- The traditional virtualized architecture is upgraded to a highly fault-tolerant multi-copy hyper-converged architecture to enhance the high availability of information security of software and hardware
- Evaluation and introduction of ISO 27001information security management system. Through regular verification of the ISO 27001 information security management system, to implement information security policies, protect customer data and Company intelligence output, strengthen information security incident response capabilities, and achieve information security policy metrics

b. Construction of major basic information security systems (from 2008 to 2019)
- The safety of computer room environment
  (i) Construction of automatic environmental protection gas fire-fighting facilities in the computer room
  (ii) Double-loop UPS power supply system in the computer room
  (iii) Construction of redundant air-conditioning system in computer room
  (iv) 24-hour environmental control monitoring (temperature/electricity/water leakage/air conditioning/access control/fire protection, etc.) in the computer room and the establishment of an instant messaging system
- System information security
  (i) Spam protection and mail in and out record backup system establishment
  (ii) Virtualization import of ERP historical data, long-term storage system and data security
  (iii) Server comprehensive monitoring and real-time SMS alarm system import
  (iv) The Company-wide information equipment imports endpoint protection to prohibit any unauthorized software installation and malicious Trojan horse program implantation
- Network information security
  (i) Firewall upgrade function IPS intrusion detection system protection
  (ii) Introduction of the automatic switchover mechanism for the double backup of the dedicated line
  (iii) The Company-wide network import prohibits any illegal network equipment from accessing the intranet system

c. Implement information security training:
  (i) Regular information security announcements and publicity
  (ii) Add information security related courses for new employees

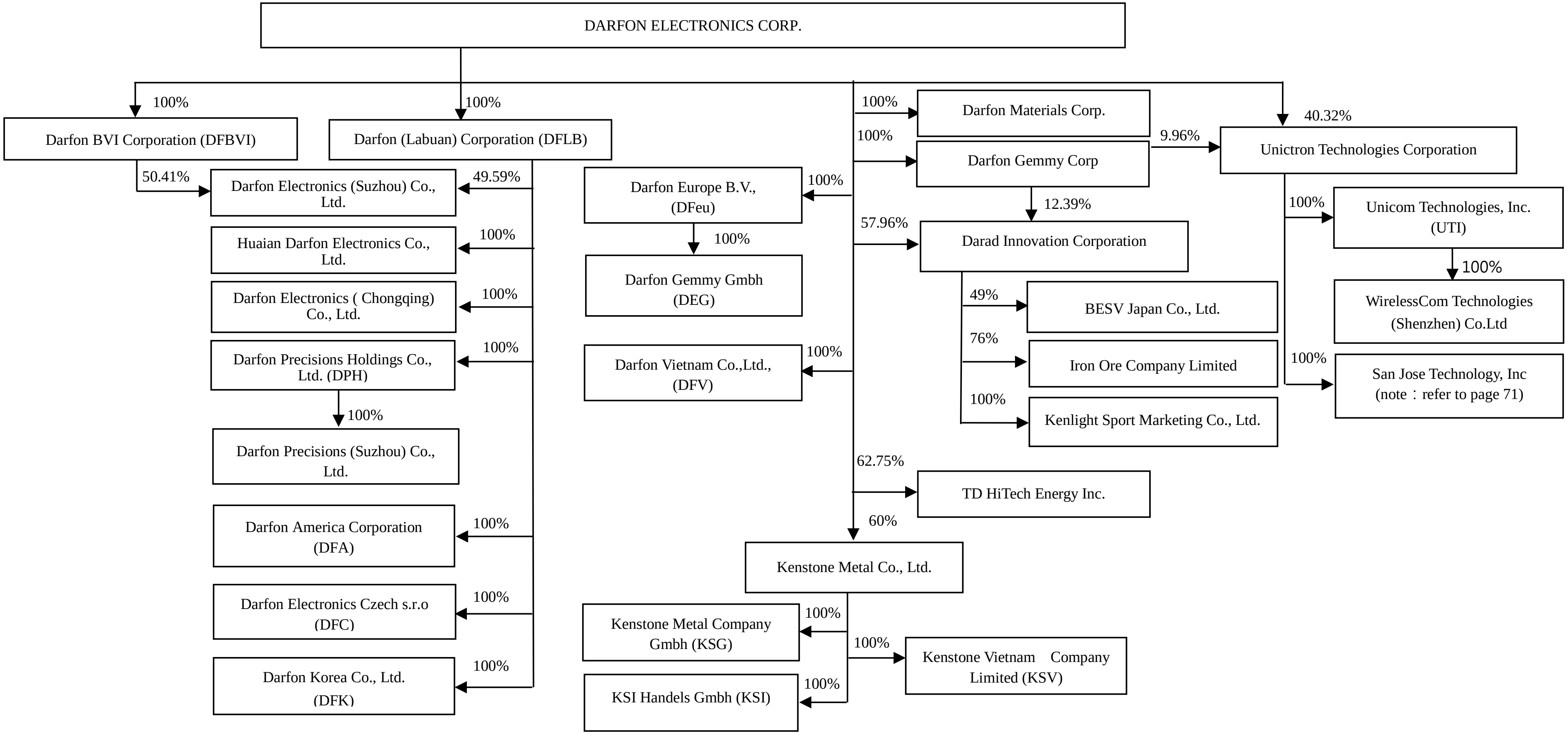
7.7 Other material matters: None.

VIII. Special Disclosure

8.1 Summary of Affiliates

8.1.1 Organization chart of affiliates

2020.12.31



8.1.2 Basic information of affiliates

December 31, 2020; NT$ thousands

Name of business	Date of Incorporation	Address	Paid-in Capital	Main Business and Activities
Darfon (BVI) Corporation	July 25, 1997	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	392,352	International Trade
Darfon (Labuan) Corporation	November 18, 2005	Level 6(D), Main Office Tower, Financial Park, Jalan Merdeka, P.O. Box 80887, 87018 Labuan F. T., Malaysia	2,536,514	Holding companies that reinvest in overseas companies
Darfon Precisions Holdings Co,.Ltd.	May 7, 2002	P.O. Box 3321,Road Town, Tortola, British Virgin Islands	29,314	Holding companies that reinvest in overseas companies
Darfon America Corporation	June 8, 2006	103 Pioneer Way, Suite #B Mountain View, CA 94041	6,364	Selling and marketing of computer peripherals
Darfon Electronics Czech s.r.o	April 14, 2006	CTPark Brno Turanka 1315 /112, 627 00 Brno Czech Republic	299	Selling and marketing of computer peripherals
Darfon Korea Co., Ltd.	July 5, 2007	No.402 (Forest Vision Center), 9, Gukhoe-daero 62-gil, Yeongdeungpo-gu, Seoul, Korea 07236	1,781	Selling and marketing of computer peripherals
Darfon Europe B.V	November 25, 2014	Habraken 2145A, 5507 TE Veldhoven, Netherlands	219,038	Selling and marketing of computer peripherals and electric bikes
Darfon Germany GmbH	December 21, 2018	Am Kronberger Hang 2a 65824 Schwalbach Germany	5,243	Green Energy products trading
Darfon Vietnam Co.,Ltd.	November 19, 2020	Lot CN-06, Dong Van IV Industrial Zone, Kim Bang District, Ha Nam province, Vietnam	14,812	Manufacturing of Electronics
Darfon Materials Corp.	September 3, 2002	No. 21, Gongye 2nd Road, Annan District, Tainan City	130,667	Computer peripherals and tele-communication
Darfon Gemmy Corp.	April 28, 2008	No. 167, Shanying Road, Guishan District Taoyuan City	359,100	Investment activities
Darad Innovation Corporation	June 2, 2008	1st floor, No. 167, Shanying Road, Guishan District Taoyuan City	345,000	Lighting equipment manufacturing , smart product design services and electronic product trading
Darfon Electronics (Suzhou) Co., Ltd.	August 2, 1999	NO. 99, Zhuyuan Road, Huqiu District, Suzhou, Jiangsu	786,004	Multilayer chip ceramic capacitors and other electronic components, modules, and computer input products
Huaian Darfon Electronics Co., Ltd.	March 2, 2007	No. 9, XuYang Street, Huaian Economic Development Zone, Huaian, Jiangsu, China	1,389,150	Production of multilayer ceramic capacitors and low-temperature co-fired ceramic electronic components, new electronic components, and computer input products
Darfon Precisions (Suzhou) Co., Ltd.	June 20, 2000	Room 566, B block, No. 389 ,Dan Feng Road, Wuzhong District, Suzhou City Jiangsu	28,350	Manufacturing and sales of molds and computer peripheral products
Darfon Electronics (Chongqing) Co., Ltd.	February 7, 2012	Block#1, Electronic Industry Standard plant, Hechuan Industrial Park, Hechuan Dist. Chongqing	283,500	Multilayer chip ceramic capacitors and other electronic components, modules, and computer input products
BESV Japan Co., Ltd.	April 25, 2017	2-chome-19-9 Ebisunishi Shibuya City, Tokyo	41,235	Green Energy products trading
Unictron Technologies Corporation	April 8, 1988	No. 41, DaTong LiShuei Keng, Guanxi Township, Hsinchu County	437,753	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components
Unicom Technologies, Inc.	September 30, 2009	Level 3, Alexander House, 35 Cybercity, Ebene Mauritius	25,291	Holding companies that reinvest in overseas companies
WirelessCom Technologies (Shenzhen) Co.Ltd	April 23, 2010	B3-12, 6 Floor, Block#B, New Compark, PingShan 1st Road, TaoYuan Stree, Nanshan, Shenzhen, Guangdong Province, China	21,404	Design and marketing of antennas and modules for wireless communication
Kenstone Metal Co., Ltd.	June 16, 1979	1-3 Fr, No.7, 1-2 Fr. No.9 and 1-2 Fr. No. 11 GongYeQu 5th Road, Xitun District, Taichung City	405,034	Manufacture and sale of bicycles and related products
Kenlight Sport Marketing Co., Ltd.	December 5, 2013	11 Floor, No.201-19, DunHua North Road, Songshan Dist. Taipei City	45,000	Bicycle and related products manufacturing
Kenstone Metal Company Gmbh	February 3, 2011	Am Maikamp 8-12 32107 Bad Salzuflen Germany	157,604	Manufacture and sale of bicycles and related products
KSI Handels Gmbh	February 24, 2017	Am Maikamp 8-12 32107 Bad Salzuflen Germany	87,853	Manufacture and sale of bicycles and related products

Name of business	Date of Incorporation	Address	Paid-in Capital	Main Business and Activities
Kenstone Vietnam Company Limited	July 16, 2019	No.9 Road, Nhon Trach 6 Industrial Zone, Long Tho Commune, Nhon Trach District, Dong Nai Province, Vietnam	279,756	Manufacture and sale of bicycles and related products
San Jose Technology, Inc (Note)	April 25, 1995	11 Floor, No. 2, Section 4, Zhong-yang Road, Tucheng Dist. New Taipei City	158,104	Telecommunications control radio frequency equipment input, manufacturing, and wireless communication machinery and equipment manufacturing
Iron Ore Company Limited	July 16, 2007	No. 137-143, Wing Wah Industrial Buildin, Yeung Uk Road, Tsuen Wan, HongKong	128,002	Bicycle agency and wholesale business
TD HiTech Energy Inc.	September 1, 2010	No. 18, Guangfu North Road, Hukou Township Hsinchu County	420,885	Battery and electronic components manufacturing and related trading business

Note：Unictron Technologies Corporation (UTC) and San Jose Technology (STC), Inc. have completed the merger on March 1, 2021. UTC is the surviving company, and STC is the dissolved company.

8.1.3 Presumed to be the same shareholder for those with relations of control and affiliation: None.

8.1.4 Overall business covered by the affiliates and subsidiaries, and the Interaction and division of labor:

Using Taiwan as its base, the Company carries out the division of productions and sales internationally. Taiwan is responsible for product development and process design, new product trial launch, manufacturing of high-end product and marketing of all product, while factories in China are responsible for production. In addition, to truly implement the customer-oriented tenet, repair service and sales centers have been established in Europe, the United States, South Korea, Japan and other places to expand the marketing channels of the Company, looking forward to customer service a step further by most timely and efficient response to customers' requirements. Such division system has enabled the R&D, manufacturing, and marketing department of the Company to be fully effective so to achieve the best competitiveness.

8.1.5-Directors, Supervisors, and Presidents of affiliates

December 31, 2020; Unit: Shares

Name of business	Title	Name or representative	Shareholding(Note 1)	
			Shares, investment amount	Investment Shareholding(%)
Darfon (BVI) Corporation	Representative	Andy Su	34,150,000	100
Darfon (Labuan) Corporation	Representative Director	Andy Su Jery Lin	74,589,058	100
Darfon Precisions Holdings Co,.Ltd.	Representative	Andy Su	1,000,000	100
Darfon America Corporation (Note 2)	Chairman Director Director	Charles S Liu Andy Su Josh Tsai	200,000	100
Darfon Electronics Czech s.r.o	Representative President	Andy Su KS.Hor	-	100
Darfon Korea Co., Ltd. (Note 3)	Representative/President Director Director Supervisor	Josh Tsai Andy Su Charles S Liu Jery Lin	10,000	100
Darfon Europe B.V	Representative Director/President Director	Andy Su Stanley Chien Yi Chien Chao	6,200,070	100
Darfon Germany GmbH	Representative Director/President Director	Andy Su Stanley Chien Yi Chien Chao	300,000	100
Darfon Vietnam Co.,Ltd.	Representative Director Director Director Supervisor	Josh Tsai Milton Lai Dean Lin James MH Chiang Jery Lin	-	100
Darfon Materials Corp.	Director/President Director Director Supervisor	Andy Su Josh Tsai Dean Lin Jery Lin	13,066,730	100
Darfon Gemmy Corp.	Chairman Director Director/President Supervisor	Andy Su Josh Tsai Dean Lin Jery Lin	35,910,000	100

<table>
<tr><th rowspan="2">Name of business</th><th rowspan="2">Title</th><th rowspan="2">Name or representative</th><th colspan="2">Shareholding(Note 1)</th></tr>
<tr><th>Shares,
investment amount</th><th>Investment
Shareholding(%)</th></tr>
<tr><td>Darad Innovation Corporation</td><td>Director/President
Director
Director
Supervisor</td><td>Andy Su
Josh Tsai
Milton Lai
Jery Lin</td><td>24,270,000</td><td>70.35</td></tr>
<tr><td>Darfon Electronics (Suzhou) Co., Ltd.</td><td>Chairman
Director/President
Director
Supervisor</td><td>Andy Su
Josh Tsai
James MH Chiang
Jery Lin</td><td>-</td><td>100</td></tr>
<tr><td>Huaian Darfon Electronics Co., Ltd.</td><td>Director/President
Director
Director
Supervisor</td><td>Josh Tsai
Andy Su
James MH Chiang
Jery Lin</td><td>-</td><td>100</td></tr>
<tr><td>Darfon Precisions （Suzhou）Co., Ltd</td><td>Director/President
Director
Director
Supervisor</td><td>Josh Tsai
Andy Su
James MH Chiang
Jery Lin</td><td>-</td><td>100</td></tr>
<tr><td>Darfon Electronics (Chongqing) Co., Ltd.</td><td>Director/President
Director
Director
Supervisor</td><td>Josh Tsai
Andy Su
James MH Chiang
Jery Lin</td><td>-</td><td>100</td></tr>
<tr><td>BESV Japan Co., Ltd.</td><td>Chairman
Director
Director
Director
Director
Director
Director
Supervisor
Supervisor</td><td>Andy Su
Junxiong Yin
Weiguo Wu
Masuda Soro
Takahashi Yide
Sawayama Toshiaki
Torii Takaka
Jery Lin
Sato Taneo</td><td>1,960</td><td>49</td></tr>
<tr><td>Unictron Technologies Corporation (Note4)</td><td>Chairman/CEO
Director/CSO
Director
Director
Independent Director
Independent Director
Independent Director</td><td>Andy Su
Zong Shou Yeh
RuiRong Lee
Jery Lin
Wei Shun Zheng
Yong He Wang
Jian Min Wang</td><td>22,012,456</td><td>50.28</td></tr>
<tr><td>Unicom Technologies, Inc.</td><td>Representative</td><td>Andy Su</td><td>818,039</td><td>100</td></tr>
<tr><td>WirelessCom Technologies (Shenzhen) Co.Ltd</td><td>Executive director
Supervisor</td><td>Rong Hua Zhuang
Cheng En Zeng</td><td>-</td><td>100</td></tr>
<tr><td>Kenstone Metal Co., Ltd. (Note5)</td><td>Chairman/President
Director
Director
Director
Director
Director
Director
Supervisor</td><td>Andy Su
Charles S Liu
James MH Chiang
Jery Lin
Qi Ren Yang
Yin Ming Yang
Jia Yu Yang
Gavin Lin</td><td>24,302,041</td><td>60</td></tr>
<tr><td>Kenlight Sport Marketing Co., Ltd.</td><td>Chairman
Director
Director
Supervisor</td><td>Andy Su
Josh Tsai
Milton Lai
Jery Lin</td><td>4,500,000</td><td>100</td></tr>
<tr><td>Kenstone Metal Company Gmbh</td><td>Chairman</td><td>Andy Su</td><td>-</td><td>100</td></tr>
<tr><td>KSI Handels Gmbh</td><td>Chairman</td><td>Andy Su</td><td>-</td><td>100</td></tr>
<tr><td>Kenstone Vietnam Company Limited</td><td>Chairman</td><td>Jia Yu Yang</td><td>-</td><td>100</td></tr>
<tr><td>San Jose Technology, Inc
(Note：refer to page 71)</td><td>Chairman
Director
Director
Director
Director
Supervisor
Supervisor</td><td>Andy Su
Zong Shou Yeh
Zhi Shen Zhou
Ze Lin Wang
Wen Yuan Chen
Shi Wei Zheng
Zhi Yang Qiu</td><td>15,810,395</td><td>100</td></tr>
<tr><td>Iron Ore Company Limited</td><td>Chairman
Director
Director
Director</td><td>Andy Su
Jery Lin
Milton Lai
Chong Hui Chen</td><td>19,000,000</td><td>76</td></tr>
</table>

Name of business	Title	Name or representative	Shareholding(Note 1)	
			Shares, investment amount	Investment Shareholding(%)
TD HiTech Energy Inc.	Chairman Director Director Director Director Supervisor Supervisor	Andy Su Josh Tsai Pei Heng Chen James MH Chiang Sheng Quan Yang Gavin Lin Huei Ping Qi	26,409,632	62.75

Note 1：It is the number of shares held by the Company and its shareholding ratio
Note 2：Chairman of Darfon America Corporation was assigned on February 9, 2021 to Bo Qiang Wang.
Note 3：Directors of Darfon Korea Co., Ltd. was assigned to Josh Tsai and Andy Su on January 11, 2021.
Note 4：The Company re-appointed the representative of the legal person director of Unictron Technologies Corporation on March 11, 2021. The original representative Zong-shou Ye was dismissed and replaced by Ming-zhu Zhang.
Note 5：On January 11,2021, the Company re-appointed the legal person director representative of Kenstone Metal Co., Ltd. The original representatives Charles S Liu and Jery Lin were dismissed and replaced by Josh Tsai and Gary Lin.

8.1.6 Operational Highlights of DARFON Subsidiaries:

December 31, 2020; Unit: NT$ thousands

Name of business	Capital	Total Assets	Total Liabilities	Net Worth	Revenues	Profit from Operation	Profit or loss for the year (after tax)	Earnings Per Share (NT$) (after tax)
Darfon (BVI) Corporation	392,352	1,624,378	0	1,624,378	0	(113)	163,884	-
Darfon (Labuan) Corporation	2,536,514	4,533,898	0	4,533,898	0	(318)	264,331	-
Darfon Precisions Holdings Co,.Ltd.	29,314	439,036	0	439,036	0	(68)	8,320	-
Darfon America Corporation	6,364	490,061	452,042	38,019	817,789	5,641	4,313	-
Darfon Electtronics Czech	299	199,152	140,750	58,402	227,441	482	1,104	-
Darfon Korea Co., Ltd.	1,781	2,276	1,414	862	0	37	102	-
Darfon Europe B.V.	219,038	85,908	27,515	58,393	61,481	(33,192)	(32,022)	-
Darfon Germany GmbH	5,243	5,104	0	5,104	0	0	(140)	-
Darfon Vietnam Co.,Ltd.	14,812	14,666	0	14,666	0	0	0	-
Darfon Materials Corp.	130,667	75,906	4,336	71,570	0	(544)	(719)	(0.06)
Darfon Gemmy Corp.	359,100	492,095	12,096	479,999	0	60,039	54,483	1.52
Darad Innovation Corporation	345,000	591,468	202,647	388,821	352,608	(2,063)	14,289	0.41
Darfon Electronics (Suzhou) Co., Ltd.	786,004	4,847,359	1,916,857	2,930,502	7,083,445	207,995	323,251	-
Huaian Darfon Electronics Co., Ltd.	1,389,150	5,127,078	3,136,845	1,990,233	7,009,026	175,938	61,532	-
Darfon precisions (suzhou)c\Co., ltd	28,350	481,407	45,018	436,389	0	(3,601)	8,378	-
Darfon Electronics (Chongqing) Co., Ltd.	283,500	3,184,149	2,562,307	621,842	5,655,083	88,164	27,608	-
BESV Japan Co., Ltd.	41,235	100,730	41,405	59,325	130,878	2,427	6,669	-
Unictron Technologies Corporation	437,753	1,427,834	389,211	1,038,623	997,596	169,830	170,611	4.01
Unicom Technologies, Inc.	25,291	106,798	81,385	25,413	0	(4,392)	(3,041)	-
WirelessCom Technologies (Shenzhen) Co.Ltd	21,404	105,707	81,385	24,322	151,468	(4,392)	(3,004)	-
Kenstone Metal Co., Ltd.	405,034	2,115,689	1,200,308	915,381	2,132,191	75,697	2,620	0.06
Kenlight Sport Marketing Co., Ltd.	45,000	54,746	6,196	48,550	46,828	1,520	(1,154)	(0.26)
Kenstone Metal Company Gmbh	157,604	355,946	307,732	48,214	383,113	(4,466)	5,447	-
KSI Handels Gmbh	87,853	121,394	30,552	90,842	60,686	2,575	2,179	-

Name of business	Capital	Total Assets	Total Liabilities	Net Worth	Revenues	Profit from Operation	Profit or loss for the year (after tax)	Earnings Per Share (NT$) (after tax)
Kenstone Vietnam Company Limited	279,756	433,757	232,991	200,766	1,197	(46,357)	(51,869)	-
San Jose Technology, Inc	158,104	279,354	53,264	226,090	205,913	16,297	9,766	0.62
Iron Ore Company Limited	128,002	208,970	196,062	12,908	332,453	9,477	10,478	-
TD HiTech Energy Inc.	420,885	747,059	196,389	550,670	663,637	(11,702)	(12,574)	(0.3)

8.2 Private Placement Securities in the Most Recent Years up to the publication date of this Annual Report, disclosing the date on which the private placement was approved at a shareholders meeting and the amount thus approved; the basis for and reasonableness of the pricing; the manner in which the specified persons were selected (where the offerees have already been arranged, the names of the offerees and relationship between the offerees and the company shall also be described); the reasons why the private placement was necessary; the targets of the private placement, their qualifications, subscription amounts, subscription price, relationship with the company, participation in the operations of the company, actual subscription(transfer) price, the difference between the actual subscription(transfer) price and the reference price; the effect of the private placement on shareholders' equity; and for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of common shares, the implementation progress of the plan, and the realization of the benefits of the plan: None

8.3 Holding or disposition of the Company shares by subsidiaries in the most recent year up to the publication date of this Annual Report: None.

8.4 Other items that must be included: None.

8.5 Any event that results in substantial impact on the shareholders' equity or prices of the Company's securities as prescribed by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act that have occurred in the most recent year up to the publication date of this Annual Report: None.

8.6 Consolidated financial statements of affiliates

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Darfon Electronics Corp. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Darfon Electronics Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Sincerely yours,

DARFON ELECTRONICS CORP.

Andy Su
Chairman
March 15, 2021

8.7 Relationship report: Not applicable

APPENDIX 1

Stock Code:8163

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report

For the Years Ended December 31, 2020 and 2019

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

Telephone: 886-3-250-8800

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.

Independent Auditors' Report

To the Board of Directors of Darfon Electronics Corp.:

Opinion

We have audited the consolidated financial statements of Darfon Electronics Corp. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and interpretations developed by the International Financial Reporting Interpretations Committee ("IFRSs") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

1. Valuation of inventories

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

   Description of key audit matter:

   Inventories are measured at the lower of cost and net realizable value. Due to the rapid innovation of technology, the Group's stocks for products may become obsolete and product price may decline rapidly. These factors result in a risk wherein the carrying amount of inventory may exceed its net realizable value. Particularly, the estimation of net realizable value requires the management's subjective judgments. Therefore, the valuation of inventories has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

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

2. Business combination

   Please refer to note 4(t) for the accounting policy on business combination, and note 6(h) for related disclosures of acquisition of subsidiaries, of the consolidated financial statements.

   Description of key audit matter:

   In 2020, the Group acquired 62.75% ownership of TD HiTech Energy Inc., wherein the Group controls it. To adopt accounting treatment of business combination, the management needs to assess and determine the fair value of the identifiable assets and liabilities. As the assessment is complex and involves significant assumptions and estimation, it has been identified as one of the key audit matters.

   How the matter was addressed in our audit:

   In relation to the key audit matter above, our principal audit procedures included obtaining the purchase price allocation report with the valuation on intangible assets conducted by an external expert engaged by the management; and evaluating the acquired assets and liabilities identified by the management including any fair value adjustment at the acquisition date. In doing so, we have consulted internal valuation specialists to assist us in evaluating the reasonableness of the valuation model and key assumptions used. We have also assessed whether correct accounting treatment has been applied, and appropriate disclosures with respect to the acquisition has been made.

3. Impairment of goodwill

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

Other Matter

Darfon Electronics Corp. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified audit opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Huei-Chen Chang and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.
The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020			December 31, 2019	
	Assets		**Amount**	**%**	**Amount**	**%**
	Current assets:					
1100	Cash and cash equivalents (note 6(a))	$	2,602,683	11	1,722,470	8
1110	Financial assets at fair value through profit or loss－current (note 6(b))		454,332	2	350,206	2
1120	Financial assets at fair value through other comprehensive income －current (note 6(c))		89,443	-	891,804	4
1136	Financial assets at amortized cost－current (notes 6(d) and 8)		1,100	-	732,186	4
1170	Notes and accounts receivable, net (notes 6(e) and (y))		6,731,425	28	5,769,678	28
1180	Accounts receivable from related parties (notes 6(e) & (y) and 7)		123,441	-	54,365	-
1200	Other receivables		21,067	-	5,016	-
130X	Inventories (note 6(f))		4,336,702	18	3,031,342	15
1470	Prepayments and other current assets		622,890	3	516,196	2
	Total current assets		14,983,083	62	13,073,263	63
	Non-current assets:					
1517	Financial assets at fair value through other comprehensive income-non-current (note 6(c))		1,058,383	4	-	-
1535	Financial assets at amortized cost－non-current (notes 6(d) and 8)		810	-	810	-
1550	Investments accounted for using equity method (note 6(g))		29,069	-	12,435	-
1600	Property, plant and equipment (notes 6(j) and 8)		6,045,946	25	5,772,601	27
1755	Right-of-use assets (note 6(k))		670,213	3	560,443	3
1760	Investment property, net (notes 6(l) and 8)		86,826	-	151,904	1
1780	Intangible assets (notes 6(h) and (m))		774,027	3	718,064	3
1840	Deferred income tax assets (note 6(u))		196,023	1	226,304	1
1915	Prepayments for equipment		191,694	1	181,258	1
1920	Refundable deposits		32,260	-	146,884	1
1975	Net defined benefit asset－non-current (note 6(t))		16,777	-	16,126	-
1990	Other non-current assets		184,395	1	27,672	-
	Total non-current assets		9,286,423	38	7,814,501	37
	Total assets	**$**	**24,269,506**	**100**	**20,887,764**	**100**

(Continued)

See accompanying notes to consolidated financial statements

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (notes 6(n) and 8)	$ 2,470,428	10	2,434,527	12
2110	Short-term notes and bills payable (note 6(o))	439,721	2	199,989	1
2120	Financial liabilities at fair value through profit or loss-current (note 6(b))	28	-	-	-
2170	Notes and accounts payable (note 7)	5,321,074	22	3,877,542	19
2200	Other payables (notes 6(z) and 7)	2,815,639	12	2,516,324	12
2250	Provisions－current (note 6(r))	96,222	-	1,970	-
2280	Lease liabilities－current (notes 6(q) and 7)	94,838	-	54,886	-
2322	Long-term debt, current portion (note 6(p))	-	-	1,431	-
2399	Other current liabilities (note 6(y))	434,965	2	635,144	3
	Total current liabilities	11,672,915	48	9,721,813	47
	Non-current liabilities:				
2540	Long-term debt (notes 6(p) and 8)	1,600,000	7	1,005,070	5
2550	Provisions－non-current (note 6(r))	-	-	67,583	-
2570	Deferred income tax liabilities (note 6(u))	72,675	-	80,799	-
2580	Lease liabilities－non-current (notes 6(q) and 7)	258,871	1	161,042	1
2640	Net defined benefit liability－non-current (note 6(t))	66,229	-	72,810	-
2670	Other non-current liabilities	19,754	-	11,056	-
	Total non-current liabilities	2,017,529	8	1,398,360	6
	Total liabilities	13,690,444	56	11,120,173	53
	Equity attributable to shareholders of the Parent (notes 6(h) & (v)):				
3110	Common stock	2,800,000	12	2,800,000	14
3200	Capital surplus	3,921,454	16	3,802,120	18
	Retained earnings:				
3310	Legal reserve	1,024,037	4	934,042	4
3320	Special reserve	492,270	2	366,541	2
3350	Unappropriated earnings	1,339,912	6	1,270,104	6
		2,856,219	12	2,570,687	12
	Other equity:				
3410	Foreign currency translation differences	(683,751)	(3)	(499,270)	(2)
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	328,577	1	38,323	-
3445	Remeasurements of defined benefit	(31,433)	-	(31,323)	-
		(386,607)	(2)	(492,270)	(2)
	Equity attributable to shareholders of the Parent	9,191,066	38	8,680,537	42
36XX	**Non-controlling interests (notes 6(h), (i) & (v))**	1,387,996	6	1,087,054	5
	Total equity	10,579,062	44	9,767,591	47
	Total liabilities and equity	**$ 24,269,506**	**100**	**20,887,764**	**100**

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		2020		2019	
		Amount	**%**	**Amount**	**%**
4000	**Net sales (notes 6(y) and 7)**	$ 22,349,528	100	19,137,173	100
5000	**Cost of sales (notes 6(f), (j), (k), (m), (r), (t), (x) & (z), 7 and 12)**	(18,491,952)	(83)	(15,594,059)	(81)
	Gross profit	3,857,576	17	3,543,114	19
	Operating expenses (notes 6(e), (j), (k), (m), (q), (t), (x) & (z), 7 and 12):				
6100	Selling expenses	(1,205,279)	(5)	(1,117,766)	(6)
6200	Administrative expenses	(711,176)	(3)	(608,582)	(3)
6300	Research and development expenses	(806,796)	(4)	(752,650)	(4)
6000	**Total operating expenses**	(2,723,251)	(12)	(2,478,998)	(13)
	Operating income	1,134,325	5	1,064,116	6
	Non-operating income and loss (notes 6(g), (q) &(aa), 7and 12):				
7010	Other income	133,248	-	122,631	-
7020	Other gains and losses	(23,222)	-	52,396	-
7050	Finance costs	(66,810)	-	(46,649)	-
7060	Share of profit (loss) of joint ventures	3,268	-	1,495	-
7100	Interest income	43,882	-	42,736	-
	Total non-operating income and loss	90,366	-	172,609	-
7900	**Income before income tax**	1,224,691	5	1,236,725	6
7950	Income tax expenses (note 6(u))	(271,344)	(1)	(267,332)	(1)
8200	**Net income**	953,347	4	969,393	5
	Other comprehensive income (loss) (notes 6(g), (u) &(v)):				
8310	**Items that will not be reclassified subsequently to profit or loss**				
8311	Remeasurements of defined benefit plans	(403)	-	5,594	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	316,001	2	71,230	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	96	-	(1,182)	-
		315,694	2	75,642	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	(191,624)	(1)	(208,691)	(1)
8370	Share of the other comprehensive income of joint ventures	33	-	(66)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		(191,591)	(1)	(208,757)	(1)
	Other comprehensive income (loss) for the year, net of income tax	124,103	1	(133,115)	(1)
8500	**Total comprehensive income for the year**	**$ 1,077,450**	**5**	**836,278**	**4**
	Net income attributable to:				
8610	Shareholders of the Parent	$ 903,785	4	899,950	5
8620	Non-controlling interests	49,562	-	69,443	-
		$ 953,347	**4**	**969,393**	**5**
	Total comprehensive income attributable to:				
8710	Shareholders of the Parent	$ 1,035,195	5	774,221	4
8720	Non-controlling interests	42,255	-	62,057	-
		$ 1,077,450	**5**	**836,278**	**4**
	Earnings per share (in New Taiwan dollars) (note 6(w)):				
9750	Basic earnings per share	**$**	**3.23**		**3.21**
9850	Diluted earnings per share	**$**	**3.19**		**3.18**

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Parent												
			Retained earnings				Other equity						
	Common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Foreign currency translation differences	Unrealized gains (losses) from financial assets at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal	Equity attributable to shareholders of the Parent	Non-controlling interests	Total equity
Balance at January 1, 2019	$ 2,800,000	3,802,120	782,016	329,048	1,563,882	2,674,946	(297,250)	(32,907)	(36,384)	(366,541)	8,910,525	532,458	9,442,983
Net income in 2019	-	-	-	-	899,950	899,950	-	-	-	-	899,950	69,443	969,393
Other comprehensive income in 2019	-	-	-	-	-	-	(202,020)	71,230	5,061	(125,729)	(125,729)	(7,386)	(133,115)
Total comprehensive income in 2019	-	-	-	-	899,950	899,950	(202,020)	71,230	5,061	(125,729)	774,221	62,057	836,278
Appropriation of earnings:													
Legal reserve	-	-	152,026	-	(152,026)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	37,493	(37,493)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(980,000)	(980,000)	-	-	-	-	(980,000)	-	(980,000)
Acquisition of subsidiary's additional interests	-	-	-	-	-	-	-	-	-	-	-	(54,350)	(54,350)
Difference between consideration paid and carrying amount of subsidiaries acquired	-	-	-	-	(24,209)	(24,209)	-	-	-	-	(24,209)	24,209	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	553,091	553,091
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	6,608	6,608
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(37,019)	(37,019)
Balance at December 31, 2019	2,800,000	3,802,120	934,042	366,541	1,270,104	2,570,687	(499,270)	38,323	(31,323)	(492,270)	8,680,537	1,087,054	9,767,591
Net income in 2020	-	-	-	-	903,785	903,785	-	-	-	-	903,785	49,562	953,347
Other comprehensive income in 2020	-	-	-	-	-	-	(184,481)	316,001	(110)	131,410	131,410	(7,307)	124,103
Total comprehensive income in 2020	-	-	-	-	903,785	903,785	(184,481)	316,001	(110)	131,410	1,035,195	42,255	1,077,450
Appropriation of earnings:													
Legal reserve	-	-	89,995	-	(89,995)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	125,729	(125,729)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(644,000)	(644,000)	-	-	-	-	(644,000)	-	(644,000)
Organizational restructuring under common control	-	144	-	-	-	-	-	-	-	-	144	(144)	-
Acquisition of subsidiary’s additional interest	-	-	-	-	-	-	-	-	-	-	-	(54,247)	(54,247)
Disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	115,720	115,720
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	94,638	-	-	-	-	-	-	-	-	94,638	(94,638)	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	213,486	213,486
Changes in ownership interests in subsidiaries	-	24,552	-	-	-	-	-	-	-	-	24,552	(24,552)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	23,765	23,765
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	134,300	134,300
Distribution of cash dividend by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(55,003)	(55,003)
Disposal of subsidiaries' investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	25,747	25,747	-	(25,747)	-	(25,747)	-	-	-
Balance at December 31, 2020	**$ 2,800,000**	**3,921,454**	**1,024,037**	**492,270**	**1,339,912**	**2,856,219**	**(683,751)**	**328,577**	**(31,433)**	**(386,607)**	**9,191,066**	**1,387,996**	**10,579,062**

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities:		
Income before income tax	$ 1,224,691	1,236,725
Adjustments:		
Adjustments to reconcile profit or loss:		
Depreciation	764,671	643,333
Amortization	67,608	90,529
Expected credit loss (or reversal gain)	(3,898)	5,716
Interest expense	66,810	46,649
Interest income	(43,882)	(42,736)
Dividend income	(32,152)	(36,178)
Share-based compensation cost	23,765	6,608
Share of profits of joint ventures	(3,268)	(1,495)
Losses (gains) on disposal of property, plant and equipment	3,637	(5,194)
Losses on disposal of investment property	1,051	-
Gains on bargain purchase	-	(11,116)
Loss on liquidation of subsidiary	2,217	-
Impairment losses on property, plant and equipment	75	-
Gains on lease modifications	(67)	-
Total adjustments to reconcile profit or loss	846,567	696,116
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	(6,670)	10,400
Decrease (increase) in notes and accounts receivable	(785,511)	1,202,609
Decrease (increase) in accounts receivable from related parties	(69,076)	3,384
Decrease (increase) in other receivable	(18,894)	19,175
Decrease (increase) in inventories	(1,169,552)	48,750
Decrease (increase) in prepayments and other current assets	(101,064)	45,123
Total changes in operating assets	(2,150,767)	1,329,441
Changes in operating liabilities:		
Increase in financial liabilities at fair value through profit or loss	28	-
Increase (decrease) in notes and accounts payable	1,367,934	(629,920)
Increase (decrease) in other payables	207,815	(349,785)
Increase (decrease) in provisions	12,808	(9,439)
Decrease in other current liabilities	(180,382)	(147,231)
Decrease in net defined benefit liability	(6,984)	(7,656)
Total changes in operating liabilities	1,401,219	(1,144,031)
Total changes in operating assets and liabilities	(749,548)	185,410
Total adjustments	97,019	881,526
Cash inflow generated from operations	1,321,710	2,118,251
Interest received	46,783	44,782
Interest paid	(67,071)	(47,369)
Income taxes paid	(201,379)	(407,886)
Net cash provided by operating activities	1,100,043	1,707,778

See accompanying notes to consolidated financial statements.

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

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	59,978	-
Purchase of financial assets at amortized cost	(500)	(2,181,288)
Proceeds from redemption of financial assets at amortized cost	731,586	1,796,874
Purchase of financial assets at fair value through profit or loss	(1,187,116)	(687,775)
Proceeds from disposal of financial assets at fair value through profit or loss	1,089,660	340,743
Purchase of investments accounted for using equity method	(13,333)	-
Acquisition of subsidiaries, net of cash received	(90,159)	(661,361)
Additions to property, plant and equipment (including prepayments for equipment)	(991,847)	(936,609)
Proceeds from disposal of property, plant and equipment	27,004	14,494
Proceeds from disposed of investment property	63,252	-
Decrease (increase) in refundable deposits	116,467	(125,295)
Additions to intangible assets	(16,030)	(9,325)
Additions to right-of-use assets	(21,736)	(231,118)
Increase in other non-current assets	(174,592)	(17,049)
Dividends received	32,152	36,178
Net cash flows used in investing activities	(375,214)	(2,661,531)
Cash flows from financing activities:		
Increase in short-term borrowings	35,901	1,451,217
Increase in short-term notes and bills payable	439,732	199,989
Decrease in short-term notes and bills payable	(200,000)	-
Increase in long-term debt	1,040,000	600,000
Repayments of long-term debt	(446,418)	(40,115)
Payment of lease liabilities	(88,248)	(70,020)
Increase (decrease) in other non-current liabilities	8,698	(956)
Cash dividends distributed to shareholders	(644,000)	(980,000)
Cash dividends paid to non-controlling interests by subsidiaries	(55,003)	(37,019)
Additions to interests in subsidiaries	(54,247)	(54,350)
Proceeds from disposal of interests in subsidiaries (without losing control)	115,720	-
Capital injection from non-controlling interests	134,300	-
Net cash provided by financing activities	286,435	1,068,746
Effects of exchange rate changes	(131,051)	(110,481)
Net increase in cash and cash equivalents	880,213	4,512
Cash and cash equivalents at beginning of year	1,722,470	1,717,958
Cash and cash equivalents at end of year	$ 2,602,683	1,722,470

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

1. Organization and business

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

2. Authorization of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 15, 2021.

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

(a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC").

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform－Phase 2"

(Continued)

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

4. Summary of significant accounting policies

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

(Continued)

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

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

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

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

(Continued)

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

(ii) List of subsidiaries in the consolidated financial statements

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

			Percentage of Ownership		
Name of Investor	**Name of Investee**	**Main Business**	**December 31, 2020**	**December 31, 2019**	**Notes**
The Company	Darfon (BVI) Corporation (DFBVI)	Trading of electronic products	100.00%	100.00%	
The Company	Darad (Labuan) Corporation (DFLB)	Investment holding	100.00%	100.00%	
The Company	Darfon Materials Corp. (DMC)	Manufacture and sale of LTCC, inductors and paste	100.00%	100.00%	
The Company	Darfon Gemmy Corp. (DZL)	Investment holding	100.00%	100.00%	
The Company/ DZL	Darad Innovation Corp. (DTC)	Manufacture and sale of E-bike and related products	70.35%	85.00%	
The Company	Darfon Europe B.V.(DFeu)	Trading of green devices	100.00%	100.00%	
DFBVI/DFLB	Darfon Electronics (Suzhou) Co., Ltd. (DFS)	Manufacture and sale of the Company's products	100.00%	100.00%	
DFLB	Darfon Electronics Czech s.r.o (DFC)	Trading of electronic products	100.00%	100.00%	
DFLB	Darfon America Corp. (DFA)	Trading of electronic products	100.00%	100.00%	
DFLB	Huaian Darfon Electronics Co., Ltd. (DFH)	Manufacture and sale of the Company's products	100.00%	100.00%	
DFLB	Darfon Korea Co., Ltd. (DFK)	Trading of electronic products	100.00%	100.00%	
DFLB	Darfon Precision Holdings Co., Ltd. (DPH)	Investment holding	100.00%	100.00%	
DFLB	Darfon Electronics, Chongqing (DFQ)	Manufacture and sale of the Company's products	100.00%	100.00%	
DPH	Darfon Precision (Suzhou) Co., Ltd. (DPS)	Mold development and manufacture	100.00%	100.00%	
DFeu	Darfon Germany GmbH (DFG)	Trading of green devices	100.00%	100.00%	
The company/ DZL	Unictron Technologies Corporation (UTC)	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	50.28%	57.63%	
UTC	Unicom Technologies, Inc. (UTI)	Investment holding	50.28%	57.63%	
UTI	WirelessCom Technologies (Shenzhen) Co., Ltd. (UTZ)	Sale, design and marketing of wireless antennas for telecommunication and modules	50.28%	57.63%	

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership December 31, 2020	Percentage of Ownership December 31, 2019	Notes
The Company / UTC	San Jose Technology, Inc (STC)	Manufacture and processing of satellite locator, navigator and antenna, and the trading of telecommunications equipment.	50.28%	40.37%	Note 2
The Company	Kenstone Metal Co., Ltd. (KST)	Manufacture and sale of bicycles and related products	60.00%	60.00%	Note 1
KST / DTC	Kenlight Sport Marketing Co., Ltd. (KSMC)	Sale of bicycles and related products	70.35%	60.00%	Notes 1 and 6
KSMC	Tiger Develop Group Inc. (Tiger)	Investment holding	-	60.00%	Notes 1、6 and 8
Tiger	K-Light Bikes Limited Liability Company (K-Light Bikes)	Sale of bicycles and related products	-	60.00%	Notes 1、6 and 8
KST	Kenstone Metal Company GmbH (KSG)	Assembly and sale of bicycles and related products	60.00%	60.00%	Note 1
KST	KSI Handels GmbH (KSI)	Acquisition, lease and management of movable property and real estate, and sale of bicycles and related products	60.00%	60.00%	Note 1
KST	Integrated Solutions Composite Co., Ltd. (ISC)	Manufacture and sale of bicycles and related products	-	-	Notes 1 and 4
KST	Kenstone Vietnam Co., Ltd. (KSV)	Manufacture and sale of bicycles and related products	60.00%	60.00%	Note 3
DTC	Iron Ore Co., Ltd. (IOC)	Sale of bicycles and related products	53.47%	51.00%	Note 5
The Company	TD HiTech Energy Inc (TDI)	Manufacture and sale of the High-power battery modules for electric bicycles	62.75%	-	Note 7
The Company	Darfon Vietnam Co., Ltd (DFV)	Manufacture of electronic products	100.00%	-	Note 9

Note 1: On April 15, 2019, the Group obtained control over KST. Thus, KST and its subsidiaries were included in the accompanying consolidated financial statements from the date the control commenced.

Note 2: On May 24, 2019, the Group obtained control over STC. Thus, STC and its subsidiaries were included in the accompanying consolidated financial statements from the date the control commenced.

Note 3: KSV was established in July 2019.

Note 4: ISC was merged into KST in September 2019 and ISC was dissolved.

Note 5: On December 9, 2019, the Group obtained control over IOC. Thus, IOC was included in the accompanying consolidated financial statements from the date the control commenced.

Note 6: On January 2019, the Group introduced an organizational restructuring whereby KST sold all of its equity interest in KSMC to DTC.

Note 7: On August 25, 2020, the Group obtained control over TDI. Thus, TDI and its subsidiaries were included in the accompanying consolidated financial statements from the date the control commenced.

Note 8: Those companies were liquidated in 2020.

Note 9: DFV was established in December 2020.

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

(Continued)

(d) Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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

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

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

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

(Continued)

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

(Continued)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

5) Impairment of financial assets

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

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

- debt securities that are determined to have low credit risk at the reporting date; and
- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

(Continued)

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade" which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings.

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

At each reporting date, the Group assesses whether debt securities measured at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the Group, for economic or contractual reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

(Continued)

6) Derecognition of financial assets

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

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

(ii) Financial liabilities

1) Classification of debt or equity

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

2) Financial liabilities

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

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

3) Derecognition of financial liabilities

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

(iii) Offsetting of financial assets and liabilities

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

(Continued)

(iv) Derivative financial instruments

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

(h) Inventories

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition ready for sale. Inventories are measured individually at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. The difference between standard cost and actual cost is allocated to inventory and cost of sales on a proportional basis except for inefficient fixed manufacturing overheads, which are charged to cost of sales. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs of completion and necessary selling expenses at the balance sheet date.

(i) Joint arrangements

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

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

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

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

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

(Continued)

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Land is not depreciated. The estimated useful lives for property, plant and equipment are as follows: machinery and equipment: 2 to 10 years; furniture, fixtures, and other equipment: 3 to 10 years; buildings－main structure and other equipment pertaining to buildings: 4 to 40 years; buildings－electronic and air-conditioning facilities: 20 to 30 years.

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

(k) Investment property

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

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

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

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

(Continued)

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

(l) Leases

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct the use of the asset throughout the period of use only if either:

- the Group has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined; and
  - the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the Group designs the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

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

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

(Continued)

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

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

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

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

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

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

(Continued)

(iii) As a lessor

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

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

(m) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

Other separately acquired intangible assets, including acquired software, patents, expertise and customer relationships, are carried at cost, less, accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss using the straight-line method over the estimated useful lives: acquired software: 4 to 10 years；patents: 6 years；expertise : 10 years ； customer relationships: 8 years.

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

(n) Impairment of non-financial assets

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

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

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

(Continued)

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

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

(o) Provisions

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

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

(p) Revenue from contracts with customers

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

(i) Sale of goods

The Group recognizes revenue when control of the goods has been transferred, being when the goods are delivered to the customer, the customer has discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied.
The Group offers sales discounts to certain customers. The Group recognizes revenue based on the price specified in the contract, net of estimated discounts. Discounts are estimated based on contracts or accumulated experience using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected sales discounts payable to customers.

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

(ii) Royalties

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

(Continued)

(iii) Financing components

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(Continued)

(r) Share-based payment

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

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

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

(s) Income taxes

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

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

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

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

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

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

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

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

(Continued)

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

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

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

1) the same taxable entity; or

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

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

(t) Business combination

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

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

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

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

(Continued)

(u) Earnings per share ("EPS")

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

(v) Operating segments

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

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

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

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

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

(a) Valuation of inventory

Inventories are measured at the lower of cost and net realizable value. Due to the rapid innovation of technology, the Group's stocks for products may become obsolete and product price may decline rapidly. These factors result in a risk wherein the carrying amount of inventory may exceed its net realizable value. Particularly, the estimation of net realizable value requires the management's estimation and is mainly determined based on assumptions of future demand within a specific time horizon, which could result in significant adjustments.

(b) Impairment of goodwill

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

(Continued)

6. Significant account disclosures

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 5,662	4,565
Demand deposits and checking accounts	2,001,707	1,322,437
Time deposits with original maturities less than three months	590,998	395,468
Cash equivalents	4,316	-
	$ 2,602,683	1,722,470

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

	December 31, 2020	December 31, 2019
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative instruments not designated for hedge accounting:		
Foreign currency forward contracts	$ 9,844	3,174
Non-derivative financial assets:		
Open-end mutual funds	100,034	-
Structured deposits	344,454	347,032
	$ 454,332	350,206
Financial liabilities held for trading:		
Derivative instruments not designated for hedge accounting:		
Foreign currency forward contracts	$ (28)	-

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 and consisted of the following:

December 31, 2020		
Contract amount (in thousands)	**Currency**	**Maturity Period**
USD 32,080	CNY Buy / USD Sell	2021.01～2021.04
USD 5,697	NTD Buy / USD Sell	2021.01～2021.05

(Continued)

December 31, 2019		
Contract amount (in thousands)	**Currency**	**Maturity Period**
USD 6,000	CNY Buy / USD Sell	2020.01
USD 1,830	NTD Buy / USD Sell	2020.01～2020.02

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

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income:		
Domestic listed stocks	$ 1,126,806	876,591
Domestic emerging stocks	21,020	15,213
	$ 1,147,826	891,804
Current	$ 89,443	891,804
Non-current	1,058,383	-
	$ 1,147,826	891,804

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

In 2020, the Group sold certain investments measured at FVOCI at fair value of $59,978, and the realized gain on disposed of the investment accumulated in other comprehensive income of $25,747 have been reclassified from other equity to retained earnings.

In 2019, no strategic investments were disposed and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(Continued)

(d) Financial assets at amortized costs

		December 31, 2020	December 31, 2019
Current:			
Principal-guaranteed CNY deposit	$	-	465,824
Time deposits with original maturities more than 3 months		-	29,300
Corporate bond in USD (Par value US$400)		-	12,205
Restricted deposits		1,100	224,857
	$	1,100	732,186
Non-current:			
Restricted deposits	$	810	810

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

Additionally, the above-mentioned restricted deposits held by the Group at December 31, 2019, mainly consisted of the earnings repatriated from offshore subsidiaries which were deposited in the segregated foreign exchange deposit accounts in accordance with "The Management, Utilization and Taxation of Repatriated Offshore Fund Acts" and other related regulations. The utilization of such account is limited to certain purposes. In 2020, the Group has fully utilized the above-mentioned restricted deposits pursuant to the specified investment plan, and has obtained the investment plan completion certificate from Ministry of Economic Affairs.

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

(e) Notes and accounts receivable

		December 31, 2020	December 31, 2019
Notes and accounts receivable	$	6,786,110	5,820,531
Accounts receivable from related parties		123,441	54,365
		6,909,551	5,874,896
Less: loss allowance		(54,685)	(50,853)
	$	6,854,866	5,824,043

(Continued)

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

	December 31, 2020		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance**
Current	$ 5,773,831	0.26%	14,808
Past due 1-30 days	960,419	1.06%	10,206
Past due 31-60 days	151,446	8.61%	13,047
Past due 61-90 days	10,591	32.85%	3,479
Past due 91-120 days	777	84.68%	658
Past due over 121 days	12,487	100.00%	12,487
	$ 6,909,551		**54,685**

	December 31, 2019		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance**
Current	$ 5,481,006	0.10%	5,237
Past due 1-30 days	243,387	2.47%	6,012
Past due 31-60 days	85,975	10.60%	9,113
Past due 61-90 days	43,026	25.58%	11,006
Past due 91-120 days	6,282	67.89%	4,265
Past due over 121 days	15,220	100.00%	15,220
	$ 5,874,896		**50,853**

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

	2020	**2019**
Balance at January 1	$ 50,853	44,106
Impairment loss (reversal gain)	(3,898)	5,716
Acquisition through business combination	7,719	1,788
Effect of exchange rate changes	11	(757)
Balance at December 31	**$ 54,685**	**50,853**

(Continued)

(f) Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 1,895,245	1,145,691
Work in process	530,147	443,476
Finished goods	1,911,310	1,442,175
	$ 4,336,702	3,031,342

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

	2020	2019
Cost of inventories sold	$ 18,267,418	15,419,627
Reversal of write-downs of inventories	(7,821)	(23,329)
Loss on scrap	232,355	197,761
	$ 18,491,952	15,594,059

The reversal of write-downs of inventories arises from the disposal or use of obsolete inventories and was included in the cost of sales.

(g) Investments accounted for using equity method

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

	December 31, 2020	December 31, 2019
Carrying amount	$ 29,069	12,435

	2020	2019
Attributable to the Group:		
Net Profit	$ 3,268	1,495
Other comprehensive income	33	(66)
Total comprehensive income	$ 3,301	1,429

(h) Subsidiaries and non－controlling interests

(i) Acquisition of a subsidiary －TD HiTech Energy Inc. ("TDI")

1) The cost of acquisition

On August 25, 2020 (the acquisition date), the Company acquired 62.75% equity ownership of TDI. Since then, TDI and its subsidiaries have been included in the accompanying consolidated financial statements. TDI and its subsidiaries are mainly engaged in the manufacture and trading of high-power electronic bike battery module and related components.

(Continued)

The acquisition of TDI enabled the Group to accelerate its strategic layout with respect to the business development of eBike's battery, thereby expending the Group's scale in the industry of green energy products.

2) Identifiable net assets acquired in a business combination

On August 25, 2020 (the acquisition date), the fair value of the identifiable assets acquired and liabilities assumed from the acquisition were as follows:

Consideration transferred:		
Cash		$ 407,809
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		213,486
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	$ 317,650	
Notes and accounts receivable, net	172,338	
Other receivables	58	
Inventories	135,808	
Prepayments and other current assets	13,642	
Property, plant and equipment	21,334	
Prepayments for equipment	1,284	
Right-of-use assets	57,052	
Intangible assets－patents	856	
Intangible assets－expertise	28,454	
Intangible assets－computer software	2,207	
Deferred income tax assets	9,251	
Refundable deposits	1,843	
Accounts payable	(75,598)	
Other payables	(18,859)	
Provisions-current	(13,861)	
Other current liabilities	(16,026)	
Lease liabilities (current and non-current)	(58,624)	
Deferred income tax liabilities	(5,691)	573,118
Goodwill		**$ 48,177**

The Group continuously reviews the abovementioned items during the measurement period. If there is any new information obtained within one year from the acquisition date about facts and circumstances that existed as of the acquisition date, for which the abovementioned provisional amounts recognized should be adjusted or additional provision should be recognized at the acquisition date, the accounting for the business combination will be modified.

(Continued)

3) Intangible assets

The above-mentioned intangible asset-expertise is amortized on a straight-line basis over the estimated economic useful life of 8 years.

Goodwill arising from the acquisition of TDI and its subsidiaries mainly came from the profitability from their expertise in manufacturing technology for high power electronic bike battery module, as well as value of workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

4) Pro forma information

From August 25, 2020 (the acquisition date) to December 31, 2020, TDI and its subsidiaries had contributed the revenue of $246,923 and the net loss of $(1,765) to the Group’s results. If this acquisition had occurred on January 1, 2020, the management estimates that the consolidated revenue would have been $22,766,242, and consolidated income after income tax would have been $941,115.

(ii) Acquisition of a subsidiary － Kenstone Metal Co., Ltd. (“KST”)

1) The cost of acquisition

On April 15, 2019 (the acquisition date), the Company acquired 60.00% equity ownership of KST. Since then, KST and its subsidiaries have been included in the accompanying consolidated financial statements. KST and its subsidiaries are mainly engaged in the manufacture, processing and trading of bicycle and related components.

The acquisition of KST enabled the Group to accelerate its strategic layout with respect to the business development of design, assembly, OEM of E-Bike as well as the battery and electric control kit, thereby expanding the Group’s scale in the industry of green energy products.

(Continued)

2) Identifiable net assets acquired in a business combination

On April 15, 2019 (the acquisition date), the fair value information of the identifiable assets acquired and liabilities assumed from the acquisition was as follows:

Consideration transferred:		
Cash		$ 720,000
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		390,718
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	$ 262,342	
Notes and accounts receivable, net	388,956	
Other receivables	11,382	
Inventories	333,516	
Prepayments and other current assets	18,918	
Property, plant and equipment	148,491	
Right-of-use assets	79,647	
Intangible assets－expertise technology	7,673	
Intangible assets－computer software	1,215	
Deferred income tax assets	16,777	
Other non-current assets	64,818	
Short-term borrowings	(16,329)	
Notes and accounts payable	(169,329)	
Other payables	(78,796)	
Other current liabilities	(65,588)	
Deferred income tax liabilities	(18,867)	
Non-controlling interests	(8,032)	976,794
Goodwill		**$ 133,924**

3) Intangible assets

The above-mentioned intangible asset－expertise is amortized on a straight-line basis over the estimated economic useful life of 10 years.

Goodwill arising from the acquisition of KST and its subsidiaries mainly came from the profitability from their expertise in manufacturing and assembly technology for bicycle and related components, as well as value of workforce. None of the goodwill recognized is expected to be deductible for income tax purposes.

(Continued)

(iii) Acquisition of a subsidiary － San Jose Technology, Inc.

1) The cost of acquisition

On May 24, 2019 (the acquisition date), the Company and Unictron Technologies Corp, jointly acquired 64.05 % equity ownership of San Jose Technology, Inc. ("STC"). Since then, STC and its subsidiaries have been included in the accompanying consolidated financial statements. STC and its subsidiaries are mainly engaged in the manufacture and processing of satellite locator, navigator, antenna and the trading of telecommunications equipment.

The acquisition of STC enabled the Group to accelerate its strategic layout with respect to the external antenna, tracking device, antenna module for vehicles as well as IoT industry, thereby expanding the Group's scale in integrated antenna elements and module field.

2) Identifiable net assets acquired in a business combination

On May 24, 2019 (the acquisition date), the fair value information of the identifiable assets acquired and liabilities assumed from the acquisition, were as follows:

Consideration transferred:		
Cash		$ 190,922
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		113,381
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	$ 52,007	
Financial assets at fair value through profit or loss －current	8,918	
Notes and accounts receivable, net	20,428	
Inventories	40,086	
Prepayments and other current assets	3,767	
Property, plant and equipment	206,217	
Investment property	24,930	
Intangible assets－computer software	542	
Deferred income tax assets	5,631	
Other non-current assets	925	
Notes and accounts payable	(19,592)	
Other payables	(14,926)	
Other current liabilities	(11,312)	
Net defined benefits liability－non-current	(1,271)	
Guarantee deposits received	(931)	315,419
Gain on bargain purchase		**$ (11,116)**

(Continued)

(iv) Acquisition of a subsidiary －Iron Ore Co., Ltd.

1) The cost of acquisition

On December 9, 2019 (the acquisition date), the subsidiary, Darad Innovation Corp., acquired 60.00% equity ownership of Iron Ore Co., Ltd. ("IOC"). Since then, IOC have been included in the consolidated financial statements. IOC is an agent of high-end bikes and related accessories, which has dedicated to bike markets in Mainland China and Hong Kong, and has long-term relationship with North American and European mainstream brands.

The acquisition of IOC enabled the Group to accelerate to enter into Bike/eBike channel in Mainland China and Hong Kong, thereby expanding the Group's scale in Bike/eBike field.

2) Identifiable net assets acquired in a business combination

On December 9, 2019 (the acquisition date), the fair value of the identifiable assets acquired and liabilities assumed from the acquisition were as follows:

Consideration transferred:		
Cash		$ 70,115
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		39,863
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	$ 5,327	
Accounts receivable, net	17,532	
Inventories	134,970	
Prepayments and other current assets	7,320	
Property, plant and equipment	628	
Right-of-use assets	5,396	
Short-term borrowings	(28,612)	
Accounts payable	(25,256)	
Other payables	(2,985)	
Other current liabilities	(2,538)	
Lease liabilities (including current and non-current)	(5,455)	
Long-term borrowings (including current portion)	(6,669)	99,658
Goodwill		**$ 10,320**

(v) Acquisitions of material non-controlling interests

In June 2020, UTC issued additional shares in exchange for STC's shares at a rate of 0.2:1, and transferred the cash amounting to $53,706 to acquire all the non-controlling interest of STC, resulting in an increase in the Group's ownership interest in STC. The difference between consideration paid and carrying amount of interests acquired amounting to $8,511 was recognized as capital surplus.

(Continued)

KST acquired the additional equity interests of ISC for $10,000 in July 2019, resulting in an increase in the Group's ownership interest in ISC. The difference between consideration paid and carrying amount of the interests acquired amounting to $1,719, was debited to retained earnings.

The Group acquired the additional equity interests of UTC by a total cash consideration totaling $44,350 in 2019, resulting in an increase in the Group's ownership interest in UTC. The difference between consideration paid and carrying amount of the interests acquired amounting to $22,490 was debited to retained earnings.

(vi) Disposal of part of the subsidiary's equity without losing control

The Group disposed part of UTC’s equity interests at a consideration of $115,720 in 2019. The difference between consideration received and carrying amount of the interests disposed of amounted to $86,161 and was recognized as capital surplus.

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

In 2020, UTC issued new shares for the stock options exercised by its employees, and for the purpose of exchanging STC’s additional shares, which resulted in a decrease in the Group’s ownership interest in UTC.

In 2020, DTC increased its share capital wherein the Group did not subscribe proportionately form its existing ownership percentage. Additionally, DTC issued new shares for the stock options exercised by its employees. The above share issuances of DTC resulted in a decrease in the Group’s ownership interest in DTC.

IOC increased its share capital for cash in 2020. The capital injection was fully subscribed by DTC, resulting in a decrease in the Group’s ownership interest in IOC.

The Group recorded the impact of the aforementioned changes in ownership interest in subsidiaries as an increase to capital surplus of $24,552.

(i) Subsidiaries that have material non-controlling interest

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

		The Percentage of ownership and voting rights held by non-controlling interests	
Subsidiary	**Principal place of business /Registration country**	**December 31, 2020**	**December 31, 2019**
KST	Taiwan	40.00%	40.00%
UTC	Taiwan	49.72%	42.37%
TDI	Taiwan	37.25%	-

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

1) The summarized financial information of KST:

	December 31, 2020	December 31, 2019
Current assets	$ 1,787,758	1,263,858
Non-current assets	761,011	669,988
Current liabilities	(1,360,333)	(765,827)
Non-current liabilities	(90,361)	(46,828)
Net assets	$ 1,098,075	1,121,191
The carrying amount of non-controlling interests	$ 385,190	394,907

	2020	April 15, 2019~ December 31,2019
Net sales	$ 2,277,582	1,577,207
Net income (loss)	$ (15,548)	27,339
Other comprehensive income	(8,169)	(14,898)
Total comprehensive income	$ (23,717)	12,441
Net income (loss) attributable to non-controlling interests	$ (6,219)	10,398
Total comprehensive income attributable to non-controlling interests	$ (9,487)	4,438
Cash flow from operating activities	$ (208,131)	(140,491)
Cash flow from investing activities	(83,195)	(255,237)
Cash flow from financing activities	485,371	400,082
Effects of foreign exchange rate changes	11,643	(5,241)
Net increase (decrease) in cash and cash equivalents	$ 205,688	(887)
Cash dividends paid to non-controlling interests	$ -	-

2) The summarized financial information of UTC:

	December 31, 2020	December 31, 2019
Current assets	$ 904,207	776,802
Non-current assets	1,199,158	1,320,889
Current liabilities	(434,683)	(404,336)
Non-current liabilities	(98,188)	(116,350)
Net assets	$ 1,570,494	1,577,005
The carrying amount of non-controlling interests	$ 633,056	621,002

(Continued)

	2020	2019
Net sales	$ 1,291,635	1,111,293
Net income	$ 103,785	127,238
Other comprehensive income	(46)	(2,579)
Total comprehensive income	$ 103,739	124,659
Net income attributable to non-controlling interests	$ 51,043	57,587
Total comprehensive income attributable to non-controlling interests	$ 51,025	56,533
Cash flow from operating activities	$ 191,370	204,860
Cash flow from investing activities	48,606	(228,963)
Cash flow from financing activities	(130,006)	(71,115)
Effects of foreign exchange rate changes	102	(886)
Net increase (decrease) in cash and cash equivalents	$ 110,072	(96,104)
Cash dividends paid to non-controlling interests	$ (52,116)	(35,969)

3) The summarized financial information of TDI:

	December 31, 2020
Current assets	$ 657,364
Non-current assets	165,141
Current liabilities	(153,279)
Non-current liabilities	(48,564)
Net assets	$ 620,662
The carrying amount of non-controlling interests	$ 213,251

	August 25, 2020～ December 31, 2020
Net sales	$ 246,923
Net loss	$ (1,765)
Other comprehensive income	-
Total comprehensive income	$ (1,765)
Net loss attributable to non-controlling interests	$ (236)
Total comprehensive income attributable to non-controlling interests	$ (236)
Cash flow from operating activities	$ 85,223
Cash flow from investing activities	(89,078)
Cash flow from financing activities	(3,880)
Net decrease in cash and cash equivalents	$ (7,735)
Cash dividends paid to non-controlling interests	$ -

(Continued)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) Property, plant and equipment

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

		Land	Building	Machinery	Furniture and fixtures	Other equipment	Equipment pending acceptance	Total
Cost:								
Balance at January 1, 2020	$	893,058	6,243,838	5,300,343	-	402,517	279,161	13,118,917
Acquisition through business combination (note 6(h))		-	12,500	51,222	-	11,657	-	75,379
Additions		173	21,084	413,738	-	46,127	168,950	650,072
Disposals		-	(83,431)	(99,252)	-	(46,305)	-	(228,988)
Reclassification		-	160,763	412,265	-	17,309	(269,873)	320,464
Effect of exchange rate changes		-	(92,688)	(114,688)	-	96	908	(206,372)
Balance at December 31, 2020	$	893,231	6,262,066	5,963,628	-	431,401	179,146	13,729,472
Balance at January 1, 2019	$	755,533	5,974,253	4,751,769	-	357,134	-	11,838,689
Acquisition through business combination (note 6(h))		136,445	234,103	101,086	-	41,571	-	513,205
Additions		1,080	36,328	335,790	-	24,729	-	397,927
Disposals		-	(6,481)	(169,155)	-	(42,790)	-	(218,426)
Reclassification		-	116,977	378,439	-	29,221	279,161	803,798
Effect of exchange rate changes		-	(111,342)	(97,586)	-	(7,348)	-	(216,276)
Balance at December 31, 2019	$	893,058	6,243,838	5,300,343	-	402,517	279,161	13,118,917
Accumulated depreciation and impairment losses:								
Balance at January 1, 2020	$	-	2,738,134	4,276,472	-	331,710	-	7,346,316
Acquisition through business combination (note 6(h))		-	1,630	42,899	-	9,516	-	54,045
Depreciation		-	240,120	374,482	-	26,885	-	641,487
Impairment losses		-	-	75	-	-	-	75
Disposals		-	(54,576)	(98,707)	-	(46,127)	-	(199,410)
Reclassification		-	-	(99)	-	(2,417)	-	(2,516)
Effect of exchange rate changes		-	(51,754)	(104,733)	-	16	-	(156,471)
Balance at December 31, 2020	$	-	2,873,554	4,490,389	-	319,583	-	7,683,526
Balance at January 1, 2019	$	-	2,502,281	4,139,097	-	327,568	-	6,968,946
Acquisition through business combination (note 6(h))		-	59,495	64,255	-	34,119	-	157,869
Depreciation		-	235,654	298,047	-	17,898	-	551,599
Disposals		-	(6,178)	(160,520)	-	(42,428)	-	(209,126)
Reclassification		-	-	(1,161)	-	1,161	-	-
Effect of exchange rate changes		-	(53,118)	(63,246)	-	(6,608)	-	(122,972)
Balance at December 31, 2019	$	-	2,738,134	4,276,472	-	331,710	-	7,346,316
Carrying amount:								
Balance at December 31, 2020	$	893,231	3,388,512	1,473,239	-	111,818	179,146	6,045,946
Balance at December 31, 2019	$	893,058	3,505,704	1,023,871	-	70,807	279,161	5,772,601

Please refer to note 8 for details of the property, plant and equipment pledged as collateral.

(Continued)

(k) Right-of-use assets

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

	Land	Buildings	Transportation Equipment	Total
Cost:				
Balance at January 1, 2020	$ 389,974	253,271	1,161	644,406
Acquisition through business combination (note 6(h))	-	63,566	2,669	66,235
Additions	11,096	186,561	692	198,349
Disposals	-	(54,949)	(810)	(55,759)
Effect of exchange rates changes	(16,204)	(3,241)	-	(19,445)
Balance at December 31, 2020	**$ 384,866**	**445,208**	**3,712**	**833,786**
Balance at January 1, 2019	$ -	-	-	-
Effects of initial application of IFRS 16	60,775	128,171	1,161	190,107
Restated balance at January 1, 2019	60,775	128,171	1,161	190,107
Acquisition through business combination (note 6(h))	79,647	7,195	-	86,842
Additions	258,045	128,045	-	386,090
Disposals	-	(4,753)	-	(4,753)
Effect of exchange rates changes	(8,493)	(5,387)	-	(13,880)
Balance at December 31, 2019	**$ 389,974**	**253,271**	**1,161**	**644,406**
Accumulated depreciation and impairment losses:				
Balance at January 1, 2020	$ 15,774	67,576	613	83,963
Acquisition through business combination (note 6(h))	-	8,413	770	9,183
Depreciation	25,839	95,712	858	122,409
Disposals	-	(50,231)	(810)	(51,041)
Effect of exchange rate changes	(452)	(489)	-	(941)
Balance at December 31, 2020	**$ 41,161**	**120,981**	**1,431**	**163,573**
Restated balance at January 1, 2019	$ -	-	-	-
Acquisition through business combination (note 6(h))	-	1,799	-	1,799
Depreciation	15,858	72,216	613	88,687
Disposals	-	(4,573)	-	(4,573)
Effect of exchange rate changes	(84)	(1,866)	-	(1,950)
Balance at December 31, 2019	**$ 15,774**	**67,576**	**613**	**83,963**
Carrying amount:				
Balance at December 31, 2020	**$ 343,705**	**324,227**	**2,281**	**670,213**
Balance at December 31, 2019	**$ 374,200**	**185,695**	**548**	**560,443**

(Continued)

(l) Investment property

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

	Land	Buildings	Total
Cost:			
Balance at January 1, 2020	$ 119,959	54,528	174,487
Disposals	(50,726)	(25,061)	(75,787)
Balance at December 31, 2020	**$ 69,233**	**29,467**	**98,700**
Balance at January 1, 2019	$ 103,085	42,387	145,472
Acquisition through business combination (note 6(h))	16,874	12,141	29,015
Balance at December 31, 2019	**$ 119,959**	**54,528**	**174,487**
Accumulated depreciation and impairment losses:			
Balance at January 1, 2020	$ -	22,583	22,583
Depreciation	-	775	775
Disposals	-	(11,484)	(11,484)
Balance at December 31, 2020	**$ -**	**11,874**	**11,874**
Balance at January 1, 2019	$ -	15,451	15,451
Acquisition through business combination (note 6(h))	-	4,085	4,085
Depreciation	-	3,047	3,047
Balance at December 31, 2019	**$ -**	**22,583**	**22,583**
Carrying amount:			
Balance at December 31, 2020	**$ 69,233**	**17,593**	**86,826**
Balance at December 31, 2019	**$ 119,959**	**31,945**	**151,904**
Fair value:			
Balance at December 31, 2020			**$ 108,908**
Balance at December 31, 2019			**$ 159,496**

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

In June 2020, the Group disposed part of its investment property to non-related parties. Net disposal proceeds amounted to $63,252 (excluding tax), and the loss on disposal of property amounted to $1,051. As of December 31, 2020, the property title has been transferred, and the relevant proceeds have been received.

The fair value of the investment property is determined by referring to the market price of similar real estate transactions in the same area in which the investment property is located, or the valuation made by an independent appraiser using income approach or comparative approach. The inputs used in the fair value measurement were classified to level 3.

Please refer to note 8 for details of investment property pledged as collateral for the credit lines of short-term borrowings.

(Continued)

(m) Intangible assets

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

		Goodwill	Patents	Expertise	Customer relationship	Software	Total
Costs:							
Balance at January 1, 2020	$	417,691	31,436	189,021	114,690	119,417	872,255
Acquisition through business combination (note 6(h))		48,177	4,400	28,454	-	2,597	83,628
Additions		-	-	-	-	16,030	16,030
Disposals		-	-	-	-	(103,969)	(103,969)
Reclassification		-	-	-	-	12,441	12,441
Effect of exchange rate changes		-	-	-	-	45	45
Balance at December 31, 2020	$	465,868	35,836	217,475	114,690	46,561	880,430
Balance at January 1, 2019	$	274,780	34,193	194,458	95,786	106,624	705,841
Acquisition through business combination (note 6(h))		144,244	-	7,673	-	3,492	155,409
Adjustment of business combination during the measurement period		(1,333)	(2,757)	(13,110)	18,904	-	1,704
Additions		-	-	-	-	9,325	9,325
Effect of exchange rate changes		-	-	-	-	(24)	(24)
Balance at December 31, 2019	$	417,691	31,436	189,021	114,690	119,417	872,255
Accumulated amortization:							
Balance at January 1, 2020	$	-	6,113	21,157	17,238	109,683	154,191
Acquisition through business combination (note 6(h))		-	3,544	-	-	390	3,934
Amortization		-	5,337	19,320	15,104	9,974	49,735
Disposals		-	-	-	-	(103,969)	(103,969)
Reclassification		-	-	-	-	2,516	2,516
Effect of exchange rate changes		-	-	-	-	(4)	(4)
Balance at December 31, 2020	$	-	14,994	40,477	32,342	18,590	106,403
Balance at January 1, 2019	$	-	950	3,241	1,996	99,977	106,164
Acquisition through business combination (note 6(h))		-	-	-	-	1,735	1,735
Amortization		-	5,163	17,916	15,242	7,970	46,291
Effect of exchange rate changes		-	-	-	-	1	1
Balance at December 31, 2019	$	-	6,113	21,157	17,238	109,683	154,191
Carrying amounts:							
Balance at December 31, 2020	$	465,868	20,842	176,998	82,348	27,971	774,027
Balance at December 31, 2019	$	417,691	25,323	167,864	97,452	9,734	718,064

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

		2020	2019
Cost of sales	$	3,072	669
Operating expenses		46,663	45,622
	$	49,735	46,291

(Continued)

(ii) Impairment test on goodwill

The carrying amounts of goodwill arising from business combinations and the respective CGUs to which the goodwill was allocated for impairment test purpose at December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
UTC	$ 273,447	273,447
KST	133,924	133,924
Other CGUs without allocating significant goodwill	58,497	10,320
	$ 465,868	417,691

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

	December 31, 2020	December 31, 2019
UTC：		
Revenue growth rate	9%~15%	8.5%~18%
Discount rates	17.38%	17.48%

	December 31, 2020	December 31, 2019
KST：		
Revenue growth rate	15%~30%	5%~18%
Discount rates	17.40%	23.20%

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

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

(n) Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured bank borrowings	$ 2,470,428	2,414,527
Secured bank borrowings	-	20,000
Total	$ 2,470,428	2,434,527
Unused credit facilities	$ 7,918,479	9,553,404
Interest rate	0.83%~1.25%	0.85%~1.25%

(Continued)

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

(o) Short-term notes and bills payable

	December 31, 2020	December 31, 2019
Commercial paper payable	$ 440,000	200,000
Less: Discount on commercial paper payable	(279)	(11)
	$ 439,721	199,989
Interest rate	0.848%~0.858%	0.968%

(p) Long-term debt

	December 31, 2020	December 31, 2019
Unsecured bank loans	$ -	6,501
Secured bank loans	1,600,000	1,000,000
Less: current portion of long-term debt	-	(1,431)
Total	$ 1,600,000	1,005,070
Unused credit facilities	$ 2,053,600	2,682,297
Year to maturity	2023	2021~2024
Interest rate	0.99%~1.08%	1.12%~6.75%

According to the loan agreements, the Group is required to maintain certain financial ratios, including current ratio, net liability ratio, financial liability ratio, interest coverage ratio and tangible net worth, calculated based on its annual audited consolidated financial statements and semi-annual reviewed consolidated financial statements. On December 31, 2020 and 2019, 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.

(q) Lease liabilities

Lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	$ 94,838	54,886
Non-current	$ 258,871	161,042

Please refer to note 6(ab) for maturity analysis.
The amounts recognized in profit or loss were as follows:

	2020
Interest on lease liabilities	$ 11,427
Expenses relating to short-term leases	$ 23,109

(Continued)

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

	2020	2019
Total cash outflow for leases	$ 144,520	316,379

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, office premises for 3 to 5 years, and retail stores for 3 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 and equipment with contract terms within one year. These leases are short-term, and the Group has elected to apply exemption of not recognizing right-of-use assets and lease liabilities.

(r) Warranty provisions

	2020	2019
Balance at January 1,	$ 69,553	78,992
Acquisition through business combination	13,861	-
Additions	35,483	17,590
Amount utilized	(22,675)	(27,029)
Balance at December 31	$ 96,222	69,553
Current	$ 96,222	1,970
Non-current	$ -	67,583

Warranty provisions are mainly related to the sale of computer peripherals and electronic components. Warranty provisions are estimated based on historical warranty data associated with similar products.

(s) Operating lease of lessor

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

(Continued)

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

	December 31, 2020	December 31, 2019
Not later than 1 year	$ 625	871
Later than 1 year but not later than 5 years	-	-
	$ 625	871

The rental income from investment property in 2020 and 2019, amounted to $1,853 and $4,627, respectively, and were reported in other income. Please refer to note 6 (aa).

The direct operating expenses are as follows:

	December 31, 2020	December 31, 2019
Arising from investment property that generated rental income	$ 1,342	1,127

(t) Employee benefits

(i) Defined benefit plans

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

	December 31, 2020	December 31, 2019
Present value of benefit obligations	$ 184,705	185,434
Fair value of plan assets	(118,476)	(112,624)
Net defined benefit liabilities	$ 66,229	72,810

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

	December 31, 2020	December 31, 2019
Present value of benefit obligations	$ -	-
Fair value of plan assets	(16,777)	(16,126)
Net defined benefit assets	$ (16,777)	(16,126)

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

(Continued)

1) Composition of plan assets

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

As of December 31, 2020, and 2019, the Company and its domestic subsidiaries' labor pension fund deposited at Bank of Taiwan amounted to $135,253 and $128,750, respectively. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the Fund.

2) Movements in present value of defined benefit obligations

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

	2020	2019
Defined benefit obligations at January 1	$ 185,434	204,392
Current service costs and interest expense	2,181	3,174
Liabilities assumed in a business combination	-	6,524
Remeasurement on the net defined benefit liabilities (assets):		
－Actuarial losses (gains) arising from changes in demographic assumptions	-	278
－Actuarial losses (gains) arising from experience adjustments	(3,817)	(9,051)
－Actuarial losses (gains) arising from changes in financial assumptions	7,984	6,980
Benefits paid by the Group and the plan	(7,077)	(26,863)
Defined benefit obligations at December 31	**$ 184,705**	**185,434**

(Continued)

3) Movements of fair value of plan assets

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

		2020	2019
Fair value of plan assets at January 1	$	128,750	135,029
Interest income		1,924	2,415
Assets acquired through business combination		-	5,253
Remeasurement on the net defined benefit liabilities (assets):			
－Returns on plan assets (excluding the amounts included in the net interest expense)		3,763	3,801
Contributions by the employer		5,335	6,646
Benefits paid by the plan		(4,519)	(24,394)
Fair value of plan assets at December 31	$	135,253	128,750

4) Changes in the effect of the asset ceiling

In 2020 and 2019, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

		2020	2019
Current service costs	$	128	343
Net interest expense on the net defined benefit liability (asset)		129	416
	$	257	759
Cost of sales	$	254	327
Operating expenses		3	432
	$	257	759

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.75%~0.80%	1%~1.25%
Future salary increases rate	2.00%~4.00%	2.00%~4.00%

The Group expects to make the contribution of $5,339 to the defined benefit plans in the year following December 31, 2020. The weighted average duration of the defined benefit plan ranges from 12.7 years to 18.41 years.

(Continued)

7) Sensitivity analysis

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

		Increase (decrease) in present value of defined benefit obligations	
		0.25% Increase	**0.25% Decrease**
December 31, 2020			
Discount rate	$	(5,718)	5,946
Future salary change		5,772	(5,565)
December 31, 2019			
Discount rate		(6,027)	6,285
Future salary change		5,889	(5,652)

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

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

(ii) Defined contribution plans

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

For the years ended December 31, 2020 and 2019, the Group recognized pension expenses of $178,889 and $209,139, respectively, in relation to the defined contribution plans.

(Continued)

(u) Income taxes

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

		2020	2019
Current income tax expense			
Current period	$	223,021	202,698
Adjustment for prior years		22,510	43,814
		245,531	246,512
Deferred income tax expense (benefit)			
Origination and reversal of temporary differences		63,116	136,202
Recognition of previously unrecognized tax losses		(3,721)	(12,067)
Changes in unrecognized deductible temporary differences		(33,582)	(103,315)
		25,813	20,820
	$	271,344	267,332

In 2020 and 2019, there was no income tax recognized directly in equity.

In 2020 and 2019, the components of income tax expense (benefit) recognized in other comprehensive income were as follows:

		2020	2019
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the defined benefit plans	$	(96)	1,182

Reconciliation of income tax expense and income before income tax for 2020 and 2019 was as follows:

		2020	2019
Income before income taxes	$	1,224,691	1,236,725
Income tax using the Company’s statutory tax rate	$	244,938	247,345
Effect of different tax rates in foreign jurisdictions		16,654	16,224
Investment tax credits		(35,077)	(16,740)
Adjustments for prior-year income tax expense		22,510	43,814
Non-deductible expense		5,294	4,297
Recognition of previously unrecognized tax losses		(3,721)	(12,067)
Changes in unrecognized temporary differences		(33,582)	(103,315)
Additional income tax on undistributed earnings		1,382	2,643
Others		52,946	85,131
	$	271,344	267,332

(Continued)

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

		December 31, 2020	December 31, 2019
Deductible temporary differences	$	338,447	292,790
Tax losses		66,460	10,986
	$	404,907	303,776

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

As of December 31, 2020, the unrecognized tax losses and the respective expiry years were as follows:

	Tax losses	Income tax effect of tax losses	Expiration year
$	21,305	4,261	2021
	39,093	7,819	2022
	70,490	14,098	2023
	30,310	6,062	2024
	28,022	5,604	2025
	51,259	10,252	2026
	49,115	9,823	2027
	18,985	3,797	2028
	10,133	2,027	2029
	13,586	2,717	2030
$	332,298	66,460	

2) Unrecognized deferred income tax liabilities

		December 31, 2020	December 31, 2019
Aggregate taxable temporary differences associated with investments in subsidiaries	$	800,682	721,443

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

(Continued)

3) Recognized deferred income tax assets and liabilities

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

Deferred income tax assets:

	Depreciation adjustments for tax purposes	Defined benefit liabilities	Deferred inter-company profits	Warranty provisions	Refund liabilities	Others	Total
Balance at January 1, 2020	$ 21,581	13,432	102,080	13,517	18,106	57,588	226,304
Recognized in profit or loss	1,363	(1,215)	9,747	2,291	(54,955)	3,141	(39,628)
Recognized in other comprehensive income	-	96	-	-	-	-	96
Acquisition through business combination	-	-	-	451	-	8,800	9,251
Balance at December 31, 2020	**$ 22,944**	**12,313**	**111,827**	**16,259**	**(36,849)**	**69,529**	**196,023**
Balance at January 1, 2019	$ 19,699	15,212	120,255	15,798	29,094	33,053	233,111
Recognized in profit or loss	1,882	(1,377)	(18,175)	(2,281)	(10,988)	2,906	(28,033)
Recognized in other comprehensive income	-	(1,182)	-	-	-	-	(1,182)
Acquisition through business combination	-	779	-	-	-	21,629	22,408
Balance at December 31, 2019	**$ 21,581**	**13,432**	**102,080**	**13,517**	**18,106**	**57,588**	**226,304**

Deferred income tax liabilities:

	Unrealized foreign currency exchange gain	Defined benefit assets	Intangible assets	Others	Total
Balance at January 1, 2020	$ -	(2,944)	(73,136)	(4,719)	(80,799)
Recognized in profit or loss		(129)	12,321	1,623	13,815
Recognized through business combination	-	-	(5,691)	-	(5,691)
Balance at December 31, 2020	**$ -**	**(3,073)**	**(66,506)**	**(3,096)**	**(72,675)**
Balance at January 1, 2019	$ (931)	(3,085)	(64,173)	(956)	(69,145)
Recognized in profit or loss	931	141	9,904	(3,763)	7,213
Recognized through business combination	-	-	(18,867)	-	(18,867)
Balance at December 31, 2019	**$ -**	**(2,944)**	**(73,136)**	**(4,719)**	**(80,799)**

As of December 31, 2020, the tax loss carryforwards for which deferred income tax assets were recognized and the expiration year was as follows:

Tax loss	Income tax effect of tax loss carryforwards	Expiration year
$ 45,848	9,170	2026

(iii) The R.O.C. income tax authorities have examined and approved the income tax returns of the Company for all fiscal years through 2018.

(Continued)

(v) Capital and other equity

(i) Common stock

As of December 31, 2020 and 2019, the Company’s authorized common stock consisted of 450,000 thousand shares, of which 280,000 thousand shares were issued and outstanding. The par value of the Company's common stock is $10 per share.

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

	Common stock	
	2020	**2019**
Balance at January 1 (Same as balance at December 31)	280,000	280,000

(ii) Capital surplus

		December 31, 2020	December 31, 2019
Paid-in capital in excess of par value	$	3,563,940	3,563,940
Treasury stock transactions		238,180	238,180
Surplus from merger		144	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed		94,638	-
Recognition of changes in ownership interest in subsidiaries		24,552	-
	$	3,921,454	3,802,120

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

(iii) Retained earnings

The Company’s Articles of Incorporation stipulate that at least 10% of annual net income, after deducting accumulated deficit, if any, must be retained as legal reserve. In addition, a special reserve shall be set aside in accordance with applicable laws and regulations. The remaining balance, together with the unappropriated earnings from the previous years can be distributed as dividends to stockholders, pursuant to the appropriation of earnings proposed by the Board of Directors and approved by the stockholders. According to the Company’s Articles of Incorporation, amended on June 18, 2020, distribution of earnings by way of cash dividends should be approved by the Board of Directors and then reported to the shareholders’ meeting.

(Continued)

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

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

1) Legal reserve

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

2) Special reserve

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

(iv) Earnings distribution

The appropriation of cash dividends trough 2019 and 2018 earnings was approved by the Company's Board of Directors on March 16, 2020, and shareholders' meeting on June 13, 2019, respectively. The resolved appropriations of the dividends were as follows:

	2019		**2018**	
	Dividend per share (NT$)	**Amount**	**Dividend per share (NT$)**	**Amount**
Dividends per share:				
Cash dividend	$ 2.3	644,000	3.5	980,000

(Continued)

On March 15, 2021, the Company's Board of Directors approved the distribution of cash dividend as follows:

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

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

(v) Other equity items (net after tax)

		Foreign currency translation differences	**Unrealized gains (loss) from financial assets at fair value through other comprehensive income**	**Remeasurement of defined benefit plans**	**Total**
Balance at January 1, 2020	$	(499,270)	38,323	(31,323)	(492,270)
Foreign exchange differences arising from translation of foreign operations		(184,454)	-	-	(184,454)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income		-	316,001	-	316,001
Disposal of equity instruments designated at fair value through other comprehensive income		-	(25,747)	-	(25,747)
Remeasurement of defined benefit plans		-	-	(110)	(110)
Share of the other comprehensive income (loss) of joint ventures		(27)	-	-	(27)
Balance at December 31, 2020	$	(683,751)	328,577	(31,433)	(386,607)
Balance at January 1, 2019	$	(297,250)	(32,907)	(36,384)	(366,541)
Foreign exchange differences arising from translation of foreign operations		(201,964)	-	-	(201,964)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income		-	71,230	-	71,230
Remeasurement of defined benefit plans		-	-	5,061	5,061
Share of the other comprehensive income (loss) of joint ventures		(56)	-	-	(56)
Balance at December 31, 2019	$	(499,270)	38,323	(31,323)	(492,270)

(Continued)

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

	2020	2019
Balance at January 1	$ 1,087,054	532,458
Equity attributable to non-controlling interests:		
Net income	49,562	69,443
Foreign currency translation differences	(7,109)	(6,737)
Remeasurements of defined benefit plans	(198)	(649)
Organizational restructuring	(144)	-
Acquisition of subsidiary's additional interests	(54,247)	(54,350)
Disposition of interests in subsidiaries	115,720	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(94,638)	24,209
Acquisition of subsidiaries	213,486	553,091
Changes in ownership interests in subsidiaries	(24,552)	-
Compensation cost of stock option issued by subsidiaries	23,765	6,608
Capital injection from non-controlling interests	134,300	-
Distribution of cash dividend by subsidiaries to non-controlling interests	(55,003)	(37,019)
	$ 1,387,996	1,087,054

(w) Earnings per share ("EPS")

The calculations of basic and diluted earnings per share for the years ended December 31, 2020 and 2019 were as follows:

(i) Basic earnings per share

	2020	2019
Net income attributable to ordinary shareholders of the Company	$ 903,785	899,950
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Basic earnings per share (in New Taiwan dollars)	$ 3.23	3.21

(Continued)

(ii) Diluted earnings per share

	2020	2019
Net income attributable to ordinary shareholders of the Company	$ 903,785	899,950
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Effect of dilutive potential ordinary shares (in thousands):		
Remuneration to employees in stock	3,503	3,230
Weighted-average number of ordinary shares outstanding (including the effect of dilutive potential ordinary shares) (in thousands)	283,503	283,230
Diluted earnings per share (in New Taiwan dollars)	$ 3.19	3.18

(x) Share-based payment

On December 31, 2020, the Group issued the following three employee stock option plans (ESOP):

(i) ESOP granted by subsidiaries

	2020 DTC ESOP	2019 UTC second ESOP	2019 UTC first ESOP
Grant date	2020.9.30	2020.6.1	2019.12.20
Number of shares granted (in thousands)	4,500	750	1,600
Exercise price (NT$ / Share)	$12.00	20.00	20.00
Each unit eligible to subscribe	1 share	1 share	1 share
Contract term	0.08 year	0.25 year	0.25 year
Vesting conditions	Immediately vested	One-month, 100% vested	One-month, 100% vested
Qualified employees	Employees of DTC or employees of the Parent or subsidiaries of DTC	Employees of UTC or employees of the Parent or subsidiaries of UTC	Employees of UTC or employees of the Parent or subsidiaries of UTC

(Continued)

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

The main inputs that DTC and UTC used to measure the fair value of their employee stock options are as follows:

	2020 DTC ESOP	2019 UTC second ESOP	2019 UTC first ESOP
Option Pricing Model	Binomial	Black-scholes	Binomial
Fair value of stock options at grant date (NT$/per share)	$0.566	19.48	8.26
Fair value of common stock at grant date (NT$/per share)	12.02	39.92	28.21
Exercise price (NT$/per share)	12.00	20.00	20.00
Expected life (years)	0.08 year	0.25 year	0.25 year
Risk-free interest rate	0.22%	0.28%	0.47%
Expected volatility (Note 1)	40.55%	45.65%	32.52%
Expected dividends	- (Note 2)	6.71%	- (Note 3)

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

Note 2: No dividends were expected to be paid in 2020 as DTC's expected life of options was only 1 month.

Note 3: No dividends were expected to be paid in 2019 as UTC's expected life of options was only 3 months.

(iii) Movements in the number of options outstanding:

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

	2020			
	2019 second ESOP		2019 first ESOP	
	Number of options (in thousands)	Weighted-average exercise price (in NTD)	Number of options (in thousands)	Weighted-average exercise price (in NTD)
Outstanding, beginning of year	-	$ -	1,600	$ 20.00
Granted during the year	750	20.00	-	-
Exercised during the year	(750)	20.00	(1,600)	20.00
Outstanding, end of year	-	-	-	-
Exercisable, end of year	-	-	-	-

(Continued)

	2019	
	2019 first ESOP	
	Number of options (in thousands)	Weighted-average exercise price (in NTD)
Outstanding, beginning of year	-	$ -
Granted during the year	1,600	20.00
Exercised during the year	-	-
Outstanding, end of year	1,600	20.00
Exercisable, end of year	-	-

The information about the ESOPs granted by DTC was as follows:

	2020	
	Number of options (in thousands)	Weighted-average exercise price (in NTD)
Outstanding, beginning of year	-	$ -
Granted during the year	4,500	12.00
Exercised during the year	(4,500)	12.00
Outstanding, end of year	-	-
Exercisable, end of year	-	-

(iv) Employee compensation cost:

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

	2020	2019
Compensation cost	$ 23,765	6,608

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

(Continued)

(y) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020	2019
Primary geographical markets:		
Taiwan	$ 2,984,740	2,594,579
America	935,948	970,666
Mainland China	14,214,843	12,139,083
Others	4,213,997	3,432,845
	$ 22,349,528	**19,137,173**
Major products and services lines:		
Peripheral electronic products	$ 14,731,090	13,127,282
Green energy products and passive components	7,618,438	6,009,891
	$ 22,349,528	**19,137,173**

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable (including related parties)	$ 6,909,551	5,874,896	5,594,111
Less: loss allowance	(54,685)	(50,853)	(32,901)
	$ 6,854,866	**5,824,043**	**5,561,210**
Contract liabilities (included in other current liabilities)	**$ 57,751**	**47,136**	**-**

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

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

The amounts of revenue recognized in 2020 and 2019 that were included in the balances of contract liabilities on January 1, 2020 and 2019, were $42,826 and $0, respectively.

(Continued)

(iii) Refund liabilities

	December 31, 2020	December 31, 2019	January 1, 2018
Other current liabilities－refund liabilities	$ 315,172	488,256	597,920

(z) Remuneration to employees and directors

The Company's Article of Incorporation, amended on June 13, 2019, requires that annual earning shall first be offset against any deficit, then 5%~20% shall be allocated as employee remuneration and a maximum of 1% be allocated as directors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the Parent or subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2020 and 2019, the Company estimated its remuneration to employees amounting to $117,614 and $111,018, respectively, and the remuneration to directors amounting to $8,821 and $8,326, respectively. The said amounts were calculated based on the net profits before tax of each period before deducting the amount of the remuneration to employees and directors, multiplied by the proposed distribution ratio of the remuneration to employees and directors. The estimations are recognized as cost of sales or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.
The above-mentioned estimated remuneration to employees and directors was the same as the amount resolved by the Board of Directors and were all paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(aa) Non-operating income and loss

(i) Interest income

	2020	2019
Interest income from bank deposits	$ 39,422	36,925
Interest income from financial assets measured at amortized cost	4,460	5,811
	$ 43,882	42,736

(Continued)

(ii) Other income

		2020	2019
Rental income	$	2,315	5,500
Dividend income		32,152	36,178
Insurance claim		374	23,509
Subsidy		53,270	20,370
Other		45,137	37,074
	$	**133,248**	**122,631**

(iii) Other gains and losses

		2020	2019
Gains (losses) on disposal of property, plant and equipment	$	(3,637)	5,194
Losses on disposal of investment property		(1,051)	-
Loss on liquidation of subsidiary		(2,217)	-
Gain on lease modification		67	-
Foreign exchange gains (losses), net		(25,418)	22,395
Gain on financial assets and liabilities measured at fair value through profit or loss		18,902	19,458
Impairment losses on property, plant and equipment		(75)	-
Gain on bargain purchase (Note 6(h))		-	11,116
Others		(9,793)	(5,767)
	$	**(23,222)**	**52,396**

(iv) Finance costs

		2020	2019
Interest expense from bank loans	$	(55,383)	(40,953)
Interest expenses on lease liabilities		(11,427)	(5,696)
	$	**(66,810)**	**(46,649)**

(Continued)

(ab) Financial instruments

(i) Categories of financial instruments

1) Financial assets

	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign currency forward contracts	$ 9,844	3,174
Open-end mutual funds	100,034	-
Structured deposits	344,454	347,032
Subtotal	454,332	350,206
Financial assets at fair value through other comprehensive income	1,147,826	891,804
Financial assets measured at amortized cost:		
Cash and cash equivalents	2,602,683	1,722,470
Financial assets at amortized cost－current	1,100	732,186
Notes and accounts receivable and other receivables (including related parties)	6,875,933	5,829,059
Financial assets at amortized cost－non-current	810	810
Refundable deposits	32,260	146,884
Subtotal	9,512,786	8,431,409
Total	$ 11,114,944	9,673,419

2) Financial liabilities

	December 31, 2020	December 31, 2019
Financial liabilities at fair value through profit or loss:		
Foreign currency forward contracts	$ 28	-
Financial liabilities measured at amortized cost:		
Short-term borrowings	2,470,428	2,434,527
Short-term notes and bills payable	439,721	199,989
Notes and accounts payable and other payables (including related parties)	7,940,421	6,144,728
Long-term debt (including current portion)	1,600,000	1,006,501
Lease liabilities	353,709	215,928
Subtotal	12,804,279	10,001,673
Total	$ 12,804,307	10,001,673

(Continued)

(ii) Credit risk

The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets. As of December 31, 2020 and 2019, the Group's maximum exposure to credit risk amounted to $11,114,944 and $9,673,419, respectively.

The majority of the Group's customers are well-known international companies with high financial transparency. Management believes that there is no significant concentration of credit risk due to no concentration of transactions with single individual customer. Additionally, management of the Group continuously evaluates the credit quality of customers to lower the credit risk.

(iii) Liquidity risk

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

	Contractual cash flow	Within 1 year	1-2 years	2-5 years	Over 5 years
December 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	$ 2,474,148	2,474,148	-	-	-
Short-term notes and bills payable	440,000	440,000	-	-	-
Long-term debt (including current portion)	1,646,281	16,547	16,547	1,613,187	-
Notes and accounts payable and other payables (including related parties)	7,940,421	7,940,421	-	-	-
Lease liabilities	409,425	107,030	95,888	151,920	54,587
Subtotal	12,910,275	10,978,146	112,435	1,765,107	54,587
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross:					
Outflow	1,075,095	1,075,095	-	-	-
Inflow	(1,084,911)	(1,084,911)	-	-	-
Subtotal	(9,816)	(9,816)	-	-	-
	$ 12,900,459	10,968,330	112,435	1,765,107	54,587
December 31, 2019					
Non-derivative financial liabilities:					
Short-term borrowings	$ 2,438,288	2,438,288	-	-	-
Short-term notes and bills payable	200,000	200,000	-	-	-
Long-term debt (including current portion)	1,027,122	11,973	947,448	67,701	-
Notes and accounts payable and other payables (including related parties)	6,144,728	6,144,728	-	-	-
Lease liabilities	262,627	61,608	48,568	96,605	55,846
Subtotal	10,072,765	8,856,597	996,016	164,306	55,846
Derivative financial instruments:					
Foreign currency forward contracts－settled in gross					
Outflow	237,741	237,741	-	-	-
Inflow	(240,915)	(240,915)	-	-	-
Subtotal	(3,174)	(3,174)	-	-	-
	$ 10,069,591	8,853,423	996,016	164,306	55,846

(Continued)

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

(iv) 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):

	December 31, 2020				
	Foreign currency (in thousands)	**Exchange rate**	**New Taiwan Dollars (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss (in thousands)**
Financial assets					
Monetary items					
USD	$ 416,510	28.3500	11,808,059	1%	118,081
CNY	316,402	4.3216	1,367,363	1%	13,674
Financial liabilities					
Monetary items					
USD	276,689	28.3500	7,844,133	1%	78,441
CNY	174,692	4.3216	754,949	1%	7,549

	December 31, 2019				
	Foreign currency (in thousands)	**Exchange rate**	**New Taiwan Dollars (in thousands)**	**Change in magnitude**	**Pre-tax effect on profit or loss (in thousands)**
Financial assets					
Monetary items					
USD	$ 295,264	30.1060	8,889,218	1%	88,892
CNY	355,243	4.3132	1,532,234	1%	15,322
Financial liabilities					
Monetary items					
USD	191,680	30.1060	5,770,718	1%	57,707
CNY	208,721	4.3132	900,255	1%	9,003

With varieties of functional currencies within the consolidated entities of the Group, the Group disclosed net realized and unrealized foreign exchange gain (loss) on monetary items in aggregate. Please refer to note 6(aa) for the information with respect to the foreign exchange gains (losses) for the years ended December 31, 2020 and 2019.

(v) Interest rate risk

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period.

(Continued)

If the interest rate had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the years ended December 31, 2020 and 2019, would have been $45,101 and $36,410, respectively, lower/higher, which mainly resulted from the loans and borrowings with floating interest rates.

(vi) Fair value

1) Financial instruments that are not measured at fair value

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

2) Financial instruments that are measured at fair value

The Group's financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis.

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

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

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

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

	December 31, 2020				
	Carrying amount	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss:					
Derivative financial instruments－Foreign currency forward contracts	$ 9,844	-	9,844	-	9,844
Non-derivative financial assets:					
Structured deposits	344,454	-	344,454	-	344,454
Open-end mutual fund	100,034	100,034	-	-	100,034
Subtotal	454,332	100,034	354,298	-	454,332

(Continued)

	December 31, 2020				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	$ 1,126,806	1,126,806	-	-	1,126,806
Domestic emerging stocks	21,020	-	21,020	-	21,020
Subtotal	1,147,826	1,126,806	21,020	-	1,147,826
Total	$ 1,602,158	1,226,840	375,318	-	1,602,158
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments– Foreign currency forward contracts	$ 28	-	28	-	28

	December 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Derivative financial instruments－Foreign currency forward contracts	$ 3,174	-	3,174	-	3,174
Non-derivative financial assets—structured deposits	347,032	-	347,032	-	347,032
Subtotal	350,206	-	350,206	-	350,206
Financial assets at fair value through other comprehensive income:					
Domestic listed stocks	876,591	876,591	-	-	876,591
Domestic emerging stocks	15,213	-	15,213	-	15,213
Subtotal	891,804	876,591	15,213	-	891,804
Total	$ 1,242,010	876,591	365,419	-	1,242,010

3) 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.

(Continued)

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

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

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

ii) The fair value of domestic emerging stock is determined based on the average stock price on the emerging market at the reporting date.

b) Derivative financial instruments

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

4) Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the years ended December 31, 2020 and 2019.

(ac) Financial risk management

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

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

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

(Continued)

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations, which arises principally from the Group's cash and cash equivalents, structured deposits, receivables from customers, and other financial assets. The Group maintains cash and cash equivalents and other financial instruments with reputable financial institutions. Therefore, the exposure related to the potential default by those counter-parties is not considered significant.

The Group have established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. Additionally, the Group continuously evaluate the credit quality of customers and utilize insurance to minimize the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling their financial liabilities by delivering cash or another financial asset. The Group manages liquidity risk by monitoring regularly the current and estimated mid-term to long-term cash demand, and by maintaining adequate cash and banking facilities. As of December 31, 2020, and 2019, the Group had unused credit facilities of $9,972,079 and $12,236,331, respectively.

(iii) Market risk

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

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

1) Currency risk

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

2) Interest rate risk

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

(Continued)

3) Equity financial instruments price risk

The Group is exposed to the risk of price fluctuation in the securities market due to investment in equity financial instruments.

The sensitivity analysis in relation to equity financial instruments' price risk is calculated based on changes in fair value at the reporting date.

Assuming a hypothetical increase or decrease of 1% in equity price of the equity investment at each reporting date, the other comprehensive income for the years ended December 31, 2020 and 2019, would have increased or decreased by $11,478 and $8,918, respectively.

(ad) Capital management

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

For the years ended December 31, 2020 and 2019, there were no changes in the Group's approach with respect to capital management.

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

1) Please refer to note 6(k) for a description of acquisition the right-of-use assets through lease.
2) Reconciliation of liabilities arising from financing activities was as follows:

				Non-cash changes			
	January 1, 2020	**Cash flows**	**Acquisition**	**Additions of lease liabilities**	**Lease modifications**	**Fluctuation of foreign exchange rate**	**December 31, 2020**
Short-term borrowings	$ 2,434,527	35,901	-	-	-	-	2,470,428
Short-term notes and bills payable	199,989	239,732	-	-	-	-	439,721
Long-term debt (including current portion)	1,006,501	593,582	-	-	-	(83)	1,600,000
Lease liabilities	215,928	(88,248)	58,624	176,613	(4,785)	(4,423)	353,709
Other non-current liabilities	11,056	8,698	-	-	-	-	19,754
Total liabilities from financing acclivities	$ 3,868,001	789,665	58,624	176,613	(4,785)	(4,506)	4,883,612

				Non-cash changes			
	January 1, 2019	**Cash flows**	**Acquisition**	**Additions of lease liabilities**	**Lease modifications**	**Fluctuation of foreign exchange rate**	**December 31, 2019**
Short-term borrowings	$ 938,369	1,451,217	44,941	-	-	-	2,434,527
Short-term notes and bills payable	-	199,989	-	-	-	-	199,989
Long-term debt (including current portion)	440,000	559,885	6,669	-	-	(53)	1,006,501
Lease liabilities	129,332	(70,020)	5,455	154,972	(182)	(3,629)	215,928
Other non-current liabilities	11,081	(956)	931	-	-	-	11,056
Total liabilities from financing acclivities	$ 1,518,782	2,140,115	57,996	154,972	(182)	(3,682)	3,868,001

(Continued)

7. Related-party transactions

(a) Related party name and categories

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

Name of related party	Relationship with the Group
Qisda Corporation ("Qisda")	The entity with significant influence over the Group
BESV Japan Co., Ltd. ("BESVJ")	Joint venture
Other related parties:	
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 Sdn. Bhd. ("QLPG")	Subsidiary of Qisda
BenQ Japan Co., Ltd. ("BQJP")	Subsidiary of Qisda
BenQ Technology (Shanghai) Co., Ltd. ("BQls")	Subsidiary of Qisda
BenQ ESCO Corp. ("ESCO")	Subsidiary of Qisda
BenQ Material Corp. ("BMC")	Subsidiary of Qisda
DFI Inc. ("DFI")	Subsidiary of Qisda
Hitron (Suzhou) Technologies Inc.	Subsidiary of Qisda
Hitron Technologies Inc. ("HTI")	Subsidiary of Qisda
Shiton Investment Co., Ltd.	Other related party
Silver Star Co., Ltd.	Other related party

(b) Significant transactions with related parties

(i) Net Sales

	2020	2019
Entity with significant influence over the Group	$ 724	114
Joint Venture	133,996	94,777
Other related parties	167,307	83,171
	$ 302,027	178,062

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

(Continued)

(ii) Purchases and processing charges

	2020	2019
Other related parties	$ 795	1,498

There were no significant differences between the purchase prices for related parties and those for third-party suppliers. The payment terms of OA60 to OA75 days showed no significant difference between related parties and third-party suppliers.

(iii) Disposal of Property plant and equipment

In May 2020, the Group sold buildings to other related parties at a consideration of $22,000, resulting in a loss of $1,856. As of December 31, 2020, the property title has been transferred and related receivables were all collected.

(iv) Leases

In 2020, the Group leased land, plant and employee dormitories from related parties with lease period of one-to-nine years. The rental was referred to the market price of lease terms in the adjacent area. The total value of the lease was $38,714.

In 2019, the Group leased an employee dormitory from a related party. A one-year contract was signed, in which the rental was referred to the market price in the adjacent area. The total value of the lease was $11,558.

The Group recognized interest expenses of $342 and $321 in 2020 and 2019, respectively.

(v) Receivables

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

Account	Related-party categories	December 31, 2020	December 31, 2019
Accounts receivable	Entity with significant influence over the group	$ 408	2
Accounts receivable	Joint venture	35,016	30,029
Accounts receivable	Other related parties	88,017	24,334
		$ 123,441	54,365

(Continued)

(vi) Payables

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

Account	Related-party categories	December 31, 2020	December 31, 2019
Account payables	Other related parties	$ 263	415
Other payables	Entity with significant influence over the group	22	3
Other payables	Joint venture	110	-
Other payables	Other related parties	3,875	5,760
		4,007	5,763
Lease liability-non-current	Other related parties	7,456	-
		$ 11,726	6,178

(c) Compensation for key management personnel

	2020	2019
Short-term employee benefits	$ 185,379	147,746
Post-employment benefits	2,257	1,960
Share-based payment	15,387	3,015
	$ 203,023	152,721

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

8. Pledged assets

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

Pledged assets	Pledged to secure	December 31, 2020	December 31, 2019
Land and buildings	Credit lines of bank loans	$ 1,486,597	1,565,068
Time deposit	Guarantees for customs duties and credit limit of credit cards	1,910	1,910
		$ 1,488,507	1,566,978

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

9. Significant commitments and contingencies

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

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

	December 31, 2020	December 31, 2019
Guarantees for customs duties	$ 66,596	75,054

(Continued)

(b) Significant unrecognized commitments

	December 31, 2020	December 31, 2019
Acquisition of property, plant and equipment	$ 177,007	115,991
Acquisition of right-of-use assets	9,945	-
	$ 186,952	115,991

10. Significant loss from disasters: None.

11. Significant subsequent events: None.

12. Others

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

	2020			2019		
	Cost of sales	**Operating expenses**	**Total**	**Cost of sales**	**Operating expenses**	**Total**
Employee benefits:						
Salaries	2,647,759	1,409,330	4,057,089	2,313,293	1,147,081	3,460,374
Labor and health insurance	140,732	97,531	238,263	135,023	99,941	234,964
Pension	125,311	53,835	179,146	152,792	57,106	209,898
Other employees' benefits	114,793	61,363	176,156	176,013	69,636	245,649
Depreciation	627,430	136,466	763,896	525,949	114,337	640,286
Amortization	22,756	44,852	67,608	22,620	67,909	90,529

For the years ended December 31, 2020 and 2019, the depreciation of investment property of $775 and $3,047, respectively, were reported in non-operating income and loss.

13. Additional disclosures

(a) Information on significant transactions:

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

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

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

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

(v) Acquisition of real estate which exceeds $300 million or 20% of the paid-in capital: None.

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None.

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 4.

(Continued)

(viii) Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 5.

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

(x) Business relationships and significant intercompany transactions: Please refer to table 6.

(b) Information on investees (excluding investments in Mainland China): Please refer to table 7.

(c) Information on investment in mainland China: Please refer to table 8.

(d) Major shareholders:

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

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

14. Segment information

(a) General information

In 2020, The group has two reportable segments, peripheral electronic products and Green energy products and passive components. The peripheral electronic products department is mainly engaged in the research, design, manufacturing, and sale of computer peripherals and electronic components. The Green energy products and passive components department is mainly engaged in the research, design, manufacturing, and sale of green energy products and integrated components.

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

	2020			
	Peripheral electronic products	**Green energy products and passive components**	**Adjustment and eliminations**	**Total**
Revenue from external customers	$ 14,731,090	7,618,438	-	22,349,528
Inter-segment Revenues	-	706,922	(706,922)	-
Total	**$ 14,731,090**	**8,325,360**	**(706,922)**	**22,349,528**

(Continued)

	2019			
	Peripheral electronic products	Green energy products and passive components	Adjustment and eliminations	Total
Revenue from external customers	$ 13,127,282	6,009,891	-	19,137,173
Inter-segment Revenues	-	425,352	(425,352)	-
Total	$ 13,127,282	6,435,243	(425,352)	19,137,173

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.

(c) Geographic information

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

Region	2020	2019
Revenues from external customers:		
Taiwan	$ 2,984,740	2,594,579
America	935,948	970,666
Mainland China	14,214,843	12,139,083
Others	4,213,997	3,432,845
	$ 22,349,528	19,137,173

Region	December 31, 2020	December 31, 2019
Non-current assets:		
Taiwan	$ 4,053,226	3,505,224
Mainland China	3,837,590	3,848,977
Others	62,285	57,741
	$ 7,953,101	7,411,942

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

(d) Major customer information

Sales to individual customer representing more than 10% of the consolidated revenue were as follows:

	2020	2019
Sales to Customer A	$ 3,459,900	2,560,809

Darfon Electronics Corp. and Subsidiaries
Financing provided to other parties
For the year ended December 31, 2020

Table 1

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

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the period	Range of Interest Rates During the period	Purpose of Fund Financing for the Borrower	Transaction Amounts	Reason for the Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Amount Limits
													Item	Value		
1	KST	KSG	Other receivables from related parties	Yes	87,390 (EUR 2,500)	-	-	0.80%	2	-	Operating requirements	-	-	-	366,153	366,153
1	KST	KSG	Other receivables from related parties	Yes	87,390 (EUR 2,500)	69,912 (EUR 2,000)	19,845 (EUR 568)	3.00%	2	-	Operating requirements	-	-	-	366,153	366,153
1	KST	KSI	Other receivables from related parties	Yes	10,487 (EUR 300)	10,487 (EUR 300)	1,748 (EUR 50)	1.20%	2	-	Operating requirements	-	-	-	366,153	366,153
1	KST	KSV	Other receivables from related parties	Yes	283,500 (USD 10,000)	226,800 (USD 8,000)	-	3.00%	2	-	Operating requirements	-	-	-	366,153	366,153
2	DFS	DFH	Other receivables from related parties	Yes	226,800 (USD 8,000)	-	-	2.75%	1	408,440	-	-	-	-	408,440	1,172,201
2	DFS	DFH	Other receivables from related parties	Yes	226,800 (USD 8,000)	226,800 (USD 8,000)	226,800 (USD 8,000)	1.30%	2	-	Operating requirements	-	-	-	1,172,201	1,172,201
2	DFS	DFQ	Other receivables from related parties	Yes	226,800 (USD 8,000)	-	-	2.75%	1	1,866,106		-	-	-	1,172,201	1,172,201
2	DFS	DFQ	Other receivables from related parties	Yes	226,800 (USD 8,000)	226,800 (USD 8,000)	226,800 (USD 8,000)	1.30%	2	-	Operating requirements	-	-	-	1,172,201	1,172,201
3	DPS	DFQ	Other receivables from related parties	Yes	129,648 (CNY 30,000)	129,648 (CNY 30,000)	129,648 (CNY 30,000)	3.85%	2	-	Operating requirements	-	-	-	174,556	174,556
4	DTC	IOC	Other receivables from related parties	Yes	22,680 (USD 800)	22,680 (USD 800)	-	3.20%	2	-	Operating requirements	-	-	-	155,528	155,528

Note 1： The aggregate financing amount and individual financing amount of KST to subsidiaries shall not exceed 40% of the most recent net worth of KST.
Note 2： The aggregate financing amount because of business transaction purpose of DFS to subsidiaries shall not exceed 40% of the most recent net worth of DFS.
Individual financing amount limits are limited to business transactions between the two parties.
Note 3： The aggregate financing amount and individual financing amount of DPS to subsidiaries shall not exceed 40% of the most recent net worth of DPS.
Note 4： The aggregate financing amount and individual financing amount of DTC to subsidiaries shall not exceed 40% of the most recent net worth of DTC.
Note 5： Purpose of Fund Financing :
a. Business transaction purpose.
b. Short-term Financing purpose.
Note 6： The above amounts were translated into New Taiwan dollars at the exchange rate of EUR$1=NT$34.956 ,US$1=NT$28.35 and CN$1=NT$4.3216.
Note 7： 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)

December 31, 2020

Table 2

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Note
				Number of Shares (In Thousands of Shares)	Carrying Value	Percentage of Ownership	Fair Value	
The Company	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income–non-current	36,559	1,058,383	1.86%	1,058,383	-
DZL	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	1,973	57,118	0.10%	57,118	-
DZL	Raydium Semiconductor Corporation	-	Financial assets at fair value through other comprehensive income–current	150	21,020	0.22%	21,020	-
DZL	Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income–current	102	7,925	0.03%	7,925	-
DZL	DFI	Subsidiary of investor with significant influence over the Group	Financial assets at fair value through other comprehensive income–current	50	3,380	0.04%	3,380	-
KST	HARO BICYCLE CORPORATION	-	Financial assets at fair value through other comprehensive income–non-current	26	-	10.00%	-	-
TDI	Jih Sun Money Market Fund Beneficiary Certificate	-	Financial assets at fair value through profit or loss – current	-	100,034	-	100,034	-
DPS	Bank of Suzhou─Principal protected currency deposit in CNY	-	Financial assets at fair value through profit or loss－current	-	344,454	-	344,454	-

Darfon Electronics Corp. and Subsidiaries
Marketable Securities for Which the Accumulated Purchase or Sale Amounts Exceed $300 Million or 20% of the Paid in Capital
For the year ended December 31, 2020

Table 3

(Amounts in Thousands of NTD/CNY)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Carrying Value	Gain (loss) on disposal	Shares (in thousands)	Amount(Note 1)
The Company	TDI stock	Investment accounted for using equity method	Welldone Company and etc.	Subsidiary	-	-	26,410	407,809	-	-	-	-	26,410	407,412
DPS	Bank of Suzhou─Principal protected currency deposit in CNY	Financial assets at fair value through profit or loss-current	Bank of Suzhou	-	-	-	-	678,491 (CNY157,000)	-	341,376 (CNY78,993)	337,085 (CNY78,000)	4,291 (CNY993)	-	344,454 (CNY79,705)

Note 1： The ending balance includes shares of profits/losses of investees and other related adjustment.
Note 2： The above amounts were translated into New Taiwan dollars at the exchange rate of CN$1=NT$4.3216.

Darfon Electronics Corp. and Subsidiaries
Total Purchases From and Sales To Related Parties Which Exceed $100 Million or 20% of the Paid in Capital
For the year ended December 31, 2020

Table 4

Company Name	Related Party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes and Accounts Receivable (Payable)		Note
			Purchase /(Sale)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit price	Payment Terms	Ending Balance	% of Total	
The Company	DFS	Parent-subsudiary	Sales	(436,455)	(3)%	OA90 to OA135	Normal price	OA30 to OA135	146,029	2%	-
The Company	DFC	Parent-subsudiary	Sales	(146,033)	(1)%	OA135 to OA180	Normal price	OA30 to OA135	83,019	1%	-
The Company	DFA	Parent-subsudiary	Sales	(736,629)	(5)%	OA90 to OA135	Normal price	OA30 to OA135	414,652	7%	-
The Company	DTC	Parent-subsudiary	Sales	(311,355)	(2)%	OA90 to OA135	Normal price	OA30 to OA135	137,640	2%	-
The Company	DFS	Parent-subsudiary	Purchases	1,725,403(Note 3)	13%	OA90 to OA135	Note 1	OA30 to OA135	(905,649)	16%	-
The Company	DFH	Parent-subsudiary	Purchases	6,889,357	50%	OA90 to OA135	Note 1	OA30 to OA135	(2,839,190)	50%	-
The Company	DFQ	Parent-subsudiary	Purchases	3,651,738	27%	OA90 to OA135	Note 1	OA30 to OA135	(1,493,705)	26%	-
DFS	The Company	Parent-subsudiary	Sales	(1,725,403)(Note 3)	(24)%	OA90 to OA135	Normal price	OA30 to OA135	905,649	45%	-
DFS	DFH	Affiliates	Sales	(408,440)	(6)%	OA90 to OA135	Normal price	OA30 to OA135	134,323	7%	-
DFS	DFQ	Affiliates	Sales	(384,510)	(5)%	OA90 to OA135	Normal price	OA30 to OA135	169,149	8%	-
DFS	DFQ	Affiliates	Purchases	1,866,106	34%	OA90 to OA135	Note 1	OA30 to OA135	(107,234)	7%	-
DFS	The Company	Parent-subsudiary	Purchases	436,455	8%	OA90 to OA135	Normal price	OA30 to OA135	(146,029)	12%	-
DFH	The Company	Parent-subsudiary	Sales	(6,889,357)	(98)%	OA90 to OA135	Normal price	OA30 to OA135	2,839,190	97%	-
DFH	DFS	Affiliates	Purchases	408,440	8%	OA90 to OA135	Normal price	OA30 to OA135	(134,323)	5%	-
DFQ	The Company	Parent-subsudiary	Sales	(3,651,738)	(65)%	OA90 to OA135	Normal price	OA30 to OA135	1,493,705	90%	-
DFQ	DFS	Affiliates	Sales	(1,866,106)	(33)%	OA90 to OA135	Normal price	OA30 to OA135	107,234	6%	-
DFQ	DFS	Affiliates	Purchases	384,510	9%	OA90 to OA135	Normal price	OA30 to OA135	(169,149)	10%	-
DFA	The Company	Parent-subsudiary	Purchases	736,629	99%	OA90 to OA135	Normal price	OA30 to OA135	(414,652)	100%	-
DFC	The Company	Parent-subsudiary	Purchases	146,033	99%	OA135 to OA180	Normal price	OA30 to OA135	(83,019)	96%	-
KST	KSG	Parent-subsudiary	Sales	(239,195)	(11)%	OA90 to OA210	Normal price	OA30 to OA120	207,717	35%	-
KSG	KST	Parent-subsudiary	Purchases	239,195	76%	OA90 to OA210	Normal price	OA30 to OA120	(207,717)	94%	-

Darfon Electronics Corp. and Subsidiaries
Total Purchases From and Sales To Related Parties Which Exceed $100 Million or 20% of the Paid in Capital
For the year ended December 31, 2020

Table 4

Company Name	Related Party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes and Accounts Receivable (Payable)		Note
			Purchase /(Sale)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit price	Payment Terms	Ending Balance	% of Total	
DTC	The Company	Parent-subsudiary	Purchases	311,355	71%	OA90 to OA135	Normal price	OA30 to OA135	(137,640)	81%	-
DTC	BESVJP	Affiliates	Sales	(133,996)	38%	OA90 to OA135	Normal price	OA30 to OA135	35,015	44%	-
BESVJP	DTC	Affiliates	Purchases	133,996	100%	OA90 to OA135	Normal price	OA30 to OA135	(35,015)	100%	-

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

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

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

Darfon Electronics Corp. and Subsidiaries
Receivables From Related Parties which Exceed $100 Million or 20% of the Paid in Capital
December 31, 2020

Table 5

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Note
					Amount	Action taken			
The Company	DFS	Parent-Subsidiary	146,029	3.58	354	-	95,400	-	-
The Company	DFA	Parent-Subsidiary	414,652	1.87	40,513	-	135,372	-	-
The Company	DFH	Parent-Subsidiary	399,352	(Note 1)	11,779	-	105,493	-	-
The Company	DTC	Parent-Subsidiary	137,640	2.14	42,220	-	23,521	-	-
The Company	DFQ	Parent-Subsidiary	154,728	(Note 1)	37,501	-	98,517	-	-
DFS	The Company	Parent-Subsidiary	905,649	1.70	111,987	-	305,926	-	-
DFS	DFH	Affiliates	134,323	1.62	24,795	-	24,591	-	-
DFS	DFH	Affiliates	226,931	(Note 2)	-	-	-	-	-
DFS	DFQ	Affiliates	169,149	1.79	118,591	-	136,503	-	-
DFS	DFQ	Affiliates	226,890	(Note 2)	-	-	-	-	-
DFH	The Company	Parent-Subsidiary	2,839,190	3.08	769,074	-	1,137,871	-	-
DFQ	The Company	Parent-Subsidiary	1,493,705	2.99	379,998	-	905,259	-	-
DFQ	DFS	Affiliates	107,234	7.09	-	-	107,234	-	-
DPS	DFQ	Affiliates	132,795	(Note 2)	-	-	-	-	-
KST	KSG	Parent-Subsidiary	207,717	1.96	-	-	28,226	-	-

Note 1： Since the amount of duplicated transactions has been eliminated, the receivables turnover ratio is not reported.
Note 2： Since the receivables are not caused by selling and purchasing transactions, calculation of turnover rate is not applicable.
Note 3： The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

Darfon Electronics Corp. and Subsidiaries
Business Relationships and Significant Intercompany Transactions
For the Year Ended at December 31, 2020

Table 6

No.(Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenue or Total Assets (Note 4)
0	The Company	DFS	1	Sales	436,455	OA90 to OA135	2%
0	The Company	DFC	1	Sales	146,033	OA135 to OA180	1%
0	The Company	DFA	1	Sales	736,629	OA90 to OA135	3%
0	The Company	DTC	1	Sales	311,355	OA90 to OA135	1%
1	DFS	The Company	2	Sales	1,725,403	OA90 to OA135	8%
1	DFS	DFH	3	Sales	408,440	OA90 to OA135	2%
1	DFS	DFQ	3	Sales	384,510	OA90 to OA135	2%
2	DFH	The Company	2	Sales	6,889,357	OA90 to OA135	31%
3	DFQ	The Company	2	Sales	3,651,738	OA90 to OA135	16%
3	DFQ	DFS	3	Sales	1,866,106	OA90 to OA135	8%
4	KST	KSG	3	Sales	239,195	OA90 to OA210	1%
5	DTC	BESVJP	3	Sales	133,996	OA90 to OA135	1%
0	The Company	DFS	1	Accounts receivable	146,029	OA90 to OA135	1%
0	The Company	DFA	1	Accounts receivable	414,652	OA90 to OA135	2%
0	The Company	DFH	1	Accounts receivable	399,352	OA90 to OA135	2%
0	The Company	DTC	1	Accounts receivable	137,640	OA90 to OA135	1%
0	The Company	DFQ	1	Accounts receivable	154,728	OA90 to OA135	1%
1	DFS	The Company	2	Accounts receivable	905,649	OA90 to OA135	4%
1	DFS	DFH	3	Accounts receivable	134,323	OA90 to OA135	1%
1	DFS	DFH	3	Other accounts receivable	226,931	-	1%
1	DFS	DFQ	3	Accounts receivable	169,149	OA90 to OA135	1%
1	DFS	DFQ	3	Other accounts receivable	226,890	-	1%
2	DFH	The Company	2	Accounts receivable	2,839,190	OA90 to OA135	12%
3	DFQ	The Company	2	Accounts receivable	1,493,705	OA90 to OA135	6%

Darfon Electronics Corp. and Subsidiaries
Business Relationships and Significant Intercompany Transactions
For the Year Ended at December 31, 2020

Table 6

No.(Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details (Note 3)			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenue or Total Assets (Note 4)
4	KST	KSG	3	Accounts receivable	207,717	OA90 to OA210	1%
6	DPS	DFQ	3	Accounts receivable	132,795	-	1%

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

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

(Note 2) Relationships to counterparties were as follows:

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

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

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

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

Darfon Electronics Corp. and Subsidiaries

Information on Investees (Excluding Investments in Mainland China)

For the Year Ended December 31, 2020

Table 7

(In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31,2020			Maximum percentage of Ownership during 2020		Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
The Company	DFBVI	BVI	Trading of electronic products	392,352	810,206	34,150	100.00%	1,624,378	48,000	100.00%	163,884	163,884	Parent-Subsidiary
The Company	DFLB	Malaysia	Investment holding	2,536,514	2,946,041	74,589	100.00%	4,533,898	88,239	100.00%	264,331	264,331	Parent-Subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	51,969	51,969	13,067	100.00%	71,570	13,067	100.00%	(719)	(719)	Parent-Subsidiary
The Company	DZL	Taiwan	Investment holding	350,000	350,000	35,910	100.00%	480,000	35,910	100.00%	11,166	11,166	Parent-Subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related products	217,412	145,472	19,995	57.96%	225,360	14,000	70.00%	14,289	8,956	Parent-Subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	58,393	6,200	100.00%	(32,022)	(32,022)	Parent-Subsidiary
The Company	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	717,318	722,335	17,651	40.32%	739,472	18,058	45.11%	170,611	43,922	Parent-Subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related products	720,000	720,000	24,302	60%	711,709	24,302	60.00%	2,620	(9,329)	Parent-Subsidiary
The Company	STC (Note 2)	Taiwan	Manufacture and processing of satellite locator, navigator and antenna ,and the trading of telecommunications equipment.	-	24,292	-	-	-	1,289	8.15%	9,766	523	Affiliates
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	-	26,410	62.75%	407,412	26,410	62.75%	(12,574)	(397)	Parent-Subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	14,812	-	-	100.00%	14,666	-	100.00%	-	-	Parent-Subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related products	45,300	30,000	4,275	12.39%	48,175	3,000	15.00%	14,289	1,918	Parent-Subsidiary
DZL	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	185,492	200,455	4,361	9.96%	197,967	5,011	12.52%	170,611	11,126	Parent-Subsidiary
UTC	UTI	Mauritius	Investment holding	25,291	25,080	818	100.00%	24,191	818	100.00%	(3,041)	(3,041)	Affiliates
UTC	STC (Note 2)	Taiwan	Manufacture and processing of satellite locator, navigator and antenna, and the trading of telecommunications equipment.	288,176	166,630	15,810	100.00%	327,606	15,810	100.00%	9,766	5,985	Affiliates
KST	KSMC (Note 1)	Taiwan	Manufacture and sale of bicycles and related products	-	45,000	-	-	-	45,000	100.00%	(1,154)	-	Affiliates
KST	KSG	Germany	Assemble and sale of bicycles and related products	157,604	157,604	-	100.00%	43,740	-	100.00%	5,447	5,447	Affiliates

Darfon Electronics Corp. and Subsidiaries

Information on Investees (Excluding Investments in Mainland China)

For the Year Ended December 31, 2020

Table 7

(In Thousands of Shares)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31,2020			Maximum percentage of Ownership during 2020		Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying Value	Shares	Percentage of Ownership			
KST	KSI	Germany	Lease, purchase and management of movable property and immovable property ,and sale of bicycles and related products	87,853	87,853	-	100.00%	90,196	-	100.00%	2,179	2,179	Affiliates
KST	KSV	Vietnam	Manufacture and sale of bicycles and related products	279,756	279,756	-	100.00%	200,749	-	100.00%	(51,869)	(51,869)	Affiliates
DFLB	DFC	Czech Republic	Trading of electronic products	299	299	-	100.00%	58,402	-	100.00%	1,104	1,104	Affiliates
DFLB	DFA	America	Trading of electronic products	6,364	6,364	200	100.00%	38,019	200	100.00%	4,313	4,313	Affiliates
DFLB	DFK	South Korea	Trading of electronic products	1,781	1,781	10	100.00%	862	10	100.00%	102	102	Affiliates
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	439,036	1,000	100.00%	8,320	8,320	Affiliates
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	5,104	-	100.00%	(140)	(140)	Affiliates
DTC	BESVJ	Japan	Trading of green products	26,690	13,357	2	49.00%	29,069	2	49.00%	6,669	3,268	Joint Venture
DTC	IOC	Hong Kong	Agent of bicycles and related products	148,235	70,115	19,000	76.00%	140,833	19,000	76.00%	10,478	8,920	Affiliates
DTC	KSMC (Note 1)	Taiwan	Manufacture and sale of bicycles and related products	47,765	-	4,500	100.00%	48,550	45,000	100.00%	(1,154)	(1,154)	Affiliates
KSMC	Tiger (Note 3)	Samoa	Investment holding	-	39,349	-	-	-	1,127	100.00%	-	-	Affiliates
TDI	TD HiTech (Note 3)	Samoa	Investment holding	-	-	-	-	-	6,298	100.00%	(624)	(624)	Affiliates

Note 1： On January 2020, the Group introduced organization restructuring. KST sold all the ownership of KSMC to DTC.

Note 2： On June 2020, UTC obtained additional equity from the parent company and non-controlling shareholders by an equity swap.

Note 3： The company was liquidated in 2020.

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

Darfon Electronics Corp. and Subsidiaries
Information on investments in Mainland China
For the Year Ended December 31, 2020

Table 8

i.Name and main businesses and products of investee companies in Mainland China: **(In Thousands of NTD/USD)**

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital		Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
DFS	Manufacture and sale of the Company's products	786,004 (USD 27,725) (Note 4)	(Note 1)	1,443,015 (USD 50,900)	-	779,625 (USD 27,500)	663,390 (USD 23,400)	323,251	100.00%	323,251 (Note 2)	2,930,502	230,145 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,389,150 (USD 49,000)	(Note 1)	1,389,150 (USD 49,000)	-	-	1,389,150 (USD 49,000)	61,532	100.00%	61,532 (Note 2)	1,990,233	-
DPS	Mold development and manufacture	28,350 (USD 1,000)	(Note 1)	28,350 (USD 1,000)	-	-	28,350 (USD 1,000)	8,378	100.00%	8,378 (Note 2)	436,389	-
DFQ	Manufacture and sale of the Company's products	283,500 (USD 10,000)	(Note 1)	283,500 (USD 10,000)	-	-	283,500 (USD 10,000)	27,608	100.00%	27,608 (Note 2)	621,842	-
UTZ	Wireless antennas for telecommunication, components design and marketing	21,404 (USD 755)	(Note 1)	11,198 (USD 395)	10,206 (USD 360)	-	21,404 (USD 755)	(3,004)	100.00%	(3,004) (Note 3)	23,100	-
K-Light Bikes	Sale of bicycles and related products	-	(Note 1)	34,785 (USD 1,227)	-	9,554 (USD 337)	(Note 5)	-	-	-	-	-

Note1： Indirect investment in Mainland China is through a holding company established in a third country.
Note2： Investment income or loss was recognized based on the audited financial statements by the Parent company's auditors.
Note3： Investment income or loss was recognized based on the audited financial statements by the auditors of UTC.
Note4： Including US$ 4,325 thousand from capitalization of retained earnings.
Note5： K-Light Bikes was liquidated in 2020, wherein the amount of US$ 337 thousand was remitted back.

ii.Limits on investments in Mainland China:

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
The Company	2,134,245 (USD 75,282)	2,228,508 (USD 78,607)	(Note)
UTC	21,404 (USD 755)	21,404 (USD 755)	623,174

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1=NT$28.35.

(Note) Since the Company has obtained the certificate of headquarters operation, there is no upper limit on investments in Mainland China.

iii.Significant transactions with investee companies in Mainland China:

The transactions between the Company and investee companies (the intercompany transactions) have been eliminated when preparing the consolidated financial statements; please refer to “Information on significant transactions” and “Business relationships and significant intercompany transactions”

APPENDIX 2

Stock Code：8163

DARFON ELECTRONICS CORP.

Parent Company Only Financial Statements with Independent Auditors' Report

For the Years Ended December 31, 2020 and 2019

Address: No. 167-1, Shan Ying Road, Guishan District, Taoyuan City, Taiwan

Telephone：886-3-250-8800

The independent auditors' report and the accompanying parent company only 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 version and Chinese version, the Chinese-language independent auditors' report and the parent company only financial statements shall prevail.

Independent Auditors Report

To the Board of Directors of Darfon Electronics Corp.:

Audit Opinion

We have audited the parent-company-only financial statements of Darfon Electronics Corp. (the“Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers

Basis for Opinion

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters for the Company's parent-company-only financial statements for the year ended December 31, 2020 are stated as follows:

1. Valuation of inventories:

Please refer to notes 4(g) for the accounting policies on measuring inventory, notes 5(a) for assumptions used and uncertainties considered in determining net realizable value, and notes 6(f) for the disclosure of the amounts of inventory write-downs, of the parent-company-only financial statements.

<u>Description of key audit matter:</u>

Inventories are measured at the lower of cost and net realizable value. Due to the rapid innovation of technology, the Company's stocks for products may become obsolete and product price may decline rapidly. Furthermore, the stocks for products may exceed customers' demands thus becoming obsolete. These factors result in a risk wherein the carrying amount of inventory may exceed its net realizable value. Particularly, the estimation of net realizable value requires the management's subjective judgments. Therefore, the valuation of inventories has been identified as one of the key audit matters.

<u>How the matter was addressed in our audit:</u>

In relation to the key audit matter above, our principal audit procedures included reviewing the inventory of aging report and analyzing the fluctuation of inventory aging; selecting samples to verify the accuracy of inventory aging; evaluating whether valuation of inventories was accounted for in accordance with the Company's accounting policies; and assessing the historical reasonableness of management's estimates of inventory provisions.

2. Investment in the subsidiaries

Please refer to notes 4(i) and 6(g) for the accounting policy on business combination, and “Investment in the subsidiaries’for the related disclosure, respectively, of the notes to the parent-company-only financial statements.

Description of key audit matter:

In 2020 the Company acquired 62.75% ownership of TD HiTech Energy Inc. (TDI), wherein the Company is able to exercise control over it. To adopt the accounting treatment of business combination, the management needs to determine the fair value of the identifiable assets and liabilities. The assessment is complex and involves significant assumptions and estimation. Accordingly, investment in the subsidiaries has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the purchase price allocation report with valuation on intangible assets conducted by an external expert engaged by the management; and evaluating the acquired assets and liabilities identified by the management including any fair value adjustment at the acquisition date. In doing so, we have consulted internal valuation specialists to assist in evaluating the reasonableness of the valuation model and key assumptions used. We have also assessed whether correct accounting treatment has been applied, and appropriate disclosures with respect to the acquisition has been made.

3. Impairment of goodwill included in the carrying amount of investment in the subsidiaries

Please refer to notes 4(m) for the accounting policy on impairment of non-financial assets, notes 5(b) for the estimation uncertainty of impairment of goodwill, and 6(g) for related disclosures of impairment test of goodwill, of the parent-company-only financial statements.

Description of key audit matter:

Goodwill arising from acquisition of subsidiaries, which are included in the carrying amount of investments accounted for using equity method. Goodwill is annually subject to impairment test or when there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill from cash generating units involves management's judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

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

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintain professional skepticism throughout the audit. We also:

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

2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent-company-only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the parent-company-only financial statements, including the disclosures, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the audit. We remained solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit opinion.
We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the parent-company-only financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
The engagement partners on the audit resulting in this independent auditors' report are Huei-Chen Chang and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2021

Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 version and Chinese version, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

DARFON ELECTRONICS CORP.

Parent Company Only Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Assets	2020.12.31 Amount	%	2019.12.31 Amount	%
	Current assets：				
1100	Cash and cash equivalents (note 6(a))	$ 219,846	1	121,380	1
1110	Financial assets at fair value through profit or loss - current(note 6(b))	8,571	-	2,670	-
1120	Financial assets at fair value through other comprehensive income - current (note 6(c))	-	-	778,707	4
1136	Financial assets at amortized cost-current (note 6(d))	-	-	224,857	1
1170	Notes and accounts receivable, net (notes 6(e) & (q))	4,733,757	24	3,587,481	20
1180	Accounts receivable - related parties (notes 6(e) & (q) and 7)	1,353,352	7	797,886	5
1310	Inventories (note 6(f))	1,336,386	7	997,318	6
1470	Prepayments and other current assets	106,058	-	87,022	-
	Total current assets	7,757,970	39	6,597,321	37
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income - non-current (note 6(c))	1,058,383	5	-	-
1550	Investments accounted for using the equity method (note 6(g))	8,282,166	41	8,430,918	48
1600	Property, plant and equipment (notes 6(h), 7 and 8)	2,635,063	13	2,345,890	13
1840	Deferred income tax assets (note 6(n))	154,831	1	195,923	1
1915	Prepayment of equipment	30,842	-	35,976	-
1920	Refundable deposits	1,483	-	123,978	1
1990	Other non-current assets	180,920	1	16,121	-
	Total non-current assets	12,343,688	61	11,148,806	63
	Total Assets:	$ 20,101,658	100	17,746,127	100

(Continued)

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

DARFON ELECTRONICS CORP.

Parent Company Only Balance Sheets (Continued)

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		2020.12.31		2019.12.31	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities：				
2100	Short-term borrowings (note 6(i))	$ 1,540,000	8	2,000,000	11
2110	Short-term notes and bills payable (note 6(j))	439,721	2	199,989	1
2170	Notes and accounts payable	343,533	2	357,765	2
2180	Accounts payable - related parties (note 7)	5,343,545	26	3,799,097	22
2200	Other payables (notes 6(r) and 7)	1,174,473	6	1,063,571	6
2220	Other payables - related parties (note 7)	704	-	12,193	-
2250	Provision-current (note 6(l))	79,039	-	-	-
2300	Other current liabilities (note 6(q))	332,496	2	503,180	3
	Total current liabilities	9,253,511	46	7,935,795	45
	Non-current liabilities：				
2540	Long-term borrowings (notes 6(k) and 8)	1,600,000	8	1,000,000	6
2550	Provisions - non-current (note 6(l))	-	-	67,583	-
2640	Net defined benefit liabilitiy - non-current (note 6(m))	56,165	-	62,185	-
2670	Other non-current liabilities	916	-	27	-
	Total non-current liabilities	1,657,081	8	1,129,795	6
	Total liabilities	10,910,592	54	9,065,590	51
	Equity (note 6(o))：				
3110	Common stock	2,800,000	14	2,800,000	16
3200	Capital surplus	3,921,454	20	3,802,120	21
	Retained earnings:				
3310	Legal reserve	1,024,037	5	934,042	5
3320	Special reserve	492,270	2	366,541	2
3350	Unappropriated earnings	1,339,912	7	1,270,104	8
		2,856,219	14	2,570,687	15
	Other Equity：				
3410	Foreign currency translation differences	(683,751)	(4)	(499,270)	(3)
3420	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	328,577	2	38,323	-
3445	Remeasurement of defined benefit	(31,433)	-	(31,323)	-
		(386,607)	(2)	(492,270)	(3)
	Total equity	9,191,066	46	8,680,537	49
	Total liabilities and equity	**$ 20,101,658**	**100**	**17,746,127**	**100**

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

DARFON ELECTRONICS CORP.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, except for earnings per share)

		2020		2019	
		Amount	%	Amount	%
4000	**Net sales (notes 6(q) and 7)**	$ 15,056,289	100	13,851,669	100
5000	**Costs of sales (note 6(f), (h), (l), (m) & (r),7 and 12)**	(13,068,948)	(87)	(12,294,179)	(89)
5900	**Gross profit**	1,987,341	13	1,557,490	11
5910	Less: Unrealized (realized) profit on sales	(54,766)	-	94,016	1
5950	**Realized gross profit**	1,932,575	13	1,651,506	12
6000	**Operating Expenses (notes 6(e), (h), (m) & (r), 7 and 12)**				
6100	Selling expenses	(546,710)	(4)	(407,051)	(3)
6200	Administrative expenses	(358,335)	(2)	(275,700)	(2)
6300	Research and development expenses	(511,006)	(4)	(536,523)	(4)
6000	**Total operating expenses**	(1,416,051)	(10)	(1,219,274)	(9)
6900	**Operating income**	516,524	3	432,232	3
7000	**Non-operating income and expenses (Notes 6(c), (g), (h) & (s) and 7).**				
7100	Interest income	1,401	-	1,298	-
7010	Other income	49,264	-	39,950	-
7020	Other gains and losses	67,376	1	79,496	1
7050	Financial Costs	(34,451)	-	(34,877)	-
7070	Share of the profit of subsidiaries accounted for using equity method	450,315	3	472,740	3
	Total non-operating income and loss	533,905	4	558,607	4
7900	**Income before income tax**	1,050,429	7	990,839	7
7950	Income tax expenses (note 6(n))	(146,644)	(1)	(90,889)	-
8200	**Net income**	903,785	6	899,950	7
	Other comprehensive income(note 6(m),(n)&(o)):				
8310	**Items that will not be reclassified subsequently to profit or loss:**				
8311	Remeasurements of defined benefit plans	(55)	-	6,990	-
8316	Unrealized gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	279,676	2	58,495	-
8330	Share of the other comprehensive income of subsidiaries accounted for using equity method	36,259	-	12,204	-
8349	Income tax related to items that will not be reclassified subsequently to profit or loss	11	-	(1,398)	-
		315,891	2	76,291	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operations	(174,772)	(1)	(192,180)	(1)
8380	Share of the other comprehensive income of subsidiaries and joint ventures accounted for using equity method	(9,709)	-	(9,840)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		(184,481)	(1)	(202,020)	(1)
	Other comprehensive income (loss)for the year, net of income tax	131,410	1	(125,729)	(1)
8500	**Total comprehensive income for the year**	$ 1,035,195	7	774,221	6
	Earnings per share (in New Taiwan dollars)(note 6(p))				
9750	**Basic earnings per share**	$ 3.23		3.21	
9850	**Diluted earnings per share**	$ 3.19		3.18	

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

DARFON ELECTRONICS CORP.

Parent Company Only Statement of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

			Retained Earnings				Other equity				
	Common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Foreign currency translation differences	Unrealized gain (loss) from financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal	Total equity
Balance of January 1, 2019	$ 2,800,000	3,802,120	782,016	329,048	1,563,882	2,674,946	(297,250)	(32,907)	(36,384)	(366,541)	8,910,525
Net income in 2019	-	-	-	-	899,950	899,950	-	-	-	-	899,950
Other comprehensive income in 2019	-	-	-	-	-	-	(202,020)	71,230	5,061	(125,729)	(125,729)
Total comprehensive income in 2019	-	-	-	-	899,950	899,950	(202,020)	71,230	5,061	(125,729)	774,221
Appropriation of earnings:											
Legal reserve	-	-	152,026	-	(152,026)	-	-	-	-	-	-
Special reserve	-	-	-	37,493	(37,493)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(980,000)	(980,000)	-	-	-	-	(980,000)
Differences between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(24,209)	(24,209)	-	-	-	-	(24,209)
Balance on December 31, 2019	2,800,000	3,802,120	934,042	366,541	1,270,104	2,570,687	(499,270)	38,323	(31,323)	(492,270)	8,680,537
Net income in 2020	-	-	-	-	903,785	903,785	-	-	-	-	903,785
Other comprehensive income in 2020	-	-	-	-	-	-	(184,481)	316,001	(110)	131,410	131,410
Total comprehensive income in 2020	-	-	-	-	903,785	903,785	(184,481)	316,001	(110)	131,410	1,035,195
Appropriation of earnings:											
Appropriation of legal reserve	-	-	89,995	-	(89,995)	-	-	-	-	-	-
Appropriation of special reserve	-	-	-	125,729	(125,729)	-	-	-	-	-	-
Cash dividends distributed to shareholders	-	-	-	-	(644,000)	(644,000)	-	-	-	-	(644,000)
Group reorganization	-	144	-	-	-	-	-	-	-	-	144
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	94,638	-	-	-	-	-	-	-	-	94,638
Changes in ownership interest in subsidiaries	-	24,552	-	-	-	-	-	-	-	-	24,552
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	25,747	25,747	-	(25,747)	-	(25,747)	-
Balance on December 31, 2020	**$ 2,800,000**	**3,921,454**	**1,024,037**	**492,270**	**1,339,912**	**2,856,219**	**(683,751)**	**328,577**	**(31,433)**	**(386,607)**	**9,191,066**

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

DARFON ELECTRONICS CORP.

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities：		
Income before income tax	$ 1,050,429	990,839
Adjustments：		
Adjustments to reconcile profit or (loss)：		
Depreciation	167,988	116,431
Amortization	12,200	29,160
Expected credit loss	-	2,616
Interest expense	34,451	34,877
Interest income	(1,401)	(1,298)
Dividend income	(27,419)	(31,075)
Employees' compensation from subsidiaries	11,567	-
Share of the profit of subsidiaries accounted for using equity method	(450,315)	(472,740)
Gains on disposal and retirement of property, plant , equipment and intangible assets	(7,817)	(5,751)
Gains on bargain purchase	-	(1,414)
Impairment losses on property, plant and equipment	-	3,733
Unrealized (realized) profit from sales	54,766	(94,016)
Total adjustments to reconcile profit (loss)	(205,980)	(419,477)
Changes in operating assets and liabilities :		
Changes in operating assets：		
(Increase) decrease in financial assets at fair value through profit or loss	(5,901)	1,986
(Increase) decrease in notes and accounts receivable	(1,146,276)	1,096,168
(Increase) decrease in accounts receivable from related parties	(555,466)	310,191
Increase in inventories	(339,068)	(62,234)
Increase in prepayments and other current assets	(19,036)	(39,652)
Total changes in operating assets	(2,065,747)	1,306,459
Change in operating liabilities：		
Decrease in notes and accounts payable	(14,232)	(131,900)
Increase (decrease) in accounts payable to related parties	1,544,448	(539,957)
Increase (decrease) in other payables	83,343	(249,819)
Decrease in other payables to related parties	(8,174)	(6,235)
Increase (decrease) in provisions	11,456	(11,409)
Decrease in other current liability	(170,323)	(104,590)
Decrease in net defined benefit liability	(6,075)	(6,884)
Total change in operating liabilities	1,440,443	(1,050,794)
Total changes in operating assets and liabilities	(625,304)	255,665
Total adjustment	(831,284)	(163,812)
Cash inflow generated from operations	219,145	827,027
Interest received	1,401	1,298
Interest paid	(34,591)	(35,745)
Income tax paid	(66,344)	(303,831)
Net cash provided by operating activities	119,611	488,749

See accompanying notes to the parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

DARFON ELECTRONICS CORP.

Parent Company Only Statements of Cash Flows (Continued)

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from investing activities：		
Purchase of financial assets at amortized cost	-	(224,857)
Proceeds from redemption of financial assets at amortized cost	224,857	-
Purchase of investments accounted for using equity method	(494,561)	(829,624)
Disposal of investments accounted for using equity method	70,696	-
Proceed from capital reduction of equity-accounted investees	827,382	-
Additions to property, plant and equipment (including prepayments for equipment)	(467,415)	(379,334)
Proceeds from disposal of property, plant and equipment	1,178	11,102
Decrease (increase) in refundable deposits	122,495	(120,783)
Disposal of intangible assets	28,062	-
Increase in other non-current assets	(176,897)	(37,392)
Dividends received	107,490	312,792
Net cash flows provided by (used in) investing activities	243,287	(1,268,096)
Cash flows from financing activities：		
(Decrease) increase in short-term borrowings	(460,000)	1,061,631
Increase in short-term notes and bills payable	439,732	199,989
Decreasein short-term notes and bills payable	(200,000)	-
Increase in long term borrowings	1,040,000	600,000
Repayments of long term borrowings	(440,000)	(40,000)
Payments of lease liabilities	(592)	(610)
Increase (decrease) in other non-current liabilities	428	(500)
Cash dividends distributed to shareholders	(644,000)	(980,000)
Net cash flows (used in) provided by financing activities	(264,432)	840,510
Net increase in cash and cash equivalents	98,466	61,163
Cash and cash equivalents at beginning of year	121,380	60,217
Cash and cash equivalents at end of year	**$ 219,846**	**121,380**

See accompanying notes to the parent company only financial statements.

DARFON ELECTRONICS CORP.

Notes to Parent Company Only Financial Statements

For the years ended December 31, 2020 and 2019

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

1. Organization and business

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

2. Authorization of the parent-company-only financial statements

These parent company only financial statements were authorized for issuance by the Board of Directors on March 15, 2021.

3. Application of new and revised accounting standards and interpretations

(a) Impact of adoption the new and revised standards and interpretations endorsed by the Financial Supervisory Commission ("FSC")

Effective January 1, 2020, the Company has adopted the following newly revised IFRSs, which did not have a significant impact on individual financial statements.

- Amendments to IFRS 3, “Definition of a Business”
- Amendments to IFRS 9, IAS 39 and IFRS 7, “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8, “Definition of Material”
- Amendments to IFRS 16, “Covid-19 Related Rent Concessions”

(b) Impact of the IFRSs that have been endorsed by the FSC but not yet in effect

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on the parent-company-only financial statements.

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ” ve for annual period beginning－Phase 2nt

(Continued)

(c) The IFRSs issued by the IASB but not yet endorsed by the FSC

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

Standards or Interpretations	Content of Amendment	Effective Date Issued by IASB
Amendments to IAS1, "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January1, 2023

The Company is currently evaluating the impact on its financial position and financial performance as a result of the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IAS 16, "Property, Plant and Equipment - Proceeds before Intended Use"
- Amendments to IAS 37, "Onerous Contracts-Costs of Fulfillments a Contract"
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3, "References to Conceptual Framework"
- Amendments to IAS 1, "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

4. Summary of significant accounting policies

The significant accounting policies presented in the parent company only financial statements are summarized as follows. And the accounting policies have been applied consistently to all periods presented in these parent company only financial statements.

(a) Statement of compliance

The parent company only 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").

(Continued)

(b) Basis of preparation

(i) Basis of measurement

The parent company only financial statements have been prepared on the historical cost basis except for the following items in balance sheets：

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

(ii) Functional and presentation currency

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

(c) Foreign currency

(i) Foreign Currency Transactions

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

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

(ii) Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the Company's parent- company-only financial statements at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency of the Company's financial statements at the average exchange rates for the period. All resulting exchange differences are recognized in other comprehensive income.

(Continued)

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

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

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

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

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

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

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

(e) Cash and cash equivalents

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

(Continued)

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

4) Impairment of financial assets

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

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

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

Loss allowances for accounts receivable always measured at an amount equal to lifetime ECL.

(Continued)

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

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

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

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

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

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

5) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset terminated, when the Company transfers substantially all the risks and rewards of ownership of the financial assets to other enterprises, or when the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

(Continued)

(ii) Financial liabilities

1) Classification of debt or equity

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

2) Financial liabilities

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

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

3) Derecognition of financial liabilities

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

(iii) Offsetting of financial assets and liabilities

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

(iv) Derivative financial instruments

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

(Continued)

(g) Inventories

The cost of inventories all comprises all costs of purchase and other costs incurred in the bringing the inventories to their present location and condition ready for sale. Inventories are measured individually at the lower of cost or net realizable value. Inventories are measured individually at the lower of cost or net realizable value. Inventory are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. The difference between standard cost and actual cost is allocated to inventory and cost of sales on a proportional basis except for inefficient fixed manufacturing overheads, which are charged to cost of sales.Net realizable value represents the estimated selling price in the ordinary course of business,less all estimated costs of completion and necessary selling expenses at the balance sheet date.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or jointly control, over the financial and operating policies.

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

The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized as other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When changes in an associate' s equity are not recognized in profit or loss or other comprehensive income of the associate, and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the change in ownership interests of its associate as "capital surplus" in proportion to its ownership.

Unrealized gains and losses resulting from transactions between the Company and an affiliate are recognized only to the extent of unrelated Company’s interests in the associate.

Adjustments are made to associates' financial statements to conform to the accounting polices applied by the Company.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the recognition of further losses is discontinued. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

When an associate issues new shares and the Company does not subscribe to the new shares in proportion to its original ownership percentage, the Company's interest in the associate' s net assets will be changed. The change in the equity interest is adjusted through the capital surplus and investment accounts. If the Company' s capital surplus is insufficient to offset the adjustment to investment accounts, the difference is charged as a reduction of retained earnings. If the Company's interest in an associate is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under equity method, profit or loss, and other comprehensive income recognized in parent-company-only financial statement, is the same as the total comprehensive income attributable to the shareholders of the Company in the consolidated financial statements. In addition, the equity recognized in the parent-company-only financial statements is the same as the total equity attributable to the shareholders of the Company in the consolidated financial statements.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control as accounted for within equity.

Gains or losses from transactions between the Company and its subsidiaries that have not yet been realized are deferred. Gains or losses on transactions resulting from depreciable or amortizable assets are recognized annually over their useful lives; and those resulting from other types of assets are recognized in the year in which they are realized.

The Company uses the acquisition method of accounting to measure goodwill on newly acquired subsidiaries based on the fair value of the consideration transferred at the date of acquisition, including the amount of any noncontrolling interest in the acquiree, less the net amount of the identifiable assets acquired and liabilities assumed (generally the fair value). If the resulting balance is negative, the Company reassesses whether all assets acquired and liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

Transaction costs associated with a business combination are recognized as expenses as incurred, except when they relate to the issuance of debt or equity instruments.

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

(Continued)

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent Costs

(iii) Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iv) Depreciation

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

Land is not depreciated. The estimated useful lives for property, plant and equipment are as follows: machinery and equipment: 2 to 10 years; furniture, fixtures, and other equipment:3 to 10 years; buildings—main structure and other equipment pertaining to buildings: 4 to 40 years; buildings—electronic and air-conditioning facilities: 20 to 30 years.

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

(k) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

1) the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Company has the right to direct the use of the asset throughout the period of use only if either:

(Continued)

- the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined; and
  - the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the Company designs the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component,the Company allocates the consideration in the contract to each lease component on the basis of their relatively stand-alone prices. However, for the leases of land and buildings in which it is a lessee,the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

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

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

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

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

1) fixed payments, including in-substance fixed payments;
2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date；
3) amounts expected to be paid under a residual value gurantee；and
4) payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

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

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the Company's estimate of the amount excepted to be payable under a residual value guarantee;or

3) there is a change of the Company's assessment on whether it will exercise an option to purchase the underlying asset, or；

4) there is a change in the lease term resulting from a change of the Company's assessment on whether it will exercise an extension or termination option; or；

5) there is any lease modifications in lease subject, scope of the lease or other terms.

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

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

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

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

(iii) As a lessor

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

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

(Continued)

(l) Intangible assets

Acquired intangible assets are carried at cost, less, accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss using the straight-line method over the estimated useful lives of 6 to 8 years.

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

(m) Impairment of non-financial assets

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

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

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

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

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

(n) Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

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

(Continued)

(o) Revenue from contracts with customers recognition

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

(i) Sale of goods

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

The Company offers discounts to parts of its customers. The Company recognizes revenue based on the price specified in the contract, net of estimated discount. Discounts are estimated basis on contracts or accumulated experience using the expected value method, and revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected sales discounts payables to customers in relation to sales made until the end of the reporting period.

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

(ii) Royalties

The Company provides customers with a right to use the company’s intellectual property as it exists at the time the license is granted, under which the performance obligation is satisfied at a point in time and revenue is recognized when license is granted.

(iii) Financing Components

The Company does not except that the period between the transfer of the promised goods or services to the customer and the payment made by the customer exceeds one year. As a consequence, the company does not adjust any of the transaction prices for the time value of money.

(Continued)

(p) Employee Benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date, less, the fair value of plan assets. The discount rate for calculating the present value of the defined benefit obligation refers to the interest rate of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the term of the related pension obligation. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method.

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

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

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

(iii) Short-term employee benefits

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

(Continued)

(q) Income Tax

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

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

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

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

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

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

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

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

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

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

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

1) the same taxable entity; or

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

(Continued)

(r) Earnings per share ("EPS")

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

(s) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent-company-only financial statements.

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

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

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

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

(a) Inventory evaluation

Inventories are measured at the lower of cost and net realizable value. Due to rapid innovation of technology, the Company, of e s for products may become obsolete and product price may decline rapidly. These factors result in a risk wherein the carrying amount if inventory may exceed its net realizable value. Particularly, the estimates of net realizable value requires the management a subjective judgments and is mainly determined based on the assumptions of future demand within a specific time horizon, which could result in significant adjustments.

(b) Assessment of impairment of goodwill arising from investments in subsidiaries

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

(Continued)

6. Significant account disclosures

(a) Cash and cash equivalents

	2020.12.31	2019.12.31
Cash on hand	$ 804	1,072
Demand deposit and checking accounts	219,042	120,308
	$ 219,846	121,380

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

	2020.12.31	2019.12.31
Financial assets mandatorily measured at fair value through profit or loss：		
Derivative instruments not used for hedging：		
Foreign currency Forward Contracts	$ 8,571	2,670

The Company entered into derivative contracts to manage foreign currency exchange risk resulting from its operating activities. The derivative financial instruments that did not conform to the criteria hedge accounting 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 confirm to the criteria for hedge accounting consisted of the following：

2020.12.31		
Contract amount (in thousands)	**Currency**	**Maturity Period**
USD$ 32,080	CNY Buy / USD Sell	2021.01~2021.04

2019.12.31		
Contract amount (in thousands)	**Currency**	**Maturity Period**
USD$ 6,000	CNY Buy / USD Sell	2020.01

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

	2020.12.31	2019.12.31
Equity investments at fair value through other comprehensive income：		
Domestic listed stocks	$ 1,058,383	778,707
Current	$ -	778,707
Non -current	1,058,383	-
	$ 1,058,383	778,707

The Company designated the investments shown above as financial assets at fair value through other comprehensive income because these equity investments are held for long-term for strategic purposes and not for trading.

(Continued)

In 2020 and 2019, the dividend income arising from equity investments at fair value through other comprehensive income was $27,419 and $31, 075, respectively.

In 2020 and 2019, there were no strategic investments were disposed and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(d) Financial assets at amortized costs - current

	2020.12.31	2019.12.31
Restricted deposits	$ -	224,857

The abovementioned restricted deposits represent the earnings repatriated assets from offshore subsidiaries which were deposited in the segregated foreign exchange deposit accounts in accordance with “The Management, Utilization and Taxation of Repatriated Offshore Acts Fund” and other related regulations. The utilization of such account is limited to certain purposes. In 2020, the Group has fully transferred the abovementioned restricted deposits for investment purposes, and has obtained the Ministry of Economics Affairs' investment program completion certificate.

(e) Notes and accounts receivable

	2020.12.31	2019.12.31
Notes and accounts receivable	$ 4,756,013	3,609,737
Less: loss allowance	(22,256)	(22,256)
	4,733,757	3,587,481
Accounts receivable from related parties	1,353,352	797,886
	$ 6,087,109	4,385,367

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables (including related parties). 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:

	2020.12.31		
	Gross carrying amount	Weighted - average loss rate	Loss allowance
Current	$ 3,889,735	0.28%	10,712
Past due 1～30 days	757,266	0.74%	5,621
Past due 31～60 days	103,380	3.35%	3,464
Past due 61～90 days	4,513	29.94%	1,351
Past due 91～120 days	364	96.98%	353
Past due over 121 days	755	100.00%	755
	$ 4,756,013		22,256

(Continued)

	2019.12.31		
	Gross carrying amount	Weighted - average loss rate	Loss allowance
Current	$ 3,539,693	0.26%	9,333
Past due 1～30 days	66,190	16.25%	10,758
Past due 31～60 days	796	16.58%	132
Past due 61～90 days	1,659	38.22%	634
Past due over 91 days	1,399	100.00%	1,399
	$ 3,609,737		22,256

As of December 31, 2020 and 2019, the notes and accounts receivable - related parties were evaluated by the Company to have no expected credit losses and were analyzed as follows:

	2020.12.31	2019.12.31
Current	$ 1,183,558	637,152
Past due 1～30 days	86,709	47,071
Past due 31～60 days	58,410	61,442
Past due 61～90 days	23,368	49,551
Past due over 91 days	1,307	2,670
	$ 1,353,352	797,886

Movements of the loss allowance for notes and accounts receivable were as follows:

	2020	2019
Balance at January 1	$ 22,256	19,640
Impairment loss	-	2,616
Balance at December 31	$ 22,256	22,256

(f) Inventory

	2020.12.31	2019.12.31
Raw materials	$ 183,852	203,999
Work in process	15,123	22,991
Finished goods	1,137,411	770,328
	$ 1,336,386	997,318

(Continued)

For the years ended December 31, 2020 and2019, the amounts of inventories recognized as cost of sales were as follow:

	2020	2019
Cost of inventories sold	$ 13,082,672	12,262,408
Write-downs of inventories (reversal of write-downs)	(24,485)	27,755
Loss on scrap	10,761	4,016
	$ 13,068,948	12,294,179

The write-downs of inventories (reversal of write-downs) arising from the inventories at the end of the reporting period and then writes down the cost of inventories to net realizable value ,and the use of raw material or sale of inventories were included in the cost of sales.

(g) Investments accounted for using equity method

A summary of the Company's investments accounted for using the equity method at the reporting date is as follows:

	2020.12.31	2019.12.31
Subsidiaries	$ 8,282,166	8,430,918

(i) Subsidiaries

Please refer to consolidated financial statements for the year ended December 31, 2020.

For the years ended December 31, 2020 and 2019, the following table summarized the amount recognized by the Company at its share of those subsidiaries:

	2020	2019
Subsidiaries	$ 450,315	472,740

(ii) Acquisition of Subsidiaries-TD HiTech Energy Inc.

1) The cost of acquisition

On August 25, 2020 (acquisition date), the Company acquired 62.75% equity ownership of TD HiTech Energy Inc. (“TDI”).Since then, TDI and its subsidiaries have been included in the consolidated financial statements. TDI and its subsidiaries are mainly engaged in the manufacture and trading of High-Power Electronic Bike Battery Module and related components.

The acquisition of TDI is mainly to accelerate the strategic layout with respect to the business development of the E-Bike battery, thereby expanding the Company’s scale in the industry of green energy products.

2) Identifiable net assets acquired in a business combination

On August 25, 2020 (the acquisition date), the fair values of the identifiable assets acquired and liabilities assumed from the acquisition were as follows:

(Continued)

Consideration Transferred：				
Cash			$	407,809
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)				213,486
Less: identifiable net assets acquired at fair value:				
Cash and cash equivalents	$	317,650		
Notes and accounts receivable, net		172,338		
Other receivables		58		
Inventories		135,808		
Prepayments and other current assets		13,642		
Property, plant and equipment		21,334		
Prepayments of equipment		1,284		
Right-of-use assets		57,052		
Intangible assets - patents		856		
Intangible assets - expertise technology		28,454		
Intangible assets-computer software		2,207		
Deferred income tax assets		9,251		
Refundable deposits		1,843		
Accounts payable		(75,598)		
Other payables		(18,859)		
Provision - current		(13,861)		
Other current liabilities		(16,026)		
Lease liabilities (including current and non-current)		(58,624)		
Deferred income tax liabilities		(5,691)		573,118
Goodwill			**$**	**48,177**

The above goodwill and intangible assets recognized at the time of investment are included in the carrying value of investments-subsidiaries accounted for using the equity method.

The Company continuously reviews the abovementioned items during the measurement period. If there is any new information obtained within one year from the acquisition date about facts and circumstances that existed as of the acquisition date ,for which the abovementioned provisional amounts recognized at the acquisition date should be adjusted or additional provision should be recognized, the accounting for the business combination will be modified.

(iii) Acquisition of Subsidiary- Kenstone Metal Co., LTD.

1) The cost of acquisition

On April 15, 2019 (the acquisition date), the Company acquired 60% equity ownership of Kenstone Metal Co., LTD. (“KST”).Since then, KST and its subsidiaries have been included in the consolidated financial statements. KST and its subsidiaries are mainly engaged in the manufacture, processing and trading of bicycles and their components.

The acquisition of KST enabled the Company to accelerate its strategic layout with respect to the business development of design, assembly, OEM of E-Bike as well as the battery and electric control kit, thereby expanding the Company’s scale in the industry of green energy products.

(Continued)

2) Identifiable net assets acquired in a business combination

On April 15, 2019 (the acquisition date),the fair values of the identifiable assets acquired and liabilities assumed from the acquisition were as follows:

Consideration Transferred：		
Cash		$ 720,000
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		390,718
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	$ 262,342	
Notes and accounts receivable, net	388,956	
Other receivables	11,382	
Inventories	333,516	
Prepayments and other current assets	18,918	
Property, plant and equipment	148,491	
Right-of-use assets	79,647	
Intangible assets – expertise technology	7,673	
Intangible assets-computer software	1,215	
Deferred income tax assets	16,777	
Other non-current assets	64,818	
Short-term borrowings	(16,329)	
Notes and accounts payable	(169,329)	
Other payables	(78,796)	
Other current liabilities	(65,588)	
Deferred income tax liabilities	(18,867)	
Non-controlling interests	(8,032)	976,794
Goodwill		**$ 133,924**

The above goodwill and intangible assets recognized at the time of investment are included in the carrying value of investments-subsidiaries accounted for using the equity method.

(iv) Acquisition of Subsidiary - San Jose Technology, Inc.

1) The cost of acquisition

On May 24, 2019 (the acquisition date), the Company and Unictron Technologies Corporation's ("UTC") jointly acquired 64.05% equity ownership of San Jose Technology, Inc.("STC").Since then, STC and its subsidiaries have been included in the consolidated financial statements .STC and its subsidiaries are mainly engaged in the manufacture and processing of satellite locators, navigators and antennas and the trading of telecommunications equipment.

The acquisition of STC enabled the Company accelerate its strategic layout with respect to the external antenna, tracking device, antenna module for vehicles as well as IOT industry, thereby expanding the Company's scale in t integrated antenna elements and module field.

(Continued)

2) Identifiable net assets acquired in a business combination

On May 24, 2019 (the acquisition date), the fair values of the identifiable assets acquired and liabilities assumed from the acquisition were as follows:

Consideration Transferred：				
Cash			$	190,922
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)				113,381
Less: identifiable net assets acquired at fair value:				
Cash and cash equivalents	$	52,007		
Financial assets at fair value through profit or loss – current		8,918		
Notes and accounts receivable, net		20,428		
Inventories		40,086		
Prepayments and other current assets		3,767		
Property, plant and equipment		206,217		
Investment property		24,930		
Intangible assets-computer software		542		
Deferred income tax assets		5,631		
Other non-current assets		925		
Notes and accounts payable		(19,592)		
Other payables		(14,926)		
Other current liabilities		(11,312)		
Net defined benefit liabilities - non-current		(1,271)		
Guarantee deposits received		(931)		315,419
Gain on bargain purchase			**$**	**(11,116)**

As a result, the Company recognized a bargain purchase gain of $1,414 thousand, which was reported as other gains and losses in the year ended December 31, 2019.

(v) Acquisition of subsidiaries—Iron Ore Co., Ltd.

1) The cost of acquisition

On December 9, 2019 (the acquisition date), the Company's subsidiary, Darad Innovation Corp.,("DTC") acquired 60% equity ownership of Iron Ore Co.,Ltd. ("IOC").Since then, IOC have been included in the consolidated financial statements. IOC is an agent of high-end bikes and related accessories, which has dedicated to bike markets in mainland China and Hong Kong, and has long-term cooperation with North America and Europe mainstream brands.

The acquisition of IOC enabled the Company to accelerate to enter into Bike/eBike channel in Mainland China and Hong Kong, thererby expanding the Company's scale in Bike/eBike field.

(Continued)

2) Identifiable net assets acquired in a business combination.

December 9, 2019 (the acquisition date),the fair values of the identifiable assets acquired and liabilities assumed from the acquisition was as follows:

Consideration Transferred：		
Cash		$ 70,115
Add: Non-controlling interests (measured at non-controlling interest's proportionate share of the fair value of identifiable net assets)		39,863
Less: identifiable net assets acquired at fair value:		
Cash and cash equivalents	$ 5,327	
Accounts receivable, net	17,532	
Inventories	134,970	
Prepayments and other current assets	7,320	
Property, plant and equipment	628	
Right-of-use assets	5,396	
Short-term borrowings	(28,612)	
Accounts payable	(25,256)	
Other payables	(2,985)	
Other current liabilities	(2,538)	
Lease liabilities (including current and non-current)	(5,455)	
Long-term borrowings (including current portion)	(6,669)	99,658
Goodwill		$ 10,320

The above goodwill recognized at the date of investment is included in the carrying amount of the investment-subsidiary using the equity method.

(vi) Acquisitions of material non-controlling interests

In 2020, UTC exchanged 0.20 shares for 1 share of STC and used $12,176 thousand of cash to acquire all of the Company's shares in STC. As a result, the Company's equity interest in STC was reduced to zero. The Company adjusted capital surplus by $8,511 thousand for the aforementioned transaction and recognized the difference between consideration and carrying amount of STC.

KST acquired the additional subsidiary of ISC for $10,000 in July 2019, resulting in an increase in the Company's equity holding to ISC. The difference between consideration and carrying amount of KST was written-down in the retained earnings by $1,719.

The Company acquired additional equity of UTC for a cash consideration of $44,350 in 2019, resulting in an increase in the Company's equity holding to UTC. The difference between consideration and carrying amount of UTC amounted to $22,490 was written-down in retained earnings.

(Continued)

(vii) Disposal of part of the subsidiary's equity without losing control

The Company and Darfon Gemmy Corp. disposed part of UTC's equity amounted to$58,520 thousand in 2020. The difference between consideration and carrying amount of UTC amounted to $43,206 thousand was recognized as capital surplus. In addition, the Company recognized capital surplus of $42,955 thousand from the disposal of UTC in proportion to the Company's ownership of Darfon Gemmy Corp.

(viii)Changes in subsidiaries' equity did not result in the Group's loss of control

UTC , a subsidiary of the Company, acquired additional equity in STC by issuing new shares and handling equity exchanges, and the exercise of employee stock options by their employees resulting in a decrease in the Company's holding to UTC in 2020

The cash capital of DTC increased in 2020, the Company subscribed to additional shares at a percentage different from its existing ownership percentage and the exercise of employee stock options by their employees resulting in a decrease in the Company's holding to DTC.

Due to the above-mentioned changes in the ownership and equity of the subsidiary, the Company has increased the capital surplus by $24,552.

(ix) Impairment test on goodwill

The excess of the cost of acquiring an investment in a subsidiary over the Company's equity interest of the net fair value of the investee's identifiable assets and liabilities at the date of acquisition should be recorded as goodwill, and any impairment of goodwill should be recognized as a reduction in the carrying amount of the investment using the equity method in the individual financial statements. As of December 31, 2020 and 2019, the recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

	2020.12.31	**2019.12.31**
UTC	$ 273,447	273,447
KST	133,924	133,924
Other CGU without significant goodwill	58,497	10,320
	$ 465,868	**417,691**

Above-mentioned CGUs represents the lowest level within the group, at which the goodwill is monitored for internal management purpose. Based on the results of impairment tests conducted by the Company, the recoverable amount exceeded its carrying amount; as a result, no impairment loss was recognized. The recoverable amount of a CGU was determined based on the value in use, and the related key assumptions were as follows:

(Continued)

The key assumptions used to estimate the value in use are as follows：

	2020.12.31	2019.12.31
UTC：		
Revenue growth rate	9%~15%	8.5%~18%
Discount rate	17.38%	17.48%
KST：		
Revenue growth rate	15%~30%	5%~18%
Discount rate	17.40%	23.20%

1) The cash flow projections were based on future financial budgets, covering a period of 5 years, which were approved by management. Cash flows that beyond 5-years have been extrapolated using a 1.5% to 2% growth rate.
2) The estimation of discount rate is based on the weighted average cost of capital.

(h) Property, plant and equipment

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

	Land	Building	Machinery	Furniture and fixtures	Other Equipment	Equipment under installation	Total
Cost：							
Balance at January 1, 2020	$ 606,960	2,150,856	1,003,065	21,043	68,532	279,161	4,129,617
Additions	-	7,053	307,936	5,717	21,293	79,761	421,760
Disposals	-	(402)	(15,117)	(2,919)	(9,793)	-	(28,231)
Reclassification	-	92,200	216,329	6,158	-	(278,711)	35,976
Balance at December 31,2020	$ 606,960	2,249,707	1,512,213	29,999	80,032	80,211	4,559,122
Balance at January 1,2019	$ 606,960	2,129,347	722,330	31,703	65,133	-	3,555,473
Additions	-	19,291	312,046	1,744	2,058	-	335,139
Disposals	-	(2,466)	(34,957)	(11,760)	(1,429)	-	(50,612)
Reclassification	-	4,684	3,646	(644)	2,770	279,161	289,617
Balance at December 31, 2019	$ 606,960	2,150,856	1,003,065	21,043	68,532	279,161	4,129,617
Accumulated depreciation and impairment losses：							
Balance at January 1, 2020	$ -	1,021,199	683,107	19,379	60,042	-	1,783,727
Depreciation	-	79,791	80,195	2,096	5,316	-	167,398
Disposals	-	(17)	(14,469)	(2,919)	(9,661)	-	(27,066)
Balance at December 31, 2020	$ -	1,100,973	748,833	18,556	55,697	-	1,924,059
Balance at January 1, 2019	$ -	947,760	672,474	30,282	54,819	-	1,705,335
Depreciation	-	75,905	33,564	947	5,402	-	115,818
Impairment losses	-	-	3,733	-	-	-	3,733
Disposals	-	(2,466)	(25,503)	(11,761)	(1,429)	-	(41,159)
Effect of exchange rate changes	-	-	(1,161)	(89)	1,250	-	-
Balance at December 31,2019	$ -	1,021,199	683,107	19,379	60,042	-	1,783,727
Carrying amount：							
Balance at December 31,2020	$ 606,960	1,148,734	763,380	11,443	24,335	80,211	2,635,063
Balance at December 31,2019	$ 606,960	1,129,657	319,958	1,664	8,490	279,161	2,345,890

(Continued)

In 2019, the Company evaluated that part of equipment was not available for production and had almost no disposal value (through level 3 fair value measurement). Thus, an impairment loss of $3,733 thousand was recognized and includes in "non-operating income and loss - other gains and losses" for the carrying value of the related equipment.

For the years ended December 31, 2020 and 2019, please refer to note 8 for details of the property, plant and equipment pledged as collaterals for long-term loans and credit facilities.

(i) Short-term borrowings

	2020.12.31	2019.12.31
Unsecured bank borrowings	$ 1,540,000	2,000,000
Unused credit facilities	$ 5,571,028	5,092,345
Interest Rate	0.83%~0.94%	0.85~1.03%

(j) Short-term notes and bills payable

	2020.12.31	2019.12.31
Commercial paper payable	$ 440,000	200,000
Less: Discount on short-term commercial paper payable	(279)	(11)
Total	$ 439,721	199,989
Interest Rate	0.848%~0.858%	0.968%

(k) Long-term borrowings

	2020.12.31	2019.12.31
Secured bank borrowings	$ 1,600,000	1,000,000
Less: current portion of long-term borrowings	-	-
	$ 1,600,000	1,000,000
Unused credit facilities	$ 2,053,600	2,681,696
Year to maturity	112	110~112
Interest Rate	0.99%~1.08%	1.12%~1.24%

In accordance with each loan agreement, the Company is required to maintain certain financial ratios, including current ratio, net liability ratio, financial liability ratio, time interest earned and tangible net worth, calculated based on its annual consolidated financial statements and the semi-annual reviewed consolidated financial statements. On December 31, 2020 and 2019, the Company was in compliance with the financial ratios specified in the above loan agreements.

Please refer to note 8 for a description of pledged property for long-term borrowings from banks.

(Continued)

(l) Provision - Warranty

		2020	2019
Balance at January 1	$	67,583	78,992
Additions		28,794	13,738
Amount utilized		(17,338)	(25,147)
Balance at December 31	$	79,039	67,583

The provision for product warranties is mainly related to sale of computer peripheral devices and electronic components. The provision for warranties is estimated based on historical warranty data associated with similar products.

(m) Employee benefits

(i) Defined benefit plans

The reconciliation between the present value of defined benefit obligations and fair value of plan assets for defined benefit plans was as follows:

		2020.12.31	2019.12.31
Present value of benefit obligations	$	160,686	162,391
Fair value of plan assets		(104,521)	(100,206)
Net defined benefit liabilities	$	56,165	62,185

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

1) Composition of plan assets

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

As of December 31, 2020 and 2019, the Company's labor pension fund account balance at Bank of Taiwan amounted to $104,521 thousand and $100,206 thousand, respectively. Refer to the website of the Bureau of Labor Funds for information on the labor pension fund assets including the asset portfolio and yield of the fund.

(Continued)

2) Movements in the present value of defined benefit obligations

	2020	2019
Defined benefit obligations at January 1	$ 162,391	188,398
Current service cost and interest expense	1,942	2,922
Remeasurement on the net defined benefit liabilities：		
－Actuarial losses (gains) arising from experience adjustments	(4,054)	(8,901)
－Actuarial losses (gains) arising from changes in financial assumptions	7,484	5,327
Benefit paid by the Company and the plan	(7,077)	(25,355)
Defined benefit obligation at December 31	**$ 160,686**	**162,391**

3) Movements of the fair value of plan assets

	2020	2019
Fair value of plan assets at January 1	$ 100,206	112,339
Interest income	1,139	1,578
Remeasurement on the net defined benefit liabilities		
－Return on plan assets (excluding the amounts included in the net interest expense)	3,375	3,416
Contributions by the employer	4,320	5,760
Benefits paid by the plan	(4,519)	(22,887)
Fair value of plan assets at December 31	**$ 104,521**	**100,206**

4) Change in the effect of the assets ceiling

In 2020 and 2019, there was no effect of the asset ceiling.

5) Expenses recognized in profit or loss

	2020	2019
Current service costs	$ 128	343
Net interest expense on the net defined benefit liability	675	1,001
	$ 803	**1,344**
Cost of sales	$ 184	253
Operating expenses	619	1,091
	$ 803	**1,344**

6) Actuarial assumptions

The principal assumptions of the actuarial valuation were as follows:

	2020.12.31	2019.12.31
Discount rate	0.750%	1.125%
Future salary increases rate	2.000%	2.000%

The Company expects to make a contribution of $4,320 thousand to the defined benefit plans in the year following December 31,2020. The weighted-average duration of the defined benefit plan is 15.89 years.

(Continued)

7) Sensitivity analysis

The impact of a change in the assumptions on the present value of the defined benefit obligation is as follows：

	Increase (decrease) in present value of defined benefit obligations	
	0.25% Increase	**0.25% Decrease**
December 31,2020		
Discount rate	$ (5,037)	5,236
Future salary change	5,069	(4,913)
December 31,2019		
Discount rate	(5,327)	5,554
Future salary change	5,405	(5,218)

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

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

(ii) Defined contribution of plan

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee’s individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

For the years ended December 31, 2020 and 2019, the Company recognized pension expenses of $35,883 thousand and $37,131 thousand, respectively, in relation to the defined contribution plans.

(n) Income Tax

(i) In 2020 and 2019, the components of income tax expense were as follows:

	2020	**2019**
Current income tax expense		
Current period	$ 82,519	35,687
Adjustment for prior years	23,022	28,362
	105,541	64,049
Deferred income tax expense (benefit)		
Origination and reversal of temporary differences	105,801	124,210
Changes in unrecognized deductible temporary differences	(64,698)	(85,370)
Recognition of previously unrecognized tax losses	-	(12,000)
	41,103	26,840
	$ 146,644	**90,889**

In 2020 and 2019, there was no income tax recognized directly in equity.

(Continued)

In 2020 and 2019, the compontents of income tax expense (benefit) recognized in other comprehensive income were as follows：

		2020	2019
Items that will not be reclassified subsequently to profit or loss：			
Remeasurements of the defined benefit plans	$	(11)	1,398

Reconciliation of income tax expense and income before income tax for 2020 and 2019 was as follows：

		2020	2019
Income before income taxes	$	1,050,429	990,839
Income tax using the company's statutory tax rate	$	210,086	198,168
Investment income recorded under equity method		(10,824)	(21,737)
Investment tax credits		(31,470)	(11,111)
Adjustment for prior-year income tax expense		23,022	28,362
Changes in unrecognized deductible temporary differences		(64,698)	(85,370)
Recognition of previously unrecognized tax losses		-	(12,000)
Others		20,528	(5,423)
	$	146,644	90,889

(ii) Deferred income tax assets and liabilities

1) Unrecognized deferred income tax assets

		2020.12.31	2019.12.31
Deductible temporary differences	$	176,317	161,776
Tax losses		4,000	-
	$	180,317	161,776

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

2) Unrecognized deferred income tax liabilities

		2020.12.31	2019.12.31
Aggregate taxable temporary differences associated with investments in subsidiaries	$	800,682	721,443

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

(Continued)

3) Recognized deferred income tax assets and liabilities

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

Deferred income tax assets：

	Depreciation adjustments for tax purposes	Defined benefit liabilities	Deferred inter-company profits	Warranty provisions	Refund liabilities	Others	Total
Balance at January 1,2020	$ 21,581	12,437	100,545	13,517	18,106	29,737	195,923
Recognized in profit or loss	1,363	(1,215)	10,953	2,291	(54,955)	460	(41,103)
Recognized in other comprehensive income	-	11	-	-	-	-	11
Balance at December 31, 2020	**$ 22,944**	**11,233**	**111,498**	**15,808**	**(36,849)**	**30,197**	**154,831**
Balance at January 1,2019	$ 19,699	15,212	119,348	15,798	29,094	25,941	225,092
Recognized in profit or loss	1,882	(1,377)	(18,803)	(2,281)	(10,988)	3,796	(27,771)
Recognized in other comprehensive income	-	(1,398)	-	-	-	-	(1,398)
Balance at December 31, 2019	**$ 21,581**	**12,437**	**100,545**	**13,517**	**18,106**	**29,737**	**195,923**

Deferred income tax liabilities：

	Unrealized foreign currency exchange gain
Balance at January 1,2019	$ (931)
Recognized in profit or loss	931
Balance at December 31, 2019	**$ -**

(iii) Approved income tax situation

The R.O.C. income tax authorities have examined the income tax returns of the Company for all fiscal years through 2018.

(o) Capital and other equity

(i) Common Stock

As of December 31, 2020 and 2019, the Company's authorized shares of common stock consisted of 450,000 thousand shares, of which 280,000 thousand shares were issued and outstanding. The par value of the Company's common stock is $10 per share.

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

	Common Stock	
	2020	**2019**
Balance at December 31 (Balance at January 1)	**280,000**	**280,000**

(Continued)

(ii) Capital surplus

The balance of the Company's capital surplus is as follows：

	2020.12.31	2019.12.31
Paid-in capital in excess of par value	$ 3,563,940	3,563,940
Treasury stock transactions	238,180	238,180
Consolidation premium	144	-
Difference arising from subsidiary’s share price and its carrying value	94,638	-
Recognition of changes in ownership and equity of subsidiaries	24,552	-
	$ 3,921,454	3,802,120

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 based on the original shareholding ratio or distributed as cash dividends pursuant to a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of shares of stock in excess of par value and donations received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

(iii) Retained earnings

The Company's articles of incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as a legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside or reversed in accordance with applicable laws and regulations. The remaining balance, together with unappropriated earnings from previous years can be distributed as dividends to stockholders. Pursuant to the appropriation of earnings proposed by the Board of Directors and approved by the stockholders' meeting. In accordance with the Company's Articles of Incorporation, amended on June 18, 2020, distribution of earnings by way of cash dividends should be approved by the Board of Directors and then reported to the stockholders’ meeting.

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

As the Company is a technology- and capital-intensive enterprise with growing phase, the Company has adopted a remaining earnings appropriation method as its dividend policy in order to meet long-term capital needs and cash requirements of stockholders, and thereby maintain continuous development and steady growth. While the current year’s earnings available for distributable equal the amount of 2% of the 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 2% of paid-in capital. Considering the future expansion of operation scale and cash flow requirements, the cash dividend cannot be less than 10% of the total distribution of cash dividend and stock dividend.

(Continued)

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

On March 16, 2020, the board of directors approved the cash dividends from the appropriation of 2019 earnings and on June 13, 2019, the shareholders' meeting approved the cash dividends from the appropriation of 2018 earnings. The resolved appropriation of the dividends per share were as follows:

	2019		**2018**	
	Dividend per share (NT$)	**Amount**	**Dividend per share (NT$)**	**Amount**
Dividends per share：				
Cash dividend	$ 2.3	**644,000**	3.5	**980,000**

On March 15, 2021, the Company's Board of directors has approved the distribution of cash dividend as follows：

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

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

(Continued)

(iv) Other equity items (net after tax)

	Foreign currency translation differences	Unrealized gains (loss) from financial assets at fair value through other comprehensive income	Remeasurement of define benefit plans	Total
Balance at January 1,2020	$ (499,270)	38,323	(31,323)	(492,270)
Foreign exchange differences arising from the translation of foreign operations	(174,772)	-	-	(174,772)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	-	279,676	-	279,676
Disposal of equity instruments measured at fair value through other comprehensive income or loss by a subsidiary	-	(25,747)	-	(25,747)
Remeasurement of defined benefit plans	-	-	(44)	(44)
Share of other comprehensive income (loss) of subsidiaries recognized accounted for using the equity method	(9,709)	36,325	(66)	26,550
Balance at December 31,2020	$ (683,751)	328,577	(31,433)	(386,607)
Balance at January 1,2019	$ (297,250)	(32,907)	(36,384)	(366,541)
Foreign exchange differences arising from the translation of foreign operations	(192,180)	-	-	(192,180)
Unrealized gains (loss) from financial assets at fair value through other comprehensive income	-	58,495	-	58,495
Remeasurement of defined benefit plans	-	-	5,592	5,592
Share of other comprehensive income (loss) of subsidiaries recognized accounted for using the equity method	(9,840)	12,735	(531)	2,364
Balance of December 31,2019	$ (499,270)	38,323	(31,323)	(492,270)

(p) Earnings per share (“EPS”)

The calculation of basic and diluted earnings per share for the years ended December 31, 2020 and 2019 were as follows：

(i) Basic earnings per share

	2020	2019
Net income attributable to ordinary shareholders of the Company	$ 903,785	899,950
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Basic earnings per share (in New Taiwan dollars)	$ 3.23	3.21

(ii) Diluted earnings per share

	2020	2019
Net income attributable to ordinary shareholders of the Company	$ 903,785	899,950
Weighted-average number of ordinary shares outstanding (in thousands)	280,000	280,000
Effect of potentially dilutive ordinary shares (in thousands)：		
Remeasurement to employee in stock	3,503	3,230
Weighted average number of ordinary shares outstanding (after the effect of potentially dilutive ordinary shares) (in thousands)	283,503	283,230
Diluted earnings per share (in New Taiwan dollars)	$ 3.19	3.18

(Continued)

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

		2020	2019
Primary geographical markets：			
Taiwan	$	2,121,550	2,325,493
America		776,723	985,234
Mainland China		10,456,815	9,079,968
Others		1,701,201	1,460,974
	$	15,056,289	13,851,669
Major products and services lines：			
Peripheral electronic products	$	12,687,470	11,607,364
Green energy products and passive components		2,368,819	2,244,305
	$	15,056,289	13,851,669

(ii) Contract balances

		2020.12.31	2019.12.31	2018.1.1
Notes and accounts receivable (including related parties)	$	6,109,365	4,407,623	5,813,982
Less: loss allowance		(22,256)	(22,256)	(19,640)
	$	6,087,109	4,385,367	5,794,342

Please refer to note 6(e) for the disclosure of notes and accounts receivable (including related parties) and loss allowance.

(iii) Refund liabilities

		2020.12.31	2019.12.31	2018.1.1
Other current liabilities - refund liabilities	$	315,172	488,256	597,920

(r) Remeasurement to employee and directors

The Company's article of incorporation**,** amended on June 13, 2019,requires that annial earning shall first to be offset against any deficit, then 5% to 20% shall be allocated as employee remuneration and a maximum of 1% be allocated as directors’ remuneration. Employees who are entitled to receive the abovementioned employee remuneration, in share or cash, include the employees of the parent company or subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2020 and 2019, the Company estimated its remuneration to employees amounting to $117,614 thousand and $111,018 thousand, respectively, and the remuneration to directors amounting to $8,821 thousand and $8,326 thousand, respectively. The abovementioned estimated amounts are calculated based on the net profits before tax of each period (excluding the remuneration to employees and directors), multiplied by a certain percentage of the remuneration to employees and directors. The estimations are recognized as cost of sales or operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year.

The abovementioned estimated remuneration to employees and directors was the same as the amount approved by the Board of Directors and will be paid in cash. Related information is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(Continued)

(s) Non-operating income and loss

(i) Interest income

	2020	2019
Overdue receivables with accrued interest	$ -	36
Interest income from bank deposits	1,401	1,262
	$ 1,401	**1,298**

(ii) Other income

	2020	2019
Rental income	$ 1,738	820
Dividend income (note 6(c))	27,419	31,075
Others	20,107	8,055
	$ 49,264	**39,950**

(iii) Other gains and losses

	2020	2019
Foreign exchange gains(losses), net	$ 34,976	61,735
Gains on financial assets and liabilities at fair value through profit or loss	29,085	14,383
Gains on disposal of property, plant and equipment	4,628	5,751
Gains on disposal of intangible assets (note 7)	3,189	-
Impairment losses of property, plant and equipment (note 6(h))	-	(3,733)
Gains on bargain purchase (note 6(g))	-	1,414
Others	(4,502)	(54)
	$ 67,376	**79,496**

(iv) Financial costs

	2020	2019
Interest expense：		
Interest expense from bank loans	$ 34,445	34,867
Interest expense on lease liabilities	6	10
	$ 34,451	**34,877**

(Continued)

(t) Financial instruments

(i) Categories of financial instruments

1) Financial assets

		2020.12.31	2019.12.31
Financial assets at fair value through profit or loss：			
Financial assets mandatorily measured at fair value through profit or loss	$	8,571	2,670
Financial assets at fair value through other comprehensive income or loss		1,058,383	778,707
Financial assets measured at amortized cost：			
Cash and cash equivalents		219,846	121,380
Financial assets measured at amortized cost		-	224,857
Notes and accounts receivable and other receivables(including related parties)		6,087,109	4,385,367
Refundable deposits		1,483	123,978
Subtotal		6,308,438	4,855,582
Total	$	7,375,392	5,636,959

2) Financial liabilities

		2020.12.31	2019.12.31
Financial liabilities measured at amortized cost：			
Short-term borrowings	$	1,540,000	2,000,000
Short-term notes and bills payable		439,721	199,989
Notes and accounts payable and other payables (including related parties)		6,795,452	5,205,021
Long-term borrowings		1,600,000	1,000,000
Lease Liabilities		651	551
Guarantee deposits received		428	-
Total	$	10,376,252	8,405,561

(ii) Credit Risk

The maximum exposure to credit is equal to the carrying amount of Company's financial assets. As of December 31, 2020 and 2019, the Company's maximum exposure to credit risk amount to $7,375,392 thousand and $5,636,959 thousand, respectively.

The majority of the Company's customers are well-known international companies with high financial transparency. Management believes that there is no significant concentration of credit risk due to the company's large number of customers. Additionally, management of the Company continuously evaluates the credit quality of their customers to lower the credit risk.

(Continued)

(iii) Liquidity risk

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

	Contract Cash Flow	Within 1 year	1-2Years	2-5Years
December 31, 2020				
Non-derivative financial liabilities：				
Short-term borrowings	$ 1,540,851	1,540,851	-	-
Short-term notes and bills payable	440,000	440,000	-	-
Notes and accounts payable and other payables (including related parties)	6,795,452	6,795,452	-	-
Long-term borrowings	1,646,281	16,547	16,547	1,613,187
Lease liabilities	668	668	-	-
Subtotal	10,423,252	8,793,518	16,547	1,613,187
Derivative financial instruments：				
Foreign cunency forward contracts – settled in gross				
Outflow	913,723	913,723	-	-
Inflow	(922,294)	(922,294)	-	-
Subtotal	(8,571)	(8,571)	-	-
	$ 10,414,681	8,784,947	16,547	1,613,187
December 31, 2019				
Non-derivative financial liabilities：				
Short-term borrowings	$ 2,003,224	2,003,224	-	-
Short-term notes payable	200,000	200,000	-	-
Notes and accounts payable and other payables (including related parties)	5,205,021	5,205,021	-	-
Long-term borrowings	1,019,952	11,532	947,007	61,413
Lease liabilities	554	554	-	-
Subtotal	8,428,751	7,420,331	947,007	61,413
Derivative Financial Instruments.：				
Foreign cunency forward contracts – settled in gross				
Outflows	182,896	182,896	-	-
Inflow	(185,566)	(185,566)	-	-
Subtotal	(2,670)	(2,670)	-	-
	$ 8,426,081	7,417,661	947,007	61,413

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

(Continued)

(iv) Currency risk

The carrying amounts of monetary assets and liabilities and nonmonetary assets not denominated in functional currency at the reporting date were as follows：

(Amount in thousands)

	2020.12.31				
	Foreign Currency	**Exchange rate**	**New Taiwan Dollars**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
USD	$ 216,917	28.350	6,149,597	1%	61,496
Non-monetary items					
USD	217,223	28.350	6,158,277	-	-
EUR	1,670	34.956	58,393	-	-
VND	11,947,478	0.00122	14,666	-	-
Financial liabilities					
Monetary items					
USD	198,352	28.350	5,623,279	1%	56,233

	2019.12.31				
	Foreign currency	**Exchange rates**	**New Taiwan Dollars**	**Change in magnitude**	**Pre-tax effect on profit or loss**
Financial assets					
Monetary items					
USD	$ 154,670	30.106	4,656,495	1%	46,565
Non-monetary items					
USD	223,654	30.106	6,733,336	-	-
EUR	2,632	33.869	89,148	-	-
Financial liabilities					
Monetary items					
USD	138,105	30.106	4,157,789	1%	41,578

With variety of functional currencies within the consolidated entities of the Company, the Company disclosed net realized and unrealized foreign exchange gain (loss) on the monetary items in aggregate. Please refer to note6(s)for the information with respect to the foreign exchange gains (losses)for the years ended December 31,2020 and2019.

(v) Interest rate risk

The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reposting date. The sensitivity analysis assumes the liabilities recorded at the reporting date had been outstanding for the entire period.

If the interest rate had been 100 basis points (1%) higher/lower, with all other variables held constant, pre-tax income for the years ended December 31, 2020 and 2019, would have been $35,797 thousand and $32,000 thousand , respectively, lower/ higher, which mainly resulted from the loans and borrowings with floating interest rates.

(Continued)

(vi) Fair Value

1) Financial instruments that are not measured at fair value

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

2) Financial instruments that are measured at fair value

The Company’s financial assets 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 following table 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) Level1:quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level2: 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).

	2020.12.31				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss：					
Derivative financial instruments - Foreign currency forward contracts	$ 8,571	-	8,571	-	8,571
Financial assets at fair value through other comprehensive income or loss：					
Domestic listed stocks	1,058,383	1,058,383	-	-	1,058,383
Total	$ 1,066,954	1,058,383	8,571	-	1,066,954

	2019.12.31				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss：					
Derivative financial instruments- Foreign currency forward contracts	$ 2,670	-	2,670	-	2,670
Financial assets at fair value through other comprehensive income or loss：					
Domestic listed stocks	778,707	778,707	-	-	778,707
Total	$ 781,377	778,707	2,670	-	781,377

(Continued)

3) 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 in an active market, the fair value of other financial instruments is determined based on the valuation techniques or quotation from counterparties. The fair value using valuation techniques is determined by referring to the current fair value of other financial instruments with similar conditioned characteristics, discounted cash flow method, or other valuation techniques using the valuation model with available market data at the reporting date.

For listed stock with standard terms and conditions and traded in active markets. The fair value is based on quoted market prices.

b) Derivative financial instruments

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

4) Transfer between levels of the fair value hierarchy

There were no transfers among fair value hierarchies for the years ended December 31, 2020 and 2019.

(u) Financial Risk Management

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

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

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

(i) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from the Company’s cash and cash equivalents, receivables from customers and other financial assets. The Company maintains cash and cash equivalents and other financial instruments with reputable financial institution. Therefore, the exposure related to the potential default by those counter-parties is not considered significant.

(Continued)

The Company has established a credit policy under which each customer is analyzed individually for creditworthiness for purposes of setting the credit limit. Additionally, the company continuously evaluated the credit quality of customers and utilized insurance to minimize the credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Company manages liquidity risk by monitoring regularly the current and estimated mid- to long-term cash demand, and by maintaining adequate cash and banking facilities. As of December 31, 2020 and 2019, the Company had unused credit facilities of $7,624,628 thousand and $7,774,041 thousand respectively.

(iii) Market Risk

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

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

1) Currency risk

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

2) Interest rate risk

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

3) Equity instrument price risk

The Company is exposed to the risk of price fluctuation in the securities market due to investment in equity financial instruments.

The sensitivity analysis in relation to equity financial instruments’ price risk is calculated based on changes in fair value at the reporting date. Assuming a hypothetical increase or decrease of 1% in equity prices of the equity investments at each reporting date, the other comprehensive income for the years ended December 31, 2020 and 2019, would have increased or decreased by $10,584 thousand and $7,787 thousand, respectively.

(Continued)

(v) Capital Management

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

For the years ended December 31, 2020 and 2019, there were no change in Company's approach with respect to capital management.

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

Reconciliation of liabilities arising from financing activities were as follows:：

	2020.1.1	Cash Flow	Non-cash changes Additions of lease liabilities	2020.12.31
Short-term borrowings	$ 2,000,000	(460,000)	-	1,540,000
Short-term notes and bills payable	199,989	239,732	-	439,721
Long-term borrowings	1,000,000	600,000	-	1,600,000
Lease liabilities	551	(592)	692	651
Guarantee deposits received	-	428	-	428
Total liabilities from financing activities	$ 3,200,540	379,568	692	3,580,800

	2019.1.1	Cash Flow	Non-cash changes Additions of lease liabilities	2019.12.31
Short-term borrowings	$ 938,369	1,061,631	-	2,000,000
Short-term notes and bills payable	-	199,989	-	199,989
Long-term borrowings	440,000	560,000	-	1,000,000
Lease liabilities	1,161	(610)	-	551
Guarantee deposits received	500	(500)	-	-
Total liabilities from financing activities	$ 1,380,030	1,820,510	-	3,200,540

7. Related Party Transactions

(a) Related party name and categories

The followings are subsidiaries and other related parties that have had transactions with the Company during the reporting periods.

(Continued)

Name of Related Party	Relationship with the Company
Qisda Corporation(“Qisda”)	The entity with significant influence over the Company
Darfon (BVI) Corporation (“DFBVI”)	Subsidiaries of the Company
Darfon (Labuan) Corporation (“DFLB”)	Subsidiaries of the Company
Darfon Materials Corp. (“ADMC”)	Subsidiaries of the Company
Darfon Gemmy Corp. (“DZL”)	Subsidiaries of the Company
Darad Innovation Corp.(“DTC”)	Subsidiaries of the Company
Darfon Europe B.V. (“DFeu”)	Subsidiaries of the Company
Darfon Germany GmbH (“DFG”)	Subsidiaries of the Company
Darfon Electronics (Suzhou) Co., Ltd.(“DFS”)	Subsidiaries of the Company
Darfon Electronics Czech s.r.o. (“DFC”)	Subsidiaries of the Company
Darfon America Corp. (“DFA”)	Subsidiaries of the Company
Huaian Darfon Electronics Co.,Ltd. (“DFH”)	Subsidiaries of the Company
Darfon Korea Co., Ltd. (“DFK”)	Subsidiaries of the Company
Darfon Precision Holdings Co., Ltd. (“DPH”)	Subsidiaries of the Company
Darfon Electronics (ChongQing) Co., Ltd.(“DFQ”)	Subsidiaries of the Company
Darfon Precision Electronics (Suzhou) Co.,Ltd.(“DPS”)	Subsidiaries of the Company
Darfon Germany GmbH(“DFG”)	Subsidiaries of the Company
Darfon Vietnam Co., Ltd.(“DFV”)(note 7)	Subsidiaries of the Company
Unictron Technologies Corporation (“UTC”)	Subsidiaries of the Company
Unicom Technologies, Inc. (“UTI”)	Subsidiaries of the Company
WirelessCom Technologies (Shenzhen) Co., Ltd.(“UTZ”)	Subsidiaries of the Company
Kenston Metal Co., Ltd.(“KST”)(note 1)	Subsidiaries of the Company
Kenlight Sport Marketing Co., Ltd.(“KSMC”)(note 1)	Subsidiaries of the Company
Tiger Develop Group Inc.(Tiger)(note 1、8)	Subsidiaries of the Company
K-Light Bikes Limited Liability Company (K-Light Bikes) (note 1、8)	Subsidiaries of the Company
Kenstone Metal Company Gmbh(“KSG”) (note 1)	Subsidiaries of the Company
KSI Handels GmbH (“KSI”)(note 1)	Subsidiaries of the Company
Integrated Solutions Composite Co., Ltd(“ISC”)(note 1、2)	Subsidiaries of the Company
Kenstone Vietnam Co., Ltd.(“KSV”)(note 3)	Subsidiaries of the Company
San Jose Technology, Inc(“STC”)(note 4)	Subsidiaries of the Company
Iron Ore Co., Ltd. (“IOC”)(note 5)	Subsidiaries of the Company
TD HiTech Energy Inc.(“TDI”)(note 6)	Subsidiaries of the Company

(Continued)

TD HiTech Energy (Samoa) Inc.(note 6、8)	Subsidiaries of the Company
BESV JAPAN Co., Ltd.("BESVJ")	Joint venture Company
Other Related Parties：	
Qisda (Suzhou) Co., Ltd. ("QCSZ")	Subsidiaries of Qisda
Qisda Electonics (Suzhou) Co., Ltd. ("QCES")	Subsidiaries of Qisda
Qisda Optronics (Suzhou) Co., Ltd. ("QCOS")	Subsidiaries of Qisda
DFI Inc. ("DFI")	Subsidiaries of Qisda

(note 1): Became a subsidiary of the Company since April 15, 2019.

(note 2):In September, 2012, KST was merged into ISC and ISC is the dissolved company.

(note 3): Established in July, 2019 and became a subsidiary of the Company.

(note 4): Became a subsidiary of the Company since May 24, 2019.

(note 5): Became a subsidiary of the Company since December 9, 2019.

(note 6): Became a subsidiary of the Company since August 25, 2020.

(note 7): Established in December,2020 and became a subsidiary of the Company.

(note 8): Liquidation was completed in 2020.

(b) Significant transactions with related parties

(iv) Net sales

1) The Company's significant sales to related parties were as follows：

	2020	2019
The entity with significant influence over the Company	$ 179	2
Subsidiaries	1,729,913	2,199,065
Other related parties	39,286	39,282
	$ 1,769,378	2,238,349

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 EOM 60 days to OA135 days at the end of each month.

2) Technical royalty income

For the years ended December 31, 2020 and 2019, the Company licensed $2,053 thousand and $3,782 thousand, respectively, to its subsidiaries for the use of technology licenses developed by the Company.

(Continued)

(v) Purchase

1) The Company's purchases from related parties were as follows：

	2020	2019
Subsidiaries－DFBVI	$ -	5,434,053
Subsidiaries－DFH	6,889,357	2,506,215
Subsidiaries－DFQ	3,651,738	1,819,328
Subsidiaries－DFS	1,725,403	1,168,786
Subsidiaries－Others	18,809	4,754
	$ 12,285,307	10,933,136

The purchase prices for related parties are not comparable to those for the third-party suppliers due to different product specifications, and the payment terms of OA 90 to OA135 days showed no significant difference between related parties and third-party suppliers.

(vi) Property Transactions

1) Purchases of property, plant and equipment

The purchases price of equipment purchased from related parties are summarized as follows:

	2020	2019
Subsidiaries	$ 775	11,420

2) Disposal of property, plant and equipment

The disposals of equipment to related parties are summarized as follows:

Related-Party categories	**2020**		**2019**	
	Disposal Price	**Deferred gain (loss) from disposal**	**Disposal Price**	**Deferred gain (loss) from disposal**
Subsidiaries	$ 1,100	321	10,804	1,351

The above net gain from the sale of equipment to the subsidiary is deferred and recognized over the useful lives of the equipment. As of December 31, 2020 and 2019, the deferred gain on the sale of machinery and equipment amounted to $2,331 thousand and $6,946 thousand, respectively, and was recorded as a reduction of investment using the equity method. The amortization of deferred benefits amounting to $4,115 and $5,453 for the years ended December 31, 2020 and 2019, respectively, was recognized in the gain on disposal of property, plant and equipment.

As of December 31, 2020 and 2019, the outstanding receivables from subsidiaries for the sale of equipment were classified as "other receivables - related parties".

(Continued)

3) Disposal of intangible assets

The disposals of intangible assets to related parties are summarized as follows:

	2020	
Related-Party categories	**Disposal Price**	**Deferred gain or (loss)on disposal**
Subsidiaries	$ 28,062	24,873

The net gain from the sale of trademarks and patents to a subsidiary is deferred and recognized as an amortization over the useful lives of the asset. As of December 31, 2020, the deferred gain on the sale of trademarks and patents amounted to $24,873 thousand, which was recorded as a deduction from the investments accounted for using the equity method. The amortization of deferred benefit amounted to $3,189 thousand for the year ended December 31, 2020, which was recognized in the gain on disposal of intangible assets.

(vii) Rental income

The rental income of $1,738 thousand and $240 thousand for the years ended December 31, 2020 and 2019, respectively, from the leasing of office and factory buildings to the subsidiaries, Darfon Materials Corp. and Darad Innovation Corp. was recognized in "non-operating income and loss – other income".

(viii)Materials for sale

For the years ended December 31, 2020 and 2019, the Company sold materials purchased on behalf of its subsidiaries for $257,422 thousand and $149,708 thousand, respectively, and the net gain on sale of materials was $1,540 thousand and $1,360 thousand, respectively, which was recognized in "non-operating income and loss - other income".

(ix) Receivables

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

Account	**Related-Party categories**	**2020.12.31**	**2019.12.31**
Accounts receivable	The entity with significant influence over the Company	$ 59	2
Accounts receivable	Subsidiaries	1,336,694	795,471
Accounts receivable	Other related parties	16,599	2,413
		$ 1,353,352	797,886

(x) Payables

The Company's accounts payable to related parties are as follows：

Account	**Related-Party categories**	**2020.12.31**	**2019.12.31**
Accounts payable	Subsidiaries-DFH	$ 2,839,190	1,640,481
Accounts payable	Subsidiary-DFS	905,649	1,121,346
Accounts payable	Subsidiary-DFQ	1,493,705	955,024
Accounts payable	Subsidiaries-Other	105,001	82,246
		5,343,545	3,799,097

(Continued)

Account	Related-Party categories	2020.12.31	2019.12.31
Other payables	The entity with significant influence over the Company	22	3
Other payables	Subsidiary-DFS	243	11,335
Other payables	Subsidiary - Other	56	55
Other payables	Joint Ventures	110	-
Other payables	Other related parties	273	800
		704	12,193
		$ 5,344,249	3,811,290

(c) Compensation for key management personnel

	2020	2019
Short-term employee benefits	$ 111,553	90,265
Post-employment benefits	1,097	1,097
Share-based payments	3,839	-
	$ 116,489	91,362

The share-based compensation cost represents the issuing employee stock options by the subsidiary to key management personnel of the Company.

8. Pledged assets

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

Pledged assets	Pledged to secure	2020.12.31	2019.12.31
Land and buildings	Credit lines of bank loans	$ 1,348,517	1,409,533

9. Significant commitments and contingencies

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

	2020.12.31	2019.12.31
Customers duties guarantee	$ 8,500	15,000

(b) Significant unrecognized commitments

The Company's unrecognized commitments were as follows：

	2020.12.31	2019.12.31
Acquisition of property, plant and equipment	$ 48,896	25,922
Acquisition of rights-of-use assets-land	9,945	-
	$ 58,841	25,922

(Continued)

10. Significant loss from disasters: None.

11. Significant subsequent events: None.

12. Others

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

	2020			2019		
	Cost of sales	**Operating expenses**	**Total**	**Cost of sales**	**Operating expenses**	**Total**
Employee benefits						
Salaries	260,094	832,093	1,092,187	379,159	673,737	1,052,896
Labor and health insurance	19,686	49,154	68,840	15,687	54,316	70,003
Pension	8,846	27,840	36,686	7,255	31,220	38,475
Remuneration of directors	-	20,342	20,342	-	19,927	19,927
Other employees’ benefits	11,772	32,009	43,781	11,407	31,017	42,424
Depreciation	109,661	58,327	167,988	59,409	57,022	116,431
Amortization	-	12,200	12,200	7,787	21,373	29,160

For the years ended December 31, 2020 and 2019,the information on numbers of employees and employee benefit expense of the company was as follows:

	2020	2019
Number of employees	929	884
Number of directors (non-employee)	6	6
Average employee benefit expense	$ 1,345	1,371
Average employee salary expense	$ 1,183	1,199
Percentage of increase in average employee salary expense	(1.33)%	(19.10)%
Supervisors' remuneration	$ -	-

The company’s salary and remuneration policy (including directors, supervisors, managers and employees) were as follows:

(a) Policy for Directors' and Independent Directors' Remuneration

The remuneration of the Company's directors shall be approved by the Board of Directors in accordance with the authorization of the Company's Articles of Incorporation, and with reference to "Regulations Governing the Remuneration of Directors and Members of Functional Committees"(based on the salary standards of the same peer or industry),the level of participation and value of the directors' contributions to the Company's operations, and the evaluation results of the directors' performance.

(Continued)

If the Company makes a profit in a year, the Board of Directors shall, in accordance with Article 19 of the Company's Articles of Incorporation, decide the amount of remuneration for the directors within one percent of the profit for that year, and submit it to the shareholders' meeting after it is approved by the Board of Directors.

(b) Policy for President’s and Vice Presidents’ remuneration

The salaries of the President and Vice President of the Company are determined by the Compensation Committee in accordance with the “Managerial Compensation Policies and Principles” according to the “Compensation Committee Organizational Rules” and based on the duties and responsibilities of the President and Vice Presidents, with reference to the salary standards of the same peer or industry, the Company's operating income, profitability and the performance of individual personnel.

(c) The Company's main compensation principle is to link responsibilities and performance results, and to provide market competitive compensation to attract, retain and cultivate talents in the long term, and to use the Company's "Managerial Compensation Policy and Principles" and "Performance Management Regulations" as the basis for evaluation. The performance appraisal and the reasonableness of the remuneration are reviewed by the Compensation Committee and the Board of Directors, and the remuneration policy is reviewed from time to time in accordance with the actual operating conditions and relevant laws and regulations, in order to strike a balance between sustainable operation and risk control of the Company, without using short-term profit as the only indicator for remuneration and performance evaluation and linking to the long-term value of shareholders.

13. Additional disclosures

(a) Information on significant transactions:

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

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

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

(iv) Marketable securities for which the accumulated purchase or sale amounts for the year 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: None.

(vi) Disposal of real estate which exceeds $300 million or 20% of the paid-in capital: None.

(vii) Total purchases from and sales to related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 4.

(viii)Receivables from related parties which exceed $100 million or 20% of the paid-in capital: Please refer to table 5.

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

(b) Information on investees: Please refer to table 6.

(c) Information on investments in Mainland China: Please refer to table 7.

(Continued)

(d) Major Shareholders:

Units:Shares

Shareholder's Name	**Total Shares Owned**	**Ownership percentage**
Qisda Corporation	58,004,667	20.71%
BenQ Corporation	14,016,563	5.00%

Note: The information on major shareholders, which is provided by the Taiwan Depository &Clearing Corporation, summarized the shareholders holding over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

14. Segment information

Please refer to the consolidated financial statements for the year ended December 31, 2020.

DARFON ELECTRONICS CORP.
Financing provided to other parties
For the year ended December 31, 2020

Table1 **(In Thousands of NTD)**

No.	Name of Lender	Name of Borrower	Financial Statement Account	Is a related Party	Highest Balance of Financing to Other Parties During the Period	Ending Balance	Actual Usage Amount During the period	Range of Interest Rates 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 - related parties	Yes	87,390 (EUR 2,500)	-	-	0.80%	2	-	Operating requirements	-	-	-	366,153	366,153
1	KST.	KSG	Other receivables - related parties	Yes	87,390 (EUR 2,500)	69,912 (EUR 2,000)	19,845 (EUR 568)	3.00%	2	-	Operating requirements	-	-	-	366,153	366,153
1	KST.	KSI	Other receivables - related parties	Yes	10,487 (EUR 300)	10,487 (EUR 300)	1,748 (EUR 50)	1.20%	2	-	Operating requirements	-	-	-	366,153	366,153
1	KST.	KSV	Other receivables - related parties	Yes	283,500 (USD 10,000)	226,800 (USD 8,000)	-	3.00%	2	-	Operating requirements	-	-	-	366,153	366,153
2	DFS	DFH	Other receivables - related parties	Yes	226,800 (USD 8,000)	-	-	2.75%	1	408,440	-	-	-	-	408,440	1,172,201
2	DFS	DFH	Other receivables - related parties	Yes	226,800 (USD 8,000)	226,800 (USD 8,000)	226,800 (USD 8,000)	1.30%	2	-	Operating requirements	-	-	-	1,172,201	1,172,201
2	DFS	DFQ	Other receivables - related parties	Yes	226,800 (USD 8,000)	-	-	2.75%	1	1,866,106	-	-	-	-	1,172,201	1,172,201
2	DFS	DFQ	Other receivables - related parties	Yes	226,800 (USD 8,000)	226,800 (USD 8,000)	226,800 (USD 8,000)	1.30%	2	-	Operating requirements	-	-	-	1,172,201	1,172,201
3	DPS	DFQ	Other receivables - related parties	Yes	129,648 (CNY 30,000)	129,648 (CNY 30,000)	129,648 (CNY30,000)	3.85%	2	-	Operating requirements	-	-	-	174,556	174,556
4	DTC	IOC	Other receivables - related parties	Yes	22,680 (USD 800)	22,680 (USD 800)	-	3.20%	2	-	Operating requirements	-	-	-	155,528	155,528

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

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

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

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

(Note 5) Purpose of Fund Financing:

a. Business transaction purpose.

b. Short-term Financing purpose.

(Note 6) The above amounts were translated into New Taiwan dollars at the exchange rate of EUR$1=NT$34.956 ,US$1=NT$28.35 and CN$1=NT$4.3216.

DARFON ELECTRONICS CORP.
Marketable Securities Held (Excluding Investments in Subsidiaries, Associates, and Jointly Controlled Entities)
December 31, 2020

Table 2 **(In Thousands of Shares)**

Investing Note Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	Ending balance				Note
				Number of Shares	Carrying Value	Percentage of Ownership	Fair Value	
The Company	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - non-current	36,559	1,058,383	1.86%	1,058,383	-
DZL	Qisda Corp.	Investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	1,973	57,118	0.10%	57,118	-
DZL	Raydium Semiconductor Corporation	-	Financial assets at fair value through other comprehensive income or loss - current	150	21,020	0.22%	21,020	-
DZL.	Wistron NeWeb Corporation	-	Financial assets at fair value through other comprehensive income or loss - current	102	7,925	0.03%	7,925	-
DZL	DFI	Subsidiary of investor with significant influence over the Group	Financial assets at fair value through other comprehensive income or loss - current	50	3,380	0.04%	3,380	-
KST.	HARO BICYCLE CORPORATION	-	Financial assets at fair value through other comprehensive income or loss - non-current	26	-	10.00%	-	-
TDI	Jih Sun Money Market Fund Beneficiary Certificate	-	Financial assets at fair value through profit or loss - current	-	100,034	-	100,034	-
DPS	Bank of Suzhou fair value throcurrency deposit in CNY	-	Financial assets at fair value through profit or loss - current	-	344,454	-	344,454	-

DARFON ELECTRONICS CORP.

Marketable Securities for Which the Accumulated Purchase or Sale Amounts Exceed $300 Million or 20% of the Paid in Capital

For the Year Ended December 31, 2020

Table 3

(In Thousands of Shares)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter Party	Name of Relationship	Beginning Balance		Acquisitions		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (loss) on disposal	Shares	Amount (Note 1)
The Company	TDI stock	Investments accounted for using the equity method	Welldone Company and etc.	Subsidiaries	-	-	26,410	407,809	-	-	-	-	26,410	407,412
DPS	Bank of Suzhou—Principal protected currency deposit in CNY	Financial assets at fair value through profit or loss - current	Bank of Suzhou	-	-	-	-	678,491 (CNY157,000)	-	341,376 (CNY78,993)	337,085 (CNY78,000)	4,291 (CNY993)	-	344,454 (CNY79,705)

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

Note 2 The above amounts were translated into New Taiwan dollars at the exchange rate of CN$1=NT$4.3216.

DARFON ELECTRONICS CORP.
Total Purchases From and Sales To Related Parties Which Exceed $100 Million or 20% of the Paid in Capital
For the year ended December 31, 2020

Table 4

Company Name	Related Party	Relationship	Transaction Details				Transactions with Terms Different from Others		Notes and Accounts Receivable(Payable)		Note
			Purchase /(Sale)	Amount	% of Total Purchases/(Sales)	Payment Terms	Unit price	Payment Terms	Ending Balance	% of Total	
The Company	DFS	Parent & Subsidiary	Sales	(436,455)	(3)%	OA90 to OA135	Normal price	OA30 to OA135	146,029	2%	-
The Company	DFC	Parent & Subsidiary	Sales	(146,033)	(1)%	OA135 to OA180	Normal price	OA30 to OA135	83,019	1%	-
The Company	DFA	Parent & Subsidiary	Sales	(736,629)	(5)%	OA90 to OA135	Normal price	OA30 to OA135	414,652	7%	-
The Company	DTC	Parent & Subsidiary	Sales	(311,355)	(2)%	OA90 to OA135	Normal price	OA30 to OA135	137,640	2%	-
The Company	DFS	Parent & Subsidiary	Purchases	1,725,403 (Note 2)	13%	OA90 to OA135	Note 1	OA30 to OA135	(905,649)	16%	-
The Company	DFH	Parent & Subsidiary	Purchases	6,889,357	50%	OA90 to OA135	Note 1	OA30 to OA135	(2,839,190)	50%	-
The Company	DFQ	Parent & Subsidiary	Purchases	3,651,738	27%	OA90 to OA135	Note 1	OA30 to OA135	(1,493,705)	26%	-
DFS	The Company	Parent & Subsidiary	Sales	1,725,403 (Note 2)	(24)%	OA90 to OA135	Normal price	OA30 to OA135	905,649	45%	-
DFS	DFH	Affiliates	Sales	(408,440)	(6)%	OA90 to OA135	Normal price	OA30 to OA135	134,323	7%	-
DFS	DFQ	Affiliates	Sales	(384,510)	(5)%	OA90 to OA135	Normal price	OA30 to OA135	169,149	8%	-
DFS	DFQ	Affiliates	Purchases	1,866,106	34%	OA90 to OA135	Note 1	OA30 to OA135	(107,234)	7%	-
DFS	The Company	Parent & Subsidiary	Purchases	436,455	8%	OA90 to OA135	Normal price	OA30 to OA135	(146,029)	12%	-
DFH	The Company	Parent & Subsidiary	Sales	(6,889,357)	(98)%	OA90 to OA135	Normal price	OA30 to OA135	2,839,190	97%	-
DFH	DFS	Affiliates	Purchases	408,440	8%	OA90 to OA135	Normal price	OA30 to OA135	(134,323)	5%	-
DFQ	The Company	Parent & Subsidiary	Sales	(3,651,738)	(65)%	OA90 to OA135	Normal price	OA30 to OA135	1,493,705	90%	-
DFQ	DFS	Affiliates	Sales	(1,866,106)	(33)%	OA90 to OA135	Normal price	OA30 to OA135	107,234	6%	-
DFQ	DFS	Affiliates	Purchases	384,510	9%	OA90 to OA135	Normal price	OA30 to OA135	(169,149)	10%	-
DFA	The Company	Parent & Subsidiary	Purchases	736,629	99%	OA90 to OA135	Normal price	OA30 to OA135	(414,652)	100%	-
DFC	The Company	Parent & Subsidiary	Purchases	146,033	99%	OA135 to OA180	Normal price	OA30 to OA135	(83,019)	96%	-
KST	KSG	Parent & Subsidiary	Sales	(239,195)	(11)%	OA90 to OA210	Normal price	OA30 to OA120	207,717	35%	-
KSG	KST	Parent & Subsidiary	Purchases	239,195	76%	OA90 to OA210	Normal price	OA30 to OA120	(207,717)	94%	-
DTC	The Company	Parent & Subsidiary	Purchases	311,355	71%	OA90 to OA135	Normal price	OA30 to OA135	(137,640)	81%	-
DTC	BESVJ	Affiliates	Sales	(133,996)	38%	OA90 to OA135	Normal price	OA30 to OA135	35,015	44%	-
BESVJP	DTC	Affiliates	Purchases	133,996	100%	OA90 to OA135	Normal price	OA30 to OA135	(35,015)	100%	-

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

Note 2： The sales from repurchasing after processing have been reduced.

DARFON ELECTRONICS CORP.
Receivables From Related Parties which Exceed $100 Million or 20% of the Paid in Capital
December 31, 2020

Table 5

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Loss Allowance	Notes
					Amount	Action taken			
The Company	DFS	Parent & Subsidiary	146,029	3.58	354	-	95,400	-	-
The Company	DFA	Parent & Subsidiary	414,652	1.87	40,513	-	135,372	-	-
The Company	DFH	Parent & Subsidiary	399,352	(Note 1)	11,779	-	105,493	-	-
The Company	DTC	Parent & Subsidiary	137,640	2.14	42,220	-	23,521	-	-
The Company	DFQ	Parent & Subsidiary	154,728	(Note 1)	37,501	-	98,517	-	-
DFS	The Company	Parent & Subsidiary	905,649	1.70	111,987	-	305,926	-	-
DFS	DFH	Affiliates	134,323	1.62	24,795	-	24,591	-	-
DFS	DFH	Affiliates	226,931	(Note 2)	-	-	-	-	-
DFS	DFQ	Affiliates	169,149	1.79	118,591	-	136,503	-	-
DFS	DFQ	Affiliates	226,890	(Note 2)	-	-	-	-	-
DFH	The Company	Parent & Subsidiary	2,839,190	3.08	769,074	-	1,137,871	-	-
DFQ	The Company	Parent & Subsidiary	1,493,705	2.99	379,998	-	905,259	-	-
DFQ	DFS	Affiliates	107,234	7.09	-	-	107,234	-	-
DPS	DFQ	Affiliates	132,795	(Note 2)	-	-	-	-	-
KST	KSG	Parent & Subsidiary	207,717	1.96	-	-	28,226	-	-

Note 1: Since the amount of duplicated transactions has been eliminated, the receivables turnover ratio is not reported.

Note 2: Since the receivables are not caused by selling and purchasing transactions, calculation of turnover rate is not applicable.

DARFON ELECTRONICS CORP.
Information on Investees (Excluding Investments in Mainland China)
For the Year Ended December 31, 2020

Table 6 **(In Thousands of Shares)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31,2020			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying amount			
The Company	DFBVI	BVI	Trading of electronic products	392,352	810,206	34,150	100.00%	1,624,378	163,884	163,884	Parent-Subsidiary
The Company	DFLB	Malaysia	Investment holding	2,536,514	2,946,041	74,589	100.00%	4,533,898	264,331	264,331	Parent-Subsidiary
The Company	DMC	Taiwan	Manufacture and sale of LTCC, inductors and paste	51,969	51,969	13,067	100.00%	71,570	(719)	(719)	Parent-Subsidiary
The Company	DZL	Taiwan	Investment holding	350,000	350,000	35,910	100.00%	480,000	11,166	11,166	Parent-Subsidiary
The Company	DTC	Taiwan	Manufacture and trading of E-bike and related products	217,412	145,472	19,995	57.96%	225,360	14,289	8,956	Parent-Subsidiary
The Company	DFeu	Netherlands	Trading of green products	219,038	219,038	6,200	100.00%	58,393	(32,022)	(32,022)	Parent-Subsidiary
The Company	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	717,318	722,335	17,651	40.32%	739,472	170,611	43,922	Parent-Subsidiary
The Company	KST	Taiwan	Manufacture and trading of bicycles and related products	720,000	720,000	24,302	60.00%	711,709	2,620	(9,329)	Parent-Subsidiary
The Company	STC (Note 2)	Taiwan	Manufacturing and processing of satellite locators, navigators, antenna, and trading of telecommunications equipment.	-	24,292	-	-	-	9,766	523	Affiliates
The Company	TDI	Taiwan	Manufacture and trading of battery for high power application	407,809	-	26,410	62.75%	407,412	(12,574)	(397)	Parent-Subsidiary
The Company	DFV	Vietnam	Manufacture of electronic products	14,812	-	-	100.00%	14,666	-	-	Parent-Subsidiary
DZL	DTC	Taiwan	Manufacture and trading of E-bike and related products	45,300	30,000	4,275	12.39%	48,175	14,289	1,918	Parent-Subsidiary
DZL	UTC	Taiwan	Manufacture and trading of wireless antennas for telecommunication, modules and piezoelectric ceramics, and ultrasound components	185,492	200,455	4,361	9.96%	197,967	170,611	11,126	Parent-Subsidiary
UTC	UTI	Mauritius	Investment holding	25,291	25,080	818	100.00%	24,191	(3,041)	(3,041)	Affiliates

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31,2020			Net Income (Losses) of the Investee	Investment Income (Loss)	Note
				December 31, 2020	December 31, 2019	Shares	Percentage of Ownership	Carrying amount			
UTC	STC (Note 2)	Taiwan	Manufacture and processing of satellite locator, navigator and antenna, and the trading of telecommunications equipment.	288,176	166,630	15,810	100.00%	327,606	9,766	5,985	Affiliates
KST	KSMC (Note 1)	Taiwan	Manufacture and sale of bicycles and related products	-	45,000	-	-	-	(1,154)	-	Affiliates
KST	KSG	Germany	Assemble and sale of bicycles and related products	157,604	157,604	-	100.00%	43,740	5,447	5,447	Affiliates
KST	KSI	Germany	Lease, purchase and management of movable property and immovable property ,and sale of bicycles and related products	87,853	87,853	-	100.00%	90,196	2,179	2,179	Affiliates
KST	KSV	Vietnam	Manufacture and sale of bicycles and related products	279,756	279,756	-	100.00%	200,749	(51,869)	(51,869)	Affiliates
DFLB	DFC	Czech Republic	Trading of electronic products	299	299	-	100.00%	58,402	1,104	1,104	Affiliates
DFLB	DFA	USA	Trading of electronic products	6,364	6,364	200	100.00%	38,019	4,313	4,313	Affiliates
DFLB	DFK	Korea	Trading of electronic products	1,781	1,781	10	100.00%	862	102	102	Affiliates
DFLB	DPH	BVI	Investment holding	29,314	29,314	1,000	100.00%	439,036	8,320	8,320	Affiliates
DTC	BESVJ	Japan	Trading of green products	26,690	13,357	2	49.00%	29,069	6,669	3,268	Joint Venture
DTC	IOC	Hong Kong	Agent of bicycles and related products	148,235	70,115	19,000	76.00%	140,833	10,478	8,920	Affiliates
DTC	KSMC (Note 1)	Taiwan	Manufacture and sale of bicycles and related products	47,765	-	4,500	100.00%	48,550	(1,154)	(1,154)	Affiliates
KSMC	Tiger (Note 3)	Samoa	Investment holding	-	39,349	-	-	-	-	-	Affiliates
TDI	TD HiTech (Note 3)	Samoa	Investment holding	-	-	-	-	-	(624)	(624)	Affiliates
DFeu	DFG	Germany	Trading of green products	5,243	5,243	-	100.00%	5,104	(140)	(140)	Affiliates

Note 1： On January 2020, the Group introduced organization restructuring. KST sold all the ownership of KSMC to DTC.

Note 2： On June 2020, UTC obtained additional equity from the parent company and non-controlling shareholders by an equity swap.

Note 3： The company was liquidated in 2020.

DARFON ELECTRONICS CORP.
Information on investments in Mainland China
For the Year Ended December 31, 2020

Table 7

i.Name and main businesses and products of investee companies in Mainland China: (In Thousands of NTD/USD)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of Investee	% of Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
DFS	Manufacture and sale of the Company's products	786,004 (USD 27,725) (Note 4)	(Note 1)	1,443,015 (USD 50,900)	-	779,625 (USD 27,500)	663,390 (USD 23,400)	323,251	100.00%	323,251 (Note 2)	2,930,502	230,145 (USD 8,118)
DFH	Manufacture and sale of the Company's products	1,389,150 (USD 49,000)	(Note 1)	1,389,150 (USD 49,000)	-	-	1,389,150 (USD 49,000)	61,532	100.00%	61,532 (Note 3)	1,990,233	-
DPS	Mold development and manufacturing	28,350 (USD 1,000)	(Note 1）	28,350 (USD 1,000)	-	-	28,350 (USD 1,000)	8,378	100.00%	8,378 (Note 2)	436,389	-
DFQ	Manufacture and sale of the Company's products	283,500 (USD 10,000)	(Note 1)	283,500 (USD 10,000)	-	-	283,500 (USD 10,000)	27,608	100.00%	27,608 (Note 2)	621,842	-
UTZ	Wireless antennas for telecommunication, components design and marketing	21,404 (USD 755)	(Note 1)	11,198 (USD 395)	10,206 (USD 360)	-	21,404 (USD 755)	(3,004)	100.00%	(3,004) (Note 3)	23,100	-
K-Light Bikes	Sale of bicycles and related products	-	(Note 1)	34,785 (USD 1,227)	-	9,554 (USD 337)	(Note 5)	-	-	-	-	-

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

Note 2： Investment income or loss was recognized based on the audited financial statements by the Parent company's auditors.

Note 3： Investment income or loss was recognized based on the audited financial statements by the auditors of UTC.

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

Note 5： K-Light Bikes was liquidated in 2020, wherein the amount of US$ 337 thousand was remitted back.

ii.Limits on investments in Mainland China:

Investor Company Name	**Accumulated Investment in Mainland China as of December 31, 2020**	**Investment Amounts Authorized by Investment Commission, MOEA**	**Upper Limit on Investment Authorized by Investment Commission, MOEA**
The Company.	2,134,245 (USD 75,282)	2,228,508 (USD 78,607)	(Note)
UTC	21,404 (USD 755)	21,404 (USD 755)	623,174

The above amounts were translated into New Taiwan dollars at the exchange rate of US$1=NT$28.35.

(Note) Since the Company has obtained the certificate of headquarters operation, there is no upper limit on investments in Mainland China.

iii.Significant transactions with investee companies in Mainland China:

The transactions between the Company and investee companies (the intercompany transactions) have been eliminated when preparing the consolidated financial statements; please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions".

DARFON ELECTRONICS CORP.

Representative: Andy Su