

DARFON ELECTRONICS CORP.

2021 Annual General Shareholders' Meeting

Meeting Agenda

(Translation)

Date: June 23, 2021

Note to Readers :

If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language version shall prevail.

DARFON ELECTRONICS CORP.

2021 Annual General Shareholders' Meeting

Time: 9:00 a.m., Wednesday, June 23, 2021

Place: No.398, Taoying Road, Taoyuan Dist., Taoyuan City, Taiwan

Meeting Agenda :

1. Call Meeting to Order

2. Chairman's Address

3. Report Items :

- (1) To report the business of 2020
- (2) Audit Committee's review report
- (3) To report the distribution of 2020 employees' and directors' remuneration
- (4) To report the proposal for the 2020 earnings distribution of cash dividends

4. Directors election

5. Ratification and Discussion Items :

- (1) To accept 2020 business report and financial statements
- (2) To accept the proposal for the distribution of 2020 earnings
- (3) To release non-compete restrictions on newly-elected directors and their representatives

6. Extraordinary Motions

7. Meeting Adjourned

Attachment

1. 2020 Business Report
2. Independent Auditors' Report and 2020 Consolidated Financial Statements
3. Independent Auditors' Report and 2020 Parent-Company-Only Financial Statements
4. 2020 Earnings Distribution Table
5. List of non-competition restrictions on directors
6. Shareholding of All Directors
7. Rules for the Election of Directors
8. Articles of Incorporation
9. Rules and Procedures for Shareholders' Meeting

Report Items :

1. To report the business of 2020

Explanation:

The 2020 Business Report is attached hereto as Attachment 1 (page 5).

2. Audit Committee's Review Report

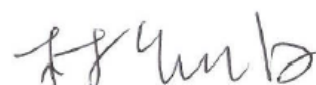
Explanation:

Audit Committee's Review Report

The Board of Directors has prepared the Company's Financial Statements for the year of 2020. Chang, Huei-Chen and Shih, Wei-Ming 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

3. To Report the distribution of 2020 employees' and directors' remuneration

Explanation:

The distribution of 2020 directors' and employees' remuneration is stipulated in Articles of Incorporation, it is proposed to allocate NT\$ 8,821,057 for directors' remuneration and NT\$ 117,614,088 for employees' remuneration. The payment will be made in cash.

4. To report the proposal for the 2020 earnings distribution of cash dividends

Explanation:

- (1) In accordance with the Articles of Incorporation, the distribution of earnings is distributed in the form of cash, the distribution may be approved by the Board of Directors and reported to the shareholders' meeting.
- (2) The proposed distribution is allocated from the 2020 earnings available for distribution. Each common share holder will be entitled to receive a cash dividend of NT\$2.5 per share.
- (3) The cash dividend distribution to each shareholder will be paid to the rounded-down full NT dollar, and the Board of Directors is authorized to determine the ex-dividend date for the cash dividend distribution and other related matters.
- (4) If the dividend distribution ratio is adjusted and need to be modified due to change of the Company's total number of outstanding common shares, the Chairman of Board of Directors has full authority to adjust the distribution ratio.

Directors Election:

To elect five directors and four independent directors. (Proposed by the Board of Directors)

Explanations:

1. The term of the office of the directors and independent directors will be expired on June 20, 2021. Thus, it is proposed to elect five directors and four independent directors at the 2021 Annual General Shareholders' Meeting. The term of the office of the newly elected directors and independent directors would be a 3-year period starting from the date of re-election at 2021 shareholders' meeting.
2. According to the Company's Articles of Incorporation and the Article 192-1 of the Company Act, the company's directors (including independent directors) shall be elected by adopting candidate nomination system. The list of candidates of the director and independent directors has been approved by the Board on May 12, 2021. The relevant information of the nominated candidates is attachment as below:

Title	Nominees	Gender	Education& Experience	Current Positions	Shareholding (Share)
Director	Kuen-Yao Lee	Male	MBA, Switzerland IMD B.S., Electrical Engineering, National Taiwan University Chairman of Qisda Corp. Chairman of AU Optronics Corp.	Director of Darfon Electronics Corp. Director of Qisda Corp. Director of AU Optronics Corp. Director of BenQ Materials Corp. Chairman of BenQ Corp. Chairman of BenQ Foundation	1,525,729
Director	Kai-Chien Su	Male	EMBA, National Cheng Chi University Assistant Vice President of BenQ Corp.	Chairman/ CEO of Darfon Electronics Corp. Chairman of Unictron Technologies Corp. Chairman of Darad Innovation Corp. Chairman of Darfon Materials Corp. Chairman of Darfon Gemmy Corp. Director of BenQ Foundation Chairman of Kenstone Metal Co., Ltd. Chairman of TD HiTech Energy Inc. Chairman of Kenlight Sport Marketing Co., Ltd. Chairman of Iron Ore Co., Ltd. Chairman of Astro Tech Co., Ltd.	4,058,447
Director	Yao-Kun Tsai	Male	Ph.D., Mechanical Engineering, National Chiao Tung University	Director/ President of Darfon Electronics Corp. Director of Darad Innovation Corp. Director of Darfon Materials Corp. Director of Darfon Gemmy Corp. Director of Kenstone Metal Co., Ltd. Director of TD HiTech Energy Inc. Director of Kenlight Sport Marketing Co., Ltd. Director of Astro Tech Co., Ltd.	519,271
Director	Representative of Qisda Corporation Chi-Hong Chen	Male	EMBA, National Cheng Chi University EMBA, Thunderbird School of Global Management B.S., Electrical Engineering, National Cheng Kung University Technology Product Center EVP, BenQ Corp.	Director of Darfon Electronics Corp. Chairman/ President of Qisda Corp. Chairman of DFI Inc. Vice Chairman of Alpha Networks Inc. Director of Hitron Technologies Inc. Chairman of BenQ Medical Technology Corp. Chairman of Partner Tech Corp. Director of BenQ Materials Corp. Director of BenQ Corp. Director of BenQ Foundation	58,004,667
Director	Representative of Qisda Corporation Chiu-Chin Hung	Female	MBA, California State University, Fullerton Financial Assistant Vice President of Qisda Corp. CFO of Daxon Technology Inc.	Director of Darfon Electronics Corp. CFO of Qisda Corp. Director of Alpha Networks Inc. Director of Sysage Technology Co., Ltd. Director of Data Image Corp. Director of Simula Technology Inc. Director of K2 International Medical Inc. Director of BenQ Corp.	58,004,667

Title	Nominees	Gender	Education& Experience	Current Positions	Shareholding (Share)
Independent director	Neng-Pai Lin	Male	Ph.D., Ohio State University Chairman of Taiwan Sugar Corp. Chairman of Taiwan Power Company Dean of College of Management, National Taiwan University Minister of Public Construction Commission, Executive Yuan, Taiwan	Independent Director of Darfon Electronics Corp. Chairman of Taishin Securities Investment Advisory Co., Ltd. Independent Director of Wistron NeWeb Corp. Independent Director of AcBel Polytech Inc.	0
Independent director	Kun-Ming Li	Male	Ph.D., Electrical Engineering, National Taiwan University Vice president of Acer Inc. Vice president of Qisda Corp.	Executive director of Taiwan R&D Manager Association Director of Cheng-Dian Cultural & Educational Foundation	0
Independent director	Yu-Tien Li	Male	Ph.D., Candidate Horticulture, National Taiwan University Master of Business Administration, The Wharton school of University of Pennsylvania Master of Computer Science, The Moore School of Electrical Engineering of University of Pennsylvania B.S., Business Administration, National Taiwan University Independent Director of Easy Field Corp. Chairman of Optoma Corp. President of Coretronic Corp. Executive Vice President of Universal Furniture Ltd. Asian and Pacific area President of Formica Corp. Chairman of Taiwan Arboriculture Society Chairman of Taiwan Green Roof & Green Wall Association	Independent Director of Darfon Electronics Corp. Chairman of Treegarden Corp. Chairman of Taiwan Biochar Industry Organization	0
Independent director	Hsiang-Niang Hu	Male	Master of Business Administration - Accounting, The State University of New York at Buffalo Manager of Solomon & Co., CPAs Director of Forhouse Corp.	Independent Director of Darfon Electronics Corp. Partner of Yangtze CPAs & Co. Supervisor of Favite, Inc.	0

3. Please elect.

Election Results:

Ratification and Discussion Items :

1. To accept 2020 business report and financial statements (Proposed by the Board of Directors)

Explanation:

- (1) The 2020 Financial Statements were audited by the independent auditors, Chang, Huei-Chen and Shih, Wei-Ming of KPMG.
- (2) For the 2020 Independent Auditors' Report, and the 2020 Financial Statements, please refer to Attachments 2-3 (pages 6-23).

Resolution:

2. To accept the proposal for the distribution of 2020 earnings (Proposed by the Board of Directors)

Explanation:

The 2020 Earnings Distribution Table was approved by the Board of Directors and reviewed by the Audit Committee. The 2020 Earnings Distribution Table is attached hereto as Attachment 4 (page 24).

Resolution:

3. To release non-compete restrictions on newly-elected directors and their representatives. (Proposed by the Board of Directors)

Explanation:

- (1) According to Article 209 of the Company Act, any Director conducting business for himself/herself/itself or on another's behalf, whereby the scope of the business coincides with the scope of the Company's business, shall explain at the Shareholders' Meeting the essential contents of such conduct, and obtain approval from shareholders in the Meeting.
- (2) It is proposed to request the Shareholders' Meeting to release the non-compete restrictions on newly-elected directors, who participate in the operations of another company that engages in the same or similar business scope as the Company.
- (3) The list of non-competition restrictions proposed to be lifted by the Company on each Director is attached hereto as Attachment 5 (page 25-26)

Resolution

Extraordinary Motions

Meeting Adjourned

2020 Business Report

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.

Independent Auditors' Report

To the Board of Directors Darfon Electronics Corp.:

Opinion

We have audited the consolidated financial statements of Darfon Electronics Corp. ("the Company") 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 ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits of the consolidated financial statements as of and for the year ended December 31, 2020 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. 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 Certification 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 Auditor's 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 the 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 significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the 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 notes 4(h) 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 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. 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.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included obtaining the inventory of aging report provided by the Group, 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 Group's accounting policies; and assessing the historical reasonableness of management's estimates of inventory provisions.

2. Business combination

Please refer to notes 4(t) for the accounting policy on business combination, and note 6(h) for the related disclosures of the

consolidated financial statements.

Description of key audit matter:

In 2020 the Group acquired 62.75% ownership of TD HiTech Energy Inc. (TDI), wherein the Group controls them. To adopt the accounting treatment of business combination, the management needs to determine and assess 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 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

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

Description of key audit matter:

Goodwill arising from acquisition of subsidiary 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 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 Group's disclosures with respect to the related information on goodwill impairment.

Other Matter

The company 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, IFRIC, 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.

Auditor's 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 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 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. Identified and assessed 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. 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 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. 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 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. Obtained 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 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.

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 consolidated 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 consolidated financial statements are intended only to present the statement of 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 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 and Report Originally Issued in Chinese)

DARFON ELECTRONICS CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

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

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report 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	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term borrowings	\$ 2,470,428	10	2,434,527	12
2110	Short-term notes and bills payable	439,721	2	199,989	1
2120	Financial liabilities at fair value through profit or loss	28	-	-	-
2170	Notes and accounts payable	5,321,074	22	3,877,542	19
2200	Other payables	2,815,639	12	2,516,324	12
2250	Provision-current	96,222	-	1,970	-
2280	Lease liabilities-current	94,838	-	54,886	-
2322	Long-term borrowings, current portion	-	-	1,431	-
2399	Other current liabilities	434,965	2	637,114	3
	Total current liabilities	11,672,915	48	9,721,813	47
Non-current liabilities:					
2540	Long-term borrowings	1,600,000	7	1,005,070	5
2550	Provisions-non-current	-	-	67,583	-
2570	Deferred income tax liabilities	72,675	-	80,799	-
2580	Lease liabilities-non-current	258,871	1	161,042	1
2640	Net defined benefit liability-non-current	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:					
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 components of equity:				
3410	Foreign currency translation differences	(683,751)	(3)	(499,270)	(2)
3420	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	328,577	1	38,323	-
3445	Remeasurement of defined benefit	(31,433)	-	(31,323)	-
		(386,607)	(2)	(492,270)	(2)
	Equity attributable to shareholders of the Company	9,191,066	38	8,680,537	42
36XX	Non-controlling interests	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 and Report 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	\$ 22,349,528	100	19,137,173	100
5000	Cost of sales	(18,491,952)	(83)	(15,594,059)	(81)
	Gross profit	<u>3,857,576</u>	<u>17</u>	<u>3,543,114</u>	<u>19</u>
	Operating expenses :				
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	<u>(2,723,251)</u>	<u>(12)</u>	<u>(2,478,998)</u>	<u>(13)</u>
	Operating income	<u>1,134,325</u>	<u>5</u>	<u>1,064,116</u>	<u>6</u>
	Non-operating income and loss :				
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 the loss of joint ventures accounted for using the equity method	3,268	-	1,495	-
7100	Interest income	43,882	-	42,736	-
	Total non-operating income and loss	<u>90,366</u>	<u>-</u>	<u>172,609</u>	<u>-</u>
7900	Income before income tax	1,224,691	5	1,236,725	6
7950	Income tax expenses	<u>(271,344)</u>	<u>(1)</u>	<u>(267,332)</u>	<u>(1)</u>
8200	Net income	<u>953,347</u>	<u>4</u>	<u>969,393</u>	<u>5</u>
	Other comprehensive income:				
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)	-
		<u>315,694</u>	<u>2</u>	<u>75,642</u>	<u>-</u>
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 accounted for using the equity method	33	-	(66)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
		<u>(191,591)</u>	<u>(1)</u>	<u>(208,757)</u>	<u>(1)</u>
	Other comprehensive income for the year, net of income tax	<u>124,103</u>	<u>1</u>	<u>(133,115)</u>	<u>(1)</u>
8500	Total comprehensive income for the year	<u>\$ 1,077,450</u>	<u>5</u>	<u>836,278</u>	<u>4</u>
	Net income attributable to:				
8610	Shareholders of the Parent	\$ 903,785	4	899,950	5
8620	Non-controlling interests	49,562	-	69,443	-
		<u>\$ 953,347</u>	<u>4</u>	<u>969,393</u>	<u>5</u>
	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	-
		<u>\$ 1,077,450</u>	<u>5</u>	<u>836,278</u>	<u>4</u>
	Earnings per share (in New Taiwan dollars) :				
9750	Basic earnings per share	<u>\$ 3.23</u>		<u>3.21</u>	
9850	Diluted earnings per share	<u>\$ 3.19</u>		<u>3.18</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report 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 components of 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)
Differences between consideration 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)
Group reorganization	-	144	-	-	-	-	-	-	-	-	144	(144)	-
Acquisition of subsidiary's additional interest	-	-	-	-	-	-	-	-	-	-	-	(54,247)	(54,247)
Disposal of part of the subsidiary's equity	-	-	-	-	-	-	-	-	-	-	-	115,720	115,720
Differences 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 interest in subsidiaries	-	24,552	-	-	-	-	-	-	-	-	24,552	(24,552)	-
Stock option compensation cost of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	23,765	23,765
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	134,000	134,000
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 and Report 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 (gain) loss	(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 gain of joint ventures	(3,268)	(1,495)
Losses (gains) on disposal and retirement of property, plant and equipment	3,637	(5,194)
Losses on disposal of investment properties	1,051	-
Gains on bargain purchase	-	(11,116)
Loss on disposal of investments	2,217	-
Impairment loss on property, plant and equipment	75	-
Gains on lease remeasurement	(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 for hedging	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

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report 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 repayments 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)	-
Net cash outflow arising from acquisition of subsidiaries	(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 disposal of investment properties	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	<u>32,152</u>	<u>36,178</u>
Net cash flows used in investing activities	<u>(375,214)</u>	<u>(2,661,531)</u>
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 borrowings	1,040,000	600,000
Repayments of long-term borrowings	(446,418)	(40,115)
Payments 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)
Disposal of ownership interests in subsidiaries (without losing control)	115,720	-
Capital injection from non-controlling interests	<u>134,300</u>	<u>-</u>
Net cash provided by financing activities	<u>286,435</u>	<u>1,068,746</u>
Effects of exchange rate changes	<u>(131,051)</u>	<u>(110,481)</u>
Net increase in cash and cash equivalents	880,213	4,512
Cash and cash equivalents at beginning of year	<u>1,722,470</u>	<u>1,717,958</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,602,683</u></u>	<u><u>\$ 1,722,470</u></u>

See accompanying notes to consolidated financial statements.

Independent Auditors' Report

To the Board of Directors Darfon Electronics Corp.:

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 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.

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 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.

How the matter was addressed in our audit:

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 statements are intended only to present the statement of 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 financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying 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 auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

DARFON ELECTRONICS CORP.

Parent-Company-Only Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Assets					
Current assets:					
1100	Cash and cash equivalents	\$ 219,846	1	121,380	1
1110	Financial assets at fair value through profit or loss-current	8,571	-	2,670	-
1120	Financial assets at fair value through other comprehensive income-current	-	-	778,707	4
1136	Financial assets at amortized cost-current	-	-	224,857	1
1170	Notes and accounts receivable, net	4,733,757	24	3,587,481	20
1180	Accounts receivable from related parties	1,353,352	7	797,886	5
1310	Inventories	1,336,386	7	997,318	6
1470	Prepayments and other current assets	<u>106,058</u>	<u>-</u>	<u>87,022</u>	<u>-</u>
	Total current assets	<u>7,757,970</u>	<u>39</u>	<u>6,597,321</u>	<u>37</u>
Non-current assets:					
1517	Financial assets at fair value through other comprehensive Income-non-current	1,058,383	5	-	-
1550	Investments accounted for using equity method	8,282,166	41	8,430,918	48
1600	Property, plant and equipment	2,635,063	13	2,345,890	13
1840	Deferred income tax assets	154,831	1	195,923	1
1915	Prepayments for equipment	30,842	-	35,976	-
1920	Refundable deposits	1,483	-	123,978	1
1990	Other non-current assets	<u>180,920</u>	<u>1</u>	<u>16,121</u>	<u>-</u>
	Total non-current assets	<u>12,343,688</u>	<u>61</u>	<u>11,148,806</u>	<u>63</u>
	Total assets	<u>\$ 20,101,658</u>	<u>100</u>	<u>17,746,127</u>	<u>100</u>

(Continued)

See accompanying notes to parent-company-only financial statements.

DARFON ELECTRONICS CORP.**Parent-Company-Only Balance Sheets (Continued)****December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

		December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term borrowings	\$ 1,540,000	8	2,000,000	11
2110	Short-term notes and bills payable	439,721	2	199,989	1
2170	Notes and accounts payable	343,533	2	357,765	2
2180	Accounts payable to related parties	5,343,545	26	3,799,097	22
2200	Other payables	1,174,473	6	1,063,571	6
2220	Other payables to related parties	704	-	12,193	-
2250	Provision-current	79,039	-	-	-
2300	Other current liabilities	<u>332,496</u>	<u>2</u>	<u>503,180</u>	<u>3</u>
	Total current liabilities	<u>9,253,511</u>	<u>46</u>	<u>7,935,795</u>	<u>45</u>
Non-current liabilities:					
2540	Long-term borrowings	1,600,000	8	1,000,000	6
2550	Provisions-non-current	-	-	67,583	-
2640	Net defined benefit liability-non-current	56,165	-	62,185	-
2670	Other non-current liabilities	<u>916</u>	<u>-</u>	<u>27</u>	<u>-</u>
	Total non-current liabilities	<u>1,657,081</u>	<u>8</u>	<u>1,129,795</u>	<u>6</u>
	Total liabilities	<u>10,910,592</u>	<u>54</u>	<u>9,065,590</u>	<u>51</u>
Equity :					
3110	Common stock	<u>2,800,000</u>	<u>14</u>	<u>2,800,000</u>	<u>16</u>
3200	Capital surplus	<u>3,921,454</u>	<u>20</u>	<u>3,802,120</u>	<u>21</u>
	Retained earnings:				
3310	Legal reserve	1,024,037	5	934,042	5
3320	Special reserve	492,270	2	366,541	2
3350	Unappropriated earnings	<u>1,339,912</u>	<u>7</u>	<u>1,270,104</u>	<u>8</u>
		<u>2,856,219</u>	<u>14</u>	<u>2,570,687</u>	<u>15</u>
	Other components of 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	<u>(31,433)</u>	<u>-</u>	<u>(31,323)</u>	<u>-</u>
		<u>(386,607)</u>	<u>(2)</u>	<u>(492,270)</u>	<u>(3)</u>
	Total equity	<u>9,191,066</u>	<u>46</u>	<u>8,680,537</u>	<u>49</u>
	Total liabilities and equity	<u><u>\$ 20,101,658</u></u>	<u><u>100</u></u>	<u><u>17,746,127</u></u>	<u><u>100</u></u>

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report 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	\$ 15,056,289	100	13,851,669	100
5000	Cost of sales	(13,068,948)	(87)	(12,294,179)	(89)
5900	Gross profit	1,987,341	13	1,557,490	11
5910	(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:				
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 loss:				
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	Finance 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	(146,644)	(1)	(90,889)	-
8200	Net income	903,785	6	899,950	7
	Other comprehensive income (loss):				
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) from 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	<u>\$ 1,035,195</u>	<u>7</u>	<u>774,221</u>	<u>6</u>
	Earnings per share (in New Taiwan dollars) :				
9750	Basic earnings per share	<u>\$ 3.23</u>		<u>3.21</u>	
9850	Diluted earnings per share	<u>\$ 3.19</u>		<u>3.18</u>	

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

DARFON ELECTRONICS CORP.

Parent-Company-Only Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other components of equity				
	Common stock	Capital Surplus	Legal reserve	Special reserve	Unappropriated earnings	Subtotal	Foreign currency translation differences	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal	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
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 at December 31, 2019	<u>2,800,000</u>	<u>3,802,120</u>	<u>934,042</u>	<u>366,541</u>	<u>1,270,104</u>	<u>2,570,687</u>	<u>(499,270)</u>	<u>38,323</u>	<u>(31,323)</u>	<u>(492,270)</u>	<u>8,680,537</u>
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:											
Legal reserve	-	-	89,995	-	(89,995)	-	-	-	-	-	-
Special reserve	-	-	-	125,729	(125,729)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(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 at December 31, 2020	<u>\$ 2,800,000</u>	<u>3,921,454</u>	<u>1,024,037</u>	<u>492,270</u>	<u>1,339,912</u>	<u>2,856,219</u>	<u>(683,751)</u>	<u>328,577</u>	<u>(31,433)</u>	<u>(386,607)</u>	<u>9,191,066</u>

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report 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)

	<u>2020</u>	<u>2019</u>
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	(480,315)	(472,740)
Gains on disposal and retirement of property, plant and equipment, net	(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 or 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
Changes 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 changes in operating liabilities	1,440,443	(1,050,794)
Total changes in operating assets and liabilities	(625,304)	255,665
Total adjustments	(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 taxes paid	(66,344)	(303,831)
Net cash provided by operating activities	119,611	488,749

(Continued)

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report 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)

	<u>2020</u>	<u>2019</u>
Cash flows from investing activities:		
Purchase of financial assets at amortized cost	-	(224,857)
Proceeds from repayments 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	<u>107,490</u>	<u>312,792</u>
Net cash flows provided by (used in) investing activities	<u>243,287</u>	<u>(1,268,096)</u>
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
Decrease in 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	<u>(644,000)</u>	<u>(980,000)</u>
Net cash (used in) provided by financing activities	<u>(264,432)</u>	<u>840,510</u>
Net increase (decrease) in cash and cash equivalents	98,466	61,163
Cash and cash equivalents at beginning of year	<u>121,380</u>	<u>60,217</u>
Cash and cash equivalents at end of year	<u>\$ 219,846</u>	<u>121,380</u>

See accompanying notes to parent-company-only financial statements.

DARFON ELECTRONICS CORP
2020 Earnings Distribution Table

(Unit: NTD \$)

Items	Amount
Unappropriated retained earnings of prior years	410,380,424
Add: Net profit after tax	903,785,109
Add: Disposal of investments in equity instruments designated at fair value through other comprehensive income	25,746,583
Less: 10% provisioned as legal reserve	(92,953,169)
Add: Reversal of special reserve	105,663,183
Distributable net profit	1,352,622,130
Distributable item:	
Cash dividends to common shareholders	(700,000,003)
Unappropriated retained earnings	652,622,127
Notes: The cash dividend distribution to each shareholder will be paid to the rounded-down full NT dollar. Amounts less than one whole NT dollar are rounded-down to the nearest NT dollar. The aggregate unpaid cash dividend resulting from the above rounded-down, will be distributed to shareholders in the descending order of decimal point and the ascending order of shareholder account numbers, until the total amount of the approved cash dividend has been fully distributed.	

List of non-competition restrictions on directors

Dierctor	Restriction items
Kuen-Yao Lee	<p>Director of Qisda Corp.</p> <p>Director of AU Optronics Corp.</p> <p>Director of BenQ Materials Corp.</p> <p>Chairman of BenQ Corp.</p>
Kai-Chien Su	<p>Chairman of Unictron Technologies Corp.</p> <p>Chairman of Darad Innovation Corp.</p> <p>Chairman of Darfon Materials Corp.</p> <p>Chairman of Darfon Gemmy Corp.</p> <p>Chairman of Kenstone Metal Co., Ltd.</p> <p>Chairman of TD HiTech Energy Inc.</p> <p>Chairman of Kenlight Sport Marketing Co., Ltd.</p> <p>Chairman of Iron Ore Co., Ltd.</p> <p>Chairman of Astro Tech Co., Ltd.</p> <p>Chairman of Darfon Precisions (SUZHOU) CO., LTD</p> <p>Director of Darfon Precisions Holdings Co.,Ltd.</p> <p>Director of Huaian Darfon Electronics Co., Ltd.</p> <p>Director of Darfon Electronics (Chongqing) Co., Ltd.</p> <p>Chairman of Darfon Electronics Czech s.r.o</p> <p>Chairman of Darfon Europe B.V.</p> <p>Chairman of BESV JAPAN Co., Ltd.</p> <p>Director of Darfon America Corp.</p> <p>Director of Darfon Korea Co., Ltd.</p> <p>Chairman of Kenstone Metal Company Gmbh</p> <p>Chairman of KSI Handels Gmbh</p>
Yao-Kun Tsai	<p>Director of Darad Innovation Corp.</p> <p>Director of Darfon Materials Corp.</p> <p>Director of Darfon Gemmy Corp.</p> <p>Director of Kenstone Metal Co., Ltd.</p> <p>Director of TD HiTech Energy Inc.</p> <p>Director of Kenlight Sport Marketing Co., Ltd.</p> <p>Director of Astro Tech Co., Ltd.</p> <p>Director of Darfon Electronics (Suzhou) Co., Ltd.</p> <p>Chairman of Darfon Precisions (Suzhou) Co., Ltd.</p> <p>Chairman of Huaian Darfon Electronics Co., Ltd.</p> <p>Chairman of Darfon Electronics (Chongqing) Co., Ltd.</p> <p>Director of Darfon America Corp.</p> <p>Chairman of Darfon Korea Co., Ltd.</p> <p>Chairman of Darfon Vietnam Co., Ltd.</p>

Dierctor	Restriction items
Representative of Qisda Corporation Chi-Hong Chen	Chairman/ President of Qisda Corp. Chairman of FI Inc. Vice Chairman of Alpha Networks Inc. Director of Hitron Technologies Inc. Chairman of BenQ Medical Technology Corp. Chairman of Partner Tech Corp. Director of BenQ Materials Corp. Director of BenQ Corp.
Representative of Qisda Corporation Chiu-Chin Hung	CFO of Qisda Corp. Director of Alpha Networks Inc. Director of Sysage Technology Co., Ltd. Director of Data Image Corp. Director of Simula Technology Inc. Director of K2 International Medical Inc. Director of BenQ Corp.
Neng-Pai Lin	Chairman of Taishin Securities Investment Advisory Co., Ltd. Independent Director of Wistron NeWeb Corp. Independent Director of AcBel Polytech Inc.
Kun-Ming Li	Director of Cheng-Dian Cultural & Educational Foundation
Yu-Tien Li	Chairman of Treegarden Corp.
Hsiang-Niang Hu	Supervisor of FAVITE INC.

Shareholding of All Directors

1. The Company has issued capital of the Company is NT\$2,800,000,010 representing 280,000,001 common shares. According to Article 26 of the Securities and Exchange Act, the minimum number of shares that shall be held by all directors of the company is 12,000,000.
2. As of April 25, 2021, the number of shares held by all directors is 64,108,114 shares. The actual collective shareholding of directors was shown as below:

Title	Name	Shareholders Represented	No. of Shareholding	Shareholding%
Chairman	Kai-Chien Su		4,058,447	1.45
Director	Kuen-Yao Lee		1,525,729	0.54
Director	Chi-Hong Chen	(Qisda Corporation)	58,004,667	20.72
Director	Chiu-Chin Hung	(Qisda Corporation)	58,004,667	20.72
Director	Yao-Kun Tsai		519,271	0.19
Independent Director	Neng-Pai Lin		0	0.00
Independent Director	Yu-Tien Li		0	0.00
Independent Director	Hsiang-Niang Hu		0	0.00
Total			64,108,114	22.90

Rules for the Election of Directors

- Article 1 Unless otherwise provided in applicable laws and regulations or the Articles of Incorporation of the Company, the Rules specified herein shall govern the election of the Company's directors.
- Article 2 The Company's directors shall be elected at the Shareholders' Meeting.
- Article 3 The Company's directors should be elected through single-named cumulative voting.
- Article 4 In election of the Company's directors, each share is entitled to the voting rights equivalent to the number of directors to be elected. The voting rights may be concentrated to one candidate or be allocated among several candidates. The candidates who receive the most votes for the position of director shall win the election.
- Article 5 The directors of the Company shall be elected by the shareholders' meeting from among the persons with disposing capacity. The candidates who receive the most votes for the position of director shall win the election, and such number shall be in compliance with the number of positions for director provided for in the Articles of Incorporation. If two or more candidates receive the same number of votes beyond a quota, the winner shall be determined through lot-drawing. The lot may be drawn by the Chairman on behalf of the absentees.
- Article 6 The candidates can only run for one election (the directors or the independent directors).
- Article 7 The Board of Directors shall, upon preparing the ballots, enter the voting rights on each ballot. The ballot box shall be prepared by the Board of Directors and shall be checked in public by the inspector before voting.
- Article 8 At the beginning of the election, the chairman shall appoint the inspector and counter to take charge of monitoring and counting of the votes.
- Article 9 The Company shall announce publicly the nomination submission period, the number of directors to be elected, the place for eligible shareholders to submit their nomination, and other relevant information prior to the commencement of the book closed period prior to the Shareholders' meeting. The Company adopts the Nomination System for the nomination of candidates to serve as directors. The Board or the shareholders holding 1% or more of the Company's total issued and outstanding shares are entitled to submit a slate of candidates for consideration as directors in pursuant to the Company Act. The qualifications of the candidates for consideration as directors shall be in compliance with applicable laws and regulations.
- Article 10 The shareholders shall elect the directors from among the nominees listed in the roster of director candidates. If the candidate is a shareholder of the Company, voters shall fill the candidate's name and shareholder's number in the "candidate" column of the ballot; if the candidate is not a shareholder of the Company, voters shall fill the candidate's name and ID number in the "candidate" column. If the candidate is a government agency or a legal entity, voters shall fill the name of the government agency or the legal entity or the name of their representative in the column. In the event that several candidates represent a government agency or a legal entity, the names of the representatives shall be filled separately in the column.
- Article 11 A ballot shall be deemed void if such a ballot:
1. is not a ballot provided under the Rules;
 2. is placed into the ballot box blank;
 3. contains illegible words or corrections;
 4. contains a name in the "candidate" column which is inconsistent of the nominees list;
 5. contains any words or marks other than those specified in Article 10;
 6. is not filled out in accordance with Article 10 or is filled incompletely;

7. contains two or more candidates.

Article 12 The ballots should be counted during the meeting right after the vote casting under supervision of the inspector, and the results of the election should be announced by the Chairman at the meeting.

Article 13 The Rules and any amendment thereof shall become effective after approval by the Shareholders' Meeting

Article 14 Enacted on March 4, 1998.

The first amendment was made on May 8, 2003.

The second amendment was made on May 11, 2006.

The third amendment was made on May 27, 2008.

The fourth amendment was made on June 21, 2012.

DARFON ELECTRONICS CORP.

Articles of Incorporation

Chapter 1: General Provisions

- Article 1 The Company is organized as a company limited by shares in accordance with the Company Act of the Republic of China (the "Company Act") and the Company's English name is DARFON ELECTRONICS CORP.
- Article 2 The lines of business of the Company shall include the following:
- CA05010 Powder Metallurgy
 - CC01110 Computer and Peripheral Equipment Manufacturing
 - CC01060 Wired Communication Mechanical Equipment Manufacturing
 - CC01070 Wireless Communication Mechanical Equipment Manufacturing
 - CC01080 Electronics Components Manufacturing
 - CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
 - CQ01010 Mold and Die Manufacturing
 - CC01040 Lighting Equipment Manufacturing
 - F113050 Wholesale of Computers and Clerical Machinery Equipment
 - F119010 Wholesale of Electronic Materials
 - F401010 International Trade
 - I103060 Management Consulting
 - CC01101 Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
 - F401021 Controlled Telecommunications Radio-Frequency Devices and Materials Import
 - CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
 - F113020 Wholesale of Electrical Appliances
 - IG03010 Energy Technical Services
 - D101060 self-usage power generation equipment utilizing renewable energy industry
 - ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3 The Company may provide guarantees or endorsements on behalf of third parties due to business or investment relationships with such third parties.
- Article 4 The total amount of the Company's investment is not subject to the restriction of Article 13 of the Company Act.
- Article 5 The head office of the Company shall be in Taoyuan, Taiwan, the Republic of China ("R.O.C."). Subject to the approval of the Board and other relevant authorities, the Company may, if necessary, set up branches or business offices at other appropriate place.
- Article 6 The company's announcement method is in accordance with the provisions of Article 28 of the Company Act.

Chapter 2: Shares

- Article 7 The company's total capital is rated at NT \$ 4.5 billion, divided into 450 million shares at NT \$ 10 per share.
- The council decided to issue in batches. 15 million shares are reserved in the aforementioned total shares as shares for issuing employee stock option certificates. The company may issue employee stock options at a

stock price lower than the market price, or less than the actual share repurchase, with the consent of the shareholders' meeting representing more than half of the total number of issued shares and the presence of more than two-thirds of the shareholders' voting rights Average price transferred to employees.

Article 7-1 Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive treasury stock purchased by the Company. Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive share subscription warrant of the Company. Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive new shares issued by the Company. Employees of parent company or subsidiary meeting certain specific requirements are included to be entitled to receive restricted stock.

Article 8 The share certificates of the Company shall be all in registered form. The share certificates shall be affixed with the signatures or personal seals of the director representing the company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws before issuance.
The Company may, pursuant to the applicable laws and regulations, deliver shares or other securities in book-entry form, instead of delivering physical certificates evidencing shares or other securities.

Article 9 The name change and transfer of the company's stocks shall cease within 60 days before the shareholders' general meeting, within 30 days before the shareholders' temporary meeting or within 5 days before the company's decision to distribute dividends and dividends or other benefits.

Chapter 3: Shareholders' Meetings

Article 10 Shareholders' meetings shall be of two types, ordinary meetings and extraordinary meetings. Ordinary meetings shall be convened annually by the Board within six months of the end of each fiscal year. Extraordinary meetings shall be convened in accordance with the relevant laws, whenever necessary.

Article 11 Unless otherwise provided in applicable law and regulations, a resolution shall be adopted at a meeting attended by the shareholders holding and representing a majority of the total issued and outstanding shares and at which meeting a majority of the attending shareholders shall vote in favor of the resolution. In case a shareholder is unable to attend a shareholders' meeting, such shareholder may issue a proxy in the form issued by the Company, setting forth the scope of authorization by signing and affixing such shareholder's seal on the proxy form for the representative to be present on such shareholder's behalf.
Except for trust enterprises or other stock transfer agencies approved by the securities authorities, if a person is designated as proxy by more than two shareholders, any of such person's voting rights representing in excess of 3% of the total issued and outstanding shares shall not be considered. The relevant matters related to the use and rescission of the proxy shall be conducted in accordance with the Company Act and applicable rules.

Chapter 4 Directors and Audit Committees

Article 12 Directors shall be elected from a slate of director candidates, which are nominated under the Candidate Nomination System, at shareholders' meetings. The independent directors are selected by the shareholders' meeting on the list of independent director candidates. The professional qualifications, shareholding, part-time restrictions, nomination and selection methods of the independent directors and other matters to be complied with shall be handled in accordance with relevant laws. The voting rights of shareholders shall have one voting right per share, unless otherwise provided by laws and regulations.

Article 12-1 The Company may take out liability insurance for the directors with respect to the liabilities resulting from exercising their duties during their terms of office. The Board is authorized to determine the compensation for the directors, taking into account the extent and value of the services provided for the Company's operation and with reference to the standards of local and overseas industry.

Article 13 The Company shall have seven to nine directors. Within the entire Board, the Company shall have at least three independent directors on the Board. The shareholders' meeting shall elect the directors from among

the nominees listed in the roster of director candidates. The term of office for all directors shall be three (3) years. The directors are eligible for re-election. The total shares held by the entire body of either directors shall not be less than a specified percentage in accordance with the regulation prescribed by the Competent Authority.

Article 13-1 The Company shall set up the Audit Committee organized by all of the independent directors in accordance with the Securities and Exchange Act. The composition of the audit committee, duties, rules of meeting procedure and other compliance matters shall comply with the regulations prescribed by the securities supervisory authorities.

Article 14 The Board of Directors is organized by directors. The Chairman of the Board of Directors shall be elected from among the attending directors by a majority vote and with the attendance over two thirds of the seats in a meeting of the Board of Directors. As necessary, a Vice Chairman may be elected among the attending directors in the same manner. The Chairman of the Board shall externally have the authority to represent the Company.

Article 15 Where a director is unable to attend a meeting of the Board, he may appoint another director to represent him by proxy in accordance with Article 208 of the Company Act. Each director may act as a proxy for one other director only.

The meeting of the Board of Directors shall be convened in accordance with the Company Act. In calling a meeting of the Board of Directors, a notice may be given to each director by means of electronic mail or facsimile.

Chapter 5 Managerial Officer

Article 16 The Company may appoint a multiple number of managerial officers whose appointment, dismissal and compensations shall be conducted in accordance with the Company Act.

Chapter 6 Accounting

Article 17 The company's fiscal year is from January 1 to December 31 of the same year.

Article 18 After the end of each fiscal year, the Board shall prepare and submit the following documents: (1) business report, (2) financial statements, (3) proposal for allocation of earnings or recovery of loss, which shall be submitted to the audit committee for verification 30 days before the shareholders' meeting. The audit committee issued a report to the shareholders' general meeting for approval.

Article 19 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

Chapter 7: Supplementary Articles

Article 21 With respect to the matters not provided herein, the Company Act and other applicable laws and regulations shall govern.

Article 22 These Articles of Incorporation were enacted by the incorporators in the incorporators meeting held on April 30, 1997 and were effectively approved by the competent authority.

The first amendment was made on March 4, 1998.

The second amendment was made on April 29, 1999.

The third amendment was made on June 14, 1999.

The fourth amendment was made on March 29, 2000.

The fifth amendment was made on October 11, 2000.

The sixth amendment was made on March 8, 2001.

The seventh amendment was made on April 10, 2001.

The eighth amendment was made on April 19, 2002

The ninth amendment was made on May 8, 2003.

The tenth amendment was made on April 27, 2005.

The eleventh amendment was made on May 11, 2006.

The twelfth amendment was made on October 2, 2006.

The thirteenth amendment was made on May 15, 2007.

The fourteenth amendment was made on May 27, 2008.

The fifteenth amendment was made on June 10, 2009.

The sixteenth amendment was made on June 9, 2010.

The seventeen amendment was made on June 15, 2011.

The eighteenth amendment was made on June 21, 2012.

The nineteenth amendment was made on June 24, 2015.

The twentieth amendment was made on June 17, 2016.

The twenty-first amendment was made on June 13, 2019.

The twenty-second amendment was made on June 18, 2020.

Rules and Procedures for Shareholders' Meeting

1. The Rules and Procedures for Shareholders' Meeting are enacted in accordance with the “Rules Governing the Conduct of Shareholders Meetings by Public Companies” promulgated by the Securities and Futures Commission, Ministry of Finance, (86) Tai-Tsai- Zheng (3) No.04109.
2. Shareholders or their proxies attending the shareholders' meeting (the “Meeting”) shall submit the attendance card for the purpose of signing in. The number of shares represented by shareholders or their proxies attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders or their proxies plus the number of shares exercised by correspondence or electronic means.
3. The quorum required for the Meeting and the votes cast by the shareholders shall be calculated in accordance with the number of shares representing by shareholders attending the Meeting.
4. The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
5. The chairman of the Board of Directors shall be the chair presiding at the Meeting in the case that the Meeting is convened by the Board of Directors. In case the chairman of the Board of Directors is on leave or cannot exercise his power and authority for any reason, the vice chair shall act on behalf of the chair. In case the Company has no vice chairman, or the vice chairman is also on leave or unable to exercise his and authority for any reason, the chairman of the Board of Directors shall designate one of the directors to act on behalf of the chair. If the chairman does not make such designation, the directors shall elect from and among themselves an acting chair of the Board of Directors. If the Meeting is convened by the person other than the Board of Directors who is permitted to convene such Meeting, such person shall be the chair presiding the Meeting.
6. The Company may appoint designated counsel, Certified Public Accountant or other related persons to attend the Meeting.
7. The process of the Meeting shall be tape-recorded or videotaped and these tapes or videos shall be preserved for at least one year.
8. Chair shall call the Meeting to order at the time scheduled for the meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chair may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one-third of the total outstanding shares of the Company, tentative resolutions may be made in accordance with Paragraph 1, Article 175 of the Company Act of the Republic of China. If during the process of the Meeting the number of shares represented by the shareholders present becomes sufficient to constitute the quorum, the chair may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Act of the Republic of China.
9. The agenda of the Meeting shall be set by the Board of Directors, if the Meeting is convened by the Board of Directors. The Meeting shall proceed in accordance with the agenda unless otherwise resolved at the Meeting. During the Meeting, the chair may, at his/her discretion, set time for intermission. Unless otherwise resolved at the Meeting, the chair cannot announce adjournment of the Meeting before all the discussion items listed in the agenda are resolved. The shareholders cannot designated any other person as chair and continue the Meeting in the same or other place after the Meeting is adjourned.

10. When a shareholder present at the Meeting wishes to speak, a speech note should be filled out with summary of the speech, the shareholder's number, and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chair. If any shareholder presenting the Meeting submits a speech note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the speech note, the contents of actual speech shall prevail. Unless otherwise permitted by the chair and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholder, otherwise the chair shall stop such interruption.
11. Unless otherwise permitted by the chair, each shareholder shall not, for each discussion item, speak more than two times or longer than 5 minutes each time. In case the speech of any shareholder violates this provision or exceeds the scope of the discussion item, the chair may stop the speech of such shareholder.
12. Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting. If a legal entity is a shareholder and designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.
13. After the speech of a shareholder, the chair may respond him/herself or appoint an appropriate person to respond.
14. The chair may announce to end the discussion of any discussion item and go into voting if the chair deems it appropriate.
15. The person(s) to monitor and the person(s) to count the ballots shall be appointed by the chair. The person(s) monitoring the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and recorded in the minutes of the Meeting.
16. Except otherwise provided in the Company Act of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chair.
17. If there is amendment to or substitute for a discussion item, the chair shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any of them has been adopted, the other shall be deemed vetoed and no further voting is necessary.
18. The chair may require or supervise the disciplinary officers or the security guards to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officer" for identification purpose.
19. In case of incident due to force majeure, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.
20. Any matter not provided in the Rules and Procedures shall be handled in accordance with the Company Act of Republic of China and the Articles of Incorporation of the Company.
21. The Rules and Procedures shall become effective from the date on which the Rules and Procedures are approved by the Meeting. The same shall apply to amendments to the Rules and Procedures.