

DFI Inc. and Subsidiaries
Consolidated Financial Statements with
Independent Auditors' Review Report
Six Months Ended June 30, 2021 and 2020

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For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 independent auditors' report and consolidated financial statements shall prevail.

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Independent Auditors' Review Report

The Board of Directions and Shareholders DFI Inc.

Introduction

We have reviewed the accompanying consolidated financial statements of DFI Inc. and its subsidiaries, which comprise the consolidated balance sheets as of June 30, 2021 and the consolidated statements of comprehensive income for the period from April 1 to June 30, 2021 and January 1 to June 30, 2021 and the consolidated statement of changes in equity and consolidated cash flow statement for the period from January 1 to June 30, 2021 and the notes to the consolidated financial statements (including a summary of material accounting policies. The 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 International Accounting Standard (IAS) 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion," we conducted our reviews in accordance with Statement of Auditing Standards 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". The procedures performed to review the consolidated financial statements include inquiry (mainly the inquiry to the persons responsible for financial and accounting affairs), analysis procedure and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note VI(II) to the consolidated financial statements, DFI Inc. has included its insignificant subsidiaries in the aforesaid consolidated financial statements based on the financial statements of these invested companies not reviewed by the accountants for the same period. As on June 30, 2021, these subsidiaries had the total assets of NTD904,850,000 (the same below), representing 8.26% of the consolidated total assets, had the total liabilities of NTD81,400,000, representing 1.47% of the consolidated total liabilities, and realized the comprehensive profit (loss) of NTD5,674,000 and NTD15,169,000 from April 1 to June 30, 2021 and from January 1 to June 30, 2021 respectively, representing 4.91% and 7.90% of the consolidated comprehensive profit (loss) respectively.

Qualified Conclusion

Based on our review, except for the effect of possible adjustments to the consolidated financial statements that might have been determined had we reviewed the investees' financial statements as described in the "Basis for Qualified Conclusion", we have not found any sign that the aforesaid consolidated financial statements have not been prepared in any material aspect in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" recognized and issued by the Financial Supervisory Commission, which renders it incapable to fairly present the consolidated financial standing of DFI Inc. and its subsidiaries as of June 30, 2021, their consolidated financial performance for the period from April 1 to June 30, 2021 and January 1 to June 30, 2021, their consolidated cash flow statement for the period from January 1 to June 30, 2021.

Emphasis of Matter

As stated in Note VI (XI) to the consolidated financial statements, in September 2020, DFI Inc. and its subsidiaries obtained the report on split of acquisition price from ACE Pillar Co., Ltd. and its subsidiaries and adjusted the temporary amounts of the originally acquired assets and liabilities as of the acquisition date (October 1, 2019). Therefore, the Company has restated the consolidated financial statements for the second quarter of 2020, and we have not amended the audit conclusion for this reason.

Other Matters

The consolidated financial statements of DFI Inc. and its subsidiaries for the second quarter of 2020 before restatement have been reviewed by other accountants, which issued a audit report with the qualified conclusion on August 7, 2020. As stated in Note VI (XI) to the consolidated financial statements and the preceding paragraph, DFI Inc. and its subsidiaries have restated the consolidated financial statements for the second quarter of 2020 but the former accountants have not issued the audit report again. We have used the necessary review procedure and reviewed the reconciliation entry for the restated financial report, and based on the conclusion of this accountant, the aforesaid reconciliation entry has been duly processed.

KPMG

Certified Public Accountant:

Assurance Document Number : (88) Taiwan-Finance-
Approved by Securities Regulator Securities-VI-18311
Financial-Supervisory-
Securities-Audit-1060005191

August 6, 2021

This statement dated on June 30, 2021 and June 30, 2020 has only been reviewed, and not audited in accordance with the Generally Accepted Auditing Standards
DFI Inc. and Subsidiaries

Consolidated Balance Sheets

June 30, 2021, December 31 and June 30, 2020

Unit: In Thousands of New Taiwan Dollars

	June 30, 2021		December 31, 2020		June 30, 2020 (after restatement)			June 30, 2021		December 31, 2020		June 30, 2020 (after restatement)		
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%	
Assets														
Current assets:														
1100 Cash and cash equivalents (Note VI (I))	\$ 1,597,377	15	1,922,245	24	1,967,464	23	2100							
1110 Financial assets at fair value through profit or loss - current (Notes VI (II))	28,231	-	28,221	-	31,561	-	2120	\$ 1,204,111	11	823,701	10	541,560	6	
1136 Financial assets at amortized cost - current (Notes VI (IV) & VIII)	1,708	-	1,708	-	44,770	1	2130	2,675	-	9,768	-	2,372	-	
1170 Net of notes receivable and accounts receivable (Notes VI (V) (XXI) and VIII)	2,374,952	21	1,840,247	23	1,817,457	22	2170	143,549	2	96,698	1	85,799	1	
1180 Trade receivable - related parties (Notes VI (V) (XXI), VII & VIII)	119,036	1	144,234	2	202,362	2	2180	2,124,302	19	1,083,474	13	1,323,848	16	
1200 Other receivables (Notes VI (V) & VII)	19,410	-	13,411	-	30,857	-	2200	89,124	1	104,880	1	164,172	2	
130X Inventories (Notes VI (VI))	2,907,253	27	1,528,105	19	1,726,121	20	2220	883,589	8	404,349	5	988,894	12	
1410 Prepayments	67,171	1	60,497	1	56,835	1	2230	112,139	1	122,492	2	101,914	1	
1460 Non-current assets available for sale (net) (Note VI (VII))	73,452	1	-	-	-	-	2250	43,797	-	56,827	1	54,495	1	
1470 Other current assets	23,138	-	8,045	-	10,245	-	2280	78,650	1	52,120	1	35,804	-	
Total current assets	7,211,728	66	5,546,713	69	5,887,672	69	2399	13,326	-	17,614	-	17,785	-	
Non-current assets:								Total current liabilities	4,695,262	43	2,771,923	34	3,316,643	39
1517 Financial assets at fair value through other comprehensive income - non-current (Notes VI (III))	31,308	-	30,807	-	59,767	1	2540	Non-current liabilities:						
1600 Property, plant and equipment (Notes VI (IX) & VII)	1,896,403	17	1,911,589	24	1,931,572	23	2570	Long-term borrowings (Notes VI (XIII) & VIII)	304,180	3	-	-	-	-
1755 Right-of-use assets (Notes VI (X))	314,189	3	144,577	2	108,734	1	2580	Deferred income tax liabilities	289,432	3	174,584	2	163,982	2
1780 Intangible assets (Notes VI (VIII) (XI) & VII)	1,010,024	9	308,790	3	315,439	4	2640	Contract liabilities - non-current (Note VI (XIV) & VII)	212,630	2	63,896	1	45,651	1
1840 Deferred income tax assets	84,845	1	87,688	1	96,764	1		Net defined benefit liabilities - non-current	39,679	-	39,962	1	36,447	-
1990 Other non-current assets (Notes VI (IX))	402,459	4	53,840	1	44,037	1		Total non-current liabilities	845,921	8	278,442	4	246,080	3
Total non-current assets	3,739,228	34	2,537,291	31	2,556,313	31		Total liabilities	5,541,183	51	3,050,365	38	3,562,723	42
Total assets	\$ 10,950,956	100	8,084,004	100	8,443,985	100		Equity attributable to the owners of the parent company (Notes VI (VIII) and (XVIII))						
							3110	Share capital - ordinary shares	1,146,889	10	1,146,889	14	1,146,889	14
							3200	Capital surplus	656,837	6	679,735	9	679,644	8
							3300	Retained earnings	1,029,502	9	1,235,993	15	1,075,155	13
							3400	Other equities	(109,239)	-1	(74,607)	(1)	(67,641)	(1)
							3500	Treasury shares	(12,907)	-	(12,907)	-	(12,907)	-
								Total equity attributable to owners of parent company	2,711,082	24	2,975,103	37	2,821,140	34
							36XX	Non-controlling interests (Note VI (VIII) (XVIII))	2,698,691	25	2,058,536	25	2,060,122	24
								Total equity	5,409,773	49	5,033,639	62	4,881,262	58
								Total liabilities and equity	\$ 10,950,956	100	8,084,004	100	8,443,985	100

Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards
DFI Inc. and Subsidiaries

Consolidated statements of comprehensive income

April 1 to June 30, 2021 and 2020 and January 1 to June 30, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	April to June 2021		April to June 2020 (after restatement)		January to June 2021		January to June 2020 (after restatement)	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Net operating revenue (Notes VI (XXI), VII and XIV)	\$ 3,271,167	100	2,040,449	100	5,279,285	100	4,216,770	100
5000 Operating costs (Note VI (VI) (IX) (X) (XI) (XIV) (XVI) (XXII), VII & XII)	(2,591,454)	(79)	(1,560,310)	(77)	(4,105,575)	(78)	(3,140,227)	(74)
Gross profit	679,713	21	480,139	23	1,173,710	22	1,076,543	26
Operating expenses (Note VI (V) (IX) (X) (XI) (XIV) (XVI) (XXII), VII & XII):								
6100 Selling and marketing expenses	(276,640)	(9)	(185,590)	(9)	(468,630)	(9)	(380,252)	(9)
6200 General and administrative expenses	(99,310)	(3)	(85,144)	(4)	(191,077)	(3)	(175,033)	(4)
6300 Research and development expenses	(96,170)	(3)	(96,702)	(5)	(193,184)	(4)	(197,743)	(5)
6450 Expected credit (impairment loss) gain on reversal	(12,588)	-	12,772	(1)	(3,396)	-	1,571	-
6000 Total operating expenses	(484,708)	(15)	(354,664)	(17)	(856,287)	(16)	(751,457)	(18)
Net operating income	195,005	6	125,475	6	317,423	6	325,086	8
Non-operating income and expenses (Note VI (XIV) (XXIII) & VIII):								
7100 Interest income	1,117	-	2,520	-	1,458	-	3,857	-
7010 Other income	6,879	-	3,516	-	11,645	-	7,400	-
7020 Other gains and losses	(6,331)	-	(10,549)	-	(3,965)	-	(15,982)	-
7050 Finance costs	(5,434)	-	(3,779)	-	(9,733)	-	(8,939)	-
Total non-operating income and expenses	(3,769)	-	(8,292)	-	(595)	-	(13,664)	-
7900 Net profit before tax	191,236	6	117,183	6	316,828	6	311,422	8
7950 Less: Income tax expense (Note VI (XVII))	(58,483)	(2)	(25,761)	(1)	(86,889)	(2)	(69,498)	(2)
8200 Net profit/(loss) for the year	132,753	4	91,422	5	229,939	4	241,924	6
Other comprehensive income (Note VI (XVIII)):								
8310 Items that will not be reclassified to profit or loss								
8316 Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	3,547	-	7,784	-	501	-	(977)	-
8349 Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
	3,547	-	7,784	-	501	-	(977)	-
8360 Items that may be reclassified subsequently to profit or loss								
8361 Exchange differences on translating the financial statements of foreign operations	(20,711)	-	(21,018)	(1)	(38,308)	-	(23,070)	(1)
8399 Income tax relating to items that may be reclassified	-	-	-	-	-	-	-	-
	(20,711)	-	(21,018)	(1)	(38,308)	-	(23,070)	(1)
Other comprehensive income (loss) for the period	(17,164)	-	(13,234)	(1)	(37,807)	-	(24,047)	(1)
8500 Total comprehensive income/(loss) for the period	\$ 115,589	4	78,188	4	192,132	4	217,877	5
Net profit in current period attributable to:								
8610 Owners of the parent company	\$ 62,525	4	76,216	4	128,759	2	221,021	6
8620 Non-controlling interests	70,228	-	15,206	1	101,180	2	20,903	-
	\$ 132,753	4	91,422	5	229,939	4	241,924	6
Comprehensive income attributable to:								
8710 Owners of the parent company	\$ 50,493	2	69,054	4	94,127	2	207,648	5
8720 Non-controlling interests	65,096	2	9,134	-	98,005	2	10,229	-
	\$ 115,589	4	78,188	4	192,132	4	217,877	5
Earnings per share (Unit: In New Taiwan Dollars and Note VI (XX))								
9750 Basic earnings per share	\$ 0.55		0.67		1.12		1.93	
9850 Diluted earnings per share	\$ 0.55		0.67		1.12		1.92	

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

Manager: Chi-Nan, Tsai

Accounting Supervisor: Li-Min, Huang

Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards

DFI Inc. and Subsidiaries

Consolidated statements of changes in equity

January 1 to June 30, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	Equity attributable to owners of parent company											Total equity	
	Retained earnings					Other equity items			Treasury shares	Total equities attributable to owners of parent company	Non-controlling interests		
	Share capital - ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income					Total
Balance after restatement as of January 1, 2020	\$ 1,146,889	679,644	725,424	52,616	657,399	1,435,439	(69,158)	14,890	(54,268)	(12,907)	3,194,797	2,166,001	5,360,798
Net profit after restatement for the period	-	-	-	-	221,021	221,021	-	-	-	-	221,021	20,903	241,924
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(12,270)	(1,103)	(13,373)	-	(13,373)	(10,674)	(24,047)
Total comprehensive income/(loss) for the period	-	-	-	-	221,021	221,021	(12,270)	(1,103)	(13,373)	-	207,648	10,229	217,877
Profit distribution:													
Legal reserve	-	-	63,094	-	(63,094)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,652	(1,652)	-	-	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	(572,444)	(572,444)	-	-	-	-	(572,444)	-	(572,444)
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(40,859)	(40,859)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	265	265
Differences between the actual price for acquisition or disposal of the subsidiaries and their carrying amount	-	-	-	-	(8,861)	(8,861)	-	-	-	-	(8,861)	(75,514)	(84,375)
Balance after restatement as of June 30, 2020	\$ 1,146,889	679,644	788,518	54,268	232,369	1,075,155	(81,428)	13,787	(67,641)	(12,907)	2,821,140	2,060,122	4,881,262
Balance as of January 1, 2021	\$ 1,146,889	679,735	788,518	54,268	393,207	1,235,993	(83,110)	8,503	(74,607)	(12,907)	2,975,103	2,058,536	5,033,639
Net profit/(loss) for the period	-	-	-	-	128,759	128,759	-	-	-	-	128,759	101,180	229,939
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(34,938)	306	(34,632)	-	(34,632)	(3,175)	(37,807)
Total comprehensive income/(loss) for the period	-	-	-	-	128,759	128,759	(34,938)	306	(34,632)	-	94,127	98,005	192,132
Profit distribution:													
Legal reserve	-	-	37,246	-	(37,246)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	20,339	(20,339)	-	-	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	(320,569)	(320,569)	-	-	-	-	(320,569)	-	(320,569)
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(60,892)	(60,892)
Cash dividend distributed from capital reserve	-	(22,898)	-	-	-	-	-	-	-	-	(22,898)	-	(22,898)
Differences between the actual price for acquisition or disposal of the subsidiaries and their carrying amount	-	-	-	-	(14,681)	(14,681)	-	-	-	-	(14,681)	(38,391)	(53,072)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	641,433	641,433
Balance as of June 30, 2021	\$ 1,146,889	656,837	825,764	74,607	129,131	1,029,502	(118,048)	8,809	(109,239)	(12,907)	2,711,082	2,698,691	5,409,773

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

Manager: Chi-Nan, Tsai

Accounting Supervisor: Li-Min, Huang

Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards
DFI Inc. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to June 30, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	<u>January to June 2021</u>	<u>January to June 2020 (after restatement)</u>
Cash flows from operating activities:		
Net profit before tax for the period	\$ 316,828	311,422
Adjustment item:		
Adjustments for		
Depreciation expenses	82,577	75,306
Amortization expenses	24,275	14,159
Expected credit impairment loss (gain on reversal)	3,396	(1,570)
Evaluation losses of financial assets measured at fair value through gains and losses	1,002	(11,800)
Interest expense	9,733	8,939
Interest income	(1,458)	(3,857)
Loss (gain) on disposal of property, factory and equipment	326	(59)
Unrealized foreign exchange loss	-	4,921
Gain on lease amendment	-	(8)
Total revenue, expense and loss items	<u>119,851</u>	<u>86,031</u>
Changes in assets/liabilities related to business activities		
Net changes in assets related to operating activities:		
Decrease (increase) in financial assets measured at fair value through profit or loss	(1,993)	13,782
Increase in notes receivable and accounts receivable	(346,213)	(91,490)
Decrease in accounts receivable - related parties	25,198	62,920
Decrease (increase) in other receivables	(5,999)	37
Decrease (increase) in inventories	(575,566)	44,093
Decrease (increase) in prepayments	(12,015)	12,808
Increase in other current assets	<u>(4,476)</u>	<u>(2,465)</u>
Total net changes in assets related to operating activities	<u>(921,064)</u>	<u>39,685</u>
Net change in liabilities related to operating activities:		
Decrease in financial liabilities measured at fair value compulsorily through profit or loss	(7,093)	-
Increase (decrease) in contractual liabilities	46,851	(7,363)
Increase (decrease) in notes payable and accounts payable	256,484	(71,129)
Decrease in accounts payable - related parties	(15,756)	(47,765)
Decrease in other payables	(108,352)	(55,735)
Decrease in liability reserve	(13,030)	(1,490)
Increase (decrease) in other current liabilities	(4,599)	5,329
Increase (decrease) in net defined benefit liabilities	<u>(434)</u>	<u>148</u>
Total net changes in liabilities related to business activities	<u>154,071</u>	<u>(178,005)</u>
Total net changes in assets and liabilities related to operating activities	<u>(766,993)</u>	<u>(138,320)</u>
Total adjustment items	<u>(647,142)</u>	<u>(52,289)</u>
Cash (used in) generated from operations	(330,314)	259,133
Interest received	1,458	3,857
Interest paid	(9,540)	(8,948)
Income tax paid	<u>(94,807)</u>	<u>(101,588)</u>
Net cash (used in) generated from operating activities	<u>(433,203)</u>	<u>152,454</u>

(Continued on the next page)

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

Manager: Chi-Nan, Tsai

**Accounting Supervisor:
Li-Min, Huang**

Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards
DFI Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued from the previous page)

January 1 to June 30, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	January to June 2021	January to June 2020 (after restatement)
Cash flows from investing activities:		
Purchase of financial assets at amortized cost	-	(2,500)
Proceeds from sale of financial assets at amortized cost	-	4,263
Proceeds from sale of financial assets at fair value through profit or loss	981	-
Acquisition of subsidiaries (less cash obtained)	(41,201)	-
Purchase of Property, plant and equipment	(57,261)	(14,975)
Proceeds from disposal of property, plant and equipment	18	281
Decrease in refundable deposits	1,259	683
Purchase of intangible assets	(7,864)	(5,253)
Decrease (increase) in other non-current assets	<u>(345,154)</u>	<u>1,085</u>
Net cash used in investing activities	<u>(449,222)</u>	<u>(16,416)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	2,407,948	1,247,663
Repayments of short-term borrowings	(2,027,216)	(1,320,382)
Long-term borrowings	299,993	-
Repayment of the principal portion of lease	(34,066)	(25,389)
Acquisition of equity in subsidiaries	(53,072)	(84,375)
Changes in non-controlling interests	<u>-</u>	<u>265</u>
Net cash (used in) generated from financing activities	<u>593,587</u>	<u>(182,218)</u>
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	<u>(36,030)</u>	<u>(31,699)</u>
Decrease in cash and cash equivalents for the current period	(324,868)	(77,879)
Cash and cash equivalents at the beginning of the period	<u>1,922,245</u>	<u>2,045,343</u>
Cash and cash equivalents at the end of the period	<u>\$ 1,597,377</u>	<u>1,967,464</u>

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

Manager: Chi-Nan, Tsai

Accounting Supervisor:
Li-Min, Huang

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards

DFI Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The Second Quarter of 2021 and 2020

(The amount shall be dominated in thousands of NTD, unless otherwise specified)

I. Company History

On July 14, 1981, DFI Inc. (the “Company”) was established and registered under the approval from the Ministry of Economic Affairs, having the registered address of 10F, No. 97, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City. The Company and its subsidiaries (hereafter collectively referred to as the “Consolidated Company”) are principally engaged in the manufacturing and sales of boards and computer components for industrial computers.

II. Date and Procedures of Authorization of Financial Statements

The accompanying consolidated financial statements were approved and issued by the Board of Directors on August 6, 2021.

III. Application of New and Amended Standards and Interpretations

- (I) Effect of adopted newly issued and revised standards and interpretations endorsed by the Financial Supervisory Commission (hereafter referred to as the “FSC”)

As of January 1, 2021, the Consolidated Company began to apply the following newly revised International Financial Reporting Standards (IFRS), which has not had a significant impact on the consolidated financial statements.

- Amendments to IFRS 4 “Extension of Temporary Exemption from Application of IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Changes in Interest Rate Indicators - Phase 2”
- Amendments to IFRS 16, “Rent Concessions Related to COVID-19 After June 30, 2021”

- (II) Impact of not adopting IFRS endorsed by the FSC

The Consolidated Company has performed an assessment procedure and concluded that the implementation of the newly amended IFRS effective as of January 1, 2022 will not deliver a material impact on the consolidated financial statements.

- Amendment to IAS 16 “Property, plant, and equipment: price before fulfillment of expected usage state”
- Amendment to IAS 37 “Loss-making contract - cost of contract performance”

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

- Annual Improvement to IFRS Standards 2018-2020
- Amendment to IFRS 3 “Reference to the Conceptual Framework”

(III) New and amended standards and interpretations not acknowledged by the FSC

The standards and interpretations issued and amended by the IASB but not yet endorsed by the FSC that may be related to the Consolidated Company are as follows:

New issued or amended standards	Main amendments	Effective date of issuance by IASB
Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"	<p>The amendment was made to improve consistency in the application of these standards to assist companies in determining whether debt or other liabilities with an indefinite maturity date should be classified as current (due or likely to be due within one year) or non-current on the balance sheet.</p> <p>The amendment also clarifies the classification of debt that may be settled by conversion into equity.</p>	January 1, 2023

The Consolidated Company is now continuously assessing the impact of the above standards and interpretations on the financial position and operating results of the Consolidated Company, and will disclose the related impact after completing the assessment.

The Consolidated Company expects that the following newly issued and amended standards that have not been endorsed by the FSC yet will not deliver a material impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to IFRS 17 "Insurance Contracts" and IFRS 17
- Amendment to IAS 1 "Disclosure of Accounting Policies"
- Amendment to IAS 8 "Definition of Accounting Estimates"
- Amendment to IAS 12 “Deferred Income Tax related to Assets and Liabilities Derived from Single Transaction”

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

This consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereafter referred to as the “Preparation Regulations”) and IFRS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the necessary information that shall be disclosed in annual consolidated financial statements prepared in accordance with IFRS, IAS, IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC (hereafter referred to as the IFRSs endorsed by the FSC”).

Except as described below, the significant accounting policies used for the consolidated financial statements are the same as those for the consolidated financial statements for 2020. For relevant information, please refer to Note VI to the consolidated financial statements of 2020.

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements

Name of investor company	Name of subsidiary	Nature of business	Comprehensive shareholding			Description
			June 30, 2021	December 31, 2020	June 30, 2020	
The Company	DFI AMERICA, LLC	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note I
The Company	DFI Co., Ltd.	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note I
The Company	Yan Tong Technology Ltd. (Yan Tong)	Investment business	100.00%	100.00%	100.00%	Note I
The Company	Diamond Flower Information (NL) B.V.	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note I
The Company	Brainstrom Corporation (Brainstrom)	Wholesale and retail of computer and peripheral devices	35.09%	-	-	Note II
Yan Tong	Yan Tong Infotech (Dongguan) Co., Ltd.	Manufacturing and sales of computer cards, board cards, host computer, electronic parts and components	100.00%	100.00%	100.00%	Note I
Yan Tong	Yan Ying Hao Trading (Shenzhen) Co., Ltd.	Wholesale, import and export of computer cards, board cards, host computer, electronic parts and components	100.00%	100.00%	100.00%	Note I
The Company	AEWIN Technologies Co., Ltd. (AEWIN)	Design, manufacture and sale of industrial computer cards and related products	51.37%	50.84%	50.74%	-
AEWIN	Wise Way	Investment business	51.37%	50.84%	50.74%	-
AEWIN	Aewin Tech Inc.	Wholesale of computer and peripheral equipment and software	51.37%	50.84%	50.74%	-
Wise Way	Bright Profit	Investment business	51.37%	50.84%	50.74%	-
Bright Profit	AEWIN Beijing Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	51.37%	50.84%	50.74%	-
Beijing AEWIN	AEWIN (Shenzhen) Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	51.37%	50.84%	50.74%	-
The Company	ACE Pillar Enterprise Co., Ltd. (ACE Pillar)	Automated control and testing, processing, sales, repair, and mechanical and electrical integration of industrial transmission systems	35.20%	33.56%	30.54%	-
ACE Pillar	Cyber South Management Ltd. (Cyber South)	Holding Company	35.20%	33.56%	30.54%	-
ACE Pillar	Hong Kong ACE Pillar Enterprise Co., Ltd. (Hong Kong ACE Pillar)	Sales and Purchases of transmission mechanical components	35.20%	33.56%	30.54%	-
ACE Pillar/Proton	TIANJIN ACE PILLAR CO., LTD.	Sales and Purchases of transmission mechanical components	35.20%	33.56%	30.54%	-

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

Cyber South	Proton Inc.(Proton)	Holding Company	35.20%	33.56%	30.54%	-
Cyber South	Ace Tek (HK) Holding Co., Ltd. (Ace Tek)	Holding Company	35.20%	33.56%	30.54%	-
Cyber South	Suzhou Super Pillar Automation Equipment Co., Ltd. (Suzhou Super Pillar)	Processing and technical services of mechanical transmission and control products	35.20%	33.56%	30.54%	-
Cyber South	Grace Transmission (Tianjin) Co., Ltd.	Manufacturing and processing of machinery transmission products	35.20%	33.56%	30.54%	-
Cyber South	Xuchang Ace AI Equipment Co., Ltd.	Wholesale and retail of industrial robotic related products	35.20%	33.56%	30.54%	-
Ace Tek	ADVANCEDTEK ACE(TJ) INC.	Electronic system integration	35.20%	33.56%	30.54%	-

Note 1: It was not an immaterial subsidiary, and its financial statements were not reviewed by independent auditors.

Note 2: As stated in Note VI (VIII), on May 1, 2021, the Company acquired 35.09% of the equities in Brainstorm, and according to the equity purchase agreement and the Articles of Association of Brainstorm, the Company has acquired 55.29% of the voting rights and more than half of the seats at the Board of Directors of Brainstorm. Therefore, the Company has taken control of Brainstorm and included Brainstorm in the consolidated entities as of the acquisition date.

2. Subsidiaries not included in the consolidated financial statements: None.

(III) Employee benefits

The pension cost under defined benefit plan for the interim period is calculated based on actuarial pension cost rate of the preceding ending date of the fiscal year from the start to the end of the year, and adjusted for material market fluctuations, material project modifications, settlements or other material one-time matters for the period.

(IV) Income tax

The Consolidated Company measures and discloses its income tax expenses for the interim period in accordance with paragraph B12 of IAS 34, "Interim Financial Reporting". Income tax expenses are measured by multiplying net profit before tax for the interim period by management's best estimate of the estimated effective tax rate for the full year, and are allocated to current income tax expense and deferred income tax expense in proportion to the estimated current income tax expense and deferred income tax expense for the full year.

Income tax expenses recognized directly in equity or other comprehensive income are measured at the tax rates that are expected to apply when the related assets and liabilities are realized or settled, based on the temporary differences between their carrying amounts for financial reporting purposes and their tax bases.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

V. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

When preparing the consolidated financial statements in conformity with the Guidelines Governing the Preparation of Financial Statements and IAS 34, "Interim Financial Reporting", as endorsed and issued into effect by the FSC, the Management shall make judgments, estimates and assumptions, which will affect the adoption of accounting policies and the reported amounts of assets, liabilities, incomes and expenses. Actual results may differ from estimates.

The Management has continuously reviewed the estimates and basic assumptions, and changes in accounting estimate are recognized in the period of change and in the future periods affected. The Management's assessment of the accounting policies did not involve material judgments. The uncertainties in the following assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year and reflect the impact of COVID-19, as follows:

(I) Inventory valuation

Inventories are measured at the lower of cost or net realizable value. The Consolidated Company assesses the amount of inventories that are normally worn out, obsolete or have no marketable value at the reporting date and reduces the cost of inventories to net realizable value. This inventory valuation is primarily based on estimates of product demand in specific periods in the future and is subject to significant changes due to rapid changes in the industry. Please refer to Note VI (VI) for the inventory valuation.

(II) Acquisition of subsidiaries

The fair value of the identifiable intangible assets (mainly trademark) obtained by the Consolidated Company from the acquisition of subsidiaries is the provisional amount, and the final valuation of these assets has not been completed yet. The Consolidated Company will continuously review the final valuation of the aforesaid assets during the measurement period. If the Company obtains the new information related to the facts and events that already exist on the acquisition date within one year after the acquisition date and can thus identify the adjustment to the aforesaid provisional amount or any additional liability reserve existing on the acquisition date, the Company will modify the accounting treatment of the acquisition. For details, please see Note VI (VIII).

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

VI. Details of significant accounts

Except as described below, there is no significant difference between the description of the important accounting items in the consolidated financial statements and the consolidated financial statements for the year of 2020. For related information, please refer to the consolidated financial statements for the year of 2020.

(I) Cash and cash equivalents

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand and petty cash	\$ 625	742	764
Demand deposits and check deposits	1,378,722	1,842,123	1,833,473
Time deposits with original maturity date within three months	218,030	79,380	133,227
	<u>\$ 1,597,377</u>	<u>1,922,245</u>	<u>1,967,464</u>

(II) Financial instruments at fair value through profit or loss - current

	June 30, 2021	December 31, 2020	June 30, 2020
Financial assets mandatorily classified as at fair value through profit or loss:			
Non-hedging derivative instruments:			
Forward foreign exchange contracts	\$ 1,960	226	-
Foreign exchange SWAP	<u>301</u>	<u>42</u>	<u>1,556</u>
Subtotal	2,261	268	1,556
Non-derivative financial assets:			
Fund beneficiary certificates	<u>25,970</u>	<u>27,953</u>	<u>30,005</u>
	<u>\$ 28,231</u>	<u>28,221</u>	<u>31,561</u>
Financial liabilities held for trading:			
Derivative financial instruments:			
Forward foreign exchange contracts	\$ 395	2,185	1,858
Foreign exchange SWAP	<u>2,280</u>	<u>7,583</u>	<u>514</u>
Subtotal	<u>\$ 2,675</u>	<u>9,768</u>	<u>2,372</u>

Please refer to Note VI (XXIII) for the amount recognized in profit or loss measured at fair value.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

The Consolidated Company engages in derivative financial instruments to hedge the exposure to exchange rate risk arising from operating activities, which are reported as financial assets or liabilities at fair value through profit or loss because hedge accounting is not applied. The details of the Consolidated Company's outstanding derivative financial instruments as of the reporting date is as follows:

1. Forward foreign exchange contracts

June 30, 2021			
Currency	Contractual amount (NTD in thousands)		Maturity period
Buy JPY/Sell USD	JPY	194,913	July 2021
Buy USD/Sell RMB	USD	11,583	July 2021
Buy RMB/Sell USD	RMB	9,102	July 2021
Buy Euro/Sell in USD	EUR	1,141	July 2021
December 31, 2020			
Currency	Contractual amount (NTD in thousands)		Maturity period
Buy JPY/Sell USD	JPY	246,778	January 2021
Buy USD/Sell RMB	USD	15,356	January 2021
June 30, 2020			
Currency	Contractual amount (NTD in thousands)		Maturity period
Buy JPY/Sell USD	JPY	34,314	July 2020
Buy USD/Sell RMB	USD	25,631	July 2020

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

2. Swaps contract

June 30, 2021		
Currency	Contractual amount (NTD in thousands)	Maturity period
Swap in NTD/swap out USD	USD 22,030	July 2021

December 31, 2020		
Currency	Contractual amount (NTD in thousands)	Maturity period
Swap in NTD/swap out USD	USD 34,860	January 2021

June 30, 2020		
Currency	Contractual amount (NTD in thousands)	Maturity period
Swap in NTD/swap out USD	USD 33,990	July 2020

(III) Financial assets at fair value through other comprehensive income - non-current

	June 30, 2021	December 31, 2020	June 30, 2020
Equity instruments measured at fair value through other comprehensive income:			
Stocks of domestic listed (OTC) companies:	\$ 30,020	29,920	58,880
Foreign unlisted (OTC) stocks	1,288	887	887
	<u>\$ 31,308</u>	<u>30,807</u>	<u>59,767</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

The Consolidated Company holds such equity instrument investments for the strategic investment purpose, instead of trading purpose. Therefore, they have been designated as measured at fair value through other consolidated profits and losses.

The Consolidated Company didn't dispose of the aforesaid strategic investments from January 1 to June 30, 2021 and 2020, so the income and loss accumulated in such periods were not transferred within the equities in whatever manner.

(IV) Financial assets at amortized cost - current

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Pledged certificate of deposit	\$ 1,708	1,708	44,738
Restricted bank deposits	<u>-</u>	<u>-</u>	<u>32</u>
	<u>\$ 1,708</u>	<u>1,708</u>	<u>44,770</u>

Please refer to Note VIII for details of the aforesaid financial assets used by the Consolidated Company to provide guarantees.

(V) Notes and accounts receivable and other receivables

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Notes receivable	\$ 368,550	295,309	266,689
Trade receivables	2,052,693	1,590,003	1,666,414
Trade receivables - related parties	119,036	144,234	202,362
Less: Allowance for loss	<u>(46,291)</u>	<u>(45,065)</u>	<u>(115,646)</u>
	<u>\$ 2,493,988</u>	<u>1,984,481</u>	<u>2,019,819</u>
Other receivables	\$ 18,819	12,819	30,366
Other receivables - related parties	<u>591</u>	<u>592</u>	<u>491</u>
	<u>\$ 19,410</u>	<u>13,411</u>	<u>30,857</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

The Consolidated Company uses a simplified approach to estimate expected credit losses for all accounts receivable, which is measured using expected credit losses for the duration of the period, and has included forward-looking information. The expected credit losses of the Consolidated Company's accounts receivable were analyzed as follows:

	June 30, 2021		
	Book-entry amounts of accounts receivable	Weighted average expected credit loss rate	Allowance for expected credit losses for the duration of the period
Not overdue	\$ 1,882,352	0.06%	1,165
1-30 days overdue	111,442	2.83%	3,157
31-60 days overdue	12,892	10.52%	1,356
61-90 days overdue	6,561	41.78%	2,741
Overdue more than 90 days	<u>39,446</u>	<u>96.01%</u>	<u>37,872</u>
	<u>\$ 2,052,693</u>		<u>46,291</u>
	December 31, 2020		
	Book-entry amounts of accounts receivable	Weighted average expected credit loss rate	Allowance for expected credit losses for the duration of the period
Not overdue	\$ 1,451,008	0.20%	2,888
1-30 days overdue	84,528	3.75%	3,169
31-60 days overdue	10,990	15.33%	1,685
61-90 days overdue	2,050	20.29%	416
Overdue more than 90 days	<u>41,427</u>	<u>89.09%</u>	<u>36,907</u>
	<u>\$ 1,590,003</u>		<u>45,065</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

	June 30, 2020		
	Book-entry amounts of accounts receivable	Weighted average expected credit loss rate	Allowance for expected credit losses for the duration of the period
Not overdue	\$ 1,430,408	0.43%	6,205
1-30 days overdue	101,993	7.63%	7,787
31-60 days overdue	23,783	29.32%	6,974
61-90 days overdue	9,423	39.14%	3,688
Overdue more than 90 days	<u>100,807</u>	90.26%	<u>90,992</u>
	<u>\$ 1,666,414</u>		<u>115,646</u>

The Consolidated Company has assessed the counterparties of notes receivable, accounts receivable - related parties and other receivables (including related parties) in respect of past default record, current financial position and future economic situation forecast, and concluded that the expected recoverable amounts of these items are equivalent to respective book amounts. Thus, it is unnecessary to recognize the allowance for the losses. The statement of changes in the allowance for losses of the Consolidated Company's accounts receivable is listed as follows:

	January to June 2021	January to June 2020
Beginning balance	\$ 45,065	120,815
Recovery of amounts written off in current period	100	2,340
Provision (reversed) of impairment loss for current period	3,396	(1,571)
Unrecoverable amount written off for current year	(2,176)	(2,397)
Effect of exchange rate changes	<u>(94)</u>	<u>(3,541)</u>
Ending balance	<u>\$ 46,291</u>	<u>115,646</u>

Please refer to Note VIII for details of the notes receivable used by the Consolidated Company to provide pledge guarantees.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(VI) Inventories

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Raw materials	\$ 1,536,497	533,178	560,480
Work in progress	127,018	46,838	104,651
Manufactured goods and commodities	1,126,669	758,717	881,092
Goods in transit	39,633	117,449	55,732
Outsourced processing products	<u>77,436</u>	<u>71,923</u>	<u>124,166</u>
	<u>\$ 2,907,253</u>	<u>1,528,105</u>	<u>1,726,121</u>

The inventory-related expenses and losses recognized in the operating cost in the current period are detailed as follow:

	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Cost of inventory sold	\$ 2,595,009	1,550,123	4,128,428	3,144,851
Loss for inventory devaluation (recovery gain)	(37,574)	10,187	(56,872)	(4,624)
Loss for inventory obsolescence	<u>34,019</u>	<u>-</u>	<u>34,019</u>	<u>-</u>
	<u>\$ 2,591,454</u>	<u>1,560,310</u>	<u>4,105,575</u>	<u>3,140,227</u>

The aforesaid loss (reserved) for inventory devaluation is recognized when the Consolidated Company's inventories are written down to the net realizable value at the end of the period; Or recovery gain for inventory devaluation is recognized because inventories at the beginning of period were sold or used in current period.

(VII) Non-current assets held for sale

On May 21, 2021, the Board of Directors of ACE Pillar, the subsidiary of the Consolidated Company, adopted the proposal to sell the land and buildings in Sanchong District, which is expected for completion in the following year. Therefore, such real estate has been transferred to non-current assets held for sale totaling NTD73,452,000.

(VIII) Subsidiaries and non-controlling interests

1. Acquisition of the subsidiary - Brainstorm Corporation (Brainstorm)

(1) Consideration transferred for acquisition of the subsidiary

On May 1, 2021 (acquisition date), the Company acquired 35.09% of the equities, including ordinary shares and special shares, in Brainstorm, and according to the investment agreement between both parties and the Articles of Association of Brainstorm, the Company has acquired 55.29% of the voting rights and more than half of the seats at the Board of Directors of Brainstorm. Therefore, the Company has taken control of Brainstorm and included Brainstorm in the consolidated entities as of the

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

acquisition date. The Consolidated Company has acquired Brainstorm mainly in order to implement the channel first strategy and accelerate the development in the American market.

(2) Net identifiable assets acquired

The fair values of the identifiable assets and liabilities of Brainstorm acquired on May 1, 2021 (acquisition date) are detailed as follows:

Transfer consideration:

Cash	\$ 501,582
Plus: Non-controlling interests (measured by the proportion of non-controlling interests in net identifiable assets)	641,433

Less: Fair value of net identifiable assets acquired:

Cash and cash equivalents	\$ 460,381	
Net accounts receivable	191,888	
Inventories	803,582	
Prepayments and other current assets	4,613	
Property, plant and equipment	7,026	
Right-of-use assets	51,212	
Intangible assets - Trademark	562,692	
Intangible assets - Computer Software	129	
Refundable deposits	4,573	
Trade payables	(784,344)	
Other payables	(143,260)	
Current income tax liabilities	(2,055)	
Other current liabilities	(311)	
Lease liabilities (including current and non-current)	(51,212)	
Deferred income tax liabilities	(112,538)	
Long-term borrowings	(4,187)	988,189
Goodwill		<u><u>\$ 154,826</u></u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

The fair value measurement of the assets and liabilities obtained by the Consolidated Company is provisional, and the amount is subject to final evaluation.

The Consolidated Company will continuously review the aforesaid matters during the measurement period. If the Company obtains the new information related to the facts and events that already exist on the acquisition date within one year after the acquisition date and can thus identify the adjustment to the aforesaid provisional amount or any additional liability reserve existing on the acquisition date, the Company will modify the accounting treatment of the acquisition.

(3) Intangible assets

The intangible asset - trademark is evenly amortized with the straight-line method based on its economic benefit life of 10 years.

The goodwill mainly comes from its profitability, premium from the control of Brainstorm, the synergy of the merger, future development in the American market and value of its human resource team. It is expected to have no income tax effect.

(4) Pro-forma information on operating results

The operating results of Brainstorm from the acquisition date to June 30, 2021 have been consolidated into the consolidated comprehensive income statement of the Consolidated Company, and contributed a net operating revenue and a net after-tax profit of NTD1,107,809,000 and NTD70,053,000 respectively. If the acquisition had occurred on January 1, 2021, the pro-forma net operating revenue and net after-tax profit of the Consolidated Company for the period from January 1 to June 30, 2021 would have been NTD7,641,505,000 and NTD332,330,000 respectively.

2. Changes in percentage of ownership interests in subsidiaries that do not result in losing control over the subsidiaries

From January to June 2021 and 2020, the Consolidated Company acquired additional equities in ACE Pillar and AEWIN for NTD53,072,000 and NTD84,375,000 respectively. Please see Note IV (II) for corresponding changes in shareholding ratio.

The changes in the ownership interest of the Consolidated Company in the subsidiaries have produced the following impact on the owners' equity attributable to the parent company:

	January to June 2021	January to June 2020
Retained earnings	\$ (14,681)	(8,861)

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

3. Subsidiaries with material non-controlling interests

Except as described below, there are no significant changes in the non-controlling interests of the Consolidated Company's subsidiaries from January 1 to June 30, 2021 and 2020. For related information, please refer to the consolidated financial statements for the year of 2020.

<u>Name of subsidiary</u>	<u>Principal place of business/country of registration</u>	<u>Proportion of non- controlling interests in ownership interests</u> <u>June 30, 2021</u>
Brainstorm	USA	64.91%

The summary financial information of the above subsidiaries is stated as follows, prepared in accordance with IFRS endorsed by the FSC and reflecting adjustments made by the Consolidated Company to the fair value and differences in accounting policies on the acquisition date, with the amount before elimination of the transactions between the consolidated companies, is as follows: Summary financial information on Brainstorm:

	<u>June 30, 2021</u>
Current assets	\$ 1,339,698
Non-current assets	627,530
Current liabilities	(750,963)
Non-current liabilities	<u>(158,991)</u>
Net assets	<u>\$ 1,057,274</u>
Ending balance of non-controlling interests	<u>\$ 686,278</u>
	<u>May to June 2021</u>
Net operating revenue	<u>\$ 1,107,809</u>
Net profit/(loss) for the year	<u>\$ 70,053</u>
Net profit for the period attributable to non-controlling interests	<u>\$ 45,472</u>
Cash flows from operating activities	\$ (446,799)
Cash flows from investing activities	(1,665)
Cash flows financing activities	(2,884)
Effect of changes in exchange rate	<u>(838)</u>
Decrease in cash and cash equivalents	<u>\$ (452,186)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(IX) Property, plant and equipment and other non-current assets

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Unfinished construction</u>	<u>Total</u>
Costs:							
Balance on January 1, 2021	\$ 739,888	1,087,518	281,846	57,234	130,780	228,277	2,525,543
Acquired through business combination	-	-	4,299	502	10,503	-	15,304
Additions	-	-	32,693	3,019	16,248	44,890	96,850
Disposal	-	-	-	(2,191)	(2,944)	-	(5,135)
Reclassified to assets held for sale	(51,476)	(35,159)	-	-	-	-	(86,635)
Effect of changes in exchange rate	-	(813)	(35)	(391)	(694)	(757)	(2,690)
Balance on June 30, 2021	<u>\$ 688,412</u>	<u>1,051,546</u>	<u>318,803</u>	<u>58,173</u>	<u>153,893</u>	<u>272,410</u>	<u>2,543,237</u>
Balance on January 1, 2020	\$ 739,888	1,095,189	439,535	66,342	142,242	226,545	2,709,741
Additions	-	7,880	4,894	604	2,406	79	15,863
Disposal	-	(1,451)	(23,743)	(2,831)	(14,055)	-	(42,080)
Effect of changes in exchange rate	-	(3,833)	-	(1,164)	(1,781)	(6,509)	(13,287)
Balance on June 30, 2020	<u>\$ 739,888</u>	<u>1,097,785</u>	<u>420,686</u>	<u>62,951</u>	<u>128,812</u>	<u>220,115</u>	<u>2,670,237</u>
Accumulated depreciation:							
Balance on January 1, 2021	\$ -	276,711	193,338	49,939	93,966	-	613,954
Acquired through business combination	-	-	1,612	205	6,461	-	8,278
Depreciation	-	20,813	14,488	2,344	6,337	-	43,982
Disposal	-	-	-	(2,107)	(2,684)	-	(4,791)
Reclassified to assets held for sale	-	(13,183)	-	-	-	-	(13,183)
Effect of changes in exchange rate	-	(540)	(13)	(334)	(519)	-	(1,406)
Balance on June 30, 2021	<u>\$ -</u>	<u>283,801</u>	<u>209,425</u>	<u>50,047</u>	<u>103,561</u>	<u>-</u>	<u>646,834</u>
Balance on January 1, 2020	\$ -	250,145	326,718	55,921	104,955	-	737,739
Depreciation	-	20,628	17,205	2,250	7,609	-	47,692
Disposal	-	(1,451)	(23,743)	(2,817)	(13,847)	-	(41,858)
Effect of changes in exchange rate	-	(2,410)	-	(1,066)	(1,432)	-	(4,908)
Balance on June 30, 2020	<u>\$ -</u>	<u>266,912</u>	<u>320,180</u>	<u>54,288</u>	<u>97,285</u>	<u>-</u>	<u>738,665</u>
Book value:							
June 30, 2021	<u>\$ 688,412</u>	<u>767,745</u>	<u>109,378</u>	<u>8,126</u>	<u>50,332</u>	<u>272,410</u>	<u>1,896,403</u>
January 1, 2021	<u>\$ 739,888</u>	<u>810,807</u>	<u>88,508</u>	<u>7,295</u>	<u>36,814</u>	<u>228,277</u>	<u>1,911,589</u>
June 30, 2020	<u>\$ 739,888</u>	<u>830,873</u>	<u>100,506</u>	<u>8,663</u>	<u>31,527</u>	<u>220,115</u>	<u>1,931,572</u>

On May 21, 2021, the Board of Directors of ACE Pillar, the subsidiary of the Consolidated Company, adopted the proposal to buy a new office property based on its future business planning and development. It has signed an office property contract with a total price (inclusive tax) of NTD262,270,000. As of June 30, 2021, it has paid NTD261,470,000 that was recorded under “Other non-current assets”. On July 7, 2021, ACE Pillar completed the procedures of ownership transfer.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(X) Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost of right-of-use assets:				
Balance on January 1, 2021	\$ 31,714	176,860	4,124	212,698
Acquired through business combination	-	46,527	4,685	51,212
Additions	-	161,108	2,081	163,189
Decrease	-	(17,304)	(2,329)	(19,633)
Effect of changes in exchange rate	(137)	(2,313)	(94)	(2,544)
Balance on June 30, 2021	<u>\$ 31,577</u>	<u>364,878</u>	<u>8,467</u>	<u>404,922</u>
Balance on January 1, 2020	\$ 32,030	187,459	3,093	222,582
Additions	-	19,683	1,182	20,865
Decrease	-	(21,460)	(194)	(21,654)
Effect of changes in exchange rate	(459)	(3,610)	(37)	(4,106)
Balance on June 30, 2020	<u>\$ 31,571</u>	<u>182,072</u>	<u>4,044</u>	<u>217,687</u>
Accumulated depreciation of right-of-use assets:				
Balance on January 1, 2021	\$ 2,098	63,136	2,887	68,121
Depreciation	399	37,230	966	38,595
Decrease	-	(12,756)	(2,305)	(15,061)
Effect of changes in exchange rate	(20)	(853)	(49)	(922)
Balance on June 30, 2021	<u>\$ 2,477</u>	<u>86,757</u>	<u>1,499</u>	<u>90,733</u>
Balance on January 1, 2020	\$ 1,386	101,793	1,618	104,797
Depreciation	400	26,545	668	27,613
Decrease	-	(20,685)	(194)	(20,879)
Effect of changes in exchange rate	(58)	(2,502)	(18)	(2,578)
Balance on June 30, 2020	<u>\$ 1,728</u>	<u>105,151</u>	<u>2,074</u>	<u>108,953</u>
Book value:				
June 30, 2021	<u>\$ 29,100</u>	<u>278,121</u>	<u>6,968</u>	<u>314,189</u>
January 1, 2021	<u>\$ 29,616</u>	<u>113,724</u>	<u>1,237</u>	<u>144,577</u>
June 30, 2020	<u>\$ 29,843</u>	<u>76,921</u>	<u>1,970</u>	<u>108,734</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(XI) Intangible assets

	<u>Goodwill</u>	<u>Trademark</u>	<u>Client relationship</u>	<u>Computer software</u>	<u>Total</u>
Costs:					
Balance on January 1, 2021	\$ 195,020	-	129,493	75,786	400,299
Acquired through business combination	154,826	562,692	-	678	718,196
Separate acquisition	-	-	-	7,864	7,864
Impacts of exchange rate changes	-	-	-	(6)	(6)
Balance on June 30, 2021	<u>\$ 349,846</u>	<u>562,692</u>	<u>129,493</u>	<u>84,322</u>	<u>1,126,353</u>
Balance on January 1, 2020	\$ 195,020	-	129,493	62,889	387,402
Separate acquisition	-	-	-	5,253	5,253
Write off	-	-	-	(280)	(280)
Balance on June 30, 2020	<u>\$ 195,020</u>	<u>-</u>	<u>129,493</u>	<u>67,862</u>	<u>392,375</u>
Accumulated amortization:					
Balance on January 1, 2021	\$ -	-	32,048	59,461	91,509
Acquired through business combination	-	-	-	549	549
Amortization	-	9,378	9,886	5,011	24,275
Impacts of exchange rate changes	-	-	-	(4)	(4)
Balance on June 30, 2021	<u>\$ -</u>	<u>9,378</u>	<u>41,934</u>	<u>65,017</u>	<u>116,329</u>
Balance on January 1, 2020	\$ -	-	12,276	50,781	63,057
Amortization	-	-	9,886	4,273	14,159
Write off	-	-	-	(280)	(280)
Balance on June 30, 2020	<u>\$ -</u>	<u>-</u>	<u>22,162</u>	<u>54,774</u>	<u>76,936</u>
Book value:					
Balance on June 30, 2021	<u>\$ 349,846</u>	<u>553,314</u>	<u>87,559</u>	<u>19,305</u>	<u>1,010,024</u>
Balance on January 1, 2021	<u>\$ 195,020</u>	<u>-</u>	<u>97,445</u>	<u>16,325</u>	<u>308,790</u>
Balance on June 30, 2020	<u>\$ 195,020</u>	<u>-</u>	<u>107,331</u>	<u>13,088</u>	<u>315,439</u>

The impairment test shall be performed against the goodwill acquired from business combination at least once a year, pursuant to the provisions of IAS 36. According to the results of the impairment test performed by the Consolidated Company on December 31, 2020, the goodwill had suffered no impairment loss. For details, please see Note XV to the consolidated financial statements for 2020. On June 30, 2021, the Consolidated Company assessed the fulfillment status of the expected operating revenue and net operating profit for the second quarter of 2021, and found no sign for impairment.

In September 2020, the Consolidated Company obtained the acquisition price allocation report of ACE Pillar Enterprise Co., Ltd. and its subsidiaries, adjusted the provisional amount of the originally acquired assets and liabilities since the acquisition date (October 1, 2019), and restated the comparative information.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

The adjustments to the relevant items in the balance sheet were as follows:

	October 1, 2019 Provisional amount	October 1, 2019 Fair value	June 30, 2020 Adjusted amount
Property, plant and equipment	<u>\$ 425,054</u>	<u>585,562</u>	<u>157,295</u>
Right-of-use assets	<u>\$ 57,479</u>	<u>70,689</u>	<u>12,932</u>
Intangible assets-Goodwill	<u>\$ 55,815</u>	<u>7,655</u>	<u>(48,160)</u>
Intangible assets - Client Relationship	<u>\$ -</u>	<u>79,208</u>	<u>73,808</u>
Deferred income tax liabilities	<u>\$ 83,267</u>	<u>101,154</u>	<u>16,807</u>
Non-controlling interests	<u>\$ 1,568,412</u>	<u>1,755,291</u>	<u>180,668</u>

The adjustments to the relevant items in the statement of comprehensive income were as follows:

	April to June 2020	January to June 2020
Selling and marketing expenses	<u>\$ 2,964</u>	<u>5,928</u>
Income tax asset	<u>\$ (360)</u>	<u>(720)</u>

(XII) Short-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured bank loans	\$ 1,178,788	784,143	200,000
Secured bank loans	<u>25,323</u>	<u>39,558</u>	<u>341,560</u>
	<u>\$ 1,204,111</u>	<u>823,701</u>	<u>541,560</u>
Unused lines of credit	<u>\$ 3,180,507</u>	<u>4,733,947</u>	<u>3,607,797</u>
Interest rate intervals	<u>0.6%-4.25%</u>	<u>0.74%-4.20%</u>	<u>0.74%-4.60%</u>

Please refer to Note VIII for details of the situation where the Consolidated Company pledged assets as collaterals for bank loan line.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(XIII) Long-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured bank loans	\$ 300,000	-	-
Unsecured government borrowings	4,180	-	-
Less: Part due within one year	-	-	-
	<u>\$ 304,180</u>	<u>-</u>	<u>-</u>
Unused lines of credit	<u>\$ 200,000</u>	<u>-</u>	<u>-</u>
Year of maturity	<u>2022/2050</u>	<u>-</u>	<u>-</u>
Interest rate intervals	<u>1%-3.75%</u>	<u>-</u>	<u>-</u>

(XIV) Lease liabilities

The book amount of the lease liabilities of the Consolidated Company is as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Current	<u>\$ 78,650</u>	<u>52,120</u>	<u>35,804</u>
Non-current	<u>\$ 212,630</u>	<u>63,896</u>	<u>45,651</u>

Please refer to Note VI (XXIV) Financial Instruments for the maturity analysis of the lease liabilities.

The amounts recognized as profit and loss are as follows:

	April to June 2021	April to June 2020	January to June 2021	January to June 2020
Interest expense on lease liabilities	<u>\$ 1,355</u>	<u>589</u>	<u>2,588</u>	<u>1,231</u>
Short-term leases expenses and lease expenses of low-value assets	<u>\$ 5,813</u>	<u>3,504</u>	<u>8,643</u>	<u>6,239</u>

The amounts recognized in the cash flow statement are as follows:

	January to June 2021	January to June 2020
Total cash outflow for leases	<u>\$ 45,297</u>	<u>32,859</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

Important lease clauses:

1. Lease of land, houses and buildings

The Consolidated Company has leased lands, and buildings as the office premise, warehouse and plant. The lease period of the land use right is 50 years, and the lease periods of the office premise, warehouse and plant are usually 2 to 10 years. Some leases include the options to extend the original lease contract by the same period when the lease period expires.

2. Other lease

The Consolidated Company has leased the transport equipment with a period of one to three years. In addition, the Consolidated Company has leased machinery equipment, office equipment and other assets with a period of no longer than one year. Such leases are short-term leases or leases of low-value assets, and the Consolidated Company has selected to apply the provision of exemption from recognition and not recognized them as relevant right-of-use assets and lease liabilities.

(XV) Provisions - current

	June 30, 2021	December 31, 2020	June 30, 2020
Warranty reserve	<u>\$ 43,797</u>	<u>56,827</u>	<u>54,495</u>

There is no significant change in the liability reserve of the Consolidated Company from January 1 to June 30, 2021 and 2020. For related information, please refer to the consolidated financial statements for the year of 2020.

(XVI) Employee benefits

1. Defined benefit plans

Since no major market fluctuations, major reductions, liquidations or other major one-off events occurred after the previous annual reporting date, the Consolidated Company has measured and disclosed the pension costs for the interim period by the pension costs determined by actuary on December 31, 2020 and 2019.

The details of expenses presented by the Consolidated Company are as follows:

	April to June 2021	April to June 2020	January to June 2021	January to June 2020
Operating costs	\$ 108	169	216	334
Operating expenses	(4)	70	(8)	117
	<u>\$ 104</u>	<u>239</u>	<u>208</u>	<u>451</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

2. Defined contribution plans

The details of expenses presented by the Consolidated Company are as follows:

	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Operating costs	\$ 1,740	1,772	3,501	3,836
Operating Expenses	<u>9,881</u>	<u>6,094</u>	<u>17,384</u>	<u>14,968</u>
	<u>\$ 11,621</u>	<u>7,866</u>	<u>20,885</u>	<u>18,804</u>

(XVII) Income tax

1. The income tax expenses of the Consolidated Company are detailed as follows:

	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Current income tax expenses	\$ 61,114	26,515	81,736	69,199
Deferred income tax expenses	<u>(2,631)</u>	<u>(754)</u>	<u>5,153</u>	<u>299</u>
	<u>\$ 58,483</u>	<u>25,761</u>	<u>86,889</u>	<u>69,498</u>

- From January 1 to June 30, 2021 and 2020, the Consolidated Company recognized no income tax in other comprehensive income or directly in equity.
- The Company's profit-seeking enterprise income tax has been approved by the tax authority to the year of 2019.

(XVIII) Capital and other equities

Except as described below, the Consolidated Company has not incurred material changes in capital and other equities from January 1 to June 30, 2021 and 2020. For relevant information, please refer to Note XXII to the consolidated financial statements of 2020.

1. Share capital - ordinary shares

As on June 30, 2021, December 31 and June 30, 2020, the total authorized capital of the Company was NTD1,772,000,000, which was divided into 177,200,000 shares at NTD10 each. The number of issued shares was all 114,689,000 shares. The share capital reserved for the issuance of the exercise of employee share options was 20,000 thousand shares.

The number of circulating ordinary shares was all 114,489,000 shares from January 1 to June 30, 2021 and 2020, after the Company bought the treasury stocks (for details, please see Item 6 of this Note).

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

2. Capital surplus

The Company's capital reserve balance is analyzed as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Share premium	\$ 626,464	649,362	649,362
Recognized changes in percentage of ownership interests in subsidiaries	5,962	5,962	5,871
Asset disposal income	808	808	808
Others	<u>23,603</u>	<u>23,603</u>	<u>23,603</u>
	<u>\$ 656,837</u>	<u>679,735</u>	<u>679,644</u>

Pursuant to the provisions of the Company Act, the capital reserve shall be first used to recover the loss before it is distributed as the realized capital reserve to the shareholders based on their respective shareholding ratios in the form of new shares or cash. The realized capital reserve as termed in the preceding sentence includes the proceeds from the shares issued at a premium over the face value and the income from the acceptance of donations. Pursuant to the provision of the processing standard for negotiable securities offering and issuance by issuers, the capital reserve shall be accrued out of the capital, and the total amount accrued every year shall be no higher than ten percent of the paid-in capital.

3. Retained earnings and dividends policy

Pursuant to the provision of Articles of Association of the Company, if there is any surplus in the final accounts, it shall first accrue the tax, recover the accumulated loss and then set aside 10% as the legal surplus reserve, except when the legal surplus reserve has reached the paid-in capital of the Company. If there is any surplus after the special surplus reserve is set aside or reversed in accordance with the law, the Board of Directors shall make the profit distribution plan for the surplus together with the accumulated undistributed profit and submit it to the Shareholders' Meeting for dividend distribution. The Board of Directors is authorized to make a resolution to distribute and report to the Shareholders' Meeting if the earnings distribution as mentioned in the preceding paragraph shall be in the form of cash dividends.

Pursuant to the provisions of the Articles of Association of the Company, the profit distribution plan made by the Board of Directors shall consider the general dividend level in the industry, adopt the balanced dividend policy and follow the principle of prudence in distribution, but the cash dividend to the shareholders shall be no lower than 15% of the total dividend to the shareholders, pursuant to the provisions of the Articles of Association of the Company. This takes into account the fierce competition in the

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

industry of the Company, volatile environment and stable growth stage of the Company in its lifecycle and aims to help the Company seize future investment opportunities, satisfy the working capital demand and long-term financial planning and meet the shareholder's demand for cash inflow.

(1) Legal reserve

Pursuant to the provision of the Company Act, when the Company makes no loss, the Company shall distribute the legal surplus reserve in the form of new shares or in cash to the extent that such legal reserve exceeds 25% of the total paid-in capital.

(2) Special reserve

Pursuant to the provision of FSC Securities Order No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, when distributing the profit available for distribution, the Company shall accrue the special surplus reserve in the same amount out of the profit in the current period and the undistributed profit in the previous period against net deductibles incurred in the current year and listed in the shareholders' equity, and for the deductibles of other shareholders' equity accumulated in the previous period, the Company shall not distribute the special surplus reserve in the same amount accrued out of the undistributed profit in the previous period. If other deductibles of shareholders' equity are reversed in future, the Company shall distribute the profit with the reversed part.

4. Profit distribution

On May 6, 2021, the Board of Directors of the Company adopted the resolution on the profit distribution plan for 2020, including the cash dividend amount, which has reached the legal threshold according to the electronic voting right of the Shareholders' Meeting on June 17, 2021. The Shareholders' Meeting is expected to open on August 20, 2021. In addition, the Shareholders' Meeting resolved the profit distribution plan for 2019 on June 16, 2020, and the dividend to be distributed to the ordinary shareholders is stated as follows:

	2020		2019	
	Dividend per share (NTD)	Amount	Dividend per share (NTD)	Amount
Dividends distributed to owners of common stock:				
Cash dividends	\$ 2.8	<u>320,569</u>	5.0	<u>572,444</u>

Under the dividend distribution plan for 2020, the Company will distribute a cash dividend at NTD0.2 each with the capital reserve of NTD22,898,000.

The information regarding the profit distribution can be obtained from the open

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

information monitoring website.

5. Other equities (net amount after tax)

	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance on January 1, 2021	\$ (83,110)	8,503	(74,607)
Exchange difference from conversion of net assets of foreign operating organizations	(34,938)	-	(34,938)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	306	306
Balance on June 30, 2021	<u>\$ (118,048)</u>	<u>8,809</u>	<u>(109,239)</u>
Balance on January 1, 2020	\$ (69,158)	14,890	(54,268)
Exchange difference from conversion of net assets of foreign operating organizations	(12,270)	-	(12,270)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	(1,103)	(1,103)
Balance on June 30, 2020	<u>\$ (81,428)</u>	<u>13,787</u>	<u>(67,641)</u>

6. Treasury shares

From November 2018 to January 2019, the Company bought back 200,000 ordinary shares of the Company at an average buyback price of NTD64.53 each from the centralized trading market. The Company will transfer the shares bought back this time to others, including employees of the controlled subsidiaries or affiliates of the Company who satisfy certain conditions, once or in multiple transactions within three years after the buyback date. Treasury shares held by the Company shall not be pledged as collateral in accordance with the Securities and Exchange Act, nor shall it be entitled to dividend distribution and voting rights.

7. Non-controlling interests (net amount after tax)

	January to June 2021	January to June 2020
Beginning balance	\$ 2,058,536	2,166,001
Shares attributable to non-controlling interests:		
Net profit/(loss) for the year	101,180	20,903
Exchange differences on translating the financial statements of foreign operations	(3,370)	(10,800)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	195	126
Cash dividends distributed by subsidiaries to non-	(60,892)	(40,859)

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

controlling interests		
Non-controlling interest of acquisition in subsidiaries	641,433	-
Non-controlling interests related to outstanding vested share options held by the employees of the subsidiaries	-	265
Acquisition of equity in subsidiaries	<u>(38,391)</u>	<u>(75,514)</u>
Ending balance	<u><u>\$ 2,698,691</u></u>	<u><u>2,060,122</u></u>

(XIX) Share-based payment

Except as described below, the Consolidated Company has not incurred material changes in the share-based payments from January 1 to June 30, 2021 and 2020. For relevant information, please refer to the consolidated financial statements of 2020.

1. Related information on the employee stock warrants of the subsidiary AEWIN is as follows:

	<u>January to June 2021</u>		<u>January to June 2020</u>	
	<u>Amount</u> <u>(thousand</u> <u>units)</u>	<u>Weighted</u> <u>average</u> <u>exercise</u> <u>price (NTD)</u>	<u>Amount</u> <u>(thousand</u> <u>units)</u>	<u>Weighted</u> <u>average</u> <u>exercise</u> <u>price (NTD)</u>
Outstanding at the beginning of the period	761	\$ 37.70	856	\$ 37.70
Invalid in current period	<u>(761)</u>	37.70	<u>(85)</u>	37.70
Outstanding at the end of the period	<u>-</u>	-	<u>771</u>	37.70
Executable quantity at end of period	<u>-</u>	-	<u>771</u>	37.70

The employee stock options plan of AEWIN has been terminated after the term of contract expired in June 2021.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

2. Related information on the employee stock warrants of the subsidiary ACE Pillar is as follows:

	<u>January to June 2020</u>	
	<u>Amount (thousand units)</u>	<u>Weighted average exercise price (NTD)</u>
Outstanding at the beginning of the period	958	\$ 21.40
Invalid in current period	<u>(170)</u>	21.40
Outstanding at the end of the period	<u>788</u>	21.40
Executable quantity at end of period	<u>788</u>	21.40

The employee stock options plan of ACE Pillar has been terminated after the term of contract expired in August 2020.

(XX) Earnings per share

1. Basic earnings per share

	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Net profit attributable to ordinary shareholders of the Company	<u>\$ 62,525</u>	<u>76,216</u>	<u>128,759</u>	<u>221,021</u>
Weighted average number of outstanding ordinary shares (1,000 shares)	<u>114,489</u>	<u>114,489</u>	<u>114,489</u>	<u>114,489</u>
Basic earnings per share (NTD)	<u>\$ 0.55</u>	<u>0.67</u>	<u>1.12</u>	<u>1.93</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

2. Diluted earnings per share

	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Net profit attributable to ordinary shareholders of the Company	<u>\$ 62,525</u>	<u>76,216</u>	<u>128,759</u>	<u>221,021</u>
Weighted average number of outstanding ordinary shares (1,000 shares)	114,489	114,489	114,489	114,489
Impacts of potential ordinary shares with dilution effect (in thousand shares):				
Impact of employee stock compensation	<u>181</u>	<u>94</u>	<u>440</u>	<u>656</u>
Weighted average number of outstanding ordinary shares (after adjusting the number of dilution potential common shares) (1,000 shares)	<u>114,670</u>	<u>114,583</u>	<u>114,929</u>	<u>115,145</u>
Diluted earnings per share (NTD)	<u>0.55</u>	<u>0.67</u>	<u>1.12</u>	<u>1.92</u>

(XXI) Revenue from customer contracts

1. Breakdown of income

	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Main products and services:				
Industrial computer cards and systems	\$ 1,092,675	1,207,658	2,104,341	2,651,173
Industrial automation control	970,129	719,527	1,845,065	1,348,916
Computer component	1,107,809	-	1,107,809	-
Others	<u>100,554</u>	<u>113,264</u>	<u>222,070</u>	<u>216,681</u>
	<u>\$ 3,271,167</u>	<u>2,040,449</u>	<u>5,279,285</u>	<u>4,216,770</u>

2. Balance of contracts

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Notes and accounts receivable (including related parties)	\$ 2,540,279	2,029,546	2,135,465
Less: Allowance for loss	<u>(46,291)</u>	<u>(45,065)</u>	<u>(115,646)</u>
Total	<u>\$ 2,493,988</u>	<u>1,984,481</u>	<u>2,019,819</u>
Contract liabilities	<u>\$ 143,549</u>	<u>96,698</u>	<u>85,799</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

For the disclosure of notes receivable, accounts receivable (including related parties) and their impairments, please see Note VI (V) for details.

The contract liabilities mainly come from the difference between the time point of satisfying the performance obligation when the Consolidated Company transfers goods to a customer and the time point of the customer's payment.

The beginning balances of contract liabilities on January 1, 2021 and 2020 were recognized in the income in an amount of NTD65,501,000 and NTD55,153,000 respectively from January 1 to June 30, 2021 and 2020.

(XXII) Employees compensation and remunerations of directors

In accordance with the Articles of Association: "The Company shall set aside at least 5-20% of the earnings, if any, in the year as remuneration to the employees and no greater than 1% as remuneration to directors. But if the Company still has an accumulated loss, it shall reserve the recovery amount in advance. The beneficiaries of the aforesaid employees' compensation, if distributed in stock or in cash, shall include the employees of the controlled companies or affiliates of the Company who meet certain conditions.

The Company has estimated the employees' remunerations at NTD5,695,000, NTD7,164,000, NTD11,703,000 and NTD21,020,000, and estimated the directors' remunerations at NTD606,000, NTD762,000, NTD1,245,000 and NTD2,236,000 for the periods from April 1 to June 30, 2021 and 2020 and from January 1 to June 30, 2021 and 2020. The Company has made these estimates by multiplying the pre-tax profit of respective period before the remunerations of employees and directors are deducted and the distribution ratios of the remunerations of employees and directors, and recognized these remunerations as the operating cost or operating expense in respective period. If the actually distributed amount is different from the estimate, the difference will be treated as an accounting estimate change and listed in the profit and loss of next year.

The Company has estimated the employees' remuneration and the directors/supervisors' remuneration at NTD37,720,000 and NTD4,013,000 respectively for 2020, and the remunerations are consistent with the distribution plan resolved by the Board of Directors and have been fully distributed in cash. The information can be obtained from the open information monitoring website.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(XXIII) Non-operating income and expenses

1. Interest income

	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Interest on bank deposit	\$ 627	1,669	952	3,002
Interest income from financial assets measured at amortized cost	3	139	19	143
Interest income on financial assets measured at fair value through profit or loss	<u>487</u>	<u>712</u>	<u>487</u>	<u>712</u>
	<u>\$ 1,117</u>	<u>2,520</u>	<u>1,458</u>	<u>3,857</u>

2. Other income

	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Rental income	\$ 1,547	1,547	3,095	3,095
Others	<u>5,332</u>	<u>1,969</u>	<u>8,550</u>	<u>4,305</u>
	<u>\$ 6,879</u>	<u>3,516</u>	<u>11,645</u>	<u>7,400</u>

3. Other gains and losses

	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Net gain (loss) on foreign exchange	\$ (14,008)	(19,004)	(4,883)	(26,333)
Valuation profit or loss from financial assets and liabilities	7,275	9,275	2,070	11,800
Other gains (expenditures)	<u>402</u>	<u>(820)</u>	<u>(1,152)</u>	<u>(1,449)</u>
	<u>\$ (6,331)</u>	<u>(10,549)</u>	<u>(3,965)</u>	<u>(15,982)</u>

4. Finance costs

	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Bank interest expenses	\$ 4,079	3,190	7,145	7,708
Financial expenses on lease liabilities	<u>1,355</u>	<u>589</u>	<u>2,588</u>	<u>1,231</u>
	<u>\$ 5,434</u>	<u>3,779</u>	<u>9,733</u>	<u>8,939</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(XXIV) Financial Instruments

Except as described below, the Consolidated Company has not incurred material changes in the fair values, credit risk exposures, liquidity risk exposures and market risk exposures of financial instruments. For relevant information, please refer to the consolidated financial statements of 2020.

1. Classification of financial instruments

(1) Financial assets

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial assets at fair value through profit or loss - current	28,231	28,221	31,561
Financial assets at fair value through other comprehensive income - non-current	31,308	30,807	59,767
Financial assets at amortized cost:			
Cash and cash equivalents	1,597,377	1,922,245	1,967,464
Financial assets at amortized cost - current	1,708	1,708	44,770
Notes receivable, trade receivables, and other receivables (including related parties)	2,513,398	1,997,892	2,050,676
Refundable deposits	34,407	31,093	28,952
Subtotal	4,146,890	3,952,938	4,091,862
Total	<u>\$ 4,206,429</u>	<u>4,011,966</u>	<u>4,183,190</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(2) Financial liabilities

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Financial liabilities at fair value through profit or loss:			
Held-for-trading	\$ 2,675	9,768	2,372
Financial liabilities measured by amortized cost:			
Short-term borrowings	1,204,111	823,701	541,560
Notes payables, trade payables and other payables (including related parties)	3,097,015	1,592,703	2,476,914
Long-term borrowings	304,180	-	-
Lease liabilities (including current and non-current)	291,280	116,016	81,455
Subtotal	4,896,586	2,532,420	3,099,929
Total	<u>\$ 4,899,261</u>	<u>2,542,188</u>	<u>3,102,301</u>

2. Liquidity risk

The following table shows the contractual maturity date of financial liabilities, including the impact of estimated interest, and prepared at the undiscounted cash flow.

June 30, 2021	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>5 years and above</u>
Non-derivative financial liabilities:					
Short-term borrowings	\$ 1,206,197	1,206,197	-	-	-
Long-term borrowings (including the part due within one year)	307,714	3,000	300,534	-	4,180
Notes payables, trade payables and other payables (including related parties)	3,097,015	3,097,015	-	-	-
Lease liabilities	303,413	83,054	66,489	85,856	68,014
Subtotal	4,914,339	4,389,266	367,023	85,856	72,194
Derivative financial instruments:					
Forward foreign exchange contracts					
Outflow	187,126	187,126	-	-	-
Inflow	(186,831)	(186,831)	-	-	-
Foreign exchange SWAP					
Outflow	473,199	473,199	-	-	-

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

		<u>(470,925)</u>	<u>(470,925)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Inflow						
Subtotal		<u>2,569</u>	<u>2,569</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 4,916,908</u>	<u>4,391,835</u>	<u>367,023</u>	<u>85,856</u>	<u>72,194</u>
		<u>Contractual</u>	<u>Within 1</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>5 years and</u>
		<u>cash flows</u>	<u>year</u>			<u>above</u>
December 31, 2020						
Non-derivative financial liabilities:						
Short-term borrowings	\$	825,514	825,514	-	-	-
Notes payables, trade payables and other payables (including related parties)		1,592,703	1,592,703	-	-	-
Lease liabilities (including current and non-current)		<u>120,861</u>	<u>55,107</u>	<u>44,683</u>	<u>21,071</u>	<u>-</u>
Subtotal		<u>2,539,078</u>	<u>2,473,324</u>	<u>44,683</u>	<u>21,071</u>	<u>-</u>
Derivative financial instruments:						
Forward foreign exchange contracts						
Outflow		435,331	435,331	-	-	-
Inflow		<u>(434,282)</u>	<u>(434,282)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign exchange SWAP						
Outflow		962,766	962,766	-	-	-
Inflow		<u>(959,990)</u>	<u>(959,990)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal		<u>3,825</u>	<u>3,825</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 2,542,903</u>	<u>2,477,149</u>	<u>44,683</u>	<u>21,071</u>	<u>-</u>
June 30, 2020						
Non-derivative financial liabilities:						
Short-term borrowings	\$	542,697	542,697	-	-	-
Notes payables, trade payables and other payables (including related parties)		2,476,914	2,476,914	-	-	-
Lease liabilities (including current and non-current)		<u>84,736</u>	<u>37,425</u>	<u>29,026</u>	<u>17,453</u>	<u>832</u>
Subtotal		<u>3,104,347</u>	<u>3,057,036</u>	<u>29,026</u>	<u>17,453</u>	<u>832</u>
Derivative financial liabilities:						
Forward foreign exchange contracts						
Outflow		735,567	735,567	-	-	-
Inflow		<u>(734,098)</u>	<u>(734,098)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Foreign exchange SWAP						
Outflow		296,562	296,562	-	-	-
Inflow		<u>(296,089)</u>	<u>(296,089)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal		<u>1,942</u>	<u>1,942</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 3,106,289</u>	<u>3,058,978</u>	<u>29,026</u>	<u>17,453</u>	<u>832</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

The Consolidated Company doesn't expect the time point of the cash flow under the maturity date analysis will come much earlier or the actual amount will be substantially different.

3. Exchange rate risks

Listed below are the book values of the monetary assets and liabilities not valued by the Consolidated Company in the functional currency on the reporting date (including monetary items included in the non-functional currency written off in the consolidated financial statements) as well as the sensitivity analysis of their related foreign currency changes (monetary unit: thousands of NTD):

June 30, 2021						
	Foreign currency	Exchange rate	NTD	Changes in exchange rates	Profit and loss influence (before tax)	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD (Note 1)	\$	60,375	27.8680	1,682,531	1%	16,825
USD (Note 2)		1,951	6.4700	54,370	1%	544
RMB		615	4.3073	2,649	1%	26
JPY		55,239	0.2522	13,931	1%	139
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD (Note 1)		27,901	27.8680	777,545	1%	7,775
USD (Note 2)		19,116	6.4700	532,725	1%	5,327
RMB		4,024	4.3073	17,333	1%	173
JPY		13,270	0.2522	3,347	1%	33
December 31, 2020						
	Foreign currency	Exchange Rate	NTD	Changes in exchange rates	Profit and loss influence (before tax)	
<u>Financial assets</u>						
<u>Monetary items</u>						
USD (Note 1)	\$	67,993	28.3500	1,927,602	1%	19,276
USD (Note 2)		1,950	6.5600	55,283	1%	553
RMB		21,086	4.3216	91,125	1%	911
JPY		66,285	0.2749	18,222	1%	182
<u>Financial liabilities</u>						
<u>Monetary items</u>						

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

USD (Note 1)		24,728	28.3500	701,039	1%	7,010
USD (Note 2)		20,408	6.5600	578,567	1%	5,786
JPY		21,969	0.2749	6,039	1%	60
June 30, 2020						
		Foreign currency	Exchange rate	NTD	Changes in exchange rates	Profit and loss influence (before tax)
<u>Financial assets</u>						
<u>Monetary items</u>						
USD (Note 1)	\$	64,864	29.6600	1,923,866	1%	19,239
USD (Note 2)		1,960	7.0800	58,134	1%	581
RMB		46,857	4.1893	196,298	1%	1,963
JPY		188,053	0.2755	51,809	1%	518
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD (Note 1)		25,173	29.6600	746,631	1%	7,466
USD (Note 2)		26,002	7.0800	771,219	1%	7,712
RMB		17,027	4.1893	71,331	1%	713
JPY		168,018	0.2755	46,289	1%	463

(Note 1) It is the exchange rate between the US dollar and the New Taiwan Dollar.

(Note 2) It is the exchange rate between the US dollar and RMB.

The Consolidated Company has many functional currencies, so the Company has selected to disclose the overall exchange gain or loss information on the monetary items. Please refer to Note VI (XXIII) for details of the Company's foreign exchange gain or loss (realized and unrealized) from April 1 to June 30, 2021 and 2020 and January 1 to June 30, 2021 and 2020.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

4. Fair value

(1) Financial instruments not measured at fair value

The Management of the Consolidated Company thinks that the book amounts of the financial assets and financial liabilities of the Consolidated Company measured at the amortized are close to the fair values.

(2) Financial instruments measured at fair value

The Consolidated Company's financial assets/liabilities measured by fair value through profit and loss and the financial assets measured by fair value through other comprehensive profit and loss are measured by fair value on the basis of repeatability. The following table provides relevant analysis of the financial instruments measured by fair value after initial recognition and classifies these assets into levels 1 to 3 based on the observable extent of fair value. Different fair value levels are defined as follows:

- A. Level 1: Open quotation of the same asset or liability in the active market (without adjustment).
- B. Level 2: The input parameter of the asset or liability is directly observable (namely price) or indirectly observable (namely, inferred from price), except for the open quotations included in level 1.
- C. Level 3: The input parameters of assets or liabilities are not based on observable market data (non-observable parameters).

	June 30, 2021			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contracts	\$ -	1,960	-	1,960
Derivative financial instruments - Foreign exchange swaps contract	-	301	-	301
Fund beneficiary certificates	25,970	-	-	25,970
	\$ 25,970	2,261	-	28,231
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 30,020	-	-	30,020
Foreign unlisted stocks	-	-	1,288	1,288
	\$ 30,020	-	1,288	31,308
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contract	\$ -	(395)	-	(395)
Derivative financial instruments - Foreign exchange swaps contract	-	(2,280)	-	(2,280)
	\$ -	(2,675)	-	(2,675)

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

	December 31, 2020			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments -				
Forward foreign exchange contracts	\$ -	226	-	226
Derivative financial instruments -				
Foreign exchange swaps contract	-	42	-	42
Fund beneficiary certificates	<u>27,953</u>	<u>-</u>	<u>-</u>	<u>27,953</u>
	<u>\$ 27,953</u>	<u>268</u>	<u>-</u>	<u>28,221</u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 29,920	-	-	29,920
Foreign unlisted stocks	<u>-</u>	<u>-</u>	<u>887</u>	<u>887</u>
	<u>\$ 29,920</u>	<u>-</u>	<u>887</u>	<u>30,807</u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments -				
Forward foreign exchange contract	\$ -	(2,185)	-	(2,185)
Derivative financial instruments -				
Foreign exchange swaps contract	<u>-</u>	<u>(7,583)</u>	<u>-</u>	<u>(7,583)</u>
	<u>\$ -</u>	<u>(9,768)</u>	<u>-</u>	<u>(9,768)</u>
	June 30, 2020			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments -				
Foreign exchange swaps contract	\$ -	1,556	-	1,556
Fund beneficiary certificates	<u>30,005</u>	<u>-</u>	<u>-</u>	<u>30,005</u>
	<u>\$ 30,005</u>	<u>1,556</u>	<u>-</u>	<u>31,561</u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 58,880	-	-	58,880
Foreign unlisted stock	<u>-</u>	<u>-</u>	<u>887</u>	<u>887</u>
	<u>\$ 58,880</u>	<u>-</u>	<u>887</u>	<u>59,767</u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments -				
Forward foreign exchange contract	\$ -	(1,858)	-	(1,858)
Derivative financial instruments -				
Foreign exchange swaps contract	<u>-</u>	<u>(514)</u>	<u>-</u>	<u>(514)</u>
	<u>\$ -</u>	<u>(2,372)</u>	<u>-</u>	<u>(2,372)</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(3) Fair value measurement techniques for financial instruments measured at fair value

A. Non-derivative financial instruments

If there is an open quotation for the financial instrument in the active market, the open quotation in the active market shall be the fair value.

Listed (OTC) stocks and fund beneficiary certificates have standard terms and conditions and are traded in active markets, and their fair values are determined in accordance with market quotations.

Except for financial instruments with active markets, fair values of the other financial instruments are obtained with valuation techniques or counterparty quotations. Evaluation technique-based fair value may be calculated by referring to the current fair value of other financial instruments with similar substantial conditions and characteristics, or discounted cash flow or other evaluation techniques, including market information application mode available on the reporting date.

The fair values of the financial instruments held by the Consolidated Company are presented in terms of type and attribute as follows:

The Consolidated Company employs the asset approach to estimate fair values of unlisted stocks without active market and infers their fair values with total market values of individual assets and individual liabilities covered by the valuation subject as well as other factors.

B. Derivative financial instruments

They are valued with the valuation model generally accepted by market participants. Forward foreign exchange contracts and foreign exchange swaps contracts are usually valued in line with the current forward exchange rate.

(4) Transfer between fair value levels

There were no transfers of fair value levels of any financial asset and financial liability from January 1 to June 30, 2021 and 2020.

(5) Detailed statement on changes in level 3

Financial assets at fair value through other comprehensive income:

	January to June 2021	January to June 2020
Beginning balance	\$ 887	1,414
Changes recognized in other comprehensive incomes in current period	<u>401</u>	<u>(527)</u>
Ending balance	<u>\$ 1,288</u>	<u>887</u>

(XXV) Financial risk management

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

No material changes have happened to the financial risk management objectives and policies of the Consolidated Company as opposed to those disclosed in the 2020 consolidated financial statements.

(XXVI) Capital management

No material changes have happened to the capital management objectives, policies and procedures of the Consolidated Company as opposed to those disclosed in the 2020 consolidated financial statements.

(XXVII) Investing and financing activities not in cash transaction

1. Please refer to Note VI (X) for the right-of-use assets acquired by the Consolidated Company through lease.
2. The liabilities from financing activities are reconciled in the following table:

	January 1, 2021	Cash Flows	Impact from initial consolidation of subsidiary	Non-cash change			June 30, 2021
				Increase in lease liabilities	Lease modification	Exchange rate changes	
Short-term borrowings	\$ 823,701	380,732	-	-	-	(322)	1,204,111
Long-term borrowings	-	299,993	4,187	-	-	-	304,180
Lease liabilities	116,016	(34,066)	51,212	163,189	(4,572)	(499)	291,280
Total liabilities from financing activities	<u>\$ 939,717</u>	<u>646,659</u>	<u>55,399</u>	<u>163,189</u>	<u>(4,572)</u>	<u>(821)</u>	<u>1,799,571</u>

	January 1, 2020	Cash Flows	Increase in lease liabilities	Non-cash change			June 30, 2020
				Lease modification	Exchange rate changes		
Short-term borrowings	\$ 622,075	(72,719)	-	-	(7,796)		541,560
Lease liabilities	88,027	(25,389)	20,865	-	(2,048)		81,455
Total liabilities from financing activities	<u>\$ 710,102</u>	<u>(98,108)</u>	<u>20,865</u>	<u>-</u>	<u>(9,844)</u>		<u>623,015</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

VII. Related Party Transactions

(I) Name and relation of related party

The related parties having transactions with the Consolidated Company during the period under the consolidated balance sheet are as follows:

<u>Name of related party</u>	<u>Relationship with the consolidated company</u>
Qisda Corporation (Qisda)	Parent company of the Company
LILY-MEDICAL Corporation	Subsidiary of Qisda
Partner Tech, Inc. (Partner)	Subsidiary of Qisda
Alpha Networks Inc.	Subsidiary of Qisda
BenQ Medical Technology Corporation	Subsidiary of Qisda
BenQ Materials Corporation	Subsidiary of Qisda
BenQ Asia Pacific Corporation	Subsidiary of Qisda
BenQ ESCO Corporation	Subsidiary of Qisda
BenQ Healthcare CORPORATION (former BenQ)	Subsidiary of Qisda
BenQ Guru Software Corporation	Subsidiary of Qisda
BenQ Corporation	Subsidiary of Qisda
BenQ Technology (Shanghai) Co., Ltd.	Subsidiary of Qisda
Webest Solution Corporation	Subsidiary of Qisda
Golden Spirit Co., Ltd.	Subsidiary of Qisda
Dsta Image Co., Ltd.	Subsidiary of Qisda
SYSAGE Technology Co., Ltd. (SYSAGE)	Subsidiary of Qisda
ASIACONNECT INTERNATIONAL COMPANY LTD.	Subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd.	Subsidiary of Qisda
Qisda (Suzhou) Co., Ltd.	Subsidiary of Qisda
Suzhou BenQ Hospital Co., Ltd.	Subsidiary of Qisda
AFPD Pte., Ltd	Subsidiary of AUO
AU Optronics (Kunshan) Co., Ltd.	Subsidiary of AUO
AU Optronics (Xiamen) Co., Ltd.	Subsidiary of AUO
AU Optronics (Suzhou) Co., Ltd.	Subsidiary of AUO
AUO Crystal Corporation	Subsidiary of AUO
Darwin Precisions (Xiamen) Corporation	Subsidiary of AUO
Darwin Precisions Corporation	Subsidiary of AUO
Darfon Electronics Corp. (Darfon)	Related enterprise of Qisda
AU Optronics Corp. (AUO)	Related enterprise of Qisda/Corporate director valuing Qisda under equity approach (Note 1)

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

Partner Tech Europe GmbH	Subsidiary of Partner
BenQ Foundation	Substantive related party of Qisda
BenQ Foundation	Substantive related party of Qisda
AEWIN KOREA CO., LTD.	Substantive related party of AEWIN
Unictron Technologies Corporation	Subsidiary of Darfon
Darfon Electronics (Suzhou) Co., Ltd.	Subsidiary of Darfon
San Jose Technology, Inc. (SANAV)	Subsidiary of Darfon (Note 2)
AdvancedTEK International Corp.	Subsidiary of SYSAGE
Global Intelligence Network Co., Ltd.	Subsidiary of SYSAGE

Note 1: It is no longer a related enterprise of Qisda as of May 12, 2021, and AUO has valued Qisda under the equity approach as of January 2021.

Note 2: It was written off and dissolved on March 30, 2021.

(II) Material transactions with related party

1. Net operating revenue

The material sales amount of the Consolidated Company to the related parties is as follows:

	April to June 2021	April to June 2020	January to June 2021	January to June 2020
Parent company	\$ 5,951	33,680	15,389	57,367
Other related parties	52,931	69,078	93,753	134,201
	<u>\$ 58,882</u>	<u>102,758</u>	<u>109,142</u>	<u>191,568</u>

Sales of the Consolidated Company to related parties involve customary products made to order based on the customer demand, so the price is determined by both parties through negotiation. The credit term for related parties is 60-120 days after shipment, and 30-180 days for non-related parties.

2. Purchases

The purchase amount of the Consolidated Company from the related parties is as follows:

	April to June 2021	April to June 2020	January to June 2021	January to June 2020
Parent company	\$ 101,590	161,755	202,097	399,833
Other related parties	1,992	6,308	9,849	27,740
	<u>\$ 103,582</u>	<u>168,063</u>	<u>211,946</u>	<u>427,573</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

The purchases from related parties by the consolidated company are customized products tailored to the requirements of the order, and, therefore, the selling price is mutually agreed. The credit term provided by related parties is 60-90 days after shipment, and 30-105 days for non-related parties.

3. Lease

The Consolidated Company has leased plants and offices from the parent company and other related parties respectively and signed the lease contracts based on the rent prices in the adjacent areas.

The Consolidated Company has recognized an interest expense of NTD811,000 and NTD19,000 for the periods from January 1 to June 30, 2021 and 2020 respectively. Relevant balance of lease liabilities was NTD137,744,000, NTD5,133,000 and NTD5,950,000 as on June 30, 2021, December 31 and June 30, 2020 respectively.

4. Receivables from related parties

Details of the receivables from related parties of the Consolidated Company are as follows:

<u>Item</u>	<u>Category of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Trade receivables - related parties	Parent company	\$ 57,424	89,355	125,679
	Other related parties	<u>61,612</u>	<u>54,879</u>	<u>76,683</u>
		<u>119,036</u>	<u>144,234</u>	<u>202,362</u>
Other receivables	Other related parties	<u>591</u>	<u>592</u>	<u>491</u>
		<u>\$ 119,627</u>	<u>144,826</u>	<u>202,853</u>

5. Trade payable to related parties

The payables of the Consolidated Company to related parties are detailed as follows:

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

<u>Item</u>	<u>Category of related party</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Trade payables	Parent company	\$ 87,396	100,567	156,190
	Other related parties	<u>1,728</u>	<u>4,313</u>	<u>7,982</u>
		<u>89,124</u>	<u>104,880</u>	<u>164,172</u>
Other payables	Parent company	2,834	931	3,940
	Other related parties	<u>4,391</u>	<u>337</u>	<u>63</u>
		<u>7,225</u>	<u>1,268</u>	<u>4,003</u>
Lease liabilities - current	Parent company	14,283	-	-
	Other related parties	1,223	2,067	1,967
Lease liabilities - non-current	Parent company	121,067	-	-
	Other related parties	<u>1,171</u>	<u>3,066</u>	<u>3,983</u>
		<u>137,744</u>	<u>5,133</u>	<u>5,950</u>
		<u>\$ 234,093</u>	<u>111,281</u>	<u>174,125</u>

6. Property transactions

<u>Category of related party</u>	<u>Item</u>	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Parent company	Intangible assets	\$ -	-	1,789	-
Other related parties	Property, plant and equipment	<u>400</u>	<u>-</u>	<u>400</u>	<u>210</u>
		<u>\$ 400</u>	<u>-</u>	<u>2,189</u>	<u>210</u>

(III) Remuneration to main management

	<u>April to June 2021</u>	<u>April to June 2020</u>	<u>January to June 2021</u>	<u>January to June 2020</u>
Short-term employee benefits	<u>\$ 10,127</u>	<u>10,479</u>	<u>19,158</u>	<u>21,797</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

VIII. Pledged Assets

The details of the book-entry values of the asset pledged as collateral provided by the Consolidated Company are detailed as follows:

<u>Asset name</u>	<u>Subject matter of pledge guarantee</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
Pledged certificate of deposit	Performance bond for release before tax to customs house	\$ 1,708	1,708	1,708
Notes receivable	Guarantee for bank borrowings	25,323	39,558	70,742
Restricted bank deposits and pledged certificate of time deposit	Guarantee for bank borrowings	-	-	43,062
		<u>\$ 27,031</u>	<u>41,266</u>	<u>115,512</u>

The aforesaid bank deposits are presented under the financial assets measured at amortized cost.

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments: None.

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date

- (I) From June 10 to July 29, 2021, the Company made a public acquisition of the ordinary shares of the subsidiary ACE Pillar at NTD32 each, and expects to acquire 17,970,000 shares at most. As of July 20, 2021, the accumulated number of sellable shares has exceeded the minimum number of acquired shares, namely, 5,612,525 shares (equivalent to 5% of all ordinary shares issued by ACE Pillar), and the condition for public acquisition has been satisfied. As of July 29, 2021 when the public offering period expired, the number of sellable shares and the actual number of traded shares were both 14,445,069 shares.
- (II) On August 6, 2021, the Board of Directors of the Company adopted the resolution to sell out the plants and buildings for NTD550,000,000 in Xizhi District and expects to mobilize the assets of the Company and bolster the working capital.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

XII. Others

- (I) The employee benefits, depreciation and amortization expenses are summarized by function as follows:

Function Nature	April to June 2021			April to June 2020		
	Attributable to operating cost	Attributable to operating expenses	Total	Attributable to operating cost	Attributable to operating expenses	Total
Employee benefits expenses						
Salary expense	55,157	240,018	295,175	52,483	195,708	248,191
Labor and health insurance expenses	5,724	21,564	27,288	4,714	15,847	20,561
Pension expense	1,849	9,876	11,725	1,941	6,164	8,105
Other employee benefit expenses	3,209	7,314	10,523	2,938	5,683	8,621
Depreciation expenses	15,768	27,459	43,227	12,378	24,442	36,820
Amortization expenses	438	16,570	17,008	226	6,867	7,093

Function Nature	January to June 2021			January to June 2020		
	Attributable to operating cost	Attributable to operating expenses	Total	Attributable to operating cost	Attributable to operating expenses	Total
Employee benefits expenses						
Salary expense	105,498	418,349	523,847	110,083	407,564	517,647
Labor and health insurance expenses	11,742	38,292	50,034	9,912	34,655	44,567
Pension expense	3,717	17,376	21,093	4,171	15,084	19,255
Other employee benefit expenses	6,014	13,976	19,990	5,733	12,533	18,266
Depreciation expenses	30,642	51,935	82,577	24,637	50,669	75,306
Amortization expenses	855	23,420	24,275	453	13,706	14,159

- (II) The operation of the Consolidated Company is not subject to material impacts from seasonal or cyclical factors.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

XIII. Supplementary Disclosures

(I) Information on Significant Transactions:

Listed below are the material transactions the Consolidated Company shall disclose again in line with the accounting standard from January 1 to June 30, 2021:

1. Financing provided to others:

Unit: In Thousands of New Taiwan Dollars

No.	Financing company	Loan recipient	Transaction item	Related party	Maximum balance in current period	Ending balance	Amount of actual use	Interest rate intervals	Nature for financing (Note 4)	Business transaction amounts	Reason for Short-term Financing	Allowance for loss	Collateral		Financing limits for each borrowing company	Total financing limits
													Name	Value		
1	AEWIN	Beijing AEWIN	Other receivables - related parties	Yes	85,590	-	-	-	2	-	Operating capital fund	-	-	-	223,728 (Note 1)	447,456 (Note 1)
2	ACE Pillar	Tianjin ACE Pillar	Other receivables - related parties	Yes	231,883	167,208	139,340	0%-4.35%	2	-	Operating capital fund	-	-	-	397,973 (Note 2)	795,946 (Note 2)
2	ACE Pillar	Suzhou Super Pillar	Other receivables - related parties	Yes	28,530	27,868	27,868	0.00%	2	-	Operating capital fund	-	-	-	397,973 (Note 2)	795,946 (Note 2)
3	Cyber South	Suzhou Super Pillar	Other receivables - related parties	Yes	15,692	-	-	1.15%	2	-	Operating capital fund	-	-	-	616,072 (Note 3)	616,072 (Note 3)
4	Tianjin Jinhao	Tianjin ACE Pillar	Other receivables - related parties	Yes	13,008	12,922	12,922	1.80%	2	-	Operating capital fund	-	-	-	39,464 (Note 3)	39,464 (Note 3)
4	Tianjin Jinhao	Quansheng Information	Other receivables - related parties	Yes	2,602	2,584	2,584	1.80%	2	-	Operating capital fund	-	-	-	39,464 (Note 3)	39,464 (Note 3)
5	Hong Kong ACE Pillar	Tianjin ACE Pillar	Other receivables - related parties	Yes	17,344	17,229	17,229	1.80%	2	-	Operating capital fund	-	-	-	39,968 (Note 3)	39,968 (Note 3)

(Note 1) The total line of credit provided by AEWIN for other persons and the limit for loans to individual borrowers shall be 40% and 20% of the net values in the financial statement of the Company for the most recent period.

(Note 2) The total line of credit provided by ACE Pillar for other persons and the limit for loans to individual borrowers shall be 40% and 20% of the net values in the financial statement of the Company for the most recent period.

(Note 3) The total line of credit provided by Cyber South, Tianjin Jinhao and Hong Kong ACE Pillar for 100%-owned foreign subsidiaries of ACE Pillar and the limit for loans to individual borrowers shall be 100% of the net values in the financial statement of the company for the most recent period. The total line of credit provided for foreign subsidiaries not 100% owned by ACE Pillar and the limit for loans to individual borrowers shall be 10% and 5% of the net values in the financial statement of the company for the most recent period.

(Note 4) The natures of loans are stated as follows:

1. Arise from business transactions.
2. Having needs in short-term financing.

(Note 5) The aforesaid transactions had been written off when the consolidated financial statements were prepared.

2. Endorsements/guarantees to others:

Unit: In Thousands of New Taiwan Dollars

No.	Company Name of Endorser	Company name of endorsee		Endorsement limit for a single enterprise	Maximum endorsement guarantee balance for current period	Ending balance of endorsement guarantee	Amount Actually Drawn	Amount of endorsements secured by the property	The ratio of accumulated endorsement amount to the net worth of the latest financial statements	Maximum amount of endorsement	Endorsement of the parent company to a subsidiary	Endorsement of a subsidiary to the parent company	Endorsement for Mainland China
		Company Name	Relationship (Note 3)										
1	AEWIN	Beijing AEWIN	2	223,728 (Note 1)	129,780	64,610	64,610	-	5.78%	447,456 (Note 1)	Y	N	Y
1	ACE Pillar	Tianjin ACE Pillar	2	795,946 (Note 2)	295,475	245,076	55,564	-	12.32%	994,932 (Note 2)	Y	N	Y

Note 1: The maximum line of credit provided by AEWIN for other persons and individual enterprise shall be 40% and 20% of the net values in the financial statement of the company for the most recent period.

Note 2: The maximum line of credit provided by ACE Pillar for other persons and individual enterprise shall be 50% and 40% of the net values in the financial statement of the company for the most recent period.

Note 3: Relationship between endorsement guarantor and target of endorsement guarantee: (2) A subsidiary holding more than 50% of ordinary shares.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

3. Marketable securities held at the end of the period (excluding the investments in subsidiaries, related enterprises and equity joint ventures):

Unit: In Thousands of New Taiwan Dollars/ In Thousands of shares/ In Thousands of units

Name of held company	Type and name of marketable securities	Relationship with the issuer of securities	Item	End of period				Remark
				Number of shares/number of units	Carrying amount	Shareholding ratio	Fair value	
The Company	Beneficiary certificate: Cathay I Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	1,442	25,970	- %	25,970	-
The Company	Stock: APLEX Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	999	30,020	3.32%	30,020	-
The Company	Fund: Asia Tech Taiwan Venture Fund	-	Financial assets at fair value through profit or loss - non-current	USD 225	-	-	-	-
The Company	Bonds: WM 7.25% Perpetual	-	Financial assets at fair value through profit or loss - current	USD 200	-	-	-	-
AEWIN	Stock: AEWIN KOREA TECHNOLOGIES CO., LTD	Substantial related party	Financial assets at fair value through other comprehensive income - non-current	10	1,288	16.67%	1,288	-
AEWIN	Stock: Authentrend Technology Inc.	-	Financial assets at fair value through profit or loss - non-current	300	-	1.42%	-	-

4. The cumulative purchase or sale of the same securities amounted to NTD 300 million or 20% and above of the paid-in capital:

Unit: In Thousands of New Taiwan Dollars/ In Thousands of shares

Buyer and seller	Type and name of marketable securities	Item	Counterparty	Relationship	Buy at beginning of period				Sell at end of period					
					Number of shares	Amount	Number of shares	Amount	Number of shares	Sales price	Book cost	Disposal profit or loss	Number of shares	Amount
The Company	Stock-Brainstorm Corporation	Investment under equity approach	-	Parent company and subsidiary	-	-	233	501,582	-	-	-	-	233	501,582

5. The amount of property acquired reached NTD 300 million or 20% and above of the paid-in capital: None.
6. The amount of property disposal reached NTD 300 million or 20% and above of the paid-in capital: None.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

7. The amount of purchases or sales with related parties reached NTD 100 million or 20% and above of the paid-in capital

Unit: In Thousands of New Taiwan Dollars

Purchasing (selling) company	Name of counterparty	Relationship	Transaction Status				The situation and reason for the difference between the trading terms and the general trading		Notes and trade receivable (payable)		Remark
			Purchase/Sales	Amount	Ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of notes and accounts receivable and payable	
The Company	Qisda	Parent company and subsidiary	Purchases	202,097	12 %	OA60	-	30-90 days to collect	(87,396)	(11) %	-
Qisda	The Company	Parent company and subsidiary	Sales	(202,097)	-	OA60	-	30-90 days to collect	87,396	-	-
DFI AMEICA,LLC.	The Company	Parent company and subsidiary	Purchases	270,255	97 %	60-90 days to collect	-	30-90 days to collect	(92,275)	(96) %	Note II
The Company	DFI AMEICA, LLC.	Parent company and subsidiary	Sales	(270,255)	(17) %	60-90 days to collect	-	30-90 days to collect	92,275	18 %	Note II
Diamond Flower Information (NL) B.V	The Company	Parent company and subsidiary	Purchases	148,233	100 %	60-90 days to collect	-	30-90 days to collect	(10,260)	(100) %	Note II
The Company	Diamond Flower Information (NL) B.V.	Parent company and subsidiary	Sales	(148,233)	(9) %	60-90 days to collect	-	30-90 days to collect	10,260	2 %	Note II
DFI Co., Ltd.	The Company	Parent company and subsidiary	Purchases	126,472	99 %	60-90 days to collect	-	30-90 days to collect	(3,186)	(91) %	Note II
The Company	DFI Co., Ltd.	Parent company and subsidiary	Sales	(126,472)	(8) %	60-90 days to collect	-	30-90 days to collect	3,186	1 %	Note II
AEWIN	Beijing AEWIN	Parent company and subsidiary	Sales	(153,436)	(33) %	150 days after shipment	-	120 days after shipment (Note 1)	338,077	69 %	Note II
Beijing AEWIN	AEWIN	Parent company and subsidiary	Purchases	153,436	44 %	150 days after shipment	-	120 days after shipment (Note 2)	(338,077)	(79) %	Note II
Quansheng Information	Tianjin ACE Pillar	Affiliate	Sales	(190,968)	(100) %	T/T 30 days	-		83,795	98 %	Note II
Tianjin ACE Pillar	Quansheng Information	Affiliate	Purchases	190,968	29 %	T/T 30 days	-		(83,795)	(32) %	Note II

Note 1: 120 days after shipment, subject to extension taking into account market conditions.

Note 2: The aforesaid transactions had been written off when the consolidated financial statements were prepared.

8. Receivables from related parties reached NTD 100 million or 20% and above of paid-in capital:

Unit: In Thousands of New Taiwan Dollars

Company from which trade receivable	Name of counterparty	Relationship	Balance of receivables from related party	Turnover rate	Overdue receivables from related parties		Recovery amount of receivables from related parties after the balance sheet date	Allowance for loss
					Amount	Treatment		
AEWIN	Beijing AEWIN	Parent company and subsidiary	338,077	0.85	229,737	Strengthen collection	-	-
ACE Pillar	Tianjin ACE Pillar	Parent company and subsidiary	139,805	-	-	-	-	-

(Note) The aforesaid transactions had been written off when the consolidated financial statements were prepared.

9. Engage in derivatives transaction: See Note VI (II) for details.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

10. Business relationship and important transactions between parent company and subsidiaries:

Unit: In Thousands of New Taiwan Dollars

No. (Note 1)	Name of trader	Name of counterparty	Relationship with the trader (Note 2)	Situations of transactions (Note 3)			
				Account	Amount	Transaction terms	Ratio to consolidated total revenue or total assets (Note 4)
0	The Company	DFI AMEICA, LLC.	1	(Sales)	(270,255)	60-90 days to collect	5%
0	The Company	Diamond Flower Information (NL) B.V.	1	(Sales)	(148,233)	60-90 days to collect	3%
0	The Company	DFI Co., Ltd.	1	(Sales)	(126,472)	60-90 days to collect	2%
1	AEWIN	Beijing AEWIN	3	(Sales)	(153,436)	Note V	3%
2	Quansheng Information	Tianjin ACE Pillar	3	(Sales)	(190,968)	T/T30 days	4%
1	AEWIN	Beijing AEWIN	3	Trade receivables	338,077	Note V	3%
3	ACE Pillar	Tianjin ACE Pillar	3	Other receivables- borrowings	139,805	One year	1%

Note 1. The number is to be filled in the following manner:

1. 0 represents the parent company.
2. The subsidiaries are numbered with Arabic numbers starting with 1.

Note 2. Types of relationships with traders are listed as follows:

1. Parent company to subsidiary
2. Between subsidiary and parent company.
3. Subsidiary to subsidiary

Note 3. The business relationship and important transactions between the parent and subsidiaries only disclose sales of goods and accounts receivable, and corresponding purchase and accounts payable are omitted here.

Note 4. It is the transaction amount divided by the consolidated operating revenue or consolidated total assets.

Note 5. 150 days after shipment, subject to extension taking into account market conditions.

Note 6. Business relationship and important transactions between the parent and subsidiaries only disclose the information on those transactions involving more than 1% of the consolidated operating revenue or assets.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(II) Information on Reinvestment:

Below is the information of the reinvestment business (excluding invested companies in Mainland Chinese) from January 1 to June 30, 2021:

Unit: In Thousands of New Taiwan Dollars/ In Thousands of shares

Name of investor company	Name of investee company	Location	Primary business	Original investment amount		Held at the end of the period			Net income (loss) of the investee	Investment profit (loss) recognized for the period	Remark (Note 2)
				End of current period	End of last year	Number of shares	Ratio	Carrying amount			
The Company	DFI AMERICA, LLC	USA	Sales of industrial computer cards	254,683	254,683	1,209	100.00%	363,551	3,793	3,793	Subsidiary of the company
The Company	Yan Tong	Mauritius	General investment business	187,260	187,260	6,000	100.00%	174,992	2,641	3,525	Subsidiary of the Company
The Company	DFI Co., Ltd.	Japan	Sales of industrial computer cards	104,489	104,489	6	100.00%	297,042	4,782	4,782	Subsidiary of the Company
The Company	Diamond Flower Information (NL) B.V. AEWIN	Netherlands	Sales of industrial computer cards	35,219	35,219	12	100.00%	66,337	6,594	6,594	Subsidiary of the Company
The Company	AEWIN	Taiwan	Design, manufacturing and sale of industrial computer mainboards and related products	564,144	556,464	30,374	51.37%	577,595	6,284	632	Subsidiary of the Company
The Company	ACE Pillar	Taiwan	Automated control and testing, processing, sales, repair, and mechanical and electrical integration of industrial transmission systems	839,116	793,722	39,513	35.20%	751,224	90,446	30,153	Subsidiary of the Company
The Company	Brainstorm	USA	Wholesale and retail of computer and peripheral devices	501,582	-	233	35.09%	525,823	194,951	24,582	Subsidiary of the Company
AEWIN	Wise Way	Aquila	Investment business	46,129	46,129	1,500	100.00%	101,727	26,561	(Note 1)	Subsidiary of the Company
AEWIN	Aewin Tech Inc.	USA	Wholesale of computer and peripheral equipment and software	77,791	77,791	2,560	100.00%	425	(2,427)	(Note 1)	Subsidiary of the Company
Wise Way	Bright Profit	Hong Kong	Investment business	46,129	46,129	1,500	100.00%	139,833	26,561	(Note 1)	Subsidiary of the Company
ACE Pillar	Cyber South	Samoa	Holding Company	107,041	107,041	4,669	100.00%	616,072	49,242	(Note 1)	Subsidiary of the Company
ACE Pillar	Hong Kong ACE Pillar	Hong Kong	Sales and Purchases of transmission mechanical components	5,120	5,120	1,200	100.00%	39,968	(456)	(Note 1)	Subsidiary of the Company
Cyber South	Proton	Samoa	Holding Company	527,665	527,665	17,744	100.00%	492,396	38,873	(Note 1)	Subsidiary of the Company
Cyber South	Ace Tek	Hong Kong	Holding Company	4,938	4,938	150	100.00%	(2,887)	1,360	(Note 1)	Subsidiary of the Company

Note 1: The net income of the invested company is already included in the investor company, and not separately presented to avoid confusion.

Note 2: The subsidiaries directly and indirectly controlled by the Company in the table above had been written off when the consolidated financial statements were prepared.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(III) Information on Investments in Mainland China:

1. Name, principal operation and relevant information of invested companies in the Mainland Chinese:

Unit: In Thousands of New Taiwan Dollar/In Thousands of foreign currency

Investee company in Mainland China	Primary business	Paid-in capital	Method of investment	Accumulated amount of investment remitted out of Taiwan at the beginning of the period	Remitted or repatriated amount of investment for the period (Note 5)		Accumulated investment amount remitted from Taiwan at the end of current period	Net income (loss) of the investee	Shareholding ratio of the direct or indirect investment of the company	Investment profit (loss) recognized for the period	Carrying amount of the investment at the end of period	Investment income repatriated by the end of period
					Remitted	Repatriated						
Yan Tong Infotech (Dongguan) Co., Ltd.	Manufacturing and sales of computer cards, board cards, host computer, electronic parts and components	69,670 (USD2,500)	(Note 1)	-	-	-	-	(761)	100.00 %	(761) (Note 2)	51,886	33,306
Yan Ying Hao Trading (ShenYan) Co., Ltd.	Wholesale, import and export of computer cards, board cards, host computer, electronic parts and components	13,934 (USD500)	(Note 1)	-	-	-	4,951	4,951	100.00 %	4,951 (Note 2)	40,009	-
Beijing AEWIN	Wholesale of computer and peripheral equipment and software	46,129 (USD1,500)	(Note 1)	46,129 (USD1,500)	-	-	46,129 (USD1,500)	26,561	100.00 %	26,561 (Note 3)	139,828	-
Shenzhen Qixin Co., Ltd.	Wholesale of computer and peripheral equipment and software	10,912 (RMB2,500)	(Note 6)	-	-	-	(3,095) (RMB(712))	(3,095) (RMB(712)) (Note 3)	100.00 %	(3,095) (RMB(712)) (Note 3)	(1,753) (RMB(407))	-
Tianjin ACE Pillar	Sales and Purchases of transmission mechanical components	952,528 (USD34,180)	(Note 1)	54,343 (USD1,950)	-	-	54,343 (USD1,950)	48,258	100.00 %	48,258 (Note 3)	566,935	125,533
Tianjin Jinhao	Manufacturing and processing of machinery transmission products	7,193 (RMB1,670)	(Note 1)	4,459 (USD160)	-	-	4,459 (USD160)	1,406	100.00 %	1,406 (USD50) (Note 3)	39,464 (USD1,416)	-
Quansheng Information	Electronic system integration	8,360 (USD300)	(Note 1)	4,180 (USD150)	-	-	4,180 (USD150)	1,360	100.00 %	1,360 (USD48) (Note 3)	(2,912) (USD(104))	-
Suzhou Super Pillar	Processing and technical services of mechanical transmission and control products	40,409 (USD1,450)	(Note 1)	- (Note 4)	-	-	- (Note 4)	8,610	100.00 %	8,610 (USD306) (Note 3)	95,809 (USD3,438)	-
Xuchang Ace AI Equipment Co., Ltd.	Wholesale and retail of industrial robotic related products	8,360 (USD300)	(Note 1)	- (Note 4)	-	-	- (Note 4)	(135)	100.00 %	(135) (USD5) (Note 3)	2,710 (USD97)	-

Note 1: Reinvest in the companies in the Mainland Chinese through companies established in third regions.

Note 2: It is recognized in line with the financial report prepared by the invested company without being audited by the accountant.

Note 3: It is recognized in line with the financial report prepared by the invested company and audited by the accountant of the parent company in Taiwan.

Note 4: It was reinvested and established by Cyber South.

Note 5: It includes the direct investment remittance and liability-to-investment amount through overseas companies.

Note 6: It is a Mainland Chinese-based company reinvested by Beijing AEWIN.

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

2. Limit of the investment in Mainland Chinese:

Unit: In Thousands of New Taiwan Dollar/In Thousands of foreign currency

Company name	The cumulative amount of investment remitted from Taiwan to the Mainland Chinese at the end of the current period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Upper limit on investment in Mainland China regulated by the Investment Commission of the Ministry of Economic Affairs (Note 2)
DFI	-(Note 1)	58,105 (Note 3 & 4) (USD2,085)	3,245,864
AEWIN	46,129 (USD1,500)	55,736 (USD2,000)	671,184
ACE Pillar	142,656 (USD5,119)	142,656 (USD5,119)	1,193,918

(Note 1) Refers to the actual amount remitted by the Company and the amount approved by the Investment Commission, excluding the remitted amount of subsidiaries and their amount approved by the Investment Commission.

(Note 2) In accordance with the "Principles for Review of Investment or Technical Cooperation in Mainland China", the accumulated amount of investment in mainland China is limited to 60% of the net worth or consolidated net worth, whichever is higher.

(Note 3) The Company's net investment amount after the cancellation of Dongguan Nippon Trading Co., Ltd. approved by the Investment Commission in August 2014.

(Note 4) Repatriated amount of earnings after the cancellation of Dongguan Yantong Electronic Information Co., Ltd. approved by the Investment Commission in February 2017.

3. Material transactions with invested companies in the Mainland Chinese:

Please see the statement under the "Information on Significant Transactions" for the direct or indirect material transactions between the Consolidated Company and the invested companies in the Mainland Chinese from January 1 to June 30, 2021 (these transactions had been written off when the consolidated financial statements were prepared).

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

(IV) Information on Major Shareholders:

Unit: Shares

Name of major shareholder	Shares	Number of shares held	Shareholding ratio
Qisda Corporation		51,609,986	45.00%
Gordias Investments Limited of British Virgin Islands Merchant		15,734,441	13.71%
Darly2 Venture, Inc.		9,175,709	8.00%
Hyllus Investments Limited of British Virgin Islands Merchant		8,559,818	7.46%

Note: This table displays the information of the shareholders who have delivered a total of more than 5% of the ordinary shares (including treasury stocks) of the Company without physical share registration until the final working day every quarter, as calculated by the central clearing company. The share capital indicated in the financial report of the Company may be different from the actual number of shares delivered without physical registration as a result of different preparation and calculation bases.

XIV. Segment information

Information and adjustments of the Consolidated Company's operating departments are as follows:

April to June 2021

	Board cards and system department	Industrial automation control department	Computer component	Adjustment and elimination	Total
Revenue from external clients	\$ 1,189,450	973,908	1,107,809	-	3,271,167
Inter-departmental income	440,076	165	-	(440,241)	-
Total income	<u>\$ 1,629,526</u>	<u>974,073</u>	<u>1,107,809</u>	<u>(440,241)</u>	<u>3,271,167</u>
Reportable department profit or loss	<u>\$ 39,683</u>	<u>52,271</u>	<u>101,066</u>	<u>1,985</u>	<u>195,005</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

April to June 2020					
	Board cards and system department	Industrial automation control department	Computer component	Adjustment and elimination	Total
Revenue from external clients	\$ 1,318,163	722,286	-	-	2,040,449
Inter-departmental income	<u>364,351</u>	<u>240</u>	<u>-</u>	<u>(364,591)</u>	<u>-</u>
Total income	<u>\$ 1,682,514</u>	<u>722,526</u>	<u>-</u>	<u>(364,591)</u>	<u>2,040,449</u>
Reportable department profit or loss	<u>\$ 91,383</u>	<u>31,247</u>	<u>-</u>	<u>2,845</u>	<u>125,475</u>
January to June 2021					
	Board cards and system department	Industrial automation control department	Computer component	Adjustment and elimination	Total
Revenue from external clients	\$ 2,319,504	1,851,972	1,107,809	-	5,279,285
Inter-departmental income	<u>799,085</u>	<u>186</u>	<u>-</u>	<u>(799,271)</u>	<u>-</u>
Total income	<u>\$ 3,118,589</u>	<u>1,852,158</u>	<u>1,107,809</u>	<u>(799,271)</u>	<u>5,279,285</u>
Reportable department profit or loss	<u>\$ 97,905</u>	<u>111,204</u>	<u>101,066</u>	<u>7,248</u>	<u>317,423</u>

Notes to Consolidated Financial Statements of DFI Inc. and Its Subsidiaries (Continued)

	January to June 2020				
	Board cards and system department	Industrial automation control department	Computer component	Adjustment and elimination	Total
Revenue from external clients	\$ 2,862,816	1,353,954	-	-	4,216,770
Inter-departmental income	<u>891,872</u>	<u>1,367</u>	<u>-</u>	<u>(893,239)</u>	<u>-</u>
Total income	<u>\$ 3,754,688</u>	<u>1,355,321</u>	<u>-</u>	<u>(893,239)</u>	<u>4,216,770</u>
Reportable department profit or loss	<u>\$ 275,068</u>	<u>44,848</u>	<u>-</u>	<u>5,170</u>	<u>325,086</u>