

DFI Inc. and its subsidiaries
Consolidated Financial Statements and
Independent Auditors' Review Report

For the six months ended June 30, 2023 and 2022

This is the translation of the financial statements. CPAs do not review on this translation.

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. The translation is not prepared by the independent auditor. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

The Board of Directors and Shareholders DFI Inc.

Foreword

We have reviewed the accompanying consolidated balance sheet of DFI Inc. and its subsidiaries (hereinafter collectively the "Group") as of June 30, 2023, and the restated one as of June 30, 2022, the consolidated statements of comprehensive income for the three months ended June 30, 2023, and for the six months ended June 30, 2023, and the restated ones for the three months ended June 30, 2022, and for the six months ended June 30, 2022, the consolidated statement of changes in equity, and consolidated statement of cash flows for the six months ended June 30, 2023, and the restated ones for the six months ended June 30, 2022, as well as the notes to the consolidated financial report (including the summary of significant accounting policies). It is the responsibility of the management to prepare fair presentation consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission. The responsibility of the CPAs is to draw conclusions on the consolidated financial report based on the results of their review.

Scope

We conducted our reviews in accordance with SRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." Except for the effects of the matter(s) described in the Basis for Qualified Conclusion paragraph. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note IV (II) to the consolidated financial statements, its insignificant subsidiaries of DFI Inc. has been included in the aforesaid consolidated financial statements based on the financial statements of these invested companies were not reviewed by the independent auditors for the same period. As of June 30, 2023, and June 30, 2022 after restatement these subsidiaries had total assets of NTD (the same below) 1,009,045 thousand and NTD1,703,814 thousand respectively, representing 8.45% and 13.06% of total consolidated assets respectively; and total liabilities of NTD144,765 thousand and NTD486,424 thousand respectively, representing 2.27% and 6.42% of total consolidated liabilities respectively; and its total comprehensive income (loss) of NTD32,444 thousand, NTD42,058 thousand, NTD42,633 thousand, and NTD80,600 thousand respectively for the three months ended June 30, 2023, for the three months ended June 30, 2022 after restatement, for the six months ended June 30, 2023, and for the six months ended June 30, 2022 after restatement, representing 31.90%, 26.19%, 17.05%, and 23.74% of total consolidated comprehensive income (loss) respectively.

Qualified Conclusion

Based on our reviews, except for possible effects from financial statements of these insignificant subsidiaries mentioned in the paragraph titled "Basis for Qualified Conclusion" if they were reviewed by independent auditors, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023, and June 30, 2022 after restatement, and of its consolidated financial performance for the three months ended June 30, 2023, for the three months ended June 30, 2022 after restatement, for the six months ended June 30, 2023, and for the six months ended June 30, 2022 after restatement, and its consolidated cash flows for the six months ended June 30, 2023, and for the six months ended June 30, 2022 after restatement, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34 "Interim Financial Reporting", which have been endorsed by the Financial Supervisory Commission and put into effect.

Emphasis of Matter

As stated in Notes IV (II), the subsidiary of the Company, Ace Pillar Co., Ltd., acquired 100% equity interests in the subsidiary of Qisda Corporation, ACE Energy Co., Ltd., on July 1, 2022. Pursuant to the Interpretations (2012) No.301 issued by Accounting Research and Development Foundation and the Discussion Paper of IFRS 3 "Q&A on Accounting Treatments for Business Combinations under Common Control" dated on October 26, 2018, which is an organizational reorganization under common control and should be regarded as a combination from the beginning. The Group has restated consolidated financial report for the six months ended June 30, 2022 accordingly. Our review opinions are not modified in respect of this matter.

KPMG Taiwan

CPA:

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August 1, 2023

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

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

DFI Inc. and its subsidiaries
Consolidated Balance Sheet
As of June 30, 2023, December 31, June 30, and January 1, 2022
Unit: In Thousands of New Taiwan Dollars

Assets	2023.6.30		2022.12.31 (Restated)		2022.6.30 (Restated)		2022.1.1 (Restated)		
	Amount	%	Amount	%	Amount	%	Amount	%	
Current assets:									
1100	Cash and cash equivalents (Note VI (I))	\$ 1,583,745	13	1,690,474	13	1,312,864	10	1,549,815	13
1110	Financial assets at fair value through profit or loss - current (Notes VI (II))	36,526	-	27,458	-	27,330	-	28,528	-
1136	Financial assets at amortized cost - current (Notes VI (IV) & VIII)	7,677	-	9,557	-	14,560	-	19,708	-
1141	Contract assets - current (Note VI (XXI))	14,714	-	-	-	-	-	-	-
1170	Net of notes receivable and accounts receivable (Notes VI (V), (XXI) & VIII)	2,407,896	21	2,611,791	20	2,787,480	21	2,604,256	21
1180	Accounts receivable - related parties (Notes VI (V), (XXI) & VII)	126,415	1	272,306	2	192,896	2	182,138	1
1200	Other receivables (Notes VI (V) & VII)	24,422	-	56,945	-	25,817	-	32,159	-
130X	Inventories (Notes VI (VI))	3,182,075	27	3,816,596	29	3,962,800	30	3,583,295	29
1410	Prepayments	90,541	1	125,313	1	158,247	1	133,749	1
1460	Non-current assets held for sale (Notes VI (VII) and (IX))	-	-	-	-	348,430	3	312,601	3
1470	Other current assets	18,173	-	17,970	-	23,327	-	16,227	-
	Total current assets	<u>7,492,184</u>	<u>63</u>	<u>8,628,410</u>	<u>65</u>	<u>8,853,751</u>	<u>67</u>	<u>8,462,476</u>	<u>68</u>
Non-current assets:									
1517	Financial assets at fair value through other comprehensive income - non-current (Notes VI (III))	111,688	1	71,064	1	41,035	-	42,547	-
1535	Financial assets at amortized cost - non-current (Note VI (IV))	3,249	-	3,212	-	3,107	-	-	-
1600	Property, plant and equipment (Notes VI (IX), VII & VIII)	2,614,858	22	2,793,096	21	2,478,512	19	2,477,339	20
1755	Right-of-use assets (Notes VI (X) & VII)	328,721	3	355,617	3	328,062	3	267,778	2
1760	Net of investment properties (Notes VI (XI))	116,591	1	-	-	-	-	-	-
1780	Intangible assets (Notes VI (VIII), (XII) & VII)	1,076,472	9	1,121,027	9	1,147,447	9	974,453	8
1840	Deferred income tax assets	150,622	1	156,243	1	107,853	1	106,790	1
1990	Other non-current assets	43,745	-	45,912	-	89,653	1	90,492	1
	Total non-current assets	<u>4,445,946</u>	<u>37</u>	<u>4,546,171</u>	<u>35</u>	<u>4,195,669</u>	<u>33</u>	<u>3,959,399</u>	<u>32</u>
	Total assets	<u>\$ 11,938,130</u>	<u>100</u>	<u>13,174,581</u>	<u>100</u>	<u>13,049,420</u>	<u>100</u>	<u>12,421,875</u>	<u>100</u>

(Continued on the next page)

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

DFI Inc. and its subsidiaries
Consolidated Balance Sheets (Continued from the previous page)
As of June 30, 2023, December 31, June 30, and January 1, 2022
Unit: In Thousands of New Taiwan Dollars

	2023.6.30		2022.12.31 (Restated)		2022.6.30 (Restated)		2022.1.1 (Restated)		
	Amount	%	Amount	%	Amount	%	Amount	%	
Liabilities and equity									
Current liabilities:									
2100	Short-term borrowings (Notes VI (XIII) & VIII)	\$ 1,243,028	11	1,886,020	14	2,358,617	18	1,311,304	11
2120	Financial liabilities at fair value through profit or loss - current (Notes VI (II))	16,560	-	5,020	-	3,683	-	821	-
2130	Contract liabilities - current (Note VI (XXI))	130,130	1	205,241	2	148,114	1	194,558	1
2170	Notes and accounts payables	1,822,385	15	1,996,670	15	1,824,822	14	2,218,331	18
2180	Accounts payables to related parties (Note VII)	54,079	1	117,185	1	166,008	1	63,053	-
2200	Other payables (Note VII)	987,749	8	576,411	4	1,010,165	8	562,316	5
2230	Current income tax liabilities	138,359	1	234,692	2	106,715	1	86,768	1
2250	Provisions - current (Note VI (XVI))	42,258	-	51,236	-	45,889	-	46,247	-
2280	Lease liabilities - current (Note VI (XV) & VII)	88,926	1	86,451	1	80,710	1	75,933	1
2322	Long-term borrowings - Current portion (Notes VI (XIV) & VIII)	560	-	653	-	20,242	-	20,000	-
2399	Other current liabilities	37,470	-	31,136	-	22,374	-	18,633	-
	Total current liabilities	4,561,504	38	5,190,715	39	5,787,339	44	4,597,964	37
Non-current liabilities:									
2540	Long-term borrowings (Notes VI (XIV) & VIII)	1,240,000	10	1,550,000	12	1,120,524	9	1,730,000	14
2570	Deferred income tax liabilities	328,740	3	336,209	3	386,079	3	343,603	3
2580	Lease liabilities - non-current (Note VI (XV) & VII)	212,914	2	241,693	2	243,443	2	181,441	1
2640	Net defined benefit liabilities - non-current	30,225	-	31,174	-	42,584	-	40,584	-
2670	Other non-current liabilities	-	-	-	-	784	-	-	-
	Total non-current liabilities	1,811,879	15	2,159,076	17	1,793,414	14	2,295,628	18
	Total liabilities	6,373,383	53	7,349,791	56	7,580,753	58	6,893,592	55
Equity attributable to the owners of the parent company (Note VI (VIII) and (XIX)):									
3110	Share capital - Ordinary shares	1,144,889	10	1,144,889	9	1,144,889	9	1,144,889	9
3200	Capital surplus	608,644	5	608,586	5	609,948	5	655,744	6
3300	Retained earnings	1,297,100	11	1,531,997	11	1,204,058	9	1,371,470	11
3400	Other equity	(12,996)	-	(38,041)	(1)	(81,957)	(1)	(114,824)	(1)
	Total equity attributable to owners of parent company	3,037,637	26	3,247,431	24	2,876,938	22	3,057,279	25
35XX	Former owner of business combination under common control	-	-	-	-	23,704	-	20,310	-
36XX	Non-controlling interests (Note VI (VIII) and (XIX))	2,527,110	21	2,577,359	20	2,568,025	20	2,450,694	20
	Total equity	5,564,747	47	5,824,790	44	5,468,667	42	5,528,283	45
	Total liabilities and equity	\$ 11,938,130	100	13,174,581	100	13,049,420	100	12,421,875	100

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

DFI Inc. and its subsidiaries
Consolidated Statements of Comprehensive Income
April 1 to June 30, 2023 and 2022 and January 1 to June 30, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

	April to June 2023		April to June 2022 (Restated)		January to June 2023		January to June 2022 (Restated)	
	Amount	%	Amount	%	Amount	%	Amount	%
	4000	\$ 3,761,152	100	3,865,320	100	7,581,193	100	7,749,728
5000	Operating costs (Note VI (VI), (IX), (X), (XII), (XV), (XVII), (XXII), VII & XII)							
	<u>(2,981,988)</u>	<u>(79)</u>	<u>(3,078,628)</u>	<u>(80)</u>	<u>(5,966,901)</u>	<u>(79)</u>	<u>(6,254,183)</u>	<u>(81)</u>
	Gross Profit							
	<u>779,164</u>	<u>21</u>	<u>786,692</u>	<u>20</u>	<u>1,614,292</u>	<u>21</u>	<u>1,495,545</u>	<u>19</u>
	Operating expenses (Note VI (V), (IX), (X), (XI), (XII), (XV), (XVII), (XXII), VII & XII):							
6100	(397,991)	(11)	(386,119)	(10)	(802,932)	(11)	(732,127)	(9)
6200	(120,599)	(3)	(115,613)	(3)	(245,036)	(3)	(228,275)	(3)
6300	(110,873)	(3)	(111,235)	(3)	(224,851)	(3)	(219,839)	(3)
6450	(25,840)	(1)	(5,964)	-	(18,505)	-	(8,973)	-
6000	<u>(655,303)</u>	<u>(18)</u>	<u>(618,931)</u>	<u>(16)</u>	<u>(1,291,324)</u>	<u>(17)</u>	<u>(1,189,214)</u>	<u>(15)</u>
	Net operating income							
	<u>123,861</u>	<u>3</u>	<u>167,761</u>	<u>4</u>	<u>322,968</u>	<u>4</u>	<u>306,331</u>	<u>4</u>
	Non-operating income and expenses (Notes VI (VII), (XV), (XXIII) & VII)							
7100	4,492	-	1,279	-	6,665	-	1,652	-
7010	23,759	1	16,053	-	29,858	-	23,502	-
7020	(5,548)	-	17,412	1	(20,655)	-	32,590	-
7050	<u>(14,849)</u>	<u>-</u>	<u>(14,565)</u>	<u>-</u>	<u>(33,823)</u>	<u>-</u>	<u>(25,645)</u>	<u>-</u>
	Total non-operating income and expenses							
	<u>7,854</u>	<u>1</u>	<u>20,179</u>	<u>1</u>	<u>(17,955)</u>	<u>-</u>	<u>32,099</u>	<u>-</u>
7900	Profit before tax							
	131,715	4	187,940	5	305,013	4	338,430	4
7950	Less: Income tax expense (Note VI (XVIII))							
	<u>(32,340)</u>	<u>(1)</u>	<u>(35,808)</u>	<u>(1)</u>	<u>(79,487)</u>	<u>(1)</u>	<u>(76,918)</u>	<u>(1)</u>
8200	Net profit for the period							
	<u>99,375</u>	<u>3</u>	<u>152,132</u>	<u>4</u>	<u>225,526</u>	<u>3</u>	<u>261,512</u>	<u>3</u>
	Other comprehensive income (Note VI (XIX)):							
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							
	19,363	-	(4,445)	-	40,624	-	(2,946)	-
8349	Income tax relating to items that will not be reclassified							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>19,363</u>	<u>-</u>	<u>(4,445)</u>	<u>-</u>	<u>40,624</u>	<u>-</u>	<u>(2,946)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss							
8361	Exchange differences on translating the financial statements of foreign operations							
	(17,034)	-	12,884	-	(16,158)	-	80,899	1
8399	Income tax relating to items that may be reclassified							
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(17,034)</u>	<u>-</u>	<u>12,884</u>	<u>-</u>	<u>(16,158)</u>	<u>-</u>	<u>80,899</u>	<u>1</u>
	Other comprehensive income (loss) for the period							
	<u>2,329</u>	<u>-</u>	<u>8,439</u>	<u>-</u>	<u>24,466</u>	<u>-</u>	<u>77,953</u>	<u>1</u>
8500	Total comprehensive income (loss) for the period							
	<u>\$ 101,704</u>	<u>3</u>	<u>160,571</u>	<u>4</u>	<u>249,992</u>	<u>3</u>	<u>339,465</u>	<u>4</u>
	Net profit in current period attributable to:							
8610	\$ 97,597	3	115,338	3	223,058	3	198,952	3
8615	Former owner of business combination under common control							
	-	-	4,007	-	-	-	3,394	-
8620	Non-controlling interests							
	<u>1,778</u>	<u>-</u>	<u>32,787</u>	<u>1</u>	<u>2,468</u>	<u>-</u>	<u>59,166</u>	<u>-</u>
	<u>\$ 99,375</u>	<u>3</u>	<u>152,132</u>	<u>4</u>	<u>225,526</u>	<u>3</u>	<u>261,512</u>	<u>3</u>
	Total comprehensive income (loss) attributable to:							
8710	\$ 101,099	3	112,108	3	248,103	3	231,819	3
8715	Former owner of business combination under common control							
	-	-	4,007	-	-	-	3,394	-
8720	Non-controlling interests							
	<u>605</u>	<u>-</u>	<u>44,456</u>	<u>1</u>	<u>1,889</u>	<u>-</u>	<u>104,252</u>	<u>1</u>
	<u>\$ 101,704</u>	<u>3</u>	<u>160,571</u>	<u>4</u>	<u>249,992</u>	<u>3</u>	<u>339,465</u>	<u>4</u>
	Earnings per share (Unit: In New Taiwan Dollars, Note VI (XX))							
9750	<u>\$ 0.85</u>		<u>1.01</u>		<u>1.95</u>		<u>1.74</u>	
9850	<u>\$ 0.85</u>		<u>1.00</u>		<u>1.94</u>		<u>1.73</u>	

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

DFI Inc. and its subsidiaries
Consolidated Statements of Changes in Equity
January 1 to June 30, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

	Equity attributable to owners of parent company						Other equity items						
	Retained 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	Total equity attributable to owners of the parent company	Former owner of business combination under common control	Non-controlling interests	Total equity
	Share capital - Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings								
Balance as of January 1, 2022 (Restated)	\$ 1,144,889	655,744	825,764	74,607	471,099	1,371,470	(134,871)	20,047	(114,824)	3,057,279	20,310	2,450,694	5,528,283
Net profit for the period	-	-	-	-	198,952	198,952	-	-	-	198,952	3,394	59,166	261,512
Other comprehensive income (loss) for the period	-	-	-	-	-	-	35,570	(2,703)	32,867	32,867	-	45,086	77,953
Total comprehensive income (loss) for the period	-	-	-	-	198,952	198,952	35,570	(2,703)	32,867	231,819	3,394	104,252	339,465
Profit distribution:													
Legal reserve	-	-	61,568	-	(61,568)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	40,215	(40,215)	-	-	-	-	-	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(366,364)	(366,364)	-	-	-	(366,364)	-	-	(366,364)
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(69,711)	(69,711)
Cash dividend distributed from capital surplus	-	(45,796)	-	-	-	-	-	-	-	(45,796)	-	-	(45,796)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	79,375	79,375
Non-controlling interests adjustments	-	-	-	-	-	-	-	-	-	-	-	3,415	3,415
Balance as of June 30, 2022 (Restated)	\$ 1,144,889	609,948	887,332	114,822	201,904	1,204,058	(99,301)	17,344	(81,957)	2,876,938	23,704	2,568,025	5,468,667
Balance as of January 1, 2023	\$ 1,144,889	608,586	887,332	114,822	529,843	1,531,997	(69,315)	31,274	(38,041)	3,247,431	-	2,577,359	5,824,790
Net profit for the period	-	-	-	-	223,058	223,058	-	-	-	223,058	-	2,468	225,526
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(11,418)	36,463	25,045	25,045	-	(579)	24,466
Total comprehensive income (loss) for the period	-	-	-	-	223,058	223,058	(11,418)	36,463	25,045	248,103	-	1,889	249,992
Amend 2022 legal reserve provision	-	-	(15,964)	-	15,964	-	-	-	-	-	-	-	-
Profit distribution:													
Legal reserve	-	-	52,689	-	(52,689)	-	-	-	-	-	-	-	-
Special reserve reversal	-	-	-	(76,782)	76,782	-	-	-	-	-	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(457,955)	(457,955)	-	-	-	(457,955)	-	-	(457,955)
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(52,145)	(52,145)
Changes in percentage of ownership interests in subsidiaries	-	7	-	-	-	-	-	-	-	7	-	7	14
Disposition of unearned funds of employee stock ownership trust	-	51	-	-	-	-	-	-	-	51	-	-	51
Balance as of June 30, 2023	\$ 1,144,889	608,644	924,057	38,040	335,003	1,297,100	(80,733)	67,737	(12,996)	3,037,637	-	2,527,110	5,564,747

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

DFI Inc. and its subsidiaries
Consolidated Statements of Cash Flows
January 1 to June 30, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

	January to June 2023	January to June 2022 (Restated)
Cash flows from operating activities:		
Net profit before tax for the period	\$ 305,013	338,430
Adjustment item:		
Adjustments for		
Depreciation expenses	116,239	107,835
Amortization expenses	50,255	47,336
Expected credit losses	18,505	8,973
Evaluation losses of financial assets measured at fair value through gains and losses	230	216
Interest expense	33,823	25,645
Interest income	(6,665)	(1,652)
Dividend income	(6,943)	-
Loss on disposal of property, plant and equipment	185	13
Gain on disposal of non-current assets held for sale	-	(14,624)
Loss on liquidation of subsidiary	-	391
Gain on lease amendment	(125)	(529)
Total revenue, expense and loss items	205,504	173,604
Changes in assets/liabilities related to business activities:		
Net changes in assets related to operating activities:		
Financial assets mandatorily classified as at fair value through profit or loss	(9,298)	982
Contract assets	(14,714)	-
Notes and accounts receivable	185,441	(55,291)
Accounts receivable - related parties	145,891	4,577
Other receivables	32,514	7,355
Inventories	634,521	(194,289)
Prepayments	34,772	(17,914)
Other current assets	365	2,376
Other operating assets	1,802	-
Total net changes in assets related to operating activities	1,011,294	(252,204)
Net change in liabilities related to operating activities:		
Financial liabilities held for trading	11,540	2,862
Contract liabilities	(75,111)	(59,136)
Notes and accounts payables	(174,285)	(500,496)
Accounts payable - related parties	(63,106)	111,428
Other payables	(97,907)	(100,794)
Provisions	(8,978)	(358)
Other current liabilities	6,334	3,955
Net defined benefit liabilities	(1,139)	(3,827)
Total net changes in liabilities related to business activities	(402,652)	(546,366)
Total net changes in assets and liabilities related to operating activities	608,642	(798,570)
Total adjustment items	814,146	(624,966)
Cash generated from (used in) operations	1,119,159	(286,536)
Interest received	6,576	1,624
Interest paid	(34,270)	(24,879)
Income tax paid	(181,736)	(81,667)
Net cash generated from (used in) operating activities	909,729	(391,458)

(Continued on the next page)

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

DFI Inc. and its subsidiaries
Consolidated Statements of Cash Flows (Continued from the previous page)
January 1 to June 30, 2023 and 2022

Unit: In Thousands of New Taiwan Dollars

	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Cash flows from investing activities:		
Purchase of financial assets at amortized cost	-	(10)
Proceeds from sale of financial assets at amortized cost	1,880	23,339
Acquisition of subsidiaries (less cash obtained)	-	(114,749)
Proceeds from disposal of non-current assets held for sale	-	46,401
Purchase of property, plant and equipment	(16,413)	(130,745)
Proceeds from disposal of property, plant and equipment	176	-
Decrease (increase) in refundable deposits	2,083	(307)
Purchase of intangible assets	(5,525)	(10,341)
Increase in other non-current assets	(309)	(13,720)
Dividends received	6,943	-
Net cash used in investing activities	<u>(11,165)</u>	<u>(200,132)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	2,270,016	4,134,733
Repayments of short-term borrowings	(2,906,281)	(3,227,869)
Proceeds from long-term borrowings	690,000	400,000
Repayments of long-term borrowings	(1,000,110)	(1,010,061)
Repayment of the principal portion of lease	(46,776)	(36,398)
Disposition of unearned funds of employee stock ownership trust	65	-
Net cash (used in) generated from financing activities	<u>(993,086)</u>	<u>260,405</u>
Effect of changes in exchange rate	<u>(12,207)</u>	<u>94,234</u>
Decrease in cash and cash equivalents for the current period	<u>(106,729)</u>	<u>(236,951)</u>
Cash and cash equivalents at the beginning of the period	<u>1,690,474</u>	<u>1,549,815</u>
Cash and cash equivalents at the end of the period	<u>\$ 1,583,745</u>	<u>1,312,864</u>

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

DFI Inc. and its subsidiaries
Notes to Consolidated Financial Statements
For the six months ended June 30, 2023 and 2022
(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 “Group”) are principally engaged in the manufacturing and sales of boards and computer components for industrial computers, sales and services of intelligent solution-related products.

II. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements were approved and issued by the board of directors on August 1, 2023.

III. Application of Newly Issued and Revised Standards and Interpretations

(I) Effect of adopting new and amended standards and interpretations endorsed by the Financial Supervisory Commission (FSC)

As of January 1, 2023, the Group began to apply the following newly revised International Financial Reporting Standards (IFRS), the impact explanation is as follows:

1. Amendments to IAS 12, "Deferred Income Taxes on Assets and Liabilities Arising from a Single Transaction"

The amended provisions narrow the scope of the recognition exemption. When the initial recognition of the transaction generates an equal amount of taxable and deductible temporary differences, the recognition exemption is no longer applicable, and an equal amount of deferred income tax assets and deferred income tax liabilities should be recognized. This accounting change increased deferred income tax assets and deferred income tax liabilities by NTD27,934 thousand and NTD27,934 thousand respectively as of January 1, 2022; the deferred income tax assets and deferred income tax liabilities as of June 30, 2022 increased by NTD27,934 thousand and NTD27,934 thousand respectively; the deferred income tax assets and deferred income tax liabilities as of December 31, 2022 increased NTD30,261 thousand and NTD30,261 thousand respectively.

If the Group handled in accordance with the previous accounting policy in the second quarter of 2023, the deferred income tax assets and deferred income tax liabilities as of June 30, 2023 would be decreased by NTD30,261 thousand and NTD30,261 thousand respectively.

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

2. Others

As of January 1, 2023, the following newly revised standards also came into effect, however, which has not had a significant impact on the consolidated financial statements:

- Amendments to IAS 1, "Disclosure of Accounting Policies".
- Amendments to IAS 8, "Definition of Accounting Estimates".

(II) New and amended standards and interpretations not yet endorsed 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 Group are as follows:

<u>New issued or amended standards</u>	<u>Main amendments</u>	<u>Effective date of issuance by IASB</u>
Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"	Current IAS 1 states that liabilities in which a business does not have an unconditional right to extend their maturity to at least twelve months after the reporting period should be classified as current. The amendments remove the requirement that the right should be unconditional and instead requires that the right must exist at the end of the reporting period and must be material. The amendments clarify how an enterprise should classify liabilities that are settled by the issuance of its own equity instruments (e.g., convertible bonds).	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Contractual Provision"	After reconsidering certain aspects of the 2020 amendments to IAS 1, the new amendments clarify that only contractual terms followed on or before the reporting date will affect the classification of a liability as current or non-current. Contractual terms (i.e., future terms) that an enterprise is required to follow after the reporting date do not affect the classification of a liability at that date. However, when non-current liabilities are subject to future contractual terms, companies are required to disclose information to help users of their financial statements learn about the risk that these liabilities may be settled within 12 months of the reporting date	January 1, 2024

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

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

The Group 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 "Disposal of or Contribution to Assets between an Investor and its Affiliates or Joint Ventures"
- Amendments to IFRS 17 "Insurance Contracts" and IFRS 17
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"
- Amendments to IFRS 7 and IAS 7 "Supplier Finance Arrangements"
- Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers ("Guidelines") and International Accounting Standards 34, "Interim Financial Reporting", which have been endorsed by the FSC and put into effect. The consolidated financial statements do not include all the necessary information that should be disclosed in the entire annual consolidated financial statements prepared in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations, which have been endorsed by the FSC and put into effect.

Besides the descriptions mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to Note IV of the consolidated financial statements for the year ended December 31, 2022.

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

(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
			2023.6.30	2022.12.31	2022.6.30	
The Company	DFI AMERICA, LLC	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note 1
The Company	DFI Co., Ltd.	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note 1
The Company	Yan Tong Technology Ltd. (Yan Tong)	Investment business	100.00%	100.00%	100.00%	Note 1
The Company	Diamond Flower Information (NL) B.V.	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note 1
The Company	Brainstorm Corporation (Brainstorm)	Wholesale and retail of computer and peripheral devices	35.09%	35.09%	35.09%	Note 5
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 1
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 1
The Company	AEWIN Technologies Co., Ltd. (AEWIN)	Design, manufacture and sale of industrial computer cards and related products	51.38%	51.38%	51.38%	-
AEWIN AEWIN	Wise Way Aewin Tech Inc.	Investment business Wholesale of computer and peripheral equipment and software	51.38% 51.38%	51.38% 51.38%	51.38% 51.38%	- -
Wise Way	Bright Profit	Investment business	51.38%	51.38%	51.38%	-
Bright Profit	Aewin Beijing Technologies Co., Ltd. (Beijing AEWIN)	Wholesale of computer and peripheral equipment and software	51.38%	51.38%	51.38%	-
Beijing AEWIN	Aewin (Shenzhen) Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	51.38%	51.38%	51.38%	-
The Company	Ace Pillar Co., Ltd. (Ace Pillar)	Automated control and testing, processing, sales, repair, and mechanical and electrical integration of industrial transmission systems	48.07%	48.07%	48.07%	-
Ace Pillar	Cyber South Management Ltd. (Cyber South)	Holding Company	48.07%	48.07%	48.07%	-
Ace Pillar	Hong Kong Ace Pillar Enterprise Company Limited (Hong Kong ACE Pillar)	Trade of transmission mechanical components	48.07%	48.07%	48.07%	-
Ace Pillar/ Proton/ Cyber South	Tianjin Ace Pillar Co., Ltd. (Tianjin Ace Pillar)	Trade of transmission mechanical components	48.07%	48.07%	48.07%	-
Cyber South	Proton Inc.(Proton)	Holding Company	48.07%	48.07%	48.07%	-

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

Name of investor company	Name of subsidiary	Nature of business	Comprehensive shareholding %			Description
			2023.6.30	2022.12.31	2022.6.30	
Cyber South	Ace Tek (HK) Holding Co., Ltd. (Ace Tek)	Holding Company	48.07%	48.07%	48.07%	-
Ace Tek	ADVANCEDTEK ACE (TJ) INC. (ACEAD)	Electronic system integration	48.07%	48.07%	48.07%	-
Cyber South	Suzhou Super Pillar Automation Equipment Co., Ltd. (Suzhou Super Pillar)	Processing and technical services of mechanical transmission and control products	48.07%	48.07%	48.07%	-
Cyber South	Grace Transmission (Tianjin) Co., Ltd. (Tianjin Jinhao)	Manufacturing and processing of machinery transmission products	48.07%	48.07%	48.07%	-
Ace Pillar	BlueWalker GmbH (BWA)	Trading and services of energy management products	-	-	48.07%	Note 3
Ace Pillar	ACE Energy Co., Ltd. (ACE Energy)	Energy Service Company	48.00%	48.00%	39.90%	Note 4
ACE Energy	BlueWalker GmbH (BWA)	Trading and services of energy management products	48.00%	48.00%	-	Note 3
Ace Pillar	Standard Technology Corporation (Standard Co.)	Trading of semiconductor optoelectronic equipment and consumables and equipment maintenance services	28.84%	28.84%	28.84%	Note 2
Standard Co.	Standard Technology Corp. (STCBVI)	Holding Company	28.84%	28.84%	28.84%	Note 2
STCBVI	Standard International Trading (Shanghai) Co., Ltd. (Shanghai Standard)	Trading of semiconductor optoelectronic equipment and consumables and equipment maintenance services	28.84%	28.84%	28.84%	Note 2

Note 1: It is an insignificant subsidiary and its financial statements have not been reviewed by the accountants.

Note 2: As stated in Note VI (VIII), Ace Pillar acquired 60% equity in Standard Co. and its subsidiaries on March 1, 2022 and gained control since then.

Note 3: As described in Note VI (VIII), Ace Pillar acquired 100% equity in BlueWalker GmbH on April 1, 2022, and subsequently, on December 1, 2022, the organizational structure was adjusted and ACE Energy acquired 100% equity of BWA from Ace Pillar.

Note 4: As mentioned in Note VI (VIII), Ace Pillar acquired 100% equity in ACE Energy, a subsidiary of Qisda Corporation, on July 1, 2022. The aforementioned transaction is a group restructuring under common control and should be regarded as an acquisition from the beginning. The Group has retroactively restated the consolidated financial statements for the six months ended June 30, 2022 when preparing the consolidated financial statements for the six months ended June 30, 2023.

Note 5: According to the former 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.

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

(III) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

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

If the significant components of property, plant and equipment have different useful lives, they are treated as separate items (major components) of property, plant and equipment.

Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent costs

Subsequent expenditures are capitalized only when it is probable that future economic benefits will flow to the Group.

3. Depreciation

Depreciation is calculated on the basis of the cost of an asset less its residual value and is recognized in profit or loss over the estimated useful life of each component using the straight-line method. Except for land, which is not subject to depreciation, the estimated useful lives of the remaining components are. Machinery equipment: 2 to 10 years; Office and other equipment: 2 to 10 years. In addition, buildings and structures are depreciated over the estimated useful lives of their significant components. The estimated useful lives of the main building and auxiliary buildings are 5 to 54 years; the estimated useful lives of other auxiliary electrical and mechanical equipment and engineering systems are 10 years.

The depreciation method, useful lives and residual values are reviewed at each reporting date, and the effects of any changes in estimates are deferred and adjusted.

4. When the use of the property for owner-occupied is changed to investment property, the property is reclassified as investment property based on the book value when the use is changed.

(IV) Investment property

Investment property refers to property held to earn rentals or for capital appreciation, or both. Investment property is measured at cost when initially recognized, and subsequently measured at cost less accumulated depreciation and less accumulated impairment losses. The depreciation method, useful life, and residual values shall be compared with the regulations on property, plant, and equipment. Costs include expenses directly attributable to the acquisition of investment property and any directly attributable costs of bringing investment property ready for use and borrowing costs capitalised.

Gains or losses on the disposal of the investment property (calculated as the difference between the net disposal price and the carrying amount of the item) are recognized in profit or loss.

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

Rental income arising from investment property is recognized on a straight-line basis over the lease period. The incentives for leasing are recognized as an adjustment to lease income during the lease period.

When the use of investment property is changed and reclassified as property, plant, and equipment, the book value at the time of change of use shall be used for reclassification.

(V) Employee benefits

Pensions to defined benefit plans in the interim period are calculated based on the actuarially determined pension cost rate on the reporting date of the previous year. The calculation basis is from the beginning of the year to the end of the period, and it is adjusted for any significant market volatility, significant curtailment, settlement or other significant one-off events after the reporting date.

(VI) Income taxes

The income tax expenses have been prepared and disclosed by the Group in accordance with paragraph B12 of International Accounting Standards 34 “Interim Financial Reporting”.

Income tax expenses are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecast by the management and are all recognized as the current income tax expenses.

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.

V. Major Sources of Uncertainty in Significant Accounting Judgments, Estimates and Assumptions

When preparing the consolidated financial statements in conformity with the Guidelines and the IAS 34 “Interim Financial Reporting” endorsed by the FSC and put into effect, 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.

In preparing the consolidated financial statements, the significant judgements and the major sources of estimation uncertainty made by the management in applying the accounting policies of the Group are consistent with Note V to the consolidated financial statements for the year ended December 31, 2022.

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

VI. Description of Significant Accounting Items

Besides the descriptions mentioned below, the description of significant accounting items in the consolidated financial statements has no major differences from that in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to the consolidated financial statements for the year ended December 31, 2022.

(I) Cash and cash equivalents

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u> <u>(Restated)</u>
Cash on hand and petty cash	\$ 407	589	469
Demand deposits and check deposits	1,543,338	1,689,885	1,215,839
Time deposits with original maturity date within three months	<u>40,000</u>	<u>-</u>	<u>96,556</u>
	<u>\$ 1,583,745</u>	<u>1,690,474</u>	<u>1,312,864</u>

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

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u> <u>(Restated)</u>
Financial assets mandatorily classified as at fair value through profit or loss:			
Non-hedging derivative instruments:			
Forward foreign exchange contracts	\$ 9,783	1,353	1,191
Foreign exchange SWAP contracts	<u>902</u>	<u>34</u>	<u>212</u>
	10,685	1,387	1,403
Non-derivative financial assets:			
Fund beneficiary certificates	<u>25,841</u>	<u>26,071</u>	<u>25,927</u>
	<u>\$ 36,526</u>	<u>27,458</u>	<u>27,330</u>
Financial liabilities held for trading:			
Derivative financial instruments:			
Forward foreign exchange contracts	\$ 1,838	1,106	1,930
Foreign exchange SWAP contracts	<u>14,722</u>	<u>3,914</u>	<u>1,753</u>
	<u>\$ 16,560</u>	<u>5,020</u>	<u>3,683</u>

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

Please refer to Note VI (XXIII) Non-operating income and expenses for the amount recognized in profit or loss measured at fair value.

The Group 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 outstanding derivative financial instruments as of the reporting date is as follows:

1. Forward foreign exchange contracts

2023.6.30		
Currency	Contractual amount (In thousands of NTD)	Maturity period
Buy JPY/Sell USD	USD 1,314	2023.07
Buy USD/Sell RMB	RMB 117,530	2023.07
Buy USD/Sell RMB	USD 780	2023.07
Buy RMB/Sell USD	USD 2,915	2023.07
Buy NTD/Sell USD	USD 4,800	2023.08
Buy USD/Sell Euro	USD 1,180	2023.07
Buy Euro/Sell in USD	USD 1,700	2023.07
2022.12.31		
Currency	Contractual amount (In thousands of NTD)	Maturity period
Buy JPY/Sell USD	USD 916	2023.01
Buy USD/Sell RMB	RMB 146,756	2023.01
Buy RMB/Sell USD	USD 2,800	2023.01
Buy NTD/Sell USD	USD 6,660	2023.01
Buy USD/Sell Euro	USD 800	2023.01
Buy Euro/Sell in USD	USD 1,100	2023.01
2022.6.30 (Restated)		
Currency	Contractual amount (In thousands of NTD)	Maturity period
Buy JPY/Sell USD	USD 220	2022.07
Buy USD/Sell RMB	RMB 99,132	2022.07
Buy RMB/Sell USD	USD 2,046	2022.07
Buy NTD/Sell USD	USD 3,610	2022.07~2022.09
Buy USD/Sell Euro	USD 997	2022.07
Buy Euro/Sell in USD	USD 1,962	2022.07

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

2. Foreign exchange SWAP contracts

2023.6.30		
Currency	Contractual amount (In thousands of NTD)	Maturity period
Swap in NTD/swap out USD	USD 34,430	2023.07
Swap in NTD/swap out RMB	RMB 47,000	2023.07
2022.12.31		
Currency	Contractual amount (In thousands of NTD)	Maturity period
Swap in NTD/swap out USD	USD 30,630	2023.01
Swap in NTD/swap out RMB	RMB 47,000	2023.01
2022.6.30 (Restated)		
Currency	Contractual amount (In thousands of NTD)	Maturity period
Swap in NTD/swap out USD	USD 24,030	2022.07

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

	2023.6.30	2022.12.31	2022.6.30 (Restated)
Equity instruments measured at fair value through other comprehensive income:			
Stocks of domestic listed (OTC) companies	\$ 103,631	68,840	38,811
Foreign unlisted (OTC) stocks	8,057	2,224	2,224
	<u>\$ 111,688</u>	<u>71,064</u>	<u>41,035</u>

The Group 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 profit or loss.

The Group did not dispose of the above-mentioned strategic investments for the six months ended June 30, 2023 and 2022, and the gain or loss accumulated during those periods were not transferred to equity.

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

(IV) Financial assets measured at amortized cost

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u> <u>(Restated)</u>
Financial assets measured at amortized cost - current:			
Pledged certificate of deposit	\$ 2,709	2,325	2,319
Time deposits with original maturity date over 3 months	<u>4,968</u>	<u>7,232</u>	<u>12,241</u>
	<u>\$ 7,677</u>	<u>9,557</u>	<u>14,560</u>
Financial assets measured at amortized cost - non-current:			
Corporate bonds	<u>\$ 3,249</u>	<u>3,212</u>	<u>3,107</u>

The Group assesses that the above assets are held for the purpose of collecting contractual cash flows and that the cash flows of these financial assets are solely payments of principal and interest on the principal amount outstanding, and, therefore, they are recorded as financial assets measured at amortized cost.

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

(V) Notes and accounts receivable and other receivables

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u> <u>(Restated)</u>
Notes receivable	\$ 314,643	336,104	293,483
Accounts receivable	2,159,644	2,343,503	2,531,609
Accounts receivable - related parties	126,415	272,306	192,896
Less: Allowance for loss	<u>(66,391)</u>	<u>(67,816)</u>	<u>(37,612)</u>
	<u>\$ 2,534,311</u>	<u>2,884,097</u>	<u>2,980,376</u>
Other receivables	\$ 23,369	56,389	25,293
Other receivables - related parties	<u>1,053</u>	<u>556</u>	<u>524</u>
	<u>\$ 24,422</u>	<u>56,945</u>	<u>25,817</u>

The Group 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 Group's accounts receivable were analyzed as follows:

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

	2023.6.30		
	Book-entry amounts of accounts receivable	Expected credit loss rate	Allowance for expected credit losses for the duration of the period
Not overdue	\$ 1,968,795	0~3.88%	25,107
1-30 days overdue	135,199	0~17.2%	2,428
31-60 days overdue	5,424	0~37.09%	574
61-90 days overdue	5,849	0~73.47%	1,783
Overdue more than 90 days	<u>44,377</u>	0~100%	<u>36,499</u>
	<u>\$ 2,159,644</u>		<u>66,391</u>
	2022.12.31		
	Book-entry amounts of accounts receivable	Expected credit loss rate	Allowance for expected credit losses for the duration of the period
Not overdue	\$ 2,042,659	0~3.95%	1,321
1-30 days overdue	196,504	0~17.78%	3,368
31-60 days overdue	26,676	0~38.69%	2,342
61-90 days overdue	13,545	0~74.92%	2,184
Overdue more than 90 days	<u>64,119</u>	0~100%	<u>58,601</u>
	<u>\$ 2,343,503</u>		<u>67,816</u>
	2022.6.30 (Restated)		
	Book-entry amounts of accounts receivable	Expected credit loss rate	Allowance for expected credit losses for the duration of the period
Not overdue	\$ 2,304,806	0~3.95%	1,680
1-30 days overdue	157,039	0~17.78%	3,582
31-60 days overdue	16,857	0~38.69%	2,941
61-90 days overdue	24,089	0~76.95%	8,413
Overdue more than 90 days	<u>28,818</u>	0~100%	<u>20,996</u>
	<u>\$ 2,531,609</u>		<u>37,612</u>

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

As of June 30, 2023, December 31, and June 30, 2022, notes and accounts receivable - related parties have been assessed by the Group that there was no expected credit loss. The analysis was as follows:

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Not overdue	\$ 427,165	585,641	477,639
1-30 days overdue	13,893	22,769	5,234
31-60 days overdue	-	-	1,208
61-90 days overdue	-	-	2,226
Overdue more than 90 days	-	-	72
	<u>\$ 441,058</u>	<u>608,410</u>	<u>486,379</u>

The statement of changes in the allowance for losses of the Group's notes and accounts receivable (including related parties) are listed as follows:

	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Beginning Balance	\$ 67,816	32,235
Provision of impairment loss for the period	18,505	8,973
Impact from initial consolidation of subsidiary	-	3,143
Unrecoverable amount written off for current year	-	(7,562)
Estimated insurance claims on accounts receivable	(19,380)	-
Effect of exchange rate changes	(550)	823
Ending balance	<u>\$ 66,391</u>	<u>37,612</u>

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

(VI) Inventories

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30 (Restated)</u>
Raw materials	\$ 1,441,763	1,737,449	2,035,465
Work in progress	138,450	228,553	217,310
Manufactured goods and commodities	1,424,899	1,490,591	1,540,191
Goods in Transit	74,403	235,442	104,990
Outsourced processing products	102,560	124,561	64,844
	<u>\$ 3,182,075</u>	<u>3,816,596</u>	<u>3,962,800</u>

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

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

	<u>April to June 2023</u>	<u>April to June 2022 (Restated)</u>	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Cost of inventory sold	\$ 2,947,372	3,076,192	5,915,947	6,251,643
Inventory falling price loss	26,688	4,229	57,316	2,134
Inventory scrap loss	13,001	23	13,057	48
Inventory loss (gain)	245	-	(10,441)	-
	<u>\$ 2,987,306</u>	<u>3,080,444</u>	<u>5,975,879</u>	<u>6,253,825</u>

The above inventory price loss was due to the write-down of inventories to net realizable value at the end of the period, thus recognized as loss on inventories.

(VII) Non-current assets held for sale

On May 21, 2021, the consolidated subsidiary Ace Pillar to sell the land and property in Sanchong District was resolved by the Board of Directors. Therefore, the carrying value of such property was transferred to the non-current assets held for sale, amounting to NTD117,125 thousand as of March 31, 2022. Some of the aforementioned assets have been sold in January and June 2022 with a net sale price of NTD46,401 thousand with a carrying amount of NTD31,777 thousand for the assets sold and the gains on disposal were NTD14,624 thousand. As of June 30, 2022, the carrying amount of the property was NTD85,348 thousand.

On December 23, 2021, the consolidated subsidiary Tianjin Ace Pillar to sell the plant and land use rights in Tianjin Ace Pillar Pilot Free Trade Zone was resolved by the Board of Directors. Therefore, as of June 30, 2022, the total carrying amount of such plants of NTD263,082 thousand was recognized as non-current assets held for sale.

At the end of 2022, the management authority assessed that due to the impact of COVID-19 and the overall external economic environment, the above assets no longer meet the conditions for being classified as assets held for sale, so the amount of these assets was NTD346,592 thousand, which was reclassified under the property, plant, equipment, and right-of-use assets.

(VIII) Subsidiaries and non-controlling interests

1. Acquisition of subsidiaries - Standard Technology Corporation and its subsidiaries

(1) Consideration transferred for acquisition of the subsidiary

On March 1, 2022 (the acquisition date), Ace Pillar, the consolidated subsidiary, acquired 4,680 thousand ordinary shares of Standard Technology Corporation (Standard Co.) for a cash consideration of NTD187,000 thousand and acquired a 60% equity interest, thereby obtaining control over this company and has

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

included Standard Co. and its subsidiaries in the consolidated entities since the acquisition date. Standard Co. and its subsidiaries are principally engaged in the trading of semiconductor optoelectronic equipment and consumables and equipment maintenance services. Standard Co. was acquired by the Group for the purpose of optimizing the layout of the semiconductor business, expanding its business and providing customers with comprehensive products and services.

(2) Net identifiable assets acquired

The fair values of the identifiable assets acquired and liabilities assumed of Standard Co. and its subsidiaries on March 1, 2022 (acquisition date) are detailed as follows:

Transfer consideration:

Cash		\$	187,000
Plus: Non-controlling interests (measured by the proportion of non-controlling interests in the fair value of net identifiable assets)			79,375
Less: Fair value of net identifiable assets acquired:			
Cash and cash equivalents	\$	164,493	
Net notes and accounts receivable		124,853	
Other receivables		1,012	
Inventories		112,226	
Prepayments and other current assets		5,738	
Financial assets measured at amortized cost (including current and non-current)		21,127	
Financial assets at fair value through other comprehensive income - non-current		1,434	
Property, plant and equipment		2,841	
Right-of-use assets		5,521	
Intangible assets - Computer Software		1,039	
Intangible assets - Client relationship		92,585	
Deferred income tax assets		2,235	
Other non-current assets		699	
Short-term borrowings		(122,161)	
Accounts payable		(65,200)	
Other payables (including dividends payable)		(75,849)	
Current income tax liabilities		(5,969)	
Contract liabilities - current		(12,069)	
Other current liabilities		(176)	
Lease liabilities (including current and non-current)		(5,464)	
Deferred income tax liabilities		(44,806)	
Other non-current liabilities		(5,671)	198,438
Goodwill			<u>\$ 67,937</u>

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

During the measurement period, the Group continuously reviewed the above matters and adjusted the above intangible assets - customer relationships and non-controlling interests decreased by NTD18,509 thousand and NTD5,475 thousand respectively, other net liabilities decreased by NTD4,822 thousand, and goodwill increased by NTD8,212 thousand in 2022.

(3) Intangible assets

The above customer relationships are amortized on a straight-line basis over a period of 10.84 years based on the expected future economic benefits.

Goodwill mainly comes from the profitability of Standard Co., the comprehensive effect of merger, future market development, and the value of its human resources team, with no expected income tax effect.

2. Acquisition of subsidiary - BlueWalker GmbH

(1) Consideration transferred for acquisition of the subsidiary

On April 1, 2022 (the acquisition date), the merged subsidiary Ace Pillar acquired 100% equity of BlueWalker GmbH (hereinafter referred to as BWA) with cash of NTD127,200 thousand (EUR 4,000 thousand), thereby obtaining control over the company and incorporating it into the Group from the acquisition date. BWA is primarily engaged in the trading and services of energy management products. The Group acquired BWA mainly to enhance product diversification and expand product sales regions for the purpose of improving overall economic efficiency.

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

(2) Net identifiable assets acquired

The fair values of the identifiable assets and liabilities of BWA acquired on April 1, 2022 (acquisition date) are detailed as follows:

Transfer consideration:

Cash	\$	127,200
Less: Fair value of net identifiable assets acquired:		
Cash and cash equivalents	\$	34,958
Net notes and accounts receivable		27,389
Inventories		72,990
Prepayments and other current assets		2,746
Property, plant and equipment		636
Intangible assets - Computer Software		18
Intangible assets - Client relationship		12,151
Intangible assets - Trademark		12,822
Other non-current assets		1,273
Accounts payable		(33,314)
Other payables		(14,545)
Current income tax liabilities		(1,036)
Contract liabilities - current		(624)
Other current liabilities		(311)
Long-term borrowings due within one year		(249)
Long-term borrowings		(601)
Deferred income tax liabilities		(4,994)
Other non-current liabilities		(805)
		<u>108,504</u>
Goodwill	\$	<u>18,696</u>

During the measurement period, the Group continued to review the above matters and adjusted the decrease in intangible assets - customer relationships by NTD4,285 thousand and deferred income tax liabilities by NTD857 thousand in 2022, resulting in an increase in goodwill by NTD3,428 thousand.

(3) Intangible assets

The above customer relationships and trademark rights are amortized on a straight-line basis over a projected future economic benefit period of 9.75 years and 10 years, respectively.

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

Goodwill mainly comes from BWA's profitability, the synergy of the merger, future development in market and value of its human resource team. It is expected to have no income tax effect.

3. Acquisition of subsidiary - ACE Energy Co., Ltd. (ACE Energy)

(1) Consideration transferred for acquisition of the subsidiary

The consolidated subsidiary, Ace Pillar, paid NTD26,560 thousand in cash to Darly Venture, Inc., Darly2 Venture, Corp., and Darly Consulting Corporation, subsidiaries of Qisda Corporation, the parent company of the Group, on July 1, 2022 (acquisition date). Also, it paid NTD5,440 thousand to acquire a total of 10,000 thousand ordinary shares of ACE Energy from AU Optronics Corporation, a related party of the Group, accounting for 100% of the equity, thereby gaining control of the company. ACE Energy is principally engaged in energy technology services. The Group's acquisition of ACE Energy is mainly to respond to its long-term operational development and leverage its synergy.

(2) Net assets acquired

The carrying amount of the assets acquired and liabilities assumed of ACE Energy acquired by Ace Pillar on July 1, 2022 are detailed as follows:

Transfer consideration:

Cash		\$	32,000
Less: Carrying amount of net assets acquired:			
Cash and cash equivalents	\$	24,856	
Financial assets measured at amortized cost - current		6,000	
Net notes and accounts receivable		17,355	
Prepayments and other current assets		2,389	
Property, plant and equipment		3,748	
Other non-current assets		793	
Accounts payable		(5,727)	
Other payables		(12,312)	
Contract liabilities - current		(6,029)	
Other current liabilities		(1,062)	
Lease liabilities - current		(1,452)	28,559
Debit capital surplus and retained earnings		\$	<u>3,441</u>

As the merger is a group restructuring under common control, the transfer consideration paid by Ace Pillar exceeds the amount of the carrying amount of the aforementioned Qisda subsidiary's investment in ACE Energy. The Company reduced capital surplus amounted to NTD1,371 thousand, and reduced non-controlling interest amounted to NTD1,485 thousand in proportion to its shareholding.

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

4. Subsidiaries with material non-controlling interests

The non-controlling interests of subsidiaries that are significant to the Group are as follows:

Name of subsidiary	Primary business premises/country of registration	Proportion of non-controlling interests in ownership interests		
		2023.6.30	2022.12.31	2022.6.30 (Restated)
Ace Pillar	Taiwan	51.93%	51.93%	51.93%
AEWIN	Taiwan	48.62%	48.62%	48.62%
Brainstorm	USA	64.91%	64.91%	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 Group to the fair value and differences in accounting policies on the acquisition date, with the amount before elimination of the transactions between the Group, is as follows:

(1) Summary financial information of Ace Pillar:

	2023.6.30	2022.12.31	2022.6.30 (Restated)
Current assets	\$ 2,170,465	2,359,687	3,093,029
Non-current assets	1,146,588	1,172,156	840,062
Current liabilities	(861,671)	(955,535)	(1,407,748)
Non-current liabilities	(183,701)	(238,230)	(149,719)
Net assets	<u>\$ 2,271,681</u>	<u>2,338,078</u>	<u>2,375,624</u>
Ending balance of non-controlling interests	<u>\$ 1,220,556</u>	<u>1,253,258</u>	<u>1,261,946</u>
Former owner of business combination under common control	<u>\$ -</u>	<u>-</u>	<u>28,559</u>

	April to June 2023	April to June 2022 (Restated)	January to June 2023	January to June 2022 (Restated)
Net operating revenue	<u>\$ 795,431</u>	<u>1,052,987</u>	<u>1,595,571</u>	<u>2,001,289</u>
Net profit for the period	\$ 460	48,567	(286)	80,923
Other comprehensive income	(16,589)	(9,481)	(9,998)	19,529
Total comprehensive income	<u>\$ (16,129)</u>	<u>39,086</u>	<u>(10,284)</u>	<u>100,452</u>
Net profit for the period attributable to non-controlling interests	<u>\$ 914</u>	<u>26,011</u>	<u>1,032</u>	<u>44,092</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ (7,250)</u>	<u>21,118</u>	<u>(3,562)</u>	<u>54,692</u>

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

	January to June 2023	January to June 2022 (Restated)		
Cash flows from operating activities	\$ 154,864	(192,368)		
Cash flows from investing activities	(4,760)	(65,565)		
Cash flows from financing activities	(118,522)	144,253		
Effect of changes in exchange rate	(11,919)	16,236		
Increase (decrease) in cash and cash equivalents	\$ 19,663	(97,444)		
 (2) Summary financial information on AEWIN				
	2023.6.30	2022.12.31 (Restated)	2022.6.30 (Restated)	
Current assets	\$ 1,476,114	1,884,646	1,620,939	
Non-current assets	1,061,234	1,092,177	1,094,075	
Current liabilities	(941,183)	(1,234,006)	(1,080,975)	
Non-current liabilities	(346,320)	(461,974)	(435,099)	
Net assets	\$ 1,249,845	1,280,843	1,198,940	
Ending balance of non-controlling interests	\$ 605,379	620,453	580,638	
	April to June 2023	April to June 2022	January to June 2023	January to June 2022
Operating revenue	\$ 465,963	689,018	972,681	1,101,294
Net profit for the period	\$ 6,954	46,270	19,681	59,073
Other comprehensive income	(4,878)	(2,487)	(3,380)	4,344
Total comprehensive income	\$ 2,076	43,783	16,301	63,417
Net profit for the period attributable to non-controlling interests	\$ 3,381	22,493	9,567	28,715
Total comprehensive income attributable to non-controlling interests	\$ 1,009	21,284	7,923	30,827
	January to June 2023	January to June 2022		
Cash flows from operating activities	\$ 170,185	161,474		
Cash flows from investing activities	(14,503)	(59,849)		
Cash flows from financing activities	(211,899)	(31,976)		
Effect of changes in exchange rate	(4,405)	6,002		
Increase (decrease) in cash and cash equivalents	\$ (60,622)	75,651		

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

(3) Summary financial information on Brainstorm:

	2023.6.30	2022.12.31 (Restated)	2022.6.30 (Restated)
Current assets	\$ 1,541,155	1,412,116	1,293,346
Non-current assets	694,476	738,434	751,830
Current liabilities	(891,841)	(788,169)	(630,174)
Non-current liabilities	(110,584)	(125,366)	(144,412)
Net assets	<u>\$ 1,233,206</u>	<u>1,237,015</u>	<u>1,270,590</u>
Ending balance of non-controlling interests	<u>\$ 701,175</u>	<u>703,648</u>	<u>725,441</u>
	April to June 2023	April to June 2022	January to June 2023
Net operating revenue	<u>\$ 1,396,952</u>	<u>1,016,898</u>	<u>2,668,848</u>
Net profit (loss) for the period	<u>\$ (3,042)</u>	<u>(24,313)</u>	<u>(10,860)</u>
Net profit (loss) for the period attributable to non-controlling interests	<u>\$ (2,517)</u>	<u>(15,717)</u>	<u>(8,131)</u>
		January to June 2023	January to June 2022
Cash flows from operating activities		\$ 147,164	(64,201)
Cash flows from investing activities		(2,339)	(16,505)
Cash flows from financing activities		(105,123)	62,363
Effect of changes in exchange rate		1,479	3,744
Increase in cash and cash equivalents		<u>\$ 41,181</u>	<u>(14,599)</u>

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

(IX) Property, plant and equipment

	<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 as of							
January 1, 2023	\$ 962,980	1,715,650	507,204	82,012	466,706	816	3,735,368
Addition	-	3,036	3,366	3,265	3,808	1,311	14,786
Disposal	-	-	(69)	(8,127)	(3,339)	-	(11,535)
Reclassification	(91,754)	(42,001)	588	-	-	(1,298)	(134,465)
Effect of changes in exchange rate	-	(9,037)	94	(544)	(1,630)	-	(11,117)
Balance as of June 30, 2023	<u>\$ 871,226</u>	<u>1,667,648</u>	<u>511,183</u>	<u>76,606</u>	<u>465,545</u>	<u>829</u>	<u>3,593,037</u>
Balance as of							
January 1, 2022 (Restated)	\$ 932,159	1,411,272	483,635	65,225	371,456	23,649	3,287,396
Acquired through business combination	-	-	22	9,554	5,826	-	15,402
Addition	-	51,956	846	5,909	35,318	28,620	122,649
Disposal	-	-	(5,633)	(3,754)	(6,610)	-	(15,997)
Reclassification	(34,752)	(16,456)	6,187	1,417	3,596	(25,045)	(65,053)
Effect of changes in exchange rate	-	4,359	371	794	2,834	171	8,529
Balance as of June 30, 2022 (Restated)	<u>\$ 897,407</u>	<u>1,451,131</u>	<u>485,428</u>	<u>79,145</u>	<u>412,420</u>	<u>27,395</u>	<u>3,352,926</u>
Accumulated depreciation and impairment loss:							
Balance as of							
January 1, 2023	\$ -	300,796	337,443	59,729	244,304	-	942,272
Depreciation	-	24,791	19,033	3,613	20,344	-	67,781
Disposal	-	-	(69)	(8,094)	(3,011)	-	(11,174)
Reclassification	-	(17,233)	-	-	-	-	(17,233)
Effect of changes in exchange rate	-	(2,347)	47	(508)	(659)	-	(3,467)
Balance as of June 30, 2023	<u>\$ -</u>	<u>306,007</u>	<u>356,454</u>	<u>54,740</u>	<u>260,978</u>	<u>-</u>	<u>978,179</u>
Balance as of							
January 1, 2022 (Restated)	\$ -	248,703	300,302	50,864	210,188	-	810,057
Acquired through business combination	-	-	22	7,630	4,273	-	11,925
Depreciation	-	21,107	24,657	3,321	15,832	-	64,917
Disposal	-	-	(5,655)	(3,746)	(6,583)	-	(15,984)
Reclassification	-	(2,368)	46	-	(46)	-	(2,368)
Effect of changes in exchange rate	-	3,062	168	708	1,929	-	5,867
Balance as of June 30, 2022 (Restated)	<u>\$ -</u>	<u>270,504</u>	<u>319,540</u>	<u>58,777</u>	<u>225,593</u>	<u>-</u>	<u>874,414</u>
Book value:							
June 30, 2023	<u>\$ 871,226</u>	<u>1,361,641</u>	<u>154,729</u>	<u>21,866</u>	<u>204,567</u>	<u>829</u>	<u>2,614,858</u>
January 1, 2023	<u>\$ 962,980</u>	<u>1,414,854</u>	<u>169,761</u>	<u>22,283</u>	<u>222,402</u>	<u>816</u>	<u>2,793,096</u>
June 30, 2022 (Restated)	<u>\$ 897,407</u>	<u>1,180,627</u>	<u>165,888</u>	<u>20,368</u>	<u>186,827</u>	<u>27,395</u>	<u>2,478,512</u>

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

Please refer to Note VIII for property, plant and equipment pledged as collaterals for long-term borrowings.

(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 as of January 1, 2023	\$ 49,689	440,544	9,495	499,728
Addition	-	21,408	2,755	24,163
Decrease and lease amendment	-	(34,630)	(2,028)	(36,658)
Effect of changes in exchange rate	(1,022)	(3,466)	44	(4,444)
Balance as of June 30, 2023	<u>\$ 48,667</u>	<u>423,856</u>	<u>10,266</u>	<u>482,789</u>
Balance as of January 1, 2022 (Restated)	\$ 21,238	339,968	9,044	370,250
Acquired through business combination	-	6,237	443	6,680
Addition	-	115,789	-	115,789
Decrease	-	(50,815)	-	(50,815)
Effect of changes in exchange rate	1,205	6,517	458	8,180
Balance as of June 30, 2022 (Restated)	<u>\$ 22,443</u>	<u>417,696</u>	<u>9,945</u>	<u>450,084</u>
Accumulated depreciation of right- of-use assets:				
Balance as of January 1, 2023	\$ 5,282	132,773	6,056	144,111
Depreciation	904	45,010	1,903	47,817
Decrease and lease amendment	-	(34,631)	(2,028)	(36,659)
Effect of changes in exchange rate	(758)	(499)	56	(1,201)
Balance as of June 30, 2023	<u>\$ 5,428</u>	<u>142,653</u>	<u>5,987</u>	<u>154,068</u>
Balance as of January 1, 2022 (Restated)	\$ 2,138	97,888	2,446	102,472
Acquisition through business combination (Note VI (VIII))	-	1,132	27	1,159
Depreciation	278	40,879	1,761	42,918
Decrease	-	(28,596)	-	(28,596)
Effect of changes in exchange rate	839	3,083	147	4,069
Balance as of June 30, 2022 (Restated)	<u>\$ 3,255</u>	<u>114,386</u>	<u>4,381</u>	<u>122,022</u>
Book value:				
June 30, 2023	<u>\$ 43,239</u>	<u>281,203</u>	<u>4,279</u>	<u>328,721</u>
January 1, 2023	<u>\$ 44,407</u>	<u>307,771</u>	<u>3,439</u>	<u>355,617</u>
June 30, 2022 (Restated)	<u>\$ 19,188</u>	<u>303,310</u>	<u>5,564</u>	<u>328,062</u>

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

(XI) Investment property

Investment properties of the Group are detailed as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Costs:			
Balance as of January 1, 2023	\$ -	-	-
Transfer from property, plant and equipment	91,754	42,711	134,465
Balance as of June 30, 2023	<u>\$ 91,754</u>	<u>42,711</u>	<u>134,465</u>
Accumulated depreciation and impairment loss:			
Balance as of January 1, 2023	\$ -	-	-
Transfer from property, plant and equipment	-	17,233	17,233
Depreciation for the current period	-	641	641
Balance as of June 30, 2023	<u>\$ -</u>	<u>17,874</u>	<u>17,874</u>
Carrying amount:			
June 30, 2023	<u>\$ 91,754</u>	<u>24,837</u>	<u>116,591</u>
Fair value:			
June 30, 2023			<u>\$ 164,892</u>

Investment property is a commercial office building that is subleased to others. The fair value of investment property is evaluated based on the market evidence of similar property transaction prices in the same region by the management, and the input value used in the fair value evaluation technology belongs to level 3.

(XII) Intangible assets

	<u>Goodwill</u>	<u>Trademark</u>	<u>Client relationship</u>	<u>Computer software</u>	<u>Total</u>
Costs:					
Balance as of January 1, 2023	\$ 446,272	582,091	211,435	141,019	1,380,817
Separate Acquisition	-	-	-	5,525	5,525
Write-off for the current period	-	-	-	(1,023)	(1,023)
Effects of exchange rate changes	-	-	-	343	343
Balance as of June 30, 2023	<u>\$ 446,272</u>	<u>582,091</u>	<u>211,435</u>	<u>145,864</u>	<u>1,385,662</u>
Balance as of January 1, 2022 (Restated)	\$ 349,846	562,692	129,493	90,061	1,132,092
Acquisition through business combination (Note VI (VIII))	86,633	12,822	104,736	2,535	206,726
Business combinations adjusted during the measurement period	(1,847)	6,577	-	-	4,730
Separate Acquisition	-	-	-	10,341	10,341
Effects of exchange rate changes	-	-	-	41	41
Balance as of June 30, 2022 (Restated)	<u>\$ 434,632</u>	<u>582,091</u>	<u>234,229</u>	<u>102,978</u>	<u>1,353,930</u>
Accumulated amortization:					
Balance as of January 1, 2023	\$ -	95,840	77,892	86,058	259,790
Amortization	-	29,104	9,516	11,635	50,255
Write-off for the current period	-	-	-	(1,023)	(1,023)
Effects of exchange rate changes	-	-	-	168	168
Balance as of June 30, 2023	<u>\$ -</u>	<u>124,944</u>	<u>87,408</u>	<u>96,838</u>	<u>309,190</u>
Balance as of January 1, 2022 (Restated)	\$ -	37,513	51,820	68,306	157,639
Acquisition through business combination (Note VI (VIII))	-	-	-	1,478	1,478
Amortization	-	29,222	12,159	5,955	47,336
Effects of exchange rate changes	-	-	-	30	30
Balance as of June 30, 2022 (Restated)	<u>\$ -</u>	<u>66,735</u>	<u>63,979</u>	<u>75,769</u>	<u>206,483</u>
Book value:					
Balance as of June 30, 2023	<u>\$ 446,272</u>	<u>457,147</u>	<u>124,027</u>	<u>49,026</u>	<u>1,076,472</u>
Balance as of January 1, 2023	<u>\$ 446,272</u>	<u>486,251</u>	<u>133,543</u>	<u>54,961</u>	<u>1,121,027</u>
Balance as of June 30, 2022 (Restated)	<u>\$ 434,632</u>	<u>515,356</u>	<u>170,250</u>	<u>27,209</u>	<u>1,147,447</u>

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

According to International Accounting Standards 36, the goodwill acquired by a business combination shall be tested for impairment at least every year. There is no goodwill loss according to the impairment test result of the Group on December 31, 2022, please refer to Note VI (XI) of the Consolidated Financial Statements of 2022. On June 30, 2023, the Group evaluated the achievement of operating revenue and net operating income of the relevant cash-generating unit in the second quarter of 2023, and the budget assessment of future operating revenue and profit, and there was no impairment.

(XIII) Short-term borrowings

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u> <u>(Restated)</u>
Unsecured bank loans	\$ 1,168,023	1,774,218	2,208,338
Secured bank loans	75,005	111,802	150,279
	<u>\$ 1,243,028</u>	<u>1,886,020</u>	<u>2,358,617</u>
Unused lines of credit	<u>\$ 6,101,474</u>	<u>5,584,243</u>	<u>4,080,918</u>
Range of interest rate	<u>1.68%~7.25%</u>	<u>1.50%~7.00%</u>	<u>1%~4.1%</u>

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

(XIV) Long-term borrowings

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u> <u>(Restated)</u>
Unsecured bank loans	\$ 990,000	1,300,000	800,000
Secured bank loans	250,560	250,653	340,766
Less: Part due within one year	(560)	(653)	(20,242)
	<u>\$ 1,240,000</u>	<u>1,550,000</u>	<u>1,120,524</u>
Unused lines of credit	<u>\$ 650,000</u>	<u>100,000</u>	<u>800,000</u>
Year of maturity	<u>2024~2026</u>	<u>2023~2024</u>	<u>2023~2024</u>
Range of interest rate	<u>1.89%~5.83%</u>	<u>1.72%~5.83%</u>	<u>1.11~5.83%</u>

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

(XV) Lease liabilities

The book amount of the lease liabilities of the Group is as follows:

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u> <u>(Restated)</u>
Current	\$ <u>88,926</u>	<u>86,451</u>	<u>80,710</u>
Non-current	<u>\$ 212,914</u>	<u>241,693</u>	<u>243,443</u>

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

Please refer to Note (XXIV) Liquidity Risk for the maturity analysis of lease liabilities.

The amounts recognized as profit and loss are as follows:

	<u>April to June 2023</u>	<u>April to June 2022 (Restated)</u>	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Interest expense on lease liabilities	<u>\$ 1,836</u>	<u>2,000</u>	<u>3,708</u>	<u>3,120</u>
Short-term leases expenses and lease expenses of low-value assets	<u>\$ 8,068</u>	<u>12,814</u>	<u>15,779</u>	<u>21,868</u>
COVID-19-related rent concessions (recognized as a decrease in lease expense)	<u>\$ -</u>	<u>-</u>	<u>(3,450)</u>	<u>-</u>

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

	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Total cash outflow for leases	<u>\$ 62,813</u>	<u>61,386</u>

Important lease clauses:

1. Lease of land, buildings and structures

The Group has leased land, buildings and structures 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 leases

The Group has leased the transport equipment with a period of 1 to 3 years. In addition, the Group has leased offices and 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 Group has selected to apply the provision of exemption from recognition and not recognized them as relevant right-of-use assets and lease liabilities.

(XVI) Provisions - current

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30 (Restated)</u>
Provision for warranty	<u>\$ 42,258</u>	<u>51,236</u>	<u>45,889</u>

The warranty provisions for products of the Group is mainly related to the sales of industrial computer boards and systems, and the warranty reserve is estimated based on the historical warranty data of similar products.

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

(XVII) Employee benefits

1. Defined benefit plans

Since there were no significant market fluctuations, significant curtailments, settlements, or other significant one-off events after the reporting date of the prior fiscal year, the Group adopted the actuarially determined pension cost on December 31, 2022 and 2021 to measure and disclose pension costs for interim periods.

The reported expenses of the Group are detailed as follows:

	<u>April to June</u> <u>2023</u>	<u>April to June</u> <u>2022 (Restated)</u>	<u>January to June</u> <u>2023</u>	<u>January to June</u> <u>2022 (Restated)</u>
Operating costs	\$ 94	413	190	523
Operating expenses	47	223	92	219
	<u>\$ 141</u>	<u>636</u>	<u>282</u>	<u>742</u>

2. Defined contribution plans

The reported expenses of the Group are detailed as follows:

	<u>April to June</u> <u>2023</u>	<u>April to June</u> <u>2022 (Restated)</u>	<u>January to June</u> <u>2023</u>	<u>January to June</u> <u>2022 (Restated)</u>
Operating costs	\$ 3,140	3,042	6,306	5,918
Operating expenses	13,527	12,818	26,878	24,451
	<u>\$ 16,667</u>	<u>15,860</u>	<u>33,184</u>	<u>30,369</u>

(XVIII) Income taxes

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

	<u>April to June</u> <u>2023</u>	<u>April to June</u> <u>2022 (Restated)</u>	<u>January to June</u> <u>2023</u>	<u>January to June</u> <u>2022 (Restated)</u>
Current income tax expense	\$ 34,873	41,338	81,175	84,138
Deferred income tax benefits	(2,533)	(5,530)	(1,688)	(7,220)
	<u>\$ 32,340</u>	<u>35,808</u>	<u>79,487</u>	<u>76,918</u>

2. Circumstances of income tax approval

The Company's profit-seeking enterprise income tax has been approved by the tax authority to the year of 2020.

(XIX) Capital and other equities

Besides the descriptions mentioned below, there were no significant changes in capital and other equities in the consolidated financial statements for the six months ended June 30, 2023 and 2022. For the related information, please refer to Note VI (XVIII) of the consolidated financial statements for the year ended December 31, 2022.

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

1. Share capital - Ordinary shares

As of June 30, 2023, December 31 and June 30, 2022, the total authorized capital of the Company was NTD1,772,000 thousand, which was divided into 177,200 thousand shares at NTD10 per share. The number of issued shares were both 114,489 thousand shares. The share capital reserved for the issuance of the exercise of employee share options was 20,000 thousand shares.

2. Capital surplus

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

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u> <u>(Restated)</u>
Share premium	\$ 578,204	578,204	579,575
Recognized changes in percentage of ownership interests in subsidiaries	5,974	5,967	5,962
Gain on asset disposal	808	808	808
Others	<u>23,658</u>	<u>23,607</u>	<u>23,603</u>
	<u>\$ 608,644</u>	<u>608,586</u>	<u>609,948</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 Board of Directors is authorized to make a resolution to distribute and report to the Shareholders' Meeting if which as mentioned in the preceding paragraph shall be in the form of cash. The realized capital surplus 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 surplus 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 dividend policy

Under the provision of the Articles of Association of the Company, if there are any earnings in the final settlement, it shall first accrue the tax, make up 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 are any earnings after the special surplus reserve is set aside or reversed in accordance with the law, the Board of Directors shall formulate the earnings distribution proposal together with the

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

accumulated unappropriated earnings and submit them 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 shall be in the form of cash dividends.

According to the Articles of Association of the Company, due to the fierce competition in the industry, the volatile environment, and the stable growth stage of the Company's life cycle, to effectively master the Company's future investment opportunities, working capital needs, and long-term financial planning, and to meet shareholders' cash inflow needs, the board of directors formulates the earnings distribution proposal should take into account the general distribution level of the relevant industry and adopt a balanced dividend policy, and distribute according to the principle of prudence. If the Company's annual final settlement has earnings of 2% of the capital, the dividend distribution should not be less than 10% of the earnings distribution for the year, and the proportion of cash dividends paid each year should not be less than the cash and stock dividends paid for the year 10% of the total.

(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. The Board of Directors is authorized to make a resolution to distribute and report to the Shareholders' Meeting if which as mentioned in the preceding paragraph shall be in the form of cash.

(2) Special reserve

Under the regulations issued by the Financial Supervisory Commission, when distributing the earnings distribution, for the net deductibles of other shareholders' equity incurred in the current year, the Company shall accrue the special surplus reserve in the same amount out of the amount of current after-tax net income added to the current unappropriated earnings, including items other than current after-tax net income and the unappropriated earnings in the previous period, 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 unappropriated earnings in the previous period. If other deductibles of shareholders' equity are reversed in future, the Company shall distribute the profit with the reversed part.

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

4. Distribution of earnings

On March 2, 2023, and March 3, 2022, the Board of Directors of the Company resolved the amount of cash dividends and cash distributions from capital reserves in the earnings distribution proposal for the years ended December 31, 2022, and 2021, respectively. And on May 31, 2023, and June 17, 2022, the annual shareholders' meeting resolved the other earnings distribution proposal for the years ended December 31, 2022 and 2021, respectively. The relevant distribution amounts were as follows:

	2022		2021	
	Dividend per share (NTD)	Amount	Dividend per share (NTD)	Amount
Legal reserve		<u>\$ 52,689</u>		<u>61,568</u>
Special reserve (reversal)		<u>\$ (76,782)</u>		<u>40,215</u>
Dividends distributed to owners of common stock:				
Cash dividends	4.0	<u>457,955</u>	3.2	<u>366,364</u>
Cash distribution from capital surplus	-	<u>-</u>	0.4	<u>45,796</u>

In addition, on May 31, 2023, the annual shareholders' meeting resolved to amend the amount of the legal reserve in the earnings distribution proposal for the year 2021, reversing the legal reserve of NTD15,964 thousand.

The information regarding the profit distribution can be found on the MOPS (Market Observation Post System).

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 as of January 1, 2023	\$ (69,315)	31,274	(38,041)
Exchange difference from conversion of net assets of foreign operating organizations	(11,418)	-	(11,418)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	36,463	36,463
Balance as of June 30, 2023	<u>\$ (80,733)</u>	<u>67,737</u>	<u>(12,996)</u>
Balance as of January 1, 2022 (Restated)	\$ (134,871)	20,047	(114,824)
Exchange difference from conversion of net assets of foreign operating organizations	35,570	-	35,570
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	(2,703)	(2,703)
Balance as of June 30, 2022 (Restated)	<u>\$ (99,301)</u>	<u>17,344</u>	<u>(81,957)</u>

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

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

	January to June 2023	January to June 2022 (Restated)
Beginning Balance	\$ 2,577,359	2,450,694
Shares attributable to non-controlling interests:		
Net profit for the period	2,468	59,166
Exchange differences on translating the financial statements of foreign operations	(4,740)	45,329
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	4,161	(243)
Non-controlling interests adjustments	-	3,415
Cash dividends distributed by subsidiaries to non-controlling interests	(52,145)	(69,711)
Increase in non-controlling interests in subsidiaries acquired	-	79,375
Changes in percentage of ownership interests in subsidiaries	7	-
Ending balance	<u>\$ 2,527,110</u>	<u>2,568,025</u>

(XX) Earnings per share

1. Basic earnings per share

	April to June 2023	April to June 2022 (Restated)	January to June 2023	January to June 2022 (Restated)
Net profit attributable to ordinary shareholders of the Company	<u>\$ 97,597</u>	<u>115,338</u>	<u>223,058</u>	<u>198,952</u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	<u>114,489</u>	<u>114,489</u>	<u>114,489</u>	<u>114,489</u>
Basic earnings per share (NTD)	<u>\$ 0.85</u>	<u>1.01</u>	<u>1.95</u>	<u>1.74</u>

2. Diluted earnings per share

	April to June 2023	April to June 2022 (Restated)	January to June 2023	January to June 2022 (Restated)
Net profit attributable to ordinary shareholders of the Company	<u>\$ 97,597</u>	<u>115,338</u>	<u>223,058</u>	<u>198,952</u>
Weighted average number of outstanding ordinary shares (in thousands of shares)	114,489	114,489	114,489	114,489
Effects of potential ordinary shares with dilution effect (in thousands of shares):				
Effects of employee stock compensation	267	292	510	590
Weighted average number of outstanding ordinary shares (after adjusting the number of dilution potential ordinary shares) (in thousands of shares)	<u>114,756</u>	<u>114,781</u>	<u>114,999</u>	<u>115,079</u>
Diluted earnings per share (NTD)	<u>\$ 0.85</u>	<u>1.00</u>	<u>1.94</u>	<u>1.73</u>

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

(XXI) Revenue from customer contracts

1. Breakdown of revenue

	<u>April to June 2023</u>	<u>April to June 2022 (Restated)</u>	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Main products and services:				
Industrial computer cards and systems	\$ 1,499,244	1,652,068	3,092,851	2,953,207
Industrial automation control	552,443	789,178	1,077,492	1,653,514
Computer components	1,396,952	1,016,898	2,668,848	2,534,705
Others	312,513	407,176	742,002	608,302
	<u>\$ 3,761,152</u>	<u>3,865,320</u>	<u>7,581,193</u>	<u>7,749,728</u>

2. Balance of contracts

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30 (Restated)</u>
Notes and accounts receivable (including related parties)	\$ 2,600,702	2,951,913	3,017,988
Less: Allowance for loss	(66,391)	(67,816)	(37,612)
	<u>\$ 2,534,311</u>	<u>2,884,097</u>	<u>2,980,376</u>
Contract assets	<u>\$ 14,714</u>	<u>-</u>	<u>-</u>
Contract liabilities	<u>\$ 130,130</u>	<u>205,241</u>	<u>148,114</u>

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

The contract assets and liabilities mainly come from the difference between the time point of satisfying the performance obligation when the Group transfers goods to a customer and the time point of the customer's payment. The beginning balances of contract liabilities as of January 1, 2023 and 2022 were recognized as income of NTD111,985 thousand and NTD125,186 thousand, respectively, for the six months ended June 30, 2023 and 2022.

(XXII) Compensation of employees and 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 compensation to the employees and no greater than 1% as compensation 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.

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

For the three months ended June 30, 2023 and 2022, and for the six months ended June 30, 2023 and 2022, the estimated employee compensations of the Company were NTD9,352 thousand, NTD9,853 thousand, NTD21,249 thousand, and NTD17,405 thousand respectively; and the estimated director compensations were NTD995 thousand, NTD1,049 thousand, NTD2,261 thousand and NTD1,852 thousand respectively, which were estimated based on the Company's pre-tax net income before deducting the compensations of employees and directors multiplied by the Company's proposed distribution rate of compensations of employees and directors for each period, and were reported as operating costs or operating expenses for each such period. If the actually distributed amount of next year 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 estimated amount of compensation for employees in 2022 and 2021 were NTD47,852 thousand and NTD53,437 thousand respectively, while for directors were NTD5,091 thousand and NTD5,685 thousand respectively. There is no difference from the distribution amount resolved by the board of directors of the Company, and all would be distributed in cash. For the related information, please refer to MOPS.

(XXIII) Non-operating income and expenses

1. Interest income

	<u>April to June 2023</u>	<u>April to June 2022 (Restated)</u>	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Interest on bank deposit	\$ 3,870	719	5,978	1,082
Interest income from financial assets measured at amortized cost	29	26	57	36
Interest on deposits	2	-	5	-
Interest income from financial assets at fair value through profit or loss	574	534	574	534
Others	17	-	51	-
	<u>\$ 4,492</u>	<u>1,279</u>	<u>6,665</u>	<u>1,652</u>

2. Other income

	<u>April to June 2023</u>	<u>April to June 2022 (Restated)</u>	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Rental income	\$ 2,066	1,679	3,852	3,181
Dividend income	6,943	-	6,943	-
Others	14,750	14,374	19,063	20,321
	<u>\$ 23,759</u>	<u>16,053</u>	<u>29,858</u>	<u>23,502</u>

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

3. Other gain and loss

	<u>April to June 2023</u>	<u>April to June 2022 (Restated)</u>	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Loss on disposal of property, plant and equipment	\$ 85	(6)	(185)	(13)
Loss on liquidation of subsidiary	-	(391)	-	(391)
Gain on disposal of non-current assets held for sale (Note VI (VII))	-	13,676	-	14,624
Gain (loss) on foreign exchange	(1,194)	17,152	(3,979)	58,106
Loss on financial instruments at fair value through profit or loss	(4,348)	(12,825)	(16,893)	(40,008)
Other expenditures (gains)	(91)	(194)	402	272
	<u>\$ (5,548)</u>	<u>17,412</u>	<u>(20,655)</u>	<u>32,590</u>

4. Finance costs

	<u>April to June 2023</u>	<u>April to June 2022 (Restated)</u>	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Bank interest expenses	\$ 13,013	12,565	30,115	22,525
Financial expenses on lease liabilities	1,836	2,000	3,708	3,120
	<u>\$ 14,849</u>	<u>14,565</u>	<u>33,823</u>	<u>25,645</u>

(XXIV) Financial instruments

Besides the descriptions mentioned below, there are no significant changes in the fair value of financial instruments, and credit risk, liquidity risk, and market risk due to the exposure of financial instruments of the Group. For the related information, please refer to the consolidated financial statements for the year ended December 31, 2022.

1. Types of financial instruments

(1) Financial assets

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30 (Restated)</u>
Financial assets at fair value through profit or loss - current	\$ 36,526	27,458	27,330
Financial assets at fair value through other comprehensive income - non-current	111,688	71,064	41,035
Financial assets measured at amortized cost:			
Cash and cash equivalents	1,583,745	1,690,474	1,312,864

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

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30 (Restated)</u>
Financial assets at amortized cost - current	7,677	9,557	14,560
Notes receivable, accounts receivable, and other receivables (including related parties)	2,558,733	2,941,042	3,006,193
Financial assets at amortized cost - non- current	3,249	3,212	3,107
Refundable deposits	<u>30,558</u>	<u>32,641</u>	<u>36,652</u>
Subtotal	<u>4,183,962</u>	<u>4,676,926</u>	<u>4,373,376</u>
Total	<u>\$ 4,332,176</u>	<u>4,775,448</u>	<u>4,441,741</u>

(2) Financial liabilities

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30 (Restated)</u>
Financial liabilities at fair value through profit or loss - current	<u>\$ 16,560</u>	<u>5,020</u>	<u>3,683</u>
Financial liabilities measured by amortized cost:			
Short-term borrowings	1,243,028	1,886,020	2,358,617
Notes payable, accounts payable and other payables (including related parties)	2,864,213	2,690,266	3,000,995
Long-term borrowings (including the part due within one year)	1,240,560	1,550,653	1,140,766
Lease liabilities (including current and non-current)	<u>301,840</u>	<u>328,144</u>	<u>324,153</u>
Subtotal	<u>5,649,641</u>	<u>6,455,083</u>	<u>6,824,531</u>
Total	<u>\$ 5,666,201</u>	<u>6,460,103</u>	<u>6,828,214</u>

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

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.

	<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>
June 30, 2023					
Non-derivative financial liabilities:					
Short-term borrowings \$	1,245,379	1,245,379	-	-	-
Long-term borrowings (including the part due within one year)	1,269,531	24,731	1,194,162	50,638	-
Notes payable, accounts payable and other payables (including related parties)	2,864,213	2,864,213	-	-	-
Lease liabilities (including current and non-current)	<u>316,017</u>	<u>94,821</u>	<u>102,238</u>	<u>80,623</u>	<u>38,335</u>
Subtotal	<u>5,695,140</u>	<u>4,229,144</u>	<u>1,296,400</u>	<u>131,261</u>	<u>38,335</u>
Derivative financial instruments:					
Forward foreign exchange contracts - gross delivery					
Outflow	897,546	897,546	-	-	-
Inflow	(905,491)	(905,491)	-	-	-
Foreign exchange SWAP contracts - gross delivery					
Outflow	1,271,697	1,271,697	-	-	-
Inflow	<u>(1,257,877)</u>	<u>(1,257,877)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>5,875</u>	<u>5,875</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,701,015</u>	<u>4,235,019</u>	<u>1,296,400</u>	<u>131,261</u>	<u>38,335</u>
December 31, 2022					
Non-derivative financial liabilities:					
Short-term borrowings \$	1,895,352	1,895,352	-	-	-
Long-term borrowings (including the part due within one year)	1,576,485	31,155	1,545,330	-	-
Notes payable, accounts payable and other payables (including related parties)	2,690,266	2,690,266	-	-	-

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

	<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>
Lease liabilities (including current and non-current)	345,324	92,984	77,718	128,867	45,755
Subtotal	<u>6,507,427</u>	<u>4,709,757</u>	<u>1,623,048</u>	<u>128,867</u>	<u>45,755</u>
Derivative financial instruments:					
Forward foreign exchange contracts - gross delivery					
Outflow	1,024,820	1,024,820	-	-	-
Inflow	(1,025,067)	(1,025,067)	-	-	-
Foreign exchange SWAP contracts - gross delivery					
Outflow	1,147,274	1,147,274	-	-	-
Inflow	(1,143,394)	(1,143,394)	-	-	-
Subtotal	<u>3,633</u>	<u>3,633</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,511,060</u>	<u>4,713,390</u>	<u>1,623,048</u>	<u>128,867</u>	<u>45,755</u>
June 30, 2022 (Restated)					
Non-derivative financial liabilities:					
Short-term borrowings \$	2,370,126	2,370,126	-	-	-
Long-term borrowings (including the part due within one year)	1,168,592	36,301	830,606	301,685	-
Notes payable, accounts payable and other payables (including related parties)	3,000,995	3,000,995	-	-	-
Lease liabilities (including current and non-current)	343,403	87,561	69,801	132,866	53,175
Subtotal	<u>6,883,116</u>	<u>5,494,983</u>	<u>900,407</u>	<u>434,551</u>	<u>53,175</u>
Derivative financial liabilities:					
Forward foreign exchange contracts - gross delivery					
Outflow	702,388	702,388	-	-	-
Inflow	(701,649)	(701,649)	-	-	-
Foreign exchange SWAP contracts - gross delivery					
Outflow	714,090	714,090	-	-	-
Inflow	(712,549)	(712,549)	-	-	-
Subtotal	<u>2,280</u>	<u>2,280</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,885,396</u>	<u>5,497,263</u>	<u>900,407</u>	<u>434,551</u>	<u>53,175</u>

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

The Group 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 risk

The carrying value of monetary assets and liabilities not denominated in functional currency (including monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements) of the Group at the reporting date and their sensitivity to changes in foreign currencies are analyzed as follows (monetary unit: In thousands of NTD):

2023.6.30					
	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)	\$ 65,323	31.1000	2,031,532	1%	20,315
USD (Note 2)	5,161	7.2500	160,521	1%	1,605
RMB	47,652	4.2897	204,411	1%	2,044
JPY	4,995	0.2148	1,073	1%	11
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD (Note 1)	23,882	31.1000	742,720	1%	7,427
USD (Note 2)	19,756	7.2500	614,420	1%	6,144
JPY	19,693	0.2148	4,230	1%	42
2022.12.31					
	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)	\$ 83,777	30.7300	2,574,467	1%	25,745
USD (Note 2)	5,293	6.9750	162,660	1%	1,627
RMB	47,649	4.4057	209,927	1%	2,099
JPY	35,611	0.2330	8,297	1%	83
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD (Note 1)	37,432	30.7300	1,150,278	1%	11,503
USD (Note 2)	24,608	6.9750	756,188	1%	7,562
JPY	44,051	0.2330	10,264	1%	103

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

2022.6.30 (Restated)						
	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)	\$	80,597	29.7200	2,395,343	1%	23,953
USD (Note 2)		6,629	6.6950	197,004	1%	1,970
RMB		8,455	4.4391	37,533	1%	375
JPY		33,104	0.2182	7,223	1%	72
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD (Note 1)		35,428	29.7200	1,052,920	1%	10,529
USD (Note 2)		26,512	6.6950	787,929	1%	7,879
JPY		14,047	0.2182	3,065	1%	31

Note 1: Exchange rate between USD and NTD.

Note 2: Exchange rate between USD and RMB.

Due to the wide variety of functional currencies of the Group, the exchange gain or loss of monetary items are disclosed through consolidation. Please refer to Note VI (XXIII) for details of foreign currency exchange (loss) gain (including realized and unrealized) for the three months ended June 30, 2023 and 2022, and for the six months ended June 30, 2023 and 2022.

4. Fair value

(1) Financial instruments not measured at fair value

The management of the Group believes that the carrying amounts of the financial assets and liabilities of the Group classified as amortized cost in the consolidated financial statements are close to their fair value.

(2) Financial instruments measured at fair value

The Group'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).

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

- 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).

	2023.6.30			
	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	\$ -	9,783	-	9,783
Derivative financial instruments - Foreign exchange swaps contracts	-	902	-	902
Fund beneficiary certificates	25,841	-	-	25,841
	<u>\$ 25,841</u>	<u>10,685</u>	<u>-</u>	<u>36,526</u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 103,631	-	-	103,631
Foreign unlisted stocks	-	-	8,057	8,057
	<u>\$ 103,631</u>	<u>-</u>	<u>8,057</u>	<u>111,688</u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contracts	\$ -	1,838	-	1,838
Derivative financial instruments - Foreign exchange swaps contracts	-	14,722	-	14,722
Subtotal	<u>\$ -</u>	<u>16,560</u>	<u>-</u>	<u>16,560</u>

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

	2022.12.31			
	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	\$ -	1,353	-	1,353
Derivative financial instruments - Foreign exchange swaps contracts	-	34	-	34
Fund beneficiary certificates	26,071	-	-	26,071
	\$ 26,071	1,387	-	27,458
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 68,840	-	-	68,840
Foreign unlisted stocks	-	-	2,224	2,224
	\$ 68,840	-	2,224	71,064
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contracts	\$ -	1,106	-	1,106
Derivative financial instruments - Foreign exchange swaps contracts	-	3,914	-	3,914
Subtotal	\$ -	5,020	-	5,020
	2022.6.30 (Restated)			
	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	\$ -	1,191	-	1,191
Derivative financial instruments - Foreign exchange swaps contracts	-	212	-	212
Fund beneficiary certificates	25,927	-	-	25,927
	\$ 25,927	1,403	-	27,330
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 38,811	-	-	38,811
Foreign unlisted stocks	-	-	2,224	2,224
	\$ 38,811	-	2,224	41,035
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contracts	\$ -	1,930	-	1,930
Derivative financial instruments - Foreign exchange swaps contracts	-	1,753	-	1,753
	\$ -	3,683	-	3,683

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.

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 Group are presented in terms of type and attribute as follows:

TWSE/TPEX listed 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.

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

- (5) Detailed statement on changes in level 3

Financial assets at fair value through other comprehensive income:

	<u>January to June 2023</u>	<u>January to June 2022</u>
Beginning Balance	\$ 2,224	1,288
Impact from initial consolidation of subsidiary	-	1,434
Changes recognized in other comprehensive incomes in current period	5,833	(498)
Ending balance	<u>\$ 8,057</u>	<u>2,224</u>

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

(XXV) Financial risk management

There were no significant changes in the objectives and policies of the Group's financial risk management compared to those disclosed in the consolidated financial statements for the year ended December 31, 2022.

(XXVI) Capital management

There were no significant changes in the objectives, policies and procedures of the Group's financial risk management compared to those disclosed in the consolidated financial statements for the year ended December 31, 2022.

(XXVII) Investment and financing activities not in cash

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

	<u>2023.1.1</u>	<u>Cash Flows</u>	<u>Non-cash change</u>		<u>2023.6.30</u>
			<u>Increase or decrease in lease liabilities</u>	<u>Exchange rate changes</u>	
Short-term borrowings	\$ 1,886,020	(636,265)	-	(6,727)	1,243,028
Long-term borrowings (including the part due within one year)	1,550,653	(310,110)	-	17	1,240,560
Lease liabilities	<u>328,144</u>	<u>(46,776)</u>	<u>24,039</u>	<u>(3,567)</u>	<u>301,840</u>
Total liabilities from financing activities	<u>\$ 3,764,817</u>	<u>(993,151)</u>	<u>24,039</u>	<u>(10,277)</u>	<u>2,785,428</u>

	<u>2022.1.1</u>	<u>Cash Flows</u>	<u>Non-cash change</u>		<u>2022.6.30</u>
	<u>(Restated)</u>		<u>Impact from initial consolidation of subsidiary</u>	<u>Increase or decrease in lease liabilities</u>	<u>(Restated)</u>
				<u>Exchange rate changes</u>	
Short-term borrowings	\$ 1,311,304	906,864	122,161	-	2,358,617
Long-term borrowings (including the part due within one year)	1,750,000	(610,061)	850	(23)	1,140,766
Lease liabilities	<u>257,374</u>	<u>(36,398)</u>	<u>5,464</u>	<u>93,041</u>	<u>324,153</u>
Total liabilities from financing activities	<u>\$ 3,318,678</u>	<u>260,405</u>	<u>128,475</u>	<u>22,937</u>	<u>3,823,536</u>

VII. Related Party Transactions

(I) Parent company and ultimate controller

Qisda Corporation (Qisda) is the ultimate controller of the parent company and affiliated group of the Company, directly or indirectly holding 55.09% of the Company's outstanding ordinary shares. Qisda has prepared consolidated financial reports for public use.

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

(II) Names and relationships of related parties

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

Name of related party	Relationship with the Group
Qisda Corporation (Qisda)	Parent company of the Company
Other related parties:	
Partner Technology Co., Ltd.	Directly/indirectly controlled subsidiary of Qisda
Alpha Networks Inc.	Directly/indirectly controlled subsidiary of Qisda
BenQ Materials Corporation	Directly/indirectly controlled subsidiary of Qisda
BenQ Asia Pacific Corporation	Directly/indirectly controlled subsidiary of Qisda
BenQ AB DentCare Corporation	Directly/indirectly controlled subsidiary of Qisda
BenQ Healthcare Corporation	Directly/indirectly controlled subsidiary of Qisda
Metaguru Corporation	Directly/indirectly controlled subsidiary of Qisda
BenQ Guru Software Corporation	Directly/indirectly controlled subsidiary of Qisda
BenQ Corporation	Directly/indirectly controlled subsidiary of Qisda
BenQ Co., Ltd (BQC)	Directly/indirectly controlled subsidiary of Qisda (Note)
BenQ Technology (Shanghai) Co., Ltd.	Directly/indirectly controlled subsidiary of Qisda
BenQ Intelligent Technology (Shanghai) Co., Ltd.	Directly/indirectly controlled subsidiary of Qisda
DIVA Laboratories, Ltd.	Directly/indirectly controlled subsidiary of Qisda
Suzhou BenQ Hospital Co., Ltd.	Directly/indirectly controlled subsidiary of Qisda
BenQ America Corp.	Directly/indirectly controlled subsidiary of Qisda
Simula Technology Inc.	Directly/indirectly controlled subsidiary of Qisda
Golden Spirit Co., Ltd.	Directly/indirectly controlled subsidiary of Qisda
Data Image Corporation	Directly/indirectly controlled subsidiary of Qisda
Action Star Technology Co., Ltd.	Directly/indirectly controlled subsidiary of Qisda
Metaage Corporation	Directly/indirectly controlled subsidiary of Qisda
AdvancedTEK International Corp.	Directly/indirectly controlled subsidiary of Qisda
Global Intelligence Network Co., Ltd.	Directly/indirectly controlled subsidiary of Qisda
Concord Medical Co. Ltd.	Directly/indirectly controlled subsidiary of Qisda
Webest Solution Corporation	Directly/indirectly controlled subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd.	Directly/indirectly controlled subsidiary of Qisda
Qisda (Suzhou) Co., Ltd.	Directly/indirectly controlled subsidiary of Qisda
Darly2 Venture, Inc.	Directly/indirectly controlled subsidiary of Qisda
Darly Consulting Corporation	Directly/indirectly controlled subsidiary of Qisda
AU Optronics Corporation (AUO)	Corporate director valuing Qisda under equity approach
AUO (Xiamen) Co., Ltd.	Direct/indirect subsidiary of AUO
AUO Digitech Taiwan Inc.	Direct/indirect subsidiary of AUO
AUO Display Plus Corp.	Direct/indirect subsidiary of AUO
AUO Crystal Corporation	Direct/indirect subsidiary of AUO
Darwin Precisions Corporation	Direct/indirect subsidiary of AUO
Darwin Precisions (Xiamen) Corporation	Direct/indirect subsidiary of AUO
AFPD Pte.,Ltd	Direct/indirect subsidiary of AUO

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

Name of related party	Relationship with the Group
Visco Vision Inc.	Related enterprise of Qisda
Darfon Electronics Corporation (Darfon)	Related enterprise of Qisda
Unictron Technologies Corporation	Direct/indirect subsidiary of Darfon
BenQ Foundations	Substantive related party of Qisda
Suzhou BenQ Foundation	Substantive related party of Qisda
Aewin Korea Technologies Co., Ltd.	Substantive related party of AEWIN
Giantech Corp.	Substantial related party of Brainstorm
Dolica Corporation	Substantial related party of Brainstorm

Note: BenQ Corporation has disposed of 100% equity interest in BenQ Co., Ltd (BQC) on September 30, 2022, so it is no longer a related party of the Group since that date.

(III) Material transactions with related party

1. Net operating revenue

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

	April to June 2023	April to June 2022 (Restated)	January to June 2023	January to June 2022 (Restated)
Parent company	\$ 28,321	10,200	72,406	22,883
Other related parties	58,783	65,913	168,546	137,674
	<u>\$ 87,104</u>	<u>76,113</u>	<u>240,952</u>	<u>160,557</u>

Sales of the Group 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 - 120 days for non-related parties.

2. Purchases

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

	April to June 2023	April to June 2022 (Restated)	January to June 2023	January to June 2022 (Restated)
Parent company	\$ 68,257	186,182	166,463	290,388
Other related parties	3,610	4,620	9,382	10,445
	<u>\$ 71,867</u>	<u>190,802</u>	<u>175,845</u>	<u>300,833</u>

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

3. Lease

The Group 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.

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

The Group has recognized interest expenses of NTD627 thousand and NTD746 thousand for the six months ended June 30, 2023 and 2022, respectively. As of June 30, 2023, December 31 and June 30, 2022, the balances of related lease liabilities were NTD107,232 thousand, NTD114,094 thousand, and NTD122,300 thousand, respectively.

4. Property transactions

<u>Category of related party</u>	<u>Item</u>	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Other related parties	Property, plant and equipment	\$ -	344
Other related parties	Intangible assets	-	984
		<u>\$ -</u>	<u>1,328</u>

5. Operating costs, expenses, and other income

The operating costs and expenses incurred by the Group due to the provision of product processing and management services by related parties, as well as other income generated by other transactions, are detailed below:

<u>Item</u>	<u>Category of related party</u>	<u>April to June 2023</u>	<u>April to June 2022 (Restated)</u>	<u>January to June 2023</u>	<u>January to June 2022 (Restated)</u>
Operating costs	Parent company	\$ 5,094	4,396	8,005	7,667
	Other related parties	5,694	3,861	10,571	6,298
Operating expenses	Parent company	1,061	1,900	1,917	2,969
	Other related parties	6,454	7,532	13,701	11,119
Other income	Parent company	454	-	508	-
	Other related parties	1,357	1,368	2,714	2,725

6. Receivables from related parties

Details of the receivables from related parties of the Group are as follows:

<u>Item</u>	<u>Category of related party</u>	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30 (Restated)</u>
Accounts receivable - related parties	Parent company	\$ 51,911	147,835	117,798
	Other related parties	74,504	124,471	75,098
		<u>126,415</u>	<u>272,306</u>	<u>192,896</u>
Other receivables	Parent company	83	55	-
	Other related parties	970	501	524
		<u>1,053</u>	<u>556</u>	<u>524</u>
		<u>\$ 127,468</u>	<u>272,862</u>	<u>193,420</u>

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

The Group provides some of the raw materials to the parent company for manufacturing, while the completed semi-finished products are sold back to the Group for processing and assembly. The Group did not recognize the amount of raw materials provided to the parent company as operating income. Furthermore, the accounts receivable and payable arising from the sale of raw materials and the purchase of semi-finished products above were not collected and paid on a net basis; therefore, they were not expressed as mutual offset.

7. Accounts payable to related parties

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

Item	Category of related party	2023.6.30	2022.12.31	2022.6.30 (Restated)
Accounts payable - related parties	Parent company	\$ 51,209	115,348	162,999
	Other related parties	2,870	1,837	3,009
		54,079	117,185	166,008
Other payables	Parent company	9,198	4,298	8,301
	Other related parties	4,681	3,711	4,792
		13,879	8,009	13,093
Other payables - dividends payable	Parent company	206,440	-	185,796
	Other related parties	45,875	-	41,288
		252,315	-	227,084
Lease liabilities - current	Parent company	13,841	13,763	13,558
	Other related parties	-	-	2,057
		93,391	100,331	106,685
Lease liabilities - non-current	Parent company	107,232	114,094	122,300
		427,505	239,288	528,485

(IV) Compensation of main managerial officers

	April to June 2023	April to June 2022 (Restated)	January to June 2023	January to June 2022 (Restated)
Short-term employee benefits	\$ 10,965	11,071	23,471	22,808

VIII. Pledged Assets

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

Asset name	Subject matter of pledge guarantee	2023.6.30	2022.12.31	2022.6.30 (Restated)
Pledged certificate of deposit	Performance bond for release before tax to customs house	\$ 2,709	2,325	2,319
Notes receivable	Bank loan guarantee	75,005	11,802	150,279
Property, plant and equipment	Bank loan guarantee	450,197	454,165	457,756
Property, plant and equipment	Performance guarantee for purchases	29,190	29,979	-
		\$ 557,101	498,271	610,354

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

The aforesaid pledged time deposits are presented under the financial assets measured at amortized cost - current.

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

X. Significant Disaster Losses: None.

XI. Significant Events after the Balance Sheet Date

In order to concentrate on the core business and enhance competitiveness, on August 1, 2023, the Group's Board of Directors approved the sale of 33,000 ordinary shares and 200,000 special shares of its subsidiary Brainstorm to Metaage Corporation, a subsidiary of Qisda Corporation for NTD530,075 thousand. The aforementioned equity transaction has not yet been completed.

XII. Others

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

By Function	April to June 2023			April to June 2022		
	Attributable to operating cost	Attributable to operating expenses	Total	Attributable to operating cost	Attributable to operating expenses	Total
By Nature						
Employee benefits expenses						
Salary expense	66,549	303,552	370,101	80,636	310,304	390,940
Labor and health insurance expenses	6,937	28,609	35,546	6,452	26,188	32,640
Pension expense	3,233	13,575	16,808	3,455	13,041	16,496
Other employee benefit expenses	5,513	11,194	16,707	5,761	11,321	17,082
Depreciation expenses	23,200	34,610	57,810	20,642	32,464	53,106
Amortization expenses	1,005	23,086	24,091	451	24,012	24,463

By Function	January to June 2023			January to June 2022 (Restated)		
	Attributable to operating cost	Attributable to operating expenses	Total	Attributable to operating cost	Attributable to operating expenses	Total
By Nature						
Employee benefits expenses						
Salary expense	136,757	597,780	734,537	153,353	586,485	739,838
Labor and health insurance expenses	14,071	59,616	73,687	12,977	52,977	65,954
Pension expense	6,496	26,970	33,466	6,441	24,670	31,111
Other employee benefit expenses	10,941	21,809	32,750	9,949	20,168	30,117
Depreciation expenses	46,136	70,103	116,239	47,025	60,810	107,835
Amortization expenses	1,998	48,257	50,255	900	46,436	47,336

(II) The Group's operation is not affected significantly by seasonal or periodical fluctuations.

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

XIII. Supplementary Disclosures

- (I) Information on Significant Transactions:
1. Loan of funds to others: Please refer to Table 1.
 2. Endorsement and guarantee for others: None.
 3. Marketable securities held at the end of the period (excluding the investments in subsidiaries, related enterprises and equity joint ventures): Please refer to Table 2.
 4. The cumulative purchase or sale of the same securities amounted to NTD300 million or 20% and above of the paid-in capital: None.
 5. The amount of property acquired reached NTD300 million or 20% and above of the paid-in capital: None.
 6. The amount of property disposal reached NTD300 million or 20% and above of the paid-in capital: None.
 7. The amount of purchases or sales with related parties reached NTD100 million or 20% and above of the paid-in capital: Please refer to Table 3.
 8. Receivables from related parties reached NTD 100 million or 20% and above of paid-in capital: Please refer to Table 4.
 9. Engaged in derivative products transactions: Please refer to Note VI (II).
 10. Business relationship and important transactions between the parent company and the subsidiaries: Please refer to Table 5.
- (II) Reinvestment and related information: Please refer to Table 6.
- (III) Information on investments in mainland China: Please refer to Table 7.
- (IV) Information on major shareholders:

Unit: Share

Name of major shareholder	Shares	Number of shares held	Shareholding ratio
Qisda Corporation		51,609,986	45.08%
Gordias Investments Limited of British Virgin Islands Merchant		15,734,441	13.74%
Darly2 Venture, Inc.		9,175,109	8.01%
Hyllus Investments Limited of British Virgin Islands Merchant		8,559,818	7.47%

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

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

number of shares delivered without physical registration as a result of different preparation and calculation bases.

XIV. Segment Information

Information and adjustments of the Group's operating segments are as follows:

April to June 2023						
	Board cards and system segment	Industrial automation control segment	Computer components	Others	Adjustment and elimination	Total
Revenue from external clients	\$ 1,571,746	555,021	1,396,952	237,433	-	3,761,152
Inter-departmental income	3,403	-	-	2,978	(6,381)	-
Total income	<u>\$ 1,575,149</u>	<u>555,021</u>	<u>1,396,952</u>	<u>240,411</u>	<u>(6,381)</u>	<u>3,761,152</u>
Reportable department profit or loss	<u>\$ 131,397</u>	<u>(17,127)</u>	<u>(4,017)</u>	<u>12,908</u>	<u>700</u>	<u>123,861</u>
April to June 2022						
	Board cards and system segment	Industrial automation control segment	Computer components	Others	Adjustment and elimination	Total
Revenue from external clients	\$ 1,795,437	796,153	1,016,898	256,832	-	3,865,320
Inter-departmental income	4,556	-	-	-	(4,556)	-
Total income	<u>\$ 1,799,993</u>	<u>796,153</u>	<u>1,016,898</u>	<u>256,832</u>	<u>(4,556)</u>	<u>3,865,320</u>
Reportable department profit or loss	<u>\$ 157,816</u>	<u>27,787</u>	<u>(41,490)</u>	<u>22,948</u>	<u>700</u>	<u>167,761</u>
January to June 2023						
	Board cards and system segment	Industrial automation control segment	Computer components	Others	Adjustment and elimination	Total
Revenue from external clients	\$ 3,319,751	1,086,610	2,668,848	505,984	-	7,581,193
Inter-departmental income	8,568	90	-	2,978	(11,636)	-
Total income	<u>\$ 3,328,319</u>	<u>1,086,700</u>	<u>2,668,848</u>	<u>508,962</u>	<u>(11,636)</u>	<u>7,581,193</u>
Reportable department profit or loss	<u>\$ 329,552</u>	<u>(31,213)</u>	<u>(8,176)</u>	<u>31,405</u>	<u>1,400</u>	<u>322,968</u>

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

	January to June 2022 (Restated)					
	Board cards and system segment	Industrial automation control segment	Computer components	Others	Adjustment and elimination	Total
Revenue from external clients	\$ 3,213,738	1,664,806	2,534,705	336,479	-	7,749,728
Inter-departmental income	12,321	1,809	-	-	(14,130)	-
Total income	<u>\$ 3,226,059</u>	<u>1,666,615</u>	<u>2,534,705</u>	<u>336,479</u>	<u>(14,130)</u>	<u>7,749,728</u>
Reportable department profit or loss	<u>\$ 252,145</u>	<u>57,218</u>	<u>(32,878)</u>	<u>28,446</u>	<u>1,400</u>	<u>306,331</u>

DFI Inc. and its subsidiaries
Loan of funds to others
From January 1 to June 30, 2023

Table 1

Unit: In Thousands of New Taiwan Dollars

No.	Financing Company	Loan recipient	Transaction item	Related Party	Maximum amount in current period	Ending balance	Amount actually drawn in current period	Range of interest rate	Nature for financing	Business Transaction Amounts	Reason for Short-term Financing	Allowance for bad debts recognized	Collateral		Financing Limits for Each Borrowing Company	Total Financing Limits
													Name	Value		
1	AEWIN	Beijing AEWIN	Other receivables - related parties	Yes	184,826	153,339	153,339	-	1	421,701	Business Interaction	-	-	-	249,975	499,950
2	Ace Pillar	Tianjin ACE Pillar	Other receivables - related parties	Yes	303,121	300,279	171,588	-	2	-	Operating capital fund	-	-	-	396,763	793,526
2	Ace Pillar	Suzhou Super Pillar	Other receivables - related parties	Yes	173,212	171,588	30,028	-	2	-	Operating capital fund	-	-	-	396,763	793,526
3	Cyber South	Tianjin ACE Pillar	Other receivables - related parties	Yes	21,770	21,770	21,770	-	2	-	Operating capital fund	-	-	-	549,351	549,351
4	Proton	Tianjin ACE Pillar	Other receivables - related parties	Yes	12,440	12,440	12,440	-	2	-	Operating capital fund	-	-	-	430,540	430,540

Note 1: The limits of funds lent by AEWIN to all others and to each individual object were 40% and 20%, respectively, of the net value of the company's most recent financial statements.

Note 2: The limits of funds lent by Ace Pillar to all others and to each individual object were 40% and 20%, respectively, of the net value of the company's most recent financial statements.

Note 3: The limits of funds lent by Cyber South to all others and to each individual object were 10% and 5%, respectively, of the net value of the company's most recent financial statements. When lending funds to foreign subsidiaries that the parent company directly or indirectly holds 100% of the voting shares based on need for financing, the limit of all loans and each loan was 100% of the net value.

Note 4: The limits of funds lent by Proton to all others and to each individual object were 10% and 5%, respectively, of the net value of the company's most recent financial statements. When lending funds to foreign subsidiaries that the parent company directly or indirectly holds 100% of the voting shares based on need for financing, the limit of all loans and each loan was 100% of the net value.

Note 5: "1" for those with the nature for financing arising from business transaction; "2" for those have a need for short-term financing.

Note 6: The transactions of the Company's loans to subsidiaries had been written off when the consolidated financial statements were prepared.

DFI Inc. and its subsidiaries
Marketable securities held at the end of the period (excluding the investments in subsidiaries, related enterprises and equity joint ventures)
June 30, 2023

Table 2

Unit: In thousands of New Taiwan Dollar/ In thousands of foreign currency/ In thousands of shares/ In thousands of units

Holder	Type and name of marketable securities	Relationship with the issuer of securities	Accounts	End of period				Remarks
				Number of shares/units	Carrying amount	Shareholding ratio	Fair value	
The Company	Beneficiary certificates: Cathay No.1 REIT	-	Financial assets at fair value through profit or loss - current	1,442	25,841	-	25,841	-
The Company	Stock: APLEX Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,487	103,631	4.03%	103,631	-
AEWIN	Stock: AEWIN KOREA TECHNOLOGIES CO., LTD.	Substantial related party	Financial assets at fair value through other comprehensive income - non-current	10	745	16.67%	745	-
AEWIN	Stock: Authentrend Technology Inc.	-	Financial assets at fair value through profit or loss - non-current	300	-	1.42%	-	-
Standard Co.	Stock: Intelligent fluids GmbH	-	Financial assets at fair value through other comprehensive income - non-current	27	-	1.71%	-	-
Standard Co.	Stock: COMPITEK CORP PTE LTD. (CPL)	-	Financial assets at fair value through other comprehensive income - non-current	36	7,312	6.28%	7,312	-
STCBVI	Bonds: Biogen Inc.	-	Financial assets measured at amortized cost - non-current	USD 100	3,249	-	3,249	-

DFI Inc. and its subsidiaries
The amount of purchases or sales with related parties reached NTD100 million or 20% and above of the paid-in capital
From January 1 to June 30, 2023

Table 3

Unit: In Thousands of New Taiwan Dollars

Purchaser/Seller	Name of Counterparty	Relationship	Transaction status				Situation and reason for difference between the trading terms and the general trading		Notes and accounts receivable (payable)		Remarks
			Purchase/(Sale)	Amount	Proportion to total purchase/sales	Credit period	Unit price	Credit period	Balance	Proportion to total notes and accounts receivable (payable)	
DFI AMERICA, LLC.	The Company	Parent company and subsidiary	Purchase	369,375	94.29%	60-90 days to collect	-	-	(202,314)	99.60%	-
The Company	DFI AMERICA, LLC.	Parent company and subsidiary	(Sale)	(369,375)	15.32%	60-90 days to collect	-	-	202,314	22.62%	-
Diamond Flower Information (NL) B.V	The Company	Parent company and subsidiary	Purchase	292,434	99.71%	60-90 days to collect	-	-	(43,135)	100%	Note 1
The Company	Diamond Flower Information (NL) B.V	Parent company and subsidiary	(Sale)	(292,434)	12.13%	60-90 days to collect	-	-	43,135	4.82%	Note 1
DFI Co.,Ltd.	The Company	Parent company and subsidiary	Purchase	168,321	99.10%	60-90 days to collect	-	-	(24,503)	97.71%	Note 1
The Company	DFI Co.,Ltd.	Parent company and subsidiary	(Sale)	(168,321)	6.98%	60-90 days to collect	-	-	24,503	2.74%	Note 1
AEWIN	The Company	Parent company and subsidiary	Purchase	287,889	43.25%	Payment term of 90 days	-	-	(174,600)	68.49%	Note 1
The Company	AEWIN	Parent company and subsidiary	(Sale)	(287,889)	11.94%	Payment term of 90 days	-	-	174,600	19.53%	Note 1
Qisda	The Company	Parent company and subsidiary	(Sale)	(144,066)	0.40%	60-90 days to collect	-	-	43,189	0.20%	Note 1
The Company	Qisda	Parent company and subsidiary	Purchase	144,066	10.12%	60-90 days to collect	-	-	(43,189)	8.14%	Note 1
The Company	AEWIN	Parent company and subsidiary	Purchase	108,120	7.59%	Payment term of 60 days	-	-	(18,967)	3.57%	Note 1
AEWIN	The Company	Parent company and subsidiary	(Sale)	- (Note 2)	0.00%	Payment term of 60 days	-	-	18,967	3.51%	Note 1

Note 1: The above transactions have been written off when preparing the consolidated financial report.

Note 2: The amount of sales of raw materials after processing and repurchase has been deducted.

DFI Inc. and its subsidiaries
Receivables from related parties reached NTD100 million or 20% and above of paid-in capital
From January 1 to June 30, 2023

Table 4

Unit: In Thousands of New Taiwan Dollars

Company of receivables	Name of Counterparty	Relationship	Balance of receivable from related parties	Turnover rate	Overdue receivables from related parties		Recovery amount of receivables from related parties after the balance sheet date	Allowance for bad debts recognized
					Amount	Treatment		
The Company	AEWIN	Parent company and subsidiary	174,600	3.03	-	-	47,399	-
The Company	DFI AMERICA, LLC.	Parent company and subsidiary	202,314	4.28	-	-	124,400	-
AEWIN	Beijing AEWIN	Parent company and subsidiary	360,940	0.42	272,887	Strengthen collection	7,443	-
AEWIN	Beijing AEWIN	Parent company and subsidiary	153,339	-	-	-	109,053	-
Ace Pillar	Tianjin ACE Pillar	Parent company and subsidiary	171,588	-	-	-	-	-

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

DFI Inc. and its subsidiaries
Business relationship and important transactions between the parent company and the subsidiaries
From January 1 to June 30, 2023

Table 5

Unit: In Thousands of New Taiwan Dollars

No. (Note 1)	Name of trader	Counterparty	Relationship with trader (Note 2)	Transaction situation			
				Account	Amount	Transaction terms	Proportion to consolidated revenue or asset (Note 7)
0	The Company	DFI AMERICA, LLC.	1	(Sale)	(369,375)	60-90 days to collect	4.87%
0	The Company	DFI AMERICA, LLC.	1	Accounts receivable	202,314	60-90 days to collect	1.69%
0	The Company	Diamond Flower Information (NL) B.V.	1	(Sale)	(292,434)	60-90 days to collect	3.86%
0	The Company	DFI Co., Ltd.	1	(Sale)	(168,321)	60-90 days to collect	2.22%
0	The Company	AEWIN	1	(Sale)	(287,889)	Payment term of 90 days	3.80%
0	The Company	AEWIN	1	Accounts receivable	174,600	Payment term of 90 days	1.46%
1	AEWIN	Beijing AEWIN	3	(Sale)	(91,899)	(Note 5)	1.21%
1	AEWIN	Beijing AEWIN	3	Accounts receivable	360,940	(Note 5)	3.02%
1	AEWIN	Beijing AEWIN	3	Other receivables	153,339	(Note 5)	1.28%
1	AEWIN	Aewin Tech Inc.	3	(Sale)	(75,810)	(Note 6)	1.00%
2	Ace Pillar	Tianjin ACE Pillar	3	Other receivables - borrowings	171,588	One year	1.44%

Note 1: The number should be filled in as follows:

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

Note 2: The types of relationships with traders are indicated as follows:

1. Parent company - subsidiary.
2. Subsidiary - parent company.
3. Subsidiary - 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 calculated by dividing the transaction amount by the consolidated operating income or total consolidated assets.

Note 5: 150 days after shipment and subject to extension according to market conditions.

Note 6: 120 days after shipment and subject to extension according to market conditions.

Note 7: With respect to the business relationships and important transactions between parent and subsidiary companies, only information regarding those accounting for 1% or more of the consolidated revenue or assets are disclosed.

DFI Inc. and its subsidiaries
Reinvestment and related information
From January 1 to June 30, 2023

Table 6

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

Name of investor company	Name of investee	Location	Primary business	Original investment amount		Ending shareholding			Profit (loss) of the investee for the period	Investment profit (loss) recognized for the period	Remarks (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%	386,734	6,150	6,150	Subsidiary of the Company
The Company	Yan Tong	Mauritius	General investment business	107,198	107,198	3,500	100%	104,780	(6,016)	(6,075)	Subsidiary of the Company
The Company	DFI Co., Ltd	Japan	Sales of industrial computer cards	104,489	104,489	6	100%	132,756	21,788	21,788	Subsidiary of the Company
The Company	Diamond Flower Information (NL) B.V	Netherlands	Sales of industrial computer cards	35,219	35,219	12	100%	132,265	26,374	26,374	Subsidiary of the Company
The Company	AEWIN	Taiwan	Design, manufacturing and sale of industrial computer mainboards and related products	564,191	564,191	30,376	51.38%	632,737	21,357	10,114	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	1,301,359	1,301,359	53,958	48.07%	1,050,231	2,999	(1,318)	Subsidiary of the Company
The Company	Brainstorm	USA	Wholesale and retail of computer and peripheral devices	501,582	501,582	233	35.09%	532,031	10,245	(4,395)	Subsidiary of the Company
AEWIN	Wise Way	Anguilla	Investment business	46,129	46,129	1,500	100%	98,651	(38,258)	(Note 1)	Subsidiary indirectly controlled by the Company
AEWIN	Aewin Tech Inc.	USA	Wholesale of computer and peripheral equipment and software	77,791	77,791	2,560	100%	20,452	(2,139)	(Note 1)	Subsidiary indirectly controlled by the Company
Wise Way	Bright Profit	Hong Kong	Investment business	46,129	46,129	1,500	100%	146,194	(38,258)	(Note 1)	Subsidiary indirectly controlled by the Company
Ace Pillar	Cyber South	Samoa	Holding Company	107,041	107,041	4,669	100%	549,351	(18,146)	(Note 1)	Subsidiary indirectly controlled by the Company
Ace Pillar	Hong Kong ACE Pillar	Hong Kong	Trade of transmission mechanical components	5,120	5,120	1,200	100%	11,066	(868)	(Note 1)	Subsidiary indirectly controlled by the Company
Cyber South	Proton	Samoa	Holding Company	527,665	527,665	17,744	100%	430,540	(18,852)	(Note 1)	Subsidiary indirectly controlled by the Company
Cyber South	Ace Tek	Hong Kong	Holding Company	4,938	4,938	150	100%	2,332	217	(Note 1)	Subsidiary indirectly controlled by the Company
Ace Pillar	Standard Co.	Taiwan	Trading of semiconductor optoelectronic equipment and consumables and equipment maintenance services	187,000	187,000	4,680	60%	215,295	8,811	(Note 1)	Subsidiary indirectly controlled by the Company
Standard Co.	Standard Technology Corp.	BVI	Holding Company	21,727	21,727	600	100%	118,940	6,822	(Note 1)	Subsidiary indirectly controlled by the Company
Ace Pillar	ACE Energy	Taiwan	Energy Service Company	166,760	166,760	4,993	99.86%	195,851	17,157	(Note 1)	Subsidiary indirectly controlled by the Company
ACE Energy	BlueWalker GmbH	Germany	Trading and services of energy management products	138,804	138,804	(Note 3)	100%	157,518	10,541	(Note 1)	Subsidiary indirectly controlled by the Company

Note 1: The profit or loss of the investee company has been included in its investor, so to avoid confusion, it will not be expressed separately here.

Note 2: The subsidiaries directly and indirectly controlled by the Company in the above table have been written off when preparing the consolidated financial report.

Note 3: It is a limited liability company, so there is no number of shares.

DFI Inc. and its subsidiaries
Information on Investment in Mainland China
From January 1 to June 30, 2023

Table 7

1. Information on Reinvestment in Mainland China:

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

Investee in mainland China	Primary business	Paid-in capital	Investment method	Accumulated amount of investment remitted out of Taiwan at the beginning of the period	Remitted or repatriated amount of investment for the period		Accumulated investment amount remitted from Taiwan at the end of current period	Current profit (loss) of the investee in the period	Shareholding ratio of direct or indirect investment of the Company	Investment profit (loss) recognized in the period	Ending carrying value of investment	Repatriated investment income as of the end of the period
					Remitted	Repatriated						
Yan Tong Infotech (Dongguan) Co., Ltd.	Manufacturing and sales of computer cards, board cards, host computer, electronic parts and components	69,200 (USD 2,500)	(Note 1)	-	-	-	-	2,314	100%	2,314 (Note 2)	57,962	33,306
Yan Ying Hao Trading (Shenzhen) Co. Ltd.	Wholesale, import and export of computer cards, board cards, host computer, electronic parts and components	13,840 (USD 500)	(Note 1)	-	-	-	-	(8,554)	100%	(8,554) (Note 2)	39,896	-
Beijing AEWIN	Wholesale of computers and peripheral equipment and software	46,129 (USD 1,500)	(Note 1)	46,129 (USD 1,500)	-	-	46,129 (USD 1,500)	(38,259)	100%	(38,259) (Note 3)	146,188	-
Aewin (Shenzhen)	Wholesale of computers and peripheral equipment and software	15,265 (RMB 3,500)	(Note 5)	-	-	-	-	2,204 (RMB 500)	100%	2,204 (RMB 500) (Note 3)	40 (RMB 9)	-
Tianjin ACE Pillar	Trade of transmission mechanical components	1,097,737 (USD 35,297)	(Note 1)	60,645 (USD 1,950)	-	-	60,645 (USD 1,950)	(22,472)	100%	(22,472) (Note 3)	509,135	125,533
Tianjin Jinhao	Manufacturing and processing of machinery transmission products	7,164 (RMB 1,670)	(Note 1)	4,976 (USD 160)	-	-	4,976 (USD 160)	(13)	100%	(13) (USD (0.4) (Note 3)	4,040 (USD 130)	-
Quansheng Information	Electronic system integration	9,330 (USD 300)	(Note 1)	4,665 (USD 150)	-	-	4,665 (USD 150)	217	100%	217 (USD 7) (Note 3)	2,305 (USD 74)	-
Suzhou Super Pillar	Processing and technical services of mechanical transmission and control products	45,095 (USD 1,450)	(Note 1)	- (Note 4)	-	-	- (Note 4)	1,210	100%	1,210 (USD 40) (Note 3)	106,178 (USD 3,414)	-
Shanghai Standard	Trading of semiconductor optoelectronic equipment and consumables and equipment maintenance services	14,928 (USD 480)	(Note 1)	14,928 (USD 480)	-	-	14,928 (USD 480)	6,775	100%	6,775 (Note 3)	99,225	118,686

Note 1: Reinvest in the companies in mainland China through companies established in third regions.

Note 2: It is recognized in line with the financial report prepared by the investee on its own and not reviewed by the accountant.

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

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

Note 5: It is a mainland China-based company reinvested by Beijing AEWIN.

2. Limit of investment in mainland China:

Name of investor company	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	0 (Note 1)	64,844 (Note 3 and Note 4) (USD 2,085)	3,338,848
AEWIN	46,129 (USD 1,500)	62,200 (USD 2,000)	749,926
Ace Pillar	159,201 (USD 5,119)	159,201 (USD 5,119)	1,246,112
Standard Co.	14,928 (USD 480)	14,928 (USD 480)	107,963

Note 1: It refers to the amount actually remitted by the Company and approved by the Investment Commission, excluding the amount remitted by subsidiaries and approved by the Investment Commission.

Note 2: According to the Review Principles for Investment or Technical Cooperation in Mainland China, the accumulated amount of investment in mainland China shall not exceed 60% of the net value or consolidated net value, whichever the 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 Yan Tong Infotech (Dongguan) Co., Ltd. approved by the Investment Commission in February 2017.

3. Material transactions with investees in mainland China:

Please refer to the statement under the "Information on Significant Transactions" for the direct or indirect material transactions between the Group and the investees in mainland China from January 1 to June 30, 2023 (these transactions had been written off when the consolidated financial statements were prepared).