

DFI Inc. and its subsidiaries

Consolidated Financial Statements and Independent Auditors' Review Report

For the Six Months Ended June 30, 2022 and 2021

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.

Introduction

We have reviewed the accompanying consolidated balance sheets of DFI Inc. and its subsidiaries as of June 30, 2022 and 2021, the consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021, the related consolidated statements of changes in equity and of cash flows for the six months ended June 30, 2022 and 2021, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion," we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of 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 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 described in Note IV (II) of the consolidated financial statements, the financial statements for the same periods of immaterial subsidiaries that have been included in the consolidated financial statements were not reviewed by the independent auditors. As of June 30, 2022 and 2021, these financial statements reflected total assets in New Taiwan Dollars (same as below) of \$1,641,416,000 and \$904,850,000, representing 12.66% and 8.26% of total consolidated assets respectively; total liabilities of \$452,585,000 and \$81,400,000, representing 6.01% and 1.47% of total consolidated liabilities respectively as of June 30, 2022 and 2021; its total comprehensive income (loss) for the period from April 1 to June 30, 2022 and 2021, as well as for the period from January 1 to June 30, 2022 and 2021 amounted to \$37,230,000, \$(5,674,000), \$76,511,000 and \$(15,169,000), representing 23.90%, (4.91)%, 22.81% and (7.90)% of total consolidated comprehensive income (loss) respectively.

Qualified Conclusion

Based on our reviews, except for possible effects from financial statements of the immaterial subsidiaries mentioned in the paragraph titled “Basis for Qualified Conclusion” if they were reviewed by independent auditors, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of DFI Inc. and its subsidiaries as of June 30, 2022 and 2021, and its consolidated financial performance for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021, and its consolidated cash flows for the six-month period ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG
Certified Public Accountant:

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

August 3, 2022

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.

As of June 30, 2022 and 2021 (Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)
DFI Inc. and its subsidiaries

Consolidated Balance Sheets

June 30, 2022, December 31 and June 30, 2021

Unit: In Thousands of New Taiwan Dollars

	2022.6.30		2021.12.31		2021.6.30	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (Note VI (I))	\$ 1,288,008	10	1,521,790	12	1,597,377	15
1110 Financial assets at fair value through profit or loss - current (Note VI (II))	27,330	-	28,528	-	28,231	-
1136 Financial assets at amortized cost - current (Notes VI (IV) & VIII)	8,560	-	1,708	-	1,708	-
1170 Net of notes receivable and accounts receivable (Notes VI (V) (XXI) & VIII)	2,773,214	22	2,596,077	21	2,374,952	21
1180 Trade receivable - related parties (Notes VI (V) (XXI) & VII)	189,808	1	167,795	2	119,036	1
1200 Other receivables (Notes VI (V) & VII)	25,817	-	30,806	-	19,410	-
130X Inventories (Notes VI (VI))	3,962,800	31	3,583,295	29	2,907,253	27
1410 Prepayments	155,858	1	133,011	1	67,171	1
1460 Non-current assets held for sale (Notes VI (VII)(IX))	348,430	3	312,601	3	73,452	1
1470 Other current assets	23,327	-	16,227	-	23,138	-
Total current assets	8,803,152	68	8,391,838	68	7,211,728	66
Non-current assets:						
1517 Financial assets at fair value through other comprehensive income - non-current (Notes VI (III))	41,035	-	42,547	-	31,308	-
1535 Financial assets at amortized cost - non-current (Note VI (IV))	3,107	-	-	-	-	-
1600 Property, plant and equipment (Notes VI (IX), VII & VIII)	2,474,763	19	2,466,382	20	1,896,403	17
1755 Right-of-use assets (Notes VI (X) & VII)	328,062	2	267,778	2	314,189	3
1780 Intangible assets (Notes VI (VIII) (XI) & VII)	1,147,447	9	974,453	8	1,010,024	9
1840 Deferred income tax assets	79,919	1	78,856	1	84,845	1
1990 Other non-current assets (Note VI (IX))	88,859	1	90,342	1	402,459	4
Total non-current assets	4,163,192	32	3,920,358	32	3,739,228	34
Total assets	\$ 12,966,344	100	12,312,196	100	10,950,956	100

(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

As of June 30, 2022 and 2021 (Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards)
DFI Inc. and its subsidiaries

Consolidated Balance Sheets (Continued from the previous page)

June 30, 2022, December 31 and June 30, 2021

Unit: In Thousands of New Taiwan Dollars

	2022.6.30		2021.12.31		2021.6.30	
	Amount	%	Amount	%	Amount	%
Liabilities and equity						
Current liabilities:						
2100 Short-term borrowings (Notes VI (XII) & VIII)	\$ 2,358,617	18	1,311,304	11	1,204,111	11
2120 Financial liabilities at fair value through profit or loss - current (Note VI (II))	3,683	-	821	-	2,675	-
2130 Contract liabilities - current (Note VI (XXI))	142,085	1	181,755	1	143,549	2
2170 Notes and trade payables	1,819,157	14	2,191,477	18	2,124,302	19
2180 Trade payables to related parties (Note VII)	165,946	1	63,053	1	89,124	1
2200 Other payables (Note VII)	997,854	8	548,898	4	883,589	8
2230 Current income tax liabilities	106,715	1	86,768	1	112,139	1
2250 Provisions - current (Note VI (XV))	45,889	-	46,247	-	43,797	-
2280 Lease liabilities - current (Notes VI (XIV) & VII)	79,257	1	73,484	1	78,650	1
2322 Long-term borrowings - current portion (Notes VI (XIII) & VIII)	20,242	-	20,000	-	-	-
2399 Other current liabilities	21,311	-	17,092	-	13,326	-
Total current liabilities	5,760,756	44	4,540,899	37	4,695,262	43
Non-current liabilities:						
2540 Long-term borrowings (Notes VI (XIII) & VIII)	1,120,524	9	1,730,000	14	304,180	3
2570 Deferred income tax liabilities	358,145	3	315,669	3	289,432	3
2580 Lease liabilities - non-current (Notes VI (XIV) & VII)	243,443	2	181,231	2	212,630	2
2640 Net defined benefit liabilities - non-current	42,584	-	40,584	-	39,679	-
2670 Other non-current liabilities	784	-	-	-	-	-
Total non-current liabilities	1,765,480	14	2,267,484	19	845,921	8
Total liabilities	7,526,236	58	6,808,383	56	5,541,183	51
Equity attributable to the owners of the parent company (Note VI (VIII) (XVIII)):						
3110 Share capital - ordinary shares	1,144,889	9	1,144,889	9	1,146,889	10
3200 Capital surplus	609,948	5	655,744	5	656,837	6
3300 Retained earnings	1,204,058	9	1,371,470	11	1,029,502	9
3400 Other equity	(81,957)	(1)	(114,824)	(1)	(109,239)	(1)
3500 Treasury shares	-	-	-	-	(12,907)	-
Total equity attributable to owners of parent company	2,876,938	22	3,057,279	24	2,711,082	24
36XX Non-controlling interests (Note VI (VIII) (XVIII))	2,563,170	20	2,446,534	20	2,698,691	25
Total equity	5,440,108	42	5,503,813	44	5,409,773	49
Total liabilities and equity	\$ 12,966,344	100	12,312,196	100	10,950,956	100

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

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

DFI Inc. and its subsidiaries

Consolidated Statements of Comprehensive Income

April 1 to June 30, 2022 and 2021 and January 1 to June 30, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

	April to June 2022		April to June 2021		January to June 2022		January to June 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Net operating revenue (Notes VI (VIII) (XXI), VII & XIV)	\$ 3,852,164	100	3,271,167	100	7,722,992	100	5,279,285	100
5000 Operating costs (Note VI (VI) (IX) (X) (XI) (XVI) (XXII), VII & XII)	(3,075,046)	(80)	(2,591,454)	(79)	(6,241,295)	(81)	(4,105,575)	(78)
Gross Profit	777,118	20	679,713	21	1,481,697	19	1,173,710	22
Operating expenses (Note VI (V) (IX) (X) (XI) (XIV) (XVI) (XXII), VII & XII):								
6100 Selling and marketing expenses	(382,954)	(10)	(276,640)	(9)	(725,634)	(9)	(468,630)	(9)
6200 General and administrative expenses	(115,113)	(3)	(99,310)	(3)	(227,410)	(3)	(191,077)	(3)
6300 Research and development expenses	(109,677)	(3)	(96,170)	(3)	(216,631)	(3)	(193,184)	(4)
6450 Expected credit losses	(5,964)	-	(12,588)	-	(8,973)	-	(3,396)	-
6000 Total operating expenses	(613,708)	(16)	(484,708)	(15)	(1,178,648)	(15)	(856,287)	(16)
Net operating income	163,410	4	195,005	6	303,049	4	317,423	6
Non-operating income and expenses (Notes VI (VII) (XIV) (XXIII) & VII):								
7100 Interest income	1,265	-	1,117	-	1,618	-	1,458	-
7010 Other income	15,565	-	6,879	-	22,670	-	11,645	-
7020 Other gain and loss	17,410	1	(6,331)	-	32,589	-	(3,965)	-
7050 Finance costs	(14,538)	-	(5,434)	-	(25,585)	-	(9,733)	-
Total non-operating income and expenses	19,702	1	(3,769)	-	31,292	-	(595)	-
7900 Profit before tax	183,112	5	191,236	6	334,341	4	316,828	6
7950 Less: Income tax expense (Note VI (XVII))	(35,808)	(1)	(58,483)	(2)	(76,918)	(1)	(86,889)	(2)
8200 Net profit for the period	147,304	4	132,753	4	257,423	3	229,939	4
Other comprehensive income (Note VI (XVIII)):								
8310 Items that will not be reclassified to profit or loss								
8316 Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(4,445)	-	3,547	-	(2,946)	-	501	-
8349 Income tax relating to items that will not be reclassified	-	-	-	-	-	-	-	-
	(4,445)	-	3,547	-	(2,946)	-	501	-
8360 Items that may be reclassified subsequently to profit or loss								
8361 Exchange differences on translating the financial statements of foreign operations	12,884	-	(20,711)	-	80,899	1	(38,308)	-
8399 Income tax relating to items that may be reclassified	-	-	-	-	-	-	-	-
	12,884	-	(20,711)	-	80,899	1	(38,308)	-
Other comprehensive income (loss) for the period	8,439	-	(17,164)	-	77,953	1	(37,807)	-
8500 Total comprehensive income (loss) for the period	\$ 155,743	4	115,589	4	335,376	4	192,132	4
Net profit in current period attributable to:								
8610 Owners of the parent company	\$ 115,338	3	62,525	2	198,952	2	128,759	2
8620 Non-controlling interests	31,966	1	70,228	2	58,471	1	101,180	2
	\$ 147,304	4	132,753	4	257,423	3	229,939	4
Total comprehensive income (loss) attributable to:								
8710 Owners of the parent company	\$ 112,108	3	50,493	2	231,819	3	94,127	2
8720 Non-controlling interests	43,635	1	65,096	2	103,557	1	98,005	2
	\$ 155,743	4	115,589	4	335,376	4	192,132	4
Earnings per share (Unit: In New Taiwan Dollars and Note VI (XX))								
9750 Basic earnings per share	\$ 1.01		0.55		1.74		1.12	
9850 Diluted earnings per share	\$ 1.00		0.55		1.73		1.12	

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards
DFI Inc. and its subsidiaries
Consolidated Statements of Changes in Equity
January 1 to June 30, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

	Equity attributable to owners of parent company						Other equity items				Total equities attributable to owners of parent company	Non-controlling interests	Total equity
	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	Treasury shares			
	Share capital - ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings								
Balance as of January 1, 2021	\$ 1,146,889	679,735	788,518	54,268	393,207	1,235,993	(83,110)	8,503	(74,607)	(12,907)	2,975,103	2,058,536	5,033,639
Net profit for the period	-	-	-	-	128,759	128,759	-	-	-	-	128,759	101,180	229,939
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(34,938)	306	(34,632)	-	(34,632)	(3,175)	(37,807)
Total comprehensive income (loss) for the period	-	-	-	-	128,759	128,759	(34,938)	306	(34,632)	-	94,127	98,005	192,132
Legal reserve	-	-	37,246	-	(37,246)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	20,339	(20,339)	-	-	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	(320,569)	(320,569)	-	-	-	-	(320,569)	-	(320,569)
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(60,892)	(60,892)
Cash dividends distributed from capital surplus	-	(22,898)	-	-	-	-	-	-	-	-	(22,898)	-	(22,898)
Differences between the actual price for acquisition or disposal of the subsidiaries and their carrying amount	-	-	-	-	(14,681)	(14,681)	-	-	-	-	(14,681)	(38,391)	(53,072)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	641,433	641,433
Balance as of June 30, 2021	\$ 1,146,889	656,837	825,764	74,607	129,131	1,029,502	(118,048)	8,809	(109,239)	(12,907)	2,711,082	2,698,691	5,409,773
Balance as of January 1, 2022	\$ 1,144,889	655,744	825,764	74,607	471,099	1,371,470	(134,871)	20,047	(114,824)	-	3,057,279	2,446,534	5,503,813
Net profit for the period	-	-	-	-	198,952	198,952	-	-	-	-	198,952	58,471	257,423
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	103,557	335,376
Profit distribution:													
Legal reserve	-	-	61,568	-	(61,568)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	40,215	(40,215)	-	-	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	(366,364)	(366,364)	-	-	-	-	(366,364)	-	(366,364)
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(69,711)	(69,711)
Cash distributed from capital surplus	-	(45,796)	-	-	-	-	-	-	-	-	(45,796)	-	(45,796)
Non-controlling interests adjustments	-	-	-	-	-	-	-	-	-	-	-	3,415	3,415
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	79,375	79,375
Balance as of June 30, 2022	\$ 1,144,889	609,948	887,332	114,822	201,904	1,204,058	(99,301)	17,344	(81,957)	-	2,876,938	2,563,170	5,440,108

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

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

**DFI Inc. and its subsidiaries
Consolidated Statements of Cash Flows
January 1 to June 30, 2022 and 2021**

Unit: In Thousands of New Taiwan Dollars

	<u>January to June 2022</u>	<u>January to June 2021</u>
Cash flows from operating activities:		
Net profit before tax for the period	\$ 334,341	316,828
Adjustment item:		
Adjustments for		
Depreciation expenses	100,627	82,577
Amortization expenses	47,336	24,275
Expected credit losses	8,973	3,396
Evaluation losses (gains) of financial assets measured at fair value through profit or loss	216	1,002
Interest expense	25,585	9,733
Interest income	(1,618)	(1,458)
Loss on disposal of property, plant and equipment	13	326
Gain on disposal of non-current assets held for sale	(14,624)	-
Loss on liquidation of subsidiary	391	-
Gain on lease amendment	(529)	-
Total revenue, expense and loss items	<u>166,370</u>	<u>119,851</u>
Changes in assets/liabilities related to business activities:		
Net changes in assets related to operating activities:		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	982	(1,993)
Increase in notes and accounts receivable	(49,203)	(346,213)
(Increase) decrease in accounts receivable - related parties	(6,678)	25,198
Decrease (increase) in other receivables	6,001	(5,999)
Increase in inventories	(194,289)	(575,566)
Increase in prepayments	(16,262)	(12,015)
Decrease (increase) in other current assets	2,376	(4,476)
Total net changes in assets related to operating activities	<u>(257,073)</u>	<u>(921,064)</u>
Net change in liabilities related to operating activities:		
Increase (decrease) in financial liabilities held for trading	2,862	(7,093)
Increase (decrease) in contractual liabilities	(52,363)	46,851
Increase (decrease) in notes and trade payables	(470,834)	256,484
Increase (decrease) in accounts payable - related parties	102,893	(15,756)
Decrease in other payables	(99,296)	(108,352)
Decrease in provisions	(358)	(13,030)
Increase (decrease) in other current liabilities	4,043	(4,599)
Decrease in net defined benefit liabilities	(3,827)	(434)
Total net changes in liabilities related to business activities	<u>(516,880)</u>	<u>154,071</u>
Total net changes in assets and liabilities related to operating activities	<u>(773,953)</u>	<u>(766,993)</u>
Total adjustment items	<u>(607,583)</u>	<u>(647,142)</u>
Cash used in operations	(273,242)	(330,314)
Interest received	1,589	1,458
Interest paid	(24,820)	(9,540)
Income tax paid	(81,667)	(94,807)
Net cash used in operating activities	<u>(378,140)</u>	<u>(433,203)</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

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

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

January 1 to June 30, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars

	January to June 2022	January to June 2021
	<hr/>	<hr/>
Cash flows from investing activities:		
Purchase of financial assets at amortized cost	(10)	-
Proceeds from sale of financial assets at amortized cost	11,339	-
Proceeds from sale of financial assets at fair value through profit or loss	-	981
Acquisition of subsidiaries (less cash obtained)	(114,749)	(41,201)
Proceeds from disposal of non-current assets held for sale	46,401	-
Purchase of Property, plant and equipment	(130,745)	(57,261)
Proceeds from disposal of property, plant and equipment	-	18
Decrease (increase) in refundable deposits	(307)	1,259
Purchase of intangible assets	(10,341)	(7,864)
Increase in other non-current assets	<u>(13,075)</u>	<u>(345,154)</u>
Net cash used in investing activities	<u>(211,487)</u>	<u>(449,222)</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	4,134,733	2,407,948
Repayments of short-term borrowings	(3,227,869)	(2,027,216)
Proceeds from long-term borrowings	400,000	299,993
Repayments of long-term borrowings	(1,010,061)	-
Repayment of the principal portion of lease	(35,192)	(34,066)
Acquisition of subsidiaries	<u>-</u>	<u>(53,072)</u>
Net cash generated from financing activities	<u>261,611</u>	<u>593,587</u>
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	<u>94,234</u>	<u>(36,030)</u>
Decrease in cash and cash equivalents for the current period	(233,782)	(324,868)
Cash and cash equivalents at the beginning of the period	<u>1,521,790</u>	<u>1,922,245</u>
Cash and cash equivalents at the end of the period	<u>\$ 1,288,008</u>	<u>1,597,377</u>

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

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

DFI Inc. and its subsidiaries

Notes to Consolidated Financial Statements

For the Three Months Ended June 30, 2022 and 2021

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

I. Company History

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

II. Date and Procedures of Authorization of Financial Statements

The accompanying consolidated financial statements were approved and issued by the Board of Directors on August 3, 2022.

III. Application of New and Amended Standards and Interpretations

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

As of January 1, 2022, the Consolidated Company began to apply the following newly revised International Financial Reporting Standards (IFRS), which has not had a significant impact on the consolidated financial statements.

- Amendment to IAS 16 “Property, plant, and equipment: price before fulfillment of expected usage state”
- Amendment to IAS 37 “Loss-making contract - cost of contract performance”
- Annual Improvement to IFRS Standards 2018-2020
- Amendment to IFRS 3 “Reference to the Conceptual Framework”

- (II) Effect of IFRSs endorsed by the FSC but not yet adopted by the Consolidated Company

Based on the Consolidated Company's assessment, the adoption of the following newly revised IFRSs effective from January 1, 2023 will not have a significant impact on the consolidated financial statements.

- Amendment to IAS 1 "Disclosure of Accounting Policies"
- Amendment to IAS 8 "Definition of Accounting Estimates"
- Amendment to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

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

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

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

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

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

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

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to IFRS 17 "Insurance Contracts" and IFRS 17

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereafter referred to as the "Preparation Regulations") and International Accounting Standard No. 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRS, IAS, IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC (hereafter referred to as the "IFRSs").

(II) Basis of Consolidation

1. Subsidiaries included in consolidated financial statements

Name of investor company	Name of subsidiary	Nature of business	Comprehensive shareholding %			Description
			2022.6.30	2021.12.31	2021.6.30	
The Company	DFI AMERICA, LLC (DFI US)	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note 5
The Company	DFI Co., Ltd.	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note 5
The Company	Yan Tong Technology Ltd. (Yan Tong)	Investment business	100.00%	100.00%	100.00%	Note 5
The Company	Diamond Flower Information (NL) B.V.	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note 5
The Company	Brainstorm Corporation (Brainstorm)	Wholesale and retail of computer and peripheral devices	35.09%	35.09%	35.09%	Note 1
The Company	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 5

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
			2022.6.30	2021.12.31	2021.6.30	
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 5
The Company	AEWIN Technologies Co., Ltd. (AEWIN)	Design, manufacture and sale of industrial computer cards and related products	51.38%	51.38%	51.37%	-
AEWIN	Wise Way	Investment business	51.38%	51.38%	51.37%	-
AEWIN	Aewin Tech Inc.	Wholesale of computer and peripheral equipment and software	51.38%	51.38%	51.37%	-
Wise Way	Bright Profit	Investment business	51.38%	51.38%	51.37%	-
Bright Profit	Aewin Beijing Technologies Co., Ltd. (Beijing AEWIN)	Wholesale of computer and peripheral equipment and software	51.38%	51.38%	51.37%	-
Beijing AEWIN	Aewin(Shenzhen)Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	51.38%	51.38%	51.37%	-
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%	35.20%	-
Ace Pillar	Cyber South Management Ltd. (Cyber South)	Holding Company	48.07%	48.07%	35.20%	-
Ace Pillar	Hong Kong Ace Pillar Enterprise Company Limited (Hong Kong ACE Pillar)	Sales and Purchases of transmission mechanical components	48.07%	48.07%	35.20%	-
Ace Pillar/Proton/Cyber South	Tianjin Ace Pillar Co., Ltd. (Tianjin Ace Pillar)	Sales and Purchases of transmission mechanical components	48.07%	48.07%	35.20%	-
Cyber South	Proton Inc.(Proton)	Holding Company	48.07%	48.07%	35.20%	-
Cyber South	Ace Tek (HK) Holding Co., Ltd. (Ace Tek)	Holding Company	48.07%	48.07%	35.20%	-
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%	35.20%	-
Cyber South	Grace Transmission (Tianjin) Co., Ltd. (Tianjin Jinhao)	Manufacturing and processing of machinery transmission products	48.07%	48.07%	35.20%	-
Cyber South	Xuchang Ace AI Equipment Co.,Ltd.	Wholesale and retail of industrial robotic related products	-	48.07%	35.20%	Note 4
Ace Pillar	BlueWalker GmbH (BWA)	Trading and services of energy management products	48.07%	-	-	Note 3 and Note 5
Ace Tek	ADVANCEDTEK ACE (TJ) INC. (Quansheng Information)	Electronic system integration	48.07%	48.07%	35.20%	-
Ace Pillar	Standard Technology Corporation (Standard Co., Taiwan)	Trading of semiconductor optoelectronic equipment and consumables and equipment maintenance services	28.84%	-	-	Note 2 and Note 5
Standard Co.	Standard Technology Corp. (STCBVI)	Holding Company	28.84%	-	-	Note 2 and Note 5
STCBVI	Standard International Trading (Shanghai) Co., Ltd. (Shanghai Standard)	Trading of semiconductor optoelectronic equipment and consumables and equipment maintenance services	28.84%	-	-	Note 2 and Note 5

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

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

Note 3: As stated in Note VI (VIII), Ace Pillar acquired 100% of the equities in BlueWalker GmbH on April 1, 2022.

Note 4: It has been fully liquidated on June 21, 2022 and deregistration has been completed.

Note 5: It is an immaterial subsidiary and its financial statements have not been reviewed by the accountants.

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

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

(III) 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.

(IV) Income taxes

The Group measures and discloses income tax expenses for the interim period in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting.”

Income tax expense is measured at the amount by which the net profit before tax during the reporting period multiplied by the management’s best estimate of the expected effective tax rate for the year, it is apportioned into current income tax expenses and deferred income tax expenses according to the estimated proportion of current income tax expenses and deferred income tax expenses for the whole year.

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

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

When preparing the consolidated financial statements according to the Preparation Regulations and IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC, the management has to make judgements, estimates and assumptions, which may influence the adoption of accounting policies, and the reporting amount 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, 2021.

VI. Details of Significant Accounts

Except as described below, there is no material difference between the details of significant accounts in these consolidated financial statements and the consolidated financial statements for the year ended December 31, 2021. For relevant information, please refer to the consolidated financial statements for the year ended December 31, 2021.

(I) Cash and cash equivalents

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Cash on hand and petty cash	\$ 469	360	625
Demand deposits and check deposits	1,202,983	1,443,926	1,378,722
Time deposits with original maturity date within three months	84,556	77,504	218,030
	<u>\$ 1,288,008</u>	<u>1,521,790</u>	<u>1,597,377</u>

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

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

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Financial assets mandatorily classified as at fair value through profit or loss:			
Non-hedging derivative instruments:			
Forward foreign exchange contracts	\$ 1,191	74	1,960
Foreign exchange SWAP contracts	<u>212</u>	<u>2,311</u>	<u>301</u>
	1,403	2,385	2,261
Non-derivative financial assets:			
Fund beneficiary certificates	<u>25,927</u>	<u>26,143</u>	<u>25,970</u>
	<u>\$ 27,330</u>	<u>28,528</u>	<u>28,231</u>
	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Financial liabilities held for trading:			
Derivative financial instruments:			
Forward foreign exchange contracts	\$ 1,930	821	395
Foreign exchange SWAP contracts	<u>1,753</u>	<u>-</u>	<u>2,280</u>
	<u>\$ 3,683</u>	<u>821</u>	<u>2,675</u>

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

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

1. Forward foreign exchange contracts

<u>2022.6.30</u>		
Currency	Contractual amount (NTD in thousands)	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
<u>2021.12.31</u>		
Currency	Contractual amount (NTD in thousands)	Maturity period
Buy JPY/Sell USD	JPY 34,034	2022.01
Buy USD/Sell RMB	RMB 110,410	2022.01
Buy RMB/Sell USD	RMB 6,156	2022.01
Buy Euro/Sell in USD	USD 1,422	2022.01

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

2021.6.30		
Currency	Contractual amount (NTD in thousands)	Maturity period
Buy JPY/Sell USD	JPY 194,913	2021.07
Buy USD/Sell RMB	RMB 74,584	2021.07
Buy RMB/Sell USD	RMB 9,102	2021.07
Buy Euro/Sell in USD	Euro 1,141	2021.07

2. Foreign exchange swaps

2022.6.30		
Currency	Contractual amount (NTD in thousands)	Maturity period
Swap in NTD/swap out USD	USD 24,030	2022.07

2021.12.31		
Currency	Contractual amount (NTD in thousands)	Maturity period
Swap in NTD/swap out USD	USD 22,130	2022.01

2021.6.30		
Currency	Contractual amount (NTD in thousands)	Maturity period
Swap in NTD/swap out USD	USD 22,030	2021.07

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

	2022.6.30	2021.12.31	2021.6.30
Equity instruments measured at fair value through other comprehensive income:			
Stocks of domestic listed (OTC) companies	\$ 38,811	41,259	30,020
Foreign unlisted (OTC) stocks	2,224	1,288	1,288
	<u>\$ 41,035</u>	<u>42,547</u>	<u>31,308</u>

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

The consolidated company didn't dispose of the aforesaid strategic investments from January 1 to June 30, 2022 and 2021, so the income and loss accumulated in such periods were not transferred within the equities in whatever manner.

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

(IV) Financial assets at amortized cost

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Financial assets at amortized cost - current:			
Pledged certificate of deposit	\$ 2,319	1,708	1,708
Time deposits with original maturity date over 3 months	<u>6,241</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,560</u>	<u>1,708</u>	<u>1,708</u>
Financial assets at amortized cost - non-current:			
Corporate bonds	<u>\$ 3,107</u>	<u>-</u>	<u>-</u>

The consolidated company 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 at amortized cost.

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

(V) Notes and accounts receivable and other receivables

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Notes receivable	\$ 293,483	305,492	368,550
Accounts receivable	2,517,285	2,322,762	2,052,693
Accounts receivable from related parties	189,808	167,795	119,036
Less: Allowance for loss	<u>(37,554)</u>	<u>(32,177)</u>	<u>(46,291)</u>
	<u>\$ 2,963,022</u>	<u>2,763,872</u>	<u>2,493,988</u>
Other receivables	\$ 25,293	30,308	18,819
Other receivables - related parties	<u>524</u>	<u>498</u>	<u>591</u>
	<u>\$ 25,817</u>	<u>30,806</u>	<u>19,410</u>

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

	<u>2022.6.30</u>		
	<u>Book-entry amounts of accounts receivable</u>	<u>Weighted average expected credit loss rate</u>	<u>Allowance for expected credit losses for the duration of the period</u>
Not overdue	\$ 2,299,917	0.07%	1,632
1-30 days overdue	147,604	2.42%	3,572
31-60 days overdue	16,857	17.45%	2,941
61-90 days overdue	24,089	34.92%	8,413
Overdue more than 90 days	<u>28,818</u>	<u>72.86%</u>	<u>20,996</u>
	<u>\$ 2,517,285</u>		<u>37,554</u>

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

	2021.12.31		
	Book-entry amounts of accounts receivable	Weighted average expected credit loss rate	Allowance for expected credit losses for the duration of the period
Not overdue	\$ 2,114,177	0.05%	1,122
1-30 days overdue	159,106	3.25%	5,175
31-60 days overdue	16,337	9.85%	1,609
61-90 days overdue	5,188	17.85%	926
Overdue more than 90 days	<u>27,954</u>	83.51%	<u>23,345</u>
	<u>\$ 2,322,762</u>		<u>32,177</u>

	2021.6.30		
	Book-entry amounts of accounts receivable	Weighted average expected credit loss rate	Allowance for expected credit losses for the duration of the period
Not overdue	\$ 1,882,352	0.06%	1,165
1-30 days overdue	111,442	2.83%	3,157
31-60 days overdue	12,892	10.52%	1,356
61-90 days overdue	6,561	41.78%	2,741
Overdue more than 90 days	<u>39,446</u>	96.01%	<u>37,872</u>
	<u>\$ 2,052,693</u>		<u>46,291</u>

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

The statement of changes in the allowance for losses of the consolidated company's accounts receivable is listed as follows:

	January to June 2022	January to June 2021
Beginning Balance	\$ 32,177	45,065
Recovery of amounts written off in current period	-	100
Impairment loss recognized in the period	8,973	3,396
Impact from initial consolidation of subsidiary	3,143	-
Unrecoverable amount written off for current year	(7,562)	(2,176)
Effect of exchange rate changes	<u>823</u>	<u>(94)</u>
Ending balance	<u>\$ 37,554</u>	<u>46,291</u>

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

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

(VI) Inventories

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Raw materials	\$ 2,035,465	2,058,371	1,536,497
Work in progress	217,310	143,287	127,018
Manufactured goods and commodities	1,540,191	1,246,458	1,126,669
Goods in Transit	104,990	67,907	39,633
Outsourced processing products	64,844	67,272	77,436
	<u>\$ 3,962,800</u>	<u>3,583,295</u>	<u>2,907,253</u>

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

	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Cost of inventory sold	\$ 3,070,794	2,595,009	6,239,113	4,128,428
Loss (recovery gain) on inventory write-down	4,229	(37,574)	2,134	(56,872)
Loss for inventory obsolescence	23	34,019	48	34,019
	<u>\$ 3,075,046</u>	<u>2,591,454</u>	<u>6,241,295</u>	<u>4,105,575</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. The gain on reversal of inventory valuation arises from obsolete inventory sold or scrapped, and the gain on reversal is recognized within the scope of inventory price loss.

(VII) Non-current assets held for sale

On May 21, 2021, the Board of Directors of the subsidiary of the Consolidated Company, Ace Pillar, adopted the proposal to sell the land and buildings in Sanchong District, which is expected for completion in the following year. Therefore, carrying amounts of such real estate has been transferred to non-current assets held for sale amounted to NTD85,348,000, NTD73,452,000 and NTD73,452,000 on June 30, 2022, December 31, 2021 and June 30, 2021, respectively. Some of the aforementioned assets have been sold in the first two quarters of 2022 with a net sale price of NTD46,401,000 and a carrying amount of NTD31,777,000 for the assets sold.

On December 23, 2021, the Board of Directors of the subsidiary of the Consolidated Company, Tianjin Ace Pillar, adopted the proposal to sell the pilot free trade zone factory of Tianjin Ace Pillar, which is expected for completion in the following year. Therefore, such relevant right-of-use assets - land and buildings has been transferred to non-current assets held for sale, and the carrying amounts were NTD263,082,000 and NTD239,149,000 on June 30, 2022 and December 31, 2021, respectively.

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

(VIII) Subsidiaries and non-controlling interests

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

(1) Consideration transferred for acquisition of the subsidiary

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

(2) Net identifiable assets acquired

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

Transfer consideration:

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

Less: Fair value of net identifiable assets acquired:

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

Goodwill **\$ 154,826**

The consolidated company constantly reviewed the above matters during the

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

measurement period and adjusted the amounts of abovementioned intangible assets and goodwill in the first quarter of 2022 as follows:

Increase in intangible assets - trademark	\$	6,577
Increase in deferred income tax liabilities		(1,315)
Increase in non-controlling interests		<u>(3,415)</u>
Decrease in goodwill	\$	<u><u>1,847</u></u>

(3) Intangible assets

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

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

2. Acquisition of subsidiaries — Standard Technology Corporation and its subsidiaries

(1) Consideration transferred for acquisition of the subsidiary

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

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

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 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 payables		(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>\$</u>	<u>67,937</u>

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

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

(3) Goodwill

The goodwill is mainly attributable to the profitability, synergy in mergers, future market development and staff value of Standard Co. and its subsidiaries, which are not separately attributable to goodwill because they do not meet the recognition criteria for identifiable intangible assets, and the recognized goodwill is expected to have no income tax effect.

(4) Pro-forma information on operating results

The operating results of Standard Co. and its subsidiaries from the acquisition date to June 30, 2022 have been consolidated into the consolidated comprehensive income statements of the Consolidated Company, and they contributed a net operating revenue and a net after-tax profit (including amortization of intangible assets obtained by acquisition) of NTD236,023,000 and NTD18,183,000 respectively. If the acquisition had occurred on January 1, 2022, the pro-forma net operating revenue and net after-tax profit of the consolidated company for the six months ended June 30, 2022 would have been NTD7,836,169,000 and NTD261,000,000 respectively.

3. Acquisition of the subsidiary - BlueWalker GmbH

(1) Consideration transferred for acquisition of the subsidiary

On April 1, 2022 (the acquisition date), the consolidated company, Ace Pillar, acquired 100% of the equity interest of BlueWalker GmbH (hereafter referred to as “BWA”) for a cash consideration of NTD127,200,000 (EUR4,000,000), thereby obtaining control over this company and BWA has been included in the consolidated entities since the acquisition date. BWA is primarily engaged in the trading and services of energy management products. The consolidated company 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	
Deferred income tax assets		1,273	
Accounts payables		(33,314)	
Other payables		(14,545)	
Current income tax liabilities		(1,036)	
Contract liabilities - current		(624)	
Other current liabilities		(311)	
Long-term borrowings - current portion		(249)	
Long-term borrowings		(601)	
Deferred income tax liabilities		(4,994)	
Other non-current liabilities		<u>(805)</u>	<u>108,504</u>
Goodwill			<u><u>\$ 18,696</u></u>

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

(3) Goodwill

The 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.

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

(4) Pro-forma information on operating results

The operating results of BWA from the acquisition date to June 30, 2022 have been consolidated into the consolidated comprehensive income statement of the Consolidated Company, and contributed a net operating revenue and a net after-tax profit of NTD71,532,000 and NTD3,140,000 respectively. If the acquisition had occurred on January 1, 2022, the pro-forma net operating revenue and net after-tax profit (including amortization of intangible assets obtained by acquisition) of the Consolidated Company for the six months ended June 30, 2022 would have been NTD7,800,885,000 and NTD257,629,000 respectively.

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

From January to June 2021, the consolidated company acquired additional equities in Ace Pillar and AEWIN for NTD53,072,000. Please see Note IV (II) for corresponding changes in shareholding ratio.

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

	<u>January to June 2022</u>	<u>January to June 2021</u>
Retained earnings	\$ -	<u>(14,681)</u>

5. Subsidiaries with material non-controlling interests

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

<u>Name of subsidiary</u>	<u>Principal place of business/country of registration</u>	<u>Proportion of non-controlling interests in ownership interests</u>		
		<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Ace Pillar	Taiwan	51.93%	51.93%	64.80%
AEWIN	Taiwan	48.62%	48.62%	48.63%
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 Consolidated Company to the fair value and differences in accounting policies on the acquisition date, with the amount before elimination of the transactions between the consolidated companies, is as follows:

(1) Summary financial information on Ace Pillar:

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Current assets	\$ 3,042,430	2,610,761	2,381,334
Non-current assets	835,520	676,262	920,504
Current liabilities	(1,381,166)	(917,629)	(1,001,966)
Non-current liabilities	(149,719)	(97,041)	(85,541)
Net assets	<u>\$ 2,347,065</u>	<u>2,272,353</u>	<u>2,214,331</u>
Ending balance of non-controlling interests	<u>\$ 1,257,091</u>	<u>1,176,182</u>	<u>1,462,557</u>

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

	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Net operating revenue	<u>\$ 1,039,831</u>	<u>974,073</u>	<u>1,974,537</u>	<u>1,852,158</u>
Net profit for the period	\$ 43,739	38,643	76,834	85,238
Other comprehensive income	<u>(9,481)</u>	<u>(6,053)</u>	<u>19,529</u>	<u>(3,647)</u>
Total comprehensive income	<u>\$ 34,258</u>	<u>32,590</u>	<u>96,363</u>	<u>81,591</u>
Net profit for the period attributable to non-controlling interests	<u>\$ 25,189</u>	<u>24,766</u>	<u>43,396</u>	<u>55,085</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 20,296</u>	<u>20,807</u>	<u>53,996</u>	<u>52,697</u>

	<u>January to June 2022</u>	<u>January to June 2021</u>
Cash flows from operating activities	\$ (179,121)	(14,179)
Cash flows from investing activities	(76,921)	(270,258)
Cash flows from financing activities	145,531	(19,025)
Effect of changes in exchange rate	<u>16,236</u>	<u>(3,121)</u>
Decrease in cash and cash equivalents	<u>\$ (94,275)</u>	<u>(306,583)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

(2) Summary financial information on AEWIN

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Current assets	\$ 1,620,939	1,614,052	1,180,502
Non-current assets	1,088,734	968,544	515,255
Current liabilities	(1,080,975)	(952,890)	(530,988)
Non-current liabilities	<u>(429,758)</u>	<u>(458,709)</u>	<u>(29,397)</u>
Net assets	<u>\$ 1,198,940</u>	<u>1,170,997</u>	<u>1,135,372</u>
Carrying amount of non-controlling interests, ending	<u>\$ 580,638</u>	<u>567,059</u>	<u>549,856</u>

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

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Operating revenue	<u>\$ 689,018</u>	<u>373,065</u>	<u>1,101,294</u>	<u>696,120</u>
Net profit for the period	\$ 46,270	(17)	59,073	1,255
Other comprehensive income	(2,487)	(1,117)	4,344	(314)
Total comprehensive income	<u>\$ 43,783</u>	<u>(1,134)</u>	<u>63,417</u>	<u>941</u>
Net profit for the period attributable to non-controlling interests	<u>\$ 22,493</u>	<u>(10)</u>	<u>28,715</u>	<u>623</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 21,284</u>	<u>(554)</u>	<u>30,827</u>	<u>465</u>

	January to June 2022	January to June 2021
Cash flows from operating activities	\$ 161,474	(40,850)
Cash flows from investing activities	(59,849)	(6,185)
Cash flows from financing activities	(31,976)	35,937
Effect of changes in exchange rate	6,002	(945)
Increase (decrease) in cash and cash equivalents	<u>\$ 75,651</u>	<u>(12,043)</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

(3) Summary financial information on Brainstorm:

	2022.6.30	2021.12.31	2021.6.30
Current assets	\$ 1,293,346	1,528,818	1,339,698
Non-current assets	736,220	748,712	782,356
Current liabilities	(630,174)	(898,830)	(750,963)
Non-current liabilities	(128,802)	(140,385)	(158,991)
Net assets	<u>\$ 1,270,590</u>	<u>1,238,315</u>	<u>1,212,100</u>
Ending balance of non-controlling interests	<u>\$ 725,441</u>	<u>703,293</u>	<u>686,278</u>

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

	April to June 2022	January to June 2022	May to June 2021
Net operating revenue	\$ 1,016,898	2,534,705	1,107,809
Net profit for the period	\$ (24,213)	(21,015)	70,053
Net profit (loss) for the period attributable to non-controlling interests	\$ (15,717)	(13,641)	45,472

	January to June 2022	January to June 2021
Cash flows from operating activities	\$ (64,201)	(446,799)
Cash flows from investing activities	(16,505)	(1,665)
Cash flows from financing activities	62,363	(2,884)
Effect of changes in exchange rate	3,744	(838)
Decrease in cash and cash equivalents	\$ (14,599)	(452,186)
Dividends paid to non-controlling interests	\$ -	-

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

(IX) Property, plant and equipment

	Land	Buildings	Machinery equipment	Office equipment	Other equipment	Unfinished construction	Total
Costs:							
Balance on January 1, 2022	\$ 932,159	1,411,272	402,743	65,225	268,924	17,527	3,097,850
Acquired through business combination	-	-	22	9,554	5,826	-	15,402
Additions	-	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)	294	1,417	3,596	(19,152)	(65,053)
Effect of changes in exchange rate	-	4,359	371	794	2,834	171	8,529
Balance on June 30, 2022	<u>\$ 897,407</u>	<u>1,451,131</u>	<u>398,643</u>	<u>79,145</u>	<u>309,888</u>	<u>27,166</u>	<u>3,163,380</u>
Balance on January 1, 2021	\$ 739,888	1,087,518	281,846	57,234	130,780	228,277	2,525,543
Acquired through business combination	-	-	4,299	502	10,503	-	15,304
Additions	-	-	32,693	3,019	16,248	44,890	96,850
Disposal	-	-	-	(2,191)	(2,944)	-	(5,135)
Reclassification for the period	(51,476)	(35,159)	-	-	-	-	(86,635)
Effect of changes in exchange rate	-	(813)	(35)	(391)	(694)	(757)	(2,690)
Balance on June 30, 2021	<u>\$ 688,412</u>	<u>1,051,546</u>	<u>318,803</u>	<u>58,173</u>	<u>153,893</u>	<u>272,410</u>	<u>2,543,237</u>
Accumulated depreciation:							
Balance on January 1, 2022	\$ -	248,703	222,171	50,864	109,730	-	631,468
Acquired through business combination	-	-	22	7,630	4,273	-	11,925
Depreciation	-	21,107	18,496	3,321	14,785	-	57,709
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 on June 30, 2022	<u>\$ -</u>	<u>270,504</u>	<u>235,248</u>	<u>58,777</u>	<u>124,088</u>	<u>-</u>	<u>688,617</u>
Balance on January 1, 2021	\$ -	276,711	193,338	49,939	93,966	-	613,954
Acquired through business combination	-	-	1,612	205	6,461	-	8,278
Depreciation	-	20,813	14,488	2,344	6,337	-	43,982
Disposal	-	-	-	(2,107)	(2,684)	-	(4,791)
Reclassification for the period	-	(13,183)	-	-	-	-	(13,183)
Effect of changes in exchange rate	-	(540)	(13)	(334)	(519)	-	(1,406)
Balance on June 30, 2021	<u>\$ -</u>	<u>283,801</u>	<u>209,425</u>	<u>50,047</u>	<u>103,561</u>	<u>-</u>	<u>646,834</u>
Book value:							
June 30, 2022	<u>\$ 897,407</u>	<u>1,180,627</u>	<u>163,395</u>	<u>20,368</u>	<u>185,800</u>	<u>27,166</u>	<u>2,474,763</u>
January 1, 2022	<u>\$ 932,159</u>	<u>1,162,569</u>	<u>180,572</u>	<u>14,361</u>	<u>159,194</u>	<u>17,527</u>	<u>2,466,382</u>
June 30, 2021	<u>\$ 688,412</u>	<u>767,745</u>	<u>109,378</u>	<u>8,126</u>	<u>50,332</u>	<u>272,410</u>	<u>1,896,403</u>

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

The Board of Directors of ACE Pillar, the subsidiary of the Consolidated Company, approved to purchase new office premises on May 21, 2021, in order to meet the needs of future business planning and operational development. The total signed contract price (including tax) of the office premises was NTD262,270,000. As of June 30, 2021, NTD261,470,000 had been paid, which was recorded under “Other non-current assets”. Ace Pillar has completed the process of ownership transfer on July 7, 2021. Please refer to Note VIII for property, plant and equipment pledged as collaterals for long-term borrowings.

(X) Right-of-use assets

	Land	Buildings	Transportation equipment	Total
Cost of right-of-use assets:				
Balance on January 1, 2022	\$ 21,238	339,968	9,044	370,250
Acquired through business combination	-	6,237	443	6,680
Additions	-	115,789	-	115,789
Decrease	-	(50,815)	-	(50,815)
Effect of changes in exchange rate	1,205	6,517	458	8,180
Balance on June 30, 2022	<u>\$ 22,443</u>	<u>417,696</u>	<u>9,945</u>	<u>450,084</u>
Balance on January 1, 2021	\$ 31,714	176,860	4,124	212,698
Acquired through business combination	-	46,527	4,685	51,212
Additions	-	161,108	2,081	163,189
Decrease	-	(17,304)	(2,329)	(19,633)
Effect of changes in exchange rate	(137)	(2,313)	(94)	(2,544)
Balance on June 30, 2021	<u>\$ 31,577</u>	<u>364,878</u>	<u>8,467</u>	<u>404,922</u>
Accumulated depreciation of right-of-use assets:				
Balance on January 1, 2022	\$ 2,138	97,888	2,446	102,472
Acquired through business combination	-	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 on June 30, 2022	<u>\$ 3,255</u>	<u>114,386</u>	<u>4,381</u>	<u>122,022</u>
Balance on January 1, 2021	\$ 2,098	63,136	2,887	68,121
Depreciation	399	37,230	966	38,595
Decrease	-	(12,756)	(2,305)	(15,061)
Effect of changes in exchange rate	(20)	(853)	(49)	(922)
Balance on June 30, 2021	<u>\$ 2,477</u>	<u>86,757</u>	<u>1,499</u>	<u>90,733</u>
Book value:				
June 30, 2022	<u>\$ 19,188</u>	<u>303,310</u>	<u>5,564</u>	<u>328,062</u>
January 1, 2022	<u>\$ 19,100</u>	<u>242,080</u>	<u>6,598</u>	<u>267,778</u>
June 30, 2021	<u>\$ 29,100</u>	<u>278,121</u>	<u>6,968</u>	<u>314,189</u>

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

(XI) Intangible assets

	<u>Goodwill</u>	<u>Trademark</u>	<u>Client relationship</u>	<u>Computer software</u>	<u>Total</u>
Costs:					
Balance on January 1, 2022	\$ 349,846	562,692	129,493	89,848	1,131,879
Acquired through business combination (Notes 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
Impacts of exchange rate changes	-	-	-	41	41
Balance on June 30, 2022	<u>\$ 434,632</u>	<u>582,091</u>	<u>234,229</u>	<u>102,765</u>	<u>1,353,717</u>
Balance on January 1, 2021	\$ 195,020	-	129,493	75,786	400,299
Acquired through business combination (Notes VI (VIII))	154,826	562,692	-	678	718,196
Separate Acquisition	-	-	-	7,864	7,864
Impacts of exchange rate changes	-	-	-	(6)	(6)
Balance on June 30, 2021	<u>\$ 349,846</u>	<u>562,692</u>	<u>129,493</u>	<u>84,322</u>	<u>1,126,353</u>
Accumulated amortization:					
Balance on January 1, 2022	\$ -	37,513	51,820	68,093	157,426
Acquired through business combination (Notes VI (VIII))	-	-	-	1,478	1,478
Amortization	-	29,222	12,159	5,955	47,336
Impacts of exchange rate changes	-	-	-	30	30
Balance on June 30, 2022	<u>\$ -</u>	<u>66,735</u>	<u>63,979</u>	<u>75,556</u>	<u>206,270</u>
Balance on January 1, 2021	\$ -	-	32,048	59,461	91,509
Acquired through business combination (Notes VI (VIII))	-	-	-	549	549
Amortization	-	9,378	9,886	5,011	24,275
Impacts of exchange rate changes	-	-	-	(4)	(4)
Balance on June 30, 2021	<u>\$ -</u>	<u>9,378</u>	<u>41,934</u>	<u>65,017</u>	<u>116,329</u>
Book value:					
Balance on June 30, 2022	<u>\$ 434,632</u>	<u>515,356</u>	<u>170,250</u>	<u>27,209</u>	<u>1,147,447</u>
Balance on January 1, 2022	<u>\$ 349,846</u>	<u>525,179</u>	<u>77,673</u>	<u>21,755</u>	<u>974,453</u>
Balance on June 30, 2021	<u>\$ 349,846</u>	<u>553,314</u>	<u>87,559</u>	<u>19,305</u>	<u>1,010,024</u>

According to IAS 36, goodwill acquired in a business combination shall be tested for impairment at least annually. Based on the result of the impairment test carried out by the Group as of December 31, 2021, there is no impairment loss for goodwill. Please refer to Note VI(XI) of the consolidated financial statements for the year ended December 31, 2021 for details. As of June 30, 2022, the Group assessed the expected operating income and net operating profit of the second quarter of 2022, and there was no indication of impairment.

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

(XII) Short-term borrowings

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Unsecured bank loans	\$ 2,208,338	1,293,108	1,178,788
Secured bank loans	150,279	18,196	25,323
	<u>\$ 2,358,617</u>	<u>1,311,304</u>	<u>1,204,111</u>
Unused lines of credit	<u>\$ 4,080,918</u>	<u>4,394,526</u>	<u>3,180,507</u>
Interest rate intervals	<u>1%~4.1%</u>	<u>0.62%~4.25%</u>	<u>0.6%~4.25%</u>

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

(XIII) Long-term borrowings

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Unsecured bank loans	\$ 800,000	1,420,000	300,000
Secured bank loans	340,766	330,000	4,180
Less: Part due within one year	(20,242)	(20,000)	-
	<u>\$ 1,120,524</u>	<u>1,730,000</u>	<u>304,180</u>
Unused lines of credit	<u>\$ 800,000</u>	<u>-</u>	<u>200,000</u>
Year of maturity	<u>112~113</u>	<u>111~113</u>	<u>111</u>
Interest rate intervals	<u>1.11~5.83%</u>	<u>0.94%~1.12%</u>	<u>1%~3.75%</u>

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

(XIV) Lease liabilities

The book amount of the lease liabilities of the consolidated company is as follows:

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Current	<u>\$ 79,257</u>	<u>73,484</u>	<u>78,650</u>
Non-current	<u>\$ 243,443</u>	<u>181,231</u>	<u>212,630</u>

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

The amounts recognized as profit and loss are as follows:

	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Interest expense on lease liabilities	<u>\$ 1,973</u>	<u>1,355</u>	<u>3,060</u>	<u>2,588</u>
Short-term leases expenses and lease expenses of low-value assets	<u>\$ 12,599</u>	<u>5,813</u>	<u>21,455</u>	<u>8,643</u>

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

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

	January to June 2022	January to June 2021
Total cash outflow for leases	<u>\$ (59,707)</u>	<u>(45,297)</u>

Important lease clauses:

1. Lease of land, houses and buildings

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

2. Other lease

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

(XV) Provisions for liabilities - current

	2022.6.30	2021.12.31	2021.6.30
Warranty reserve	<u>\$ 45,889</u>	<u>46,247</u>	<u>43,797</u>

The warranty provisions for products of the consolidated company is mainly related to the sales of computer peripheral products and electronic components, and the warranty reserve is estimated based on the historical warranty data of similar products.

(XVI) Employee benefits

1. Defined benefit plans

As the consolidated company did not experience any material market fluctuation, significant reduction, settlement or other significant one-off events after the reporting period of the previous year, the Group adopted the actuarial pension cost as of December 31, 2021 and 2020 to measure and disclose the pension cost for the interim period.

The reported expenses of the Consolidated Company are detailed as follows:

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Operating costs	\$ 413	108	523	216
Operating expenses	<u>223</u>	<u>(4)</u>	<u>219</u>	<u>(8)</u>
	<u>\$ 636</u>	<u>104</u>	<u>742</u>	<u>208</u>

2. Defined contribution plans

The reported expenses of the Consolidated Company are detailed as follows:

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Operating costs	\$ 2,943	1,740	5,724	3,501
Operating expenses	<u>12,672</u>	<u>9,881</u>	<u>24,157</u>	<u>17,384</u>
	<u>\$ 15,615</u>	<u>11,621</u>	<u>29,881</u>	<u>20,885</u>

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

(XVII) Income taxes

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

	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Current income tax expenses	\$ 41,338	61,114	84,138	81,736
Deferred income tax expenses (benefits)	<u>(5,530)</u>	<u>(2,631)</u>	<u>(7,220)</u>	<u>5,153</u>
	<u>\$ 35,808</u>	<u>58,483</u>	<u>76,918</u>	<u>86,889</u>

2. The consolidated company did not recognize any income tax in other comprehensive income or directly recognized in equity from January 1 to June 30, 2022 and 2021.
3. Income tax assessments
The Company's profit-seeking enterprise income tax has been approved by the tax authority to the year of 2020.

(XVIII) Capital and other equities

Except as described below, there was no material change in the capital and other equity of the consolidated company from January 1 to June 30, 2022 and 2021. Please refer to Note VI(XVIII) of the consolidated financial statements for relevant information.

1. Ordinary shares and treasury shares

As on June 30, 2022, December 31 and June 30, 2021, the total authorized capital of the Company was NTD1,772,000,000, which was divided into 177,200 thousand shares at NTD10 per share. The number of issued shares were 114,489 thousand shares, 114,489 thousand shares and 114,689 thousand shares, respectively. The share capital reserved for the issuance of the exercise of employee share options was 20,000 thousand shares.

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

On November 15, 2021, the Board of Directors of the Company adopted the resolution to implement capital reduction by canceling 200 thousand shares of treasury stock yet to be transferred to employees pursuant to the Securities and Exchange Act. With December 28, 2021 as the base date, the capital reduction involved the cancellation of 200 thousand shares amounting to NTD2,000,000, and the amount of paid-in capital after capital reduction was NTD1,144,889,000. The relevant change registration has been completed.

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

2. Capital surplus

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

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Share premium	\$ 579,575	625,371	626,464
Recognized changes in percentage of ownership interests in subsidiaries	5,962	5,962	5,962
Gain on disposal of assets	808	808	808
Others	<u>23,603</u>	<u>23,603</u>	<u>23,603</u>
	<u>\$ 609,948</u>	<u>655,744</u>	<u>656,837</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 reserve as termed in the preceding sentence includes the proceeds from the shares issued at a premium over the face value and the income from the acceptance of donations. Pursuant to the provision of the processing standard for negotiable securities offering and issuance by issuers, the capital reserve shall be accrued out of the capital, and the total amount accrued every year shall be no higher than ten percent of the paid-in capital.

3. Retained earnings and dividends policy

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

Pursuant to the provisions of the Articles of Association of the Company, the profit distribution plan made by the Board of Directors shall consider the general dividend level in the industry, adopt the balanced dividend policy and follow the principle of prudence in distribution, but the cash dividend to the shareholders shall be no lower than 15% of the total dividend to the shareholders, pursuant to the provisions of the Articles of Association of the Company. According to the Articles of Association of the Company on August 20, 2021, if a surplus totaling up to 2% of capital is recorded in the annual final accounts of the Company, the amount of dividends distributed shall be no lower than 10% of the distributable earnings for the year, and the amount of annual cash dividend distributed shall be no lower than 10% of the total amount of cash and stock dividends distributed for the year.

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

(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

Pursuant to the regulations issued by the Financial Supervisory Commission, when distributing the profit available for distribution, the Company shall accrue the special surplus reserve in the same amount out of the profit in the current period and the undistributed profit in the previous period against net deductibles incurred in the current year and listed in the shareholders' equity, and for the deductibles of other shareholders' equity accumulated in the previous period, the Company shall not distribute the special surplus reserve in the same amount accrued out of the undistributed profit in the previous period. If other deductibles of shareholders' equity are reversed in future, the Company shall distribute the profit with the reversed part.

4. Profit distribution

On March 3, 2022 and May 6, 2021, the Board of Directors of the Company resolved the amount of cash dividends and cash distributions from capital reserves in the profit distribution proposal for the years ended December 31, 2021 and 2020, respectively. The amounts of dividends distributed to owners of ordinary shares are as follows:

	2021		2020	
	Dividend per share (NTD)	Amount	Dividend per share (NTD)	Amount
Dividends distributed to owners of common stock:				
Cash dividends	\$ 3.2	<u>366,364</u>	2.8	<u>320,569</u>
Cash distribution from capital surplus	0.4	<u>45,796</u>	0.2	<u>22,898</u>

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

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

5. Other equities (net amount after tax)

	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance on January 1, 2022	\$ (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 on June 30, 2022	<u>\$ (99,301)</u>	<u>17,344</u>	<u>(81,957)</u>
Balance on January 1, 2021	\$ (83,110)	8,503	(74,607)
Exchange difference from conversion of net assets of foreign operating organizations	(34,938)	-	(34,938)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	306	306
Balance on June 30, 2021	<u>\$ (118,048)</u>	<u>8,809</u>	<u>(109,239)</u>

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

	January to June 2022	January to June 2021
Beginning Balance	\$ 2,446,534	2,058,536
Shares attributable to non-controlling interests:		
Net profit for the period	58,471	101,180
Exchange differences on translating the financial statements of foreign operations	45,329	(3,370)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(243)	195
Non-controlling interests adjustments	3,415	-
Cash dividends distributed by subsidiaries to non-controlling interests	(69,711)	(60,892)
Increase in non-controlling interest of acquisition in subsidiaries	79,375	641,433
Acquisition of additional equity in subsidiaries	-	(38,391)
Ending balance	<u>\$ 2,563,170</u>	<u>2,698,691</u>

(XIX) Share-based payment

Except as described below, there was no material change in the share-based payment of the consolidated company from January 1 to June 30, 2021. Please refer to the consolidated financial statements for the year ended December 31, 2021 for relevant information.

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

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

	January to June 2021	
	Amount (thousand units)	Weighted average exercise price (NTD)
Outstanding at the beginning of the period	761	\$ 37.70
Invalid in current period	(761)	37.70
Outstanding at the end of the period	-	-
Executable quantity at end of period	-	-

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

(XX) Earnings per Share

1. Basic earnings per share

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Net profit attributable to ordinary shareholders of the Company	<u>\$ 115,338</u>	<u>62,525</u>	<u>198,952</u>	<u>128,759</u>
Weighted average number of outstanding ordinary shares (1,000 shares)	<u>114,489</u>	<u>114,489</u>	<u>114,489</u>	<u>114,489</u>
Basic earnings per share (NTD)	<u>\$ 1.01</u>	<u>0.55</u>	<u>1.74</u>	<u>1.12</u>

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

2. Diluted earnings per share

	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Net profit attributable to ordinary shareholders of the Company	<u>\$ 115,338</u>	<u>62,525</u>	<u>198,952</u>	<u>128,759</u>
Weighted average number of outstanding ordinary shares (1,000 shares)	114,489	14,489	114,489	114,489
Impacts of potential ordinary shares with dilution effect (1,000 shares):				
Impact of employee stock compensation	<u>292</u>	<u>181</u>	<u>590</u>	<u>440</u>
Weighted average number of outstanding ordinary shares (after adjusting the number of dilution potential common shares) (1,000 shares)	<u>114,781</u>	<u>14,670</u>	<u>115,079</u>	<u>114,929</u>
Diluted earnings per share (NTD)	<u>\$ 1.00</u>	<u>0.55</u>	<u>1.73</u>	<u>1.12</u>

(XXI) Revenue from customer contracts

1. Breakdown of income

	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Main products and services:				
Industrial computer cards and systems	\$ 1,652,068	1,092,675	2,953,223	2,104,341
Industrial Automation Control	789,178	970,129	1,655,320	1,845,065
Computer component	1,016,898	1,107,809	2,534,705	1,107,809
Others	<u>394,020</u>	<u>100,554</u>	<u>579,744</u>	<u>222,070</u>
	<u>\$ 3,852,164</u>	<u>3,271,167</u>	<u>7,722,992</u>	<u>5,279,285</u>

2. Balance of contracts

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Notes and accounts receivable (including related parties)	\$ 3,000,576	2,796,049	2,540,279
Less: Allowance for loss	<u>(37,554)</u>	<u>(32,177)</u>	<u>(46,291)</u>
	<u>\$ 2,963,022</u>	<u>2,763,872</u>	<u>2,493,988</u>
Contract liabilities	<u>\$ 142,085</u>	<u>181,755</u>	<u>143,549</u>

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

The contract liabilities mainly come from the difference between the time point of

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

satisfying the performance obligation when the consolidated company transfers goods to a customer and the time point of the customer's payment. The beginning balances of contract liabilities on January 1, 2022 and 2021 were recognized in the income in an amount of NTD113,389,000 and NTD65,501,000 for the six months ended June 30, 2022 and 2021, respectively.

(XXII) Employees compensation and remunerations of directors

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

The Company has estimated the employees' remunerations at NTD9,853,000, NTD5,695,000, NTD17,405,000 and NTD11,703,000, and estimated the directors' remunerations at NTD1,049,000, NTD606,000, NTD1,852,000 and NTD1,245,000 for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021. The Company has made these estimates by multiplying the pre-tax profit of respective period before the remunerations of employees and directors are deducted and the distribution ratios of the remunerations of employees and directors, and recognized these remunerations as the operating cost or operating expense in respective period. If the actually distributed amount 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 accrued amount of employee compensation of the Company for the year ended December 31, 2021 was NTD53,437,000; the accrued amount of remuneration were NTD5,685,000, which is not different from the amount determined by the Board of Directors of the Company and is distributed in full in cash. Relevant information can be inquired at Market Observation Post System.

(XXIII) Non-operating income and expenses

1. Interest income

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Interest on bank deposit	\$ 727	627	1,048	952
Interest income from financial assets measured at amortized cost	25	3	36	19
Interest income from financial assets at fair value through profit or loss	513	487	534	487
	<u>\$ 1,265</u>	<u>1,117</u>	<u>1,618</u>	<u>1,458</u>

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

2. Other income

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Rental income	\$ 1,679	1,547	3,181	3,095
Others	13,886	5,332	19,489	8,550
	<u>\$ 15,565</u>	<u>6,879</u>	<u>22,670</u>	<u>11,645</u>

3. Other gain and loss

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Loss on disposal of property, plant and equipment	\$ (6)	-	(13)	-
Loss on liquidation of subsidiary	(391)	-	(391)	-
Gain on disposal of non-current assets held for sale	13,676	-	14,624	-
Net gain (loss) on foreign exchange	17,150	(14,008)	58,105	(4,883)
Loss on financial instruments at fair value through profit or loss	(12,825)	7,275	(40,008)	2,070
Other gains (expenditures)	(194)	402	272	(1,152)
	<u>\$ 17,410</u>	<u>(6,331)</u>	<u>32,589</u>	<u>(3,965)</u>

4. Finance costs

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Bank interest expenses	\$ 12,565	4,079	22,525	7,145
Financial expenses on lease liabilities	1,973	1,355	3,060	2,588
	<u>\$ 14,538</u>	<u>5,434</u>	<u>25,585</u>	<u>9,733</u>

(XXIV) Financial Instruments

Except as described below, there was no material change in the fair value of the consolidated company's financial instruments and the exposure to credit risk, liquidity risk and market risk arising from the consolidated company's financial instruments. Please refer to the consolidated financial statements for the year ended December 31, 2021 for relevant information.

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

1. Classification of financial instruments

(1) Financial assets

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Financial assets at fair value through profit or loss - current	\$ 27,330	28,528	28,231
Financial assets at fair value through other comprehensive income - non-current	41,035	42,547	31,308
Financial assets at amortized cost:			
Cash and cash equivalents	1,288,008	1,521,790	1,597,377
Financial assets at amortized cost - current	8,560	1,708	1,708
Notes receivable, accounts receivable, and other receivables (including related parties)	2,988,839	2,794,678	2,513,398
Financial assets at amortized cost - non-current	3,107	-	-
Refundable deposits	36,652	34,610	34,407
Subtotal	4,325,166	4,352,786	4,146,890
Total	<u>\$ 4,393,531</u>	<u>4,423,861</u>	<u>4,206,429</u>

(2) Financial liabilities

	<u>2022.6.30</u>	<u>2021.12.31</u>	<u>2021.6.30</u>
Financial liabilities at fair value through profit or loss:			
Held-for-trading	\$ 3,683	821	2,675
Financial liabilities measured by amortized cost:			
Short-term borrowings	2,358,617	1,311,304	1,204,111
Notes payables, accounts payables and other payables (including related parties)	2,982,957	2,803,428	3,097,015
Long-term borrowings (including the part due within one year)	1,140,766	1,750,000	304,180
Lease liabilities (including current and non-current)	322,700	254,715	291,280
Subtotal	6,805,040	6,119,447	4,896,586
Total	<u>\$ 6,808,723</u>	<u>6,120,268</u>	<u>4,899,261</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.

	Contractual cash flows	Within 1 year	1-2 years	2-5 years	5 years and above
June 30, 2022					
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 payables, accounts payables and other payables (including related parties)	2,982,957	2,982,957	-	-	-
Lease liabilities (including current and non-current)	<u>341,922</u>	<u>86,080</u>	<u>69,801</u>	<u>132,866</u>	<u>53,175</u>
Subtotal	<u>6,863,597</u>	<u>5,475,464</u>	<u>900,407</u>	<u>434,551</u>	<u>53,175</u>
Derivative financial instruments:					
Forward foreign exchange contracts-total amount of delivery					
Outflow	702,388	702,388	-	-	-
Inflow	(701,649)	(701,649)	-	-	-
Foreign exchange SWAP-total amount of delivery					
Outflow	714,090	714,090	-	-	-
Inflow	<u>(712,549)</u>	<u>(712,549)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,280</u>	<u>2,280</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,865,877</u>	<u>5,477,744</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)

	Contractual cash flows	Within 1 year	1-2 years	2-5 years	5 years and above
December 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 1,318,223	1,318,223	-	-	-
Long-term borrowings (including the part due within one year)	1,776,288	37,375	1,325,596	413,317	-
Notes payables, accounts payables and other payables (including related parties)	2,803,428	2,803,428	-	-	-
Lease liabilities (including current and non-current)	<u>264,601</u>	<u>77,114</u>	<u>57,475</u>	<u>69,418</u>	<u>60,594</u>
Subtotal	<u>6,162,540</u>	<u>4,236,140</u>	<u>1,383,071</u>	<u>482,735</u>	<u>60,594</u>
Derivative financial instruments:					
Forward foreign exchange contracts-total amount of delivery					
Outflow	553,511	553,511	-	-	-
Inflow	(552,764)	(552,764)	-	-	-
Foreign exchange SWAP-total amount of delivery					
Outflow	612,731	612,731	-	-	-
Inflow	(615,042)	(615,042)	-	-	-
Subtotal	<u>(1,564)</u>	<u>(1,564)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,160,976</u>	<u>4,234,576</u>	<u>1,383,071</u>	<u>482,735</u>	<u>60,594</u>
June 30, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 1,206,197	1,206,197	-	-	-
Long-term borrowings (including the part due within one year)	307,714	3,000	300,534	-	4,180
Notes payables, accounts payables and other payables (including related parties)	3,097,015	3,097,015	-	-	-
Lease liabilities (including current and non-current)	<u>303,413</u>	<u>83,054</u>	<u>66,489</u>	<u>85,856</u>	<u>68,014</u>
Subtotal	<u>4,914,339</u>	<u>4,389,266</u>	<u>367,023</u>	<u>85,856</u>	<u>72,194</u>
Derivative financial liabilities:					
Forward foreign exchange contracts-total amount of delivery					
Outflow	447,600	447,600	-	-	-
Inflow	(449,165)	(449,165)	-	-	-
Foreign exchange SWAP-total amount of delivery					
Outflow	613,933	613,933	-	-	-
Inflow	(611,954)	(611,954)	-	-	-
Subtotal	<u>414</u>	<u>414</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,914,753</u>	<u>4,389,680</u>	<u>367,023</u>	<u>85,856</u>	<u>72,194</u>

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

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

3. Exchange Rate Risks

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

2022.6.30						
	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)	\$	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
2021.12.31						
	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)	\$	67,168	27.6800	1,859,210	1%	18,592
USD (Note 2)		2,093	6.3700	57,934	1%	579
RMB		4,687	4.3454	20,367	1%	204
JPY		31,879	0.2404	7,664	1%	77
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD (Note 1)		30,710	27.6800	850,053	1%	8,501
USD (Note 2)		26,447	6.3700	732,064	1%	7,321
JPY		11,453	0.2404	2,753	1%	28

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

2021.6.30					
	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)	\$	60,375	27.8680	1,682,531	16,825
USD (Note 2)		1,951	6.4700	53,470	535
RMB		615	4.3073	2,649	26
JPY		55,239	0.2522	13,931	139
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD (Note 1)		27,901	27.8680	777,545	7,775
USD (Note 2)		19,116	6.4700	532,725	5,327
RMB		4,024	4.3073	17,333	173
JPY		13,270	0.2522	3,347	33

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

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

The Consolidated Company has many functional currencies, so the Company has selected to disclose the overall exchange gain or loss information on the monetary items. Please refer to Note VI (XXIII) for details of the Company's foreign exchange gain or loss (realized and unrealized) for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021.

4. Fair value

(1) Financial instruments not measured at fair value

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

(2) Financial instruments measured at fair value

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

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

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

	2022.6.30			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments -				
Forward foreign exchange contract	\$ -	1,191	-	1,191
Derivative financial instruments -				
Foreign exchange swap contracts	-	212	-	212
Fund beneficiary certificates	25,927	-	-	25,927
	<u>\$ 25,927</u>	<u>1,403</u>	<u>-</u>	<u>27,330</u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 38,811	-	-	38,811
Foreign unlisted stocks	-	-	2,224	2,224
	<u>\$ 38,811</u>	<u>-</u>	<u>2,224</u>	<u>41,035</u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments -				
Forward foreign exchange contract	\$ -	(1,930)	-	(1,930)
Derivative financial instruments -				
Foreign exchange swap contracts	-	(1,753)	-	(1,753)
Subtotal	<u>\$ -</u>	<u>(3,683)</u>	<u>-</u>	<u>(3,683)</u>
	2021.12.31			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments -				
Forward foreign exchange contract	\$ -	74	-	74
Derivative financial instruments -				
Foreign exchange swap contracts	-	2,311	-	2,311
Fund beneficiary certificates	26,143	-	-	26,143
	<u>\$ 26,143</u>	<u>2,385</u>	<u>-</u>	<u>28,528</u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 41,259	-	-	41,259
Foreign unlisted stocks	-	-	1,288	1,288
	<u>\$ 41,259</u>	<u>-</u>	<u>1,288</u>	<u>42,547</u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments -				
Forward foreign exchange contract	\$ -	(821)	-	(821)

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

	2021.6.30			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments -				
Forward foreign exchange contract	\$ -	1,960	-	1,960
Derivative financial instruments -				
Foreign exchange swap contracts	-	301	-	301
Fund beneficiary certificates	25,970	-	-	25,970
	<u>\$ 25,970</u>	<u>2,261</u>	<u>-</u>	<u>28,231</u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 30,020	-	-	30,020
Foreign unlisted stocks	-	-	1,288	1,288
	<u>\$ 30,020</u>	<u>-</u>	<u>1,288</u>	<u>31,308</u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments -				
Forward foreign exchange contract	\$ -	(395)	-	(395)
Derivative financial instruments -				
Foreign exchange swap contracts	-	(2,280)	-	(2,280)
	<u>\$ -</u>	<u>(2,675)</u>	<u>-</u>	<u>(2,675)</u>

(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 consolidated company are presented in terms of type and attribute as follows:

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

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

B. Derivative financial instruments

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

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

(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, 2022 and 2021.

(5) Detailed statement on changes in level 3

Financial assets at fair value through other comprehensive income:

	<u>January to June 2022</u>	<u>January to June 2021</u>
Beginning Balance	\$ 1,288	887
Impact from initial consolidation of subsidiary	1,434	-
Changes recognized in other comprehensive incomes in current period	(498)	401
Ending balance	<u>\$ 2,224</u>	<u>1,288</u>

(XXV) Financial risk management

There were no material changes in the financial risk management objectives and policies of the consolidated company and those disclosed in the consolidated financial statements for the year ended December 31, 2021.

(XXVI) Capital management

There were no material changes in the capital management objectives, policies and procedures of the consolidated company and those disclosed in the consolidated financial statements for the year ended December 31, 2021.

(XXVII) Investing and financing activities not in cash transaction

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

	<u>2022.1.1</u>	<u>Cash Flows</u>	<u>Non-cash change</u>			<u>2022.6.30</u>
			<u>Impact from initial consolidation of subsidiary</u>	<u>Increase or decrease in lease liabilities</u>	<u>Exchange rate changes</u>	
Short-term borrowings	\$ 1,311,304	906,864	122,161	-	18,288	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	254,715	(35,192)	5,464	93,041	4,672	322,700
Total liabilities from financing activities	<u>\$ 3,316,019</u>	<u>261,611</u>	<u>128,475</u>	<u>93,041</u>	<u>22,937</u>	<u>3,822,083</u>

	<u>2021.1.1</u>	<u>Cash Flows</u>	<u>Non-cash change</u>			<u>2021.6.30</u>
			<u>Impact from initial consolidation of subsidiary</u>	<u>Increase or decrease in lease liabilities</u>	<u>Exchange rate changes</u>	
Short-term borrowings	\$ 823,701	380,732	-	-	(322)	1,204,111
Long-term borrowings (including the part due within one year)	-	299,993	4,187	-	-	304,180
Lease liabilities	116,016	(34,066)	51,212	158,617	(499)	291,280
Total liabilities from financing activities	<u>\$ 939,717</u>	<u>646,659</u>	<u>55,399</u>	<u>158,617</u>	<u>(821)</u>	<u>1,799,571</u>

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

VII. Related Party Transactions

(I) Name and relation of related party

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

Name of related party	Relationship with the consolidated company
Qisda Corporation (Qisda)	Parent company of the Company
Other related parties:	
Partner Technology Co., Ltd.	Direct/indirect subsidiary of Qisda
Alpha Networks Inc.	Direct/indirect subsidiary of Qisda
BenQ Materials Corporation	Direct/indirect subsidiary of Qisda
BenQ Asia Pacific Corporation	Direct/indirect subsidiary of Qisda
ACE Energy Co., Ltd. (formerly BenQ ESCO Corporation)	Direct/indirect subsidiary of Qisda
BenQ Healthcare Corporation	Direct/indirect subsidiary of Qisda
BenQ Guru Corporation	Direct/indirect subsidiary of Qisda
BenQ Guru Software Corporation	Direct/indirect subsidiary of Qisda
BenQ Corporation	Direct/indirect subsidiary of Qisda
BenQ Co., Ltd	Direct/indirect subsidiary of Qisda
BenQ (Shanghai) Co., Ltd.	Direct/indirect subsidiary of Qisda
BenQ Intelligent Technology (Shanghai) Co., Ltd.	Direct/indirect subsidiary of Qisda
Suzhou BenQ Hospital Co., Ltd.	Direct/indirect subsidiary of Qisda
BenQ America Corp.	Direct/indirect subsidiary of Qisda
Simula Technology Inc.	Direct/indirect subsidiary of Qisda
Golden Spirit Co., Ltd.	Direct/indirect subsidiary of Qisda
Data Image Corporation	Direct/indirect subsidiary of Qisda
DIVA Laboratories, Ltd.	Direct/indirect subsidiary of Qisda
Metaage Corporation (formerly SYSAGE Technology Co., Ltd.)	Direct/indirect subsidiary of Qisda
AdvancedTEK International Corp.	Direct/indirect subsidiary of Qisda
Global Intelligence Network Co., Ltd.	Direct/indirect subsidiary of Qisda
ASIACONNECT INTERNATIONAL COMPANY LTD.	Direct/indirect subsidiary of Qisda
Concord Medical Co. Ltd.	Direct/indirect subsidiary of Qisda
Webest Solution Corp.	Direct/indirect subsidiary of Qisda
Qisda Optronics (Suzhou) Co., Ltd.	Direct/indirect subsidiary of Qisda
Qisda (Suzhou) Co., Ltd.	Direct/indirect subsidiary of Qisda
BenQ Foundation	Substantive related party of Qisda
AU Optronics Corporation (AUO)	Related enterprise of Qisda/Corporate director valuing Qisda under equity approach (Note 1)
AU Optronics (Kunshan) Co., Ltd.	Direct/indirect subsidiary of AUO

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

<u>Name of related party</u>	<u>Relationship with the consolidated company</u>
AU Optronics (Xiamen) Co., Ltd.	Direct/indirect subsidiary of AUO
AU Optronics (Suzhou) 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 (Xiamen) Corporation	Direct/indirect subsidiary of AUO
Darwin Precisions Corporation	Direct/indirect subsidiary of AUO
Ta Chi Education Development Co., Ltd.	Direct/indirect subsidiary of AUO
AEWIN KOREA CO., LTD.	Substantive related party of AEWIN
Darfon Electronics Corporation (Darfon)	Related enterprise of Qisda
Unictron Technologies Corporation	Direct/indirect subsidiary of Darfon
Darfon Electronics (Suzhou) Co., Ltd.	Direct/indirect subsidiary of Darfon
San Jose Technology, Inc.	Direct/indirect subsidiary of Darfon (Note 2)
BenQ Foundation	Substantive related party of Qisda

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

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

(II) Material transactions with related party

1. Net operating revenue

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

	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Parent company	\$ 8,222	5,951	20,074	15,389
Other related parties	65,642	52,931	138,026	93,753
	<u>\$ 73,864</u>	<u>58,882</u>	<u>158,100</u>	<u>109,142</u>

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

2. Purchases

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

	<u>April to June 2022</u>	<u>April to June 2021</u>	<u>January to June 2022</u>	<u>January to June 2021</u>
Parent company	\$ 186,183	101,590	290,388	202,097
Other related parties	4,559	1,992	10,385	9,849
	<u>\$ 190,742</u>	<u>103,582</u>	<u>300,773</u>	<u>211,946</u>

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

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

3. Leases

The consolidated company has leased plants and offices from the parent company and other related parties respectively and signed the lease contracts based on the rent prices in the adjacent areas. The total amounts of increase in right-of-use assets from January 1 to June 30, 2021 were NTD135,488,000.

The consolidated company has recognized interest expenses of NTD746,000 and NTD811,000 from January 1 to June 30, 2022 and 2021, respectively. Relevant balance of lease liabilities was NTD122,300,000, NTD130,047,000, and NTD137,744,000 as on June 30, 2022, December 31 and June 30, 2021, respectively.

4. Property transactions

Category of related party	Item	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Other related parties	Property, plant and equipment	\$ -	400	344	400
Parent company	Intangible assets	1,282	-	1,282	1,789
Other related parties	Intangible assets	-	-	984	-
		<u>\$ 1,282</u>	<u>400</u>	<u>2,610</u>	<u>2,189</u>

5. Operating costs, expenses, and other income

The operating costs and operating expenses incurred by the consolidated company for services provided by related parties, such as product processing and management services, as well as other income from other transactions are detailed as follows:

Item	Category of related party	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Operating costs	Parent company	\$ 4,396	186	7,667	352
	Other related parties	3,861	458	6,298	496
Operating expenses	Parent company	1,799	771	2,766	1,190
	Other related parties	7,532	1,230	11,119	2,596
Other income	Other related parties	1,368	1,403	2,725	2,806

6. Receivables from related parties

Details of the receivables from related parties of the consolidated company are as follows:

Item	Category of related party	2022.6.30	2021.12.31	2021.6.30
Accounts receivable from related parties	Parent company	\$ 116,181	106,639	57,424
	Other related parties	73,627	61,156	61,612
		189,808	167,795	119,036
Other receivables	Other related parties	524	498	591
		<u>\$ 190,332</u>	<u>168,293</u>	<u>119,627</u>

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

The consolidated company provides some of the raw materials to the parent company for manufacturing, while the completed semi-finished products are sold back to the consolidated company for processing and assembly. To prevent repeated calculation of the purchases and sales above, the consolidated company 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 consolidated company to related parties are detailed as follows:

Item	Category of related party	2022.6.30	2021.12.31	2021.6.30
Accounts payables	Parent company	\$ 162,999	51,668	87,396
	Other related parties	2,947	11,385	1,728
		165,946	63,053	89,124
Other payables	Parent company	7,928	3,188	2,834
	Other related parties	4,725	3,803	4,391
		12,653	6,991	7,225
Lease liabilities - current	Parent company	13,558	13,482	14,283
	Other related parties	2,057	2,158	1,223
Lease liabilities - non-current	Parent company	106,685	113,483	121,067
	Other related parties	-	924	1,171
		122,300	130,047	137,744
		\$ 300,899	200,091	234,093

(III) Remuneration to main management

	April to June 2022	April to June 2021	January to June 2022	January to June 2021
Short-term employee benefits	\$ 11,071	10,127	\$ 22,808	19,158

VIII. Pledged Assets

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

Asset name	Subject matter of pledge guarantee	2022.6.30	2021.12.31	2021.6.30
Pledged certificate of deposit	Performance bond for release before tax to customs house	\$ 2,319	1,708	1,708
Notes receivable	Guarantee for bank loans	150,279	18,196	25,323
Property, plant and equipment	Guarantee for bank loans	457,756	461,112	-
		\$ 610,354	481,016	27,031

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

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

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

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date

In order to respond to the Group's long-term operational development and give full play to the Group's synergy, the Board of Directors of ACE Pillar, the consolidated subsidiary, approved on May 3, 2022 to acquire a 100% equity in ACE Energy Co., Ltd., a subsidiary of Qisda Corporation, for a total price of NTD32,000,000 and the settlement was completed on July 1, 2022.

XII. Others

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

Function Nature	April to June 2022			April to June 2021		
	Attributable to operating cost	Attributable to operating expenses	Total	Attributable to operating cost	Attributable to operating expenses	Total
Employee benefits expenses						
Salary expense	78,176	306,440	384,616	55,157	240,018	295,175
Labor and health insurance expenses	6,304	25,946	32,250	5,724	21,564	27,288
Pension expense	3,356	12,895	16,251	1,849	9,876	11,725
Other employee benefit expenses	5,692	10,781	16,473	3,209	7,314	10,523
Depreciation expenses	19,995	32,464	52,459	15,768	27,459	43,227
Amortization expenses	451	24,012	24,463	438	16,570	17,008

Function Nature	January to June 2022			January to June 2021		
	Attributable to operating cost	Attributable to operating expenses	Total	Attributable to operating cost	Attributable to operating expenses	Total
Employee benefits expenses						
Salary expense	148,519	579,046	727,565	105,498	418,349	523,847
Labor and health insurance expenses	12,651	52,424	65,075	11,742	38,292	50,034
Pension expense	6,247	24,376	30,623	3,717	17,376	21,093
Other employee benefit expenses	9,745	18,917	28,662	6,014	13,976	19,990
Depreciation expenses	39,817	60,810	100,627	30,642	51,935	82,577
Amortization expenses	900	46,436	47,336	855	23,420	24,275

(II) The operation of the consolidated company was not significantly affected by seasonal or cyclical factors.

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

XIII. Supplementary Disclosures

(I) Information on Significant Transactions:

Listed below are the material transactions the consolidated company shall disclose again in line with the accounting standard for the six months ended June 30, 2022:

1. Loans to others:

Unit: In Thousands of New Taiwan Dollars

No.	Financing Company	Loan recipient	Transaction item	Related Party	Maximum balance in current period	Ending balance	Amount of actual use	Interest rate intervals	Nature for financing (Note 4)	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Loss	Collateral		Financing Limits for Each Borrowing Company	Total Financing Limits
													Name	Value		
1	AEWIN	Beijing AEWIN	Other receivables-related parties	Yes	92,869	-	-	-	1	487,843	Business Interaction	-	-	-	238,453 (Note 1)	476,906 (Note 1)
2	Ace Pillar	Tianjin ACE Pillar	Other receivables-related parties	Yes	252,225	178,320	178,320	-	2	-	Operating capital fund	-	-	-	410,832 (Note 2)	821,664 (Note 2)
2	Ace Pillar	Suzhou Super Pillar	Other receivables-related parties	Yes	29,720	29,720	29,720	-	2	-	Operating capital fund	-	-	-	410,832 (Note 2)	821,664 (Note 2)
3	Standard Co.	Intelligent fluids GmbH	Other receivables	No	624	622	622	20%	1	624	Business Interaction	-	-	-	14,661 (Note 3)	29,321 (Note 3)

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

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

Note 3: The total line of credit provided by Standard Technology Corporation for other persons and the limit for loans to individual borrowers shall be 20% and 10% of the net values in the financial statement of the Company for the most recent period.

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

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

Note 5: The transactions of the Company's loans to subsidiaries had been written off when the consolidated financial statements were prepared.

2. Endorsements/guarantees to others:

Unit: In Thousands of New Taiwan Dollars

No.	Company Name of Endorser	Company name of endorsee		Endorsement limit for a single enterprise (Note 3)	Maximum endorsement guarantee balance for current period	Ending balance of endorsement guarantee	Amount Actually Drawn	Amount of endorsements secured by the property	The ratio of accumulated endorsement amount to the net worth of the latest financial statements	Maximum amount of endorsement	Endorsement of the parent company to a subsidiary	Endorsement of a subsidiary to the parent company	Endorsement for Mainland China
		Company Name	Relationship (Note 3)										
1	AEWIN	Beijing AEWIN	2	238,453 (Note 1)	130,608	66,587	66,587	-	5.58%	596,133 (Note 1)	Y	N	Y
1	Ace Pillar	Tianjin ACE Pillar	2	821,664 (Note 2)	190,125	59,440	28,854	-	2.89%	1,027,080 (Note 2)	Y	N	Y

Note 1: The maximum line of credit provided by AEWIN for other persons and individual enterprise shall be 50% and 20% of the net values in the financial statement of the company for the most recent period.

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

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

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

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

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

Name of Held Company	Type and Name of Marketable Securities	Relationship with the issuer of securities	Item	End of Period				Remark
				Number of Shares/number of Units	Carrying Amount	Shareholding Ratio	Fair value	
The Company	Beneficiary certificates: Cathay No.1 REIT		Financial assets at fair value through profit or loss - current	1,442	25,927	%	25,927	
The Company	Stock: APLEX Technology Inc.		Financial assets at fair value through other comprehensive income - non-current	999	38,811	3.32%	38,811	
The Company	Fund: Asia Tech Taiwan Venture Fund		Financial assets at fair value through profit or loss - non-current	USD 225	-	-	-	
The Company	Bonds: WM 7.25% Perpetual		Financial assets at fair value through profit or loss - current	USD 200	-	-	-	
AEWIN	Stock: AEWIN KOREA TECHNOLOGIES CO., LTD	Substantial related party	Financial assets at fair value through other comprehensive income - non-current	10	790	16.67%	790	-
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	-	2.64%	-	-
Standard Co.	Stock: COMPITEK CORP PTE LTD (CPL)	-	Financial assets at fair value through other comprehensive income - non-current	36	1,434	6.28%	1,434	-
STCBVI	Bonds: Biogen Inc.	-	Financial assets at amortized cost - non-current	USD 100	3,107	-	3,107	-

- The cumulative purchase or sale of the same securities amounted to NTD 300 million or 20% and above of the paid-in capital: None.
- The amount of property acquired reached NTD 300 million or 20% and above of the paid-in capital: None.
- The amount of property disposal reached NTD 300 million or 20% and above of the paid-in capital: None.
- The amount of purchases or sales with related parties reached NTD 100 million or 20% and above of the paid-in capital:

Unit: In Thousands of New Taiwan Dollars

Purchasing (selling) company	Name of counterparty	Relationship	Transaction Status				The situation and reason for the difference between the trading terms and the general trading		Notes and accounts receivable (payable)		Remark
			Purchase/Sales	Amount	Ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of notes and accounts receivable and payable	
The Company	Qisda	Parent company and subsidiary	Purchases	262,056	6%	OA60	-	30-90 days to collect	(153,843)	(17)%	-
Qisda	The Company	Parent company and subsidiary	Sales	(262,056)	-	OA60	-	30-90 days to collect	153,843	100%	-
DFI US	The Company	Parent company and subsidiary	Purchases	363,061	98%	60-90 days to collect	-	30-90 days to collect	(75,726)	(100)%	Note 2
The Company	DFI US	Parent company and subsidiary	Sales	(363,061)	(16)%	60-90 days to collect	-	30-90 days to collect	75,726	8%	Note 2
Diamond Flower Information (NL) B.V	The Company	Parent company and subsidiary	Purchases	221,412	100%	60-90 days to collect	-	30-90 days to collect	(48,357)	(100)%	Note 2
The Company	Diamond Flower Information (NL) B.V	Parent company and subsidiary	Sales	(221,412)	(10)%	60-90 days to collect	-	30-90 days to collect	48,357	5%	Note 2
Yan Ying Hao Trading (Shenzhen) Co., Ltd.	The Company	Parent company and subsidiary	Purchases	119,927	97%	60-90 days to collect	-	30-90 days to collect	(49,369)	(98)%	Note 2
The Company	Yan Ying Hao Trading (Shenzhen) Co., Ltd.	Parent company and subsidiary	Sales	(119,927)	(5)%	60-90 days to collect	-	30-90 days to collect	49,369	5%	Note 2
The Company	AEWIN	Parent company and subsidiary	Sales	(299,250)	(13)%	Payment term of 90 days	At agreed price	Payment term of 60-90 days to collect	171,615	18%	Note 2
AEWIN	The Company	Parent company and subsidiary	Purchases	299,250	32%	Payment term of 90 days	At agreed price	Payment term of 60-90 days to collect	(171,615)	(58)%	Note 2
AEWIN	Beijing AEWIN	Parent company and subsidiary	Sales	(195,458)	(23)%	150 days after shipment	-	120 days after shipment (Note 1)	466,594	63%	Note 2
Beijing AEWIN	AEWIN	Parent company and subsidiary	Purchases	195,458	52%	150 days after shipment	-	120 days after shipment (Note 1)	(466,594)	(84)%	Note 2
AEWIN	Aewin Tech Inc.	Parent company and subsidiary	Sales	(121,052)	(14)%	120 days after shipment	-	120 days after shipment (Note 1)	48,987	7%	Note 2
Aewin Tech Inc.	AEWIN	Parent company and subsidiary	Purchases	121,052	100%	120 days after shipment	-	120 days after shipment (Note 1)	(48,987)	100%	Note 2
Quansheng Information Tianjin ACE Pillar	Tianjin ACE Pillar Quansheng Information	Affiliate	Sales	(263,920)	(100)%	T/T 30 days	-	120 days after shipment (Note 1)	51,562	97%	Note 2
The Company	AEWIN	Parent company and subsidiary	Purchases	120,788	3%	Payment term of 60 days	-	30-90 days to collect	(47,875)	(5)%	Note 2
AEWIN	The Company	Parent company and subsidiary	Sales	- (Note 3)	-	Payment term of 60 days	-	120 days after shipment	47,875	6%	Note 2

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

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

Note 3: The sales amount of raw materials associated with the repurchases after processing has been deducted.

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

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

Unit: In Thousands of New Taiwan Dollars

Company from which accounts receivable	Name of counterparty	Relationship	Balance of receivables from related party	Turnover rate	Overdue receivables from related parties		Recovery amount of receivables from related parties after the balance sheet date	Allowance for Loss
					Amount	Treatment		
The Company	Qisda	Parent company and subsidiary	112,285	0.38	-	-	56,796	-
The Company	AEWIN	Parent company and subsidiary	171,615	4.22	-	-	63,733	-
AEWIN	Beijing AEWIN	Parent company and subsidiary	466,594	0.90	283,178	Strengthen collection	30,187	-
Ace Pillar	Tianjin ACE Pillar	Parent company and subsidiary	178,788	-	-	-	-	-

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

9. Engaged in derivative products transactions: See Note VI (II) for details

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

Unit: In Thousands of New Taiwan Dollars

No. (Note 1)	Name of trader	Name of counterparty	Relationship with the trader (Note 2)	Situations of transactions (Note 3)			Ratio to consolidated total revenue or total assets (Note 4)
				Account	Amount	Transaction terms	
0	The Company	DFI US	1	(Sales)	(363,061)	60~90 days to collect	5%
0	The Company	Diamond Flower Information (NL) B.V.	1	(Sales)	(221,412)	60~90 days to collect	3%
0	The Company	Yan Ying Hao Trading (Shenzhen) Co., Ltd.	1	(Sales)	(119,927)	60~90 days to collect	2%
1	Quansheng Information	Tianjin ACE Pillar	3	(Sales)	(263,920)	T/T 30 days	3%
0	The Company	AEWIN	1	(Sales)	(299,250)	Payment term of 90 days	4%
0	The Company	AEWIN	1	Accounts receivable	171,615	Payment term of 60~90 days to collect	1%
2	AEWIN	Beijing AEWIN	3	(Sales)	(195,458)	(Note 5)	3%
2	AEWIN	Aewin Tech Inc.	3	(Sales)	(121,052)	(Note 6)	2%
2	AEWIN	Beijing AEWIN	3	Accounts receivable	466,594	(Note 5)	4%
3	Ace Pillar	Tianjin ACE Pillar	3	Other receivables-borrowings	178,788	One year	1%

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

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

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

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

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

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

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

Note 6: 120 days after shipment, subject to extension taking into account market conditions.

Note 7: Business relationship and important transactions between the parent and subsidiaries only disclose the information on those transactions involving more than 1% of the consolidated operating revenue or assets.

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

(II) Information on Reinvestment:

Below is the information of the reinvestment business (excluding invested companies in Mainland Chinese) from January 1 to June 30, 2022:

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

Name of investor company	Name of investee company	Location	Primary business	Original investment amount		Held at the end of the period			Net income (loss) of the investee	Investment profit (loss) recognized for the period	Remark (Note 2)
				End of current period	End of last year	Number of shares	Ratio	Carrying Amount			
The Company	DFI US	USA	Sales of industrial computer cards	254,683	254,683	1,209	100.00%	385,229	7,826	7,826	Subsidiary of the Company
The Company	Yan Tong	Mauritius	General investment business	187,260	187,260	6,000	100.00%	198,220	17,882	18,748	Subsidiary of the Company
The Company	DFI Co., Ltd.	Japan	Sales of industrial computer cards	104,489	104,489	6	100.00%	105,340	5,155	5,155	Subsidiary of the Company
The Company	Diamond Flower Information (NL) B.V.	Netherlands	Sales of industrial computer cards	35,219	35,219	12	100.00%	86,104	17,793	17,793	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%	610,507	64,102	30,358	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%	1,089,337	90,792	33,438	Subsidiary of the Company
The Company	Brainstorm	USA	Wholesale and retail of computer and peripheral devices	501,582	501,582	233	35.09%	545,149	2,107	(7,374)	Subsidiary of the Company
AEWIN	Wise Way	Anguilla	Investment business	46,129	46,129	1,500	100.00%	145,497	(7,453)	(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	100.00%	8,717	12,308	(Note 1)	Subsidiary indirectly controlled by the Company
Wise Way	Bright Profit	Hong Kong	Investment business	46,129	46,129	1,500	100.00%	187,822	(7,453)	(Note 1)	Subsidiary indirectly controlled by the Company
Ace Pillar	Cyber South	Samoa	Holding Company	107,041	107,041	4,669	100.00%	646,398	6,018	(Note 1)	Subsidiary indirectly controlled by the Company
Ace Pillar	Hong Kong ACE Pillar	Hong Kong	Sales and Purchases of transmission mechanical components	5,120	5,120	1,200	100.00%	44,367	1,892	(Note 1)	Subsidiary indirectly controlled by the Company
Cyber South	Proton	Samoa	Holding Company	527,665	527,665	17,744	100.00%	526,103	2,128	(Note 1)	Subsidiary indirectly controlled by the Company
Cyber South	Ace Tek	Hong Kong	Holding Company	4,938	4,938	150	100.00%	1,713	2,313	(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	-	4,680	60.00%	199,343	24,255	(Note 1)	Subsidiary indirectly controlled by the Company
Standard Co.	Standard Technology Corp.	B.V.I	Holding Company	21,727	-	600	100.00%	140,455	8,867	(Note 1)	Subsidiary indirectly controlled by the Company
Ace Pillar	BlueWalker GmbH	Germany	Trading and services of energy management products	127,200	-	(Note 3)	100.00%	127,835	4,167	(Note 1)	Subsidiary indirectly controlled by the Company

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

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

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

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

(III) Information on Investments in Mainland China:

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

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

Investee Company In Mainland China	Primary business	Paid-in Capital	Method of Investment	Accumulated amount of investment remitted out of Taiwan at the beginning of the period	Remitted or repatriated amount of investment for the period		Accumulated investment amount remitted from Taiwan at the end of current period	Net income (loss) of the investee	Shareholding ratio of the direct or indirect investment of the Company	Investment profit (loss) recognized for the period	Carrying amount of the investment at the end of period	Investment income repatriated by the end of period
					Remitted	Repatriated						
Yan Tong Infotech (Dongguan) Co., Ltd.	Manufacturing and sales of computer cards, board cards, host computer, electronic parts and components	69,200 (USD2,500)	(Note 1)	-	-	-	-	2,758	100.00 %	2,758 (Note 2)	55,334	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 (USD500)	(Note 1)	-	-	-	-	8,873	100.00 %	8,873 (Note 2)	56,474	-
Beijing AEWIN	Wholesale of computer and peripheral equipment and software	46,129 (USD1,500)	(Note 1)	46,129 (USD1,500)	-	-	46,129 (USD1,500)	(7,453)	100.00 %	(7,453) (Note 3)	187,816	-
Aewin(Shenzhen) Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	13,062 (RMB3,000)	(Note 5)	-	-	-	-	(2,630) (RMB(596))	100.00 %	(2,630) (RMB(596)) (Note 2)	(4,516) (RMB(1,017))	-
Tianjin ACE Pillar	Sales and Purchases of transmission mechanical components	1,049,027 (USD35,297)	(Note 1)	57,954 (USD1,950)	-	-	57,954 (USD1,950)	3,752	100.00 %	3,752 (Note 3)	628,008	125,533
Tianjin Jinhao	Manufacturing and processing of machinery transmission products	7,413 (RMB1,670)	(Note 1)	4,755 (USD160)	-	-	4,755 (USD160)	(2,817)	100.00 %	(2,817) (USD(101)) (Note 3)	4,328 (USD146)	-
Quansheng Information	Electronic system integration	8,916 (USD300)	(Note 1)	4,458 (USD150)	-	-	4,458 (USD150)	2,313	100.00 %	2,313 (USD82) (Note 3)	1,688 (USD57)	-
Suzhou Super Pillar	Processing and technical services of mechanical transmission and control products	43,094 (USD1,450)	(Note 1)	- (Note 4)	-	-	- (Note 4)	4,735	100.00 %	4,735 (USD166) (Note 3)	105,475 (USD3,549)	-
Xuchang Ace AI Equipment Co., Ltd.	Wholesale and retail of industrial robotic related products	8,916 (USD300)	(Note 1)	- (Note 4)	-	-	- (Note 4)	(75)	- %	(75) (USD(3)) (Note 3)	-	-
Shanghai Standard	Trading of semiconductor optoelectronic equipment and consumables	14,266 (USD480)	(Note 1)	- (Note 7)	-	-	- (Note 7)	10,861	100.00 %	6,685 (Note 2)	101,768	83,401

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

Note 2: It is recognized based on the investee company's own financial statements which have not been reviewed by the accountants.

Note 3: It is recognized in line with the financial report prepared by the invested company 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 Chinese-based company reinvested by Beijing AEWIN.

Note 6: Xuchang Ace AI Equipment Co., Ltd. was fully liquidated on June 21, 2022 and deregistration was completed.

Note 7: It was reinvested and established by Standard Technology Corp.

2. Limit of the investment in Mainland Chinese:

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

Company Name	The cumulative amount of investment remitted from Taiwan to the Mainland Chinese at the end of the current period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Upper Limit on Investment in mainland China regulated by the Investment Commission of the Ministry of Economic Affairs (Note 2)
DFI	-(Note 1)	61,966(Note 3 and Note 4) (USD2,085)	3,264,065
AEWIN	46,129 (USD1,500)	59,440 (USD2,000)	715,360
Ace Pillar	152,137 (USD5,119)	152,137 (USD5,119)	1,285,058
Standard Co.	14,266 (USD480)	14,266 (USD480)	87,963

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

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

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

(Note 4) Repatriated amount of earnings after the cancellation of Yan Tong Infotech (Dongguan) Co., Ltd. approved by the Investment Commission in February 2017.

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

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

Please see the statement under the “Information on Significant Transactions” for the direct or indirect material transactions between the consolidated company and the invested companies in the Mainland Chinese for the six months ended June 30, 2022 (these transactions had been written off when the consolidated financial statements were prepared).

(IV) Information on Major Shareholders:

Name of Major Shareholder	Shares	Number of Shares Held	Unit: Share
			Shareholding Ratio
Qisda Co., Ltd.		51,609,986	45.07%
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 number of shares delivered without physical registration as a result of different preparation and calculation bases.

XIV. Segment information

Information and adjustments of the consolidated company's operating departments are as follows:

	April to June 2022					Total
	Board cards and system department	Industrial automation control department	Computer component	Others	Adjustment and elimination	
Revenue from external clients	\$ 1,795,437	796,153	1,016,898	243,676	-	3,852,164
Inter-departmental income	602,132	-	-	-	(602,132)	-
Total income	<u>\$ 2,397,569</u>	<u>796,153</u>	<u>1,016,898</u>	<u>243,676</u>	<u>(602,132)</u>	<u>3,852,164</u>
Reportable department profit or loss	<u>\$ 155,046</u>	<u>27,787</u>	<u>(41,490)</u>	<u>18,597</u>	<u>3,470</u>	<u>163,410</u>

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

April to June 2021					
	Board cards and system department	Industrial automation control department	Computer component	Adjustment and elimination	Total
Revenue from external clients	\$ 1,189,450	973,908	1,107,809	-	3,271,167
Inter-departmental income	440,076	165	-	(440,241)	-
Total income	<u>\$ 1,629,526</u>	<u>974,073</u>	<u>1,107,809</u>	<u>(440,241)</u>	<u>3,271,167</u>
Reportable department profit or loss	<u>\$ 39,683</u>	<u>52,271</u>	<u>101,066</u>	<u>1,985</u>	<u>195,005</u>

January to June 2022						
	Board cards and system department	Industrial automation control department	Computer component	Others	Adjustment and elimination	Total
Revenue from external clients	\$ 3,213,754	1,666,612	2,534,705	307,921	-	7,722,992
Inter-departmental income	1,114,457	3	-	-	(1,114,460)	-
Total income	<u>\$ 4,328,211</u>	<u>1,666,615</u>	<u>2,534,705</u>	<u>307,921</u>	<u>(1,114,460)</u>	<u>7,722,992</u>
Reportable department profit or loss	<u>\$ 246,506</u>	<u>57,218</u>	<u>(32,878)</u>	<u>25,164</u>	<u>7,039</u>	<u>303,049</u>

January to June 2021					
	Board cards and system department	Industrial automation control department	Computer component	Adjustment and elimination	Total
Revenue from external clients	\$ 2,319,504	1,851,972	1,107,809	-	5,279,285
Inter-departmental income	799,085	186	-	(799,271)	-
Total income	<u>\$ 3,118,589</u>	<u>1,852,158</u>	<u>1,107,809</u>	<u>(799,271)</u>	<u>5,279,285</u>
Reportable department profit or loss	<u>\$ 97,905</u>	<u>111,204</u>	<u>101,066</u>	<u>7,248</u>	<u>317,423</u>