

DFI Inc. and Subsidiaries

**Consolidated Financial Statements with
Independent Auditors' Review Report**

Nine Months Ended September 30, 2021 and 2020

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For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

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Independent Auditors' Review Report

The Board of Directors and Shareholders DFI Inc.

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note VI(II) to the consolidated financial statements, DFI Inc. has included its insignificant subsidiaries in the aforesaid consolidated financial statements based on the financial statements of these invested companies not reviewed by the accountants for the same period. As on September 30, 2021, these subsidiaries had the total assets of NTD928,119,000 (the same below), representing 8.04% of the consolidated total assets, had the total liabilities of NTD77,026,000, representing 1.19% of the consolidated total liabilities, and realized the comprehensive profit (loss) of NTD951,000 and NTD14,218,000 from July 1 to September 30, 2021 and from January 1 to September 30, 2021 respectively, representing 0.88% and 4.73% of the consolidated comprehensive profit (loss) respectively.

Qualified Conclusion

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

Other Matters

The consolidated financial statements of DFI Inc. and its subsidiaries for the third quarter of 2020 been reviewed by other accountants, which issued an audit report with the qualified conclusion on November 10, 2020.

KPMG

Certified Public Accountant:

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

November 5, 2021

This statement dated on September 30, 2021 and September 30, 2020 has only been reviewed, and not audited in accordance with the Generally Accepted Auditing Standards

**DFI Inc. and Subsidiaries
Consolidated Balance Sheets
September 30, 2021, December 31 and September 30, 2020
Unit: In Thousands of New Taiwan Dollars**

	September 30, 2021		December 31, 2020		September 30, 2020	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100	Cash and cash equivalents (Note VI (I))	\$ 1,529,146	13	1,922,245	24	1,699,993 21
1110	Financial assets at fair value through profit or loss - current (Notes VI (II))	26,015	-	28,221	-	37,487 1
1136	Financial assets at amortized cost - current (Notes VI (IV) & VIII)	1,708	-	1,708	-	1,708 -
1170	Net of notes receivable and accounts receivable (Notes VI (V) (XXI) & VIII)	2,573,707	23	1,840,247	23	1,828,066 23
1180	Trade receivable - related parties (Notes VI (V), (XXI) & VII)	154,638	1	144,234	2	233,640 3
1200	Other receivables (Notes VI (V) & VII)	36,543	-	13,411	-	24,172 -
130X	Inventories (Notes VI (VI))	3,284,672	29	1,528,105	19	1,642,723 20
1410	Prepayments	97,043	1	60,497	1	61,018 1
1460	Non-current assets available for sale (net) (Note VI (VII))	146,337	1	-	-	- -
1470	Other current assets	21,449		8,045	-	7,597 -
	Total current assets	<u>7,871,258</u>	<u>68</u>	<u>5,546,713</u>	<u>69</u>	<u>5,536,404 69</u>
Non-current assets:						
1517	Financial assets at fair value through other comprehensive income - non-current (Notes VI (III))	33,705	-	30,807	-	33,354 -
1600	Property, plant and equipment (Notes VI (IX) & VII)	2,184,911	19	1,911,589	24	1,926,525 24
1755	Right-of-use assets (Notes VI (X) & VII)	296,789	2	144,577	2	122,528 2
1780	Intangible assets (Notes VI (VIII) (XI) & VII)	990,616	9	308,790	3	314,881 3
1840	Deferred income tax assets	78,339	1	87,688	1	95,377 1
1990	Other non-current assets	91,261	1	3,840	1	46,789 1
	Total non-current assets	<u>3,675,621</u>	<u>32</u>	<u>2,537,291</u>	<u>31</u>	<u>2,539,454 31</u>
	Total assets	<u>\$11,546,879</u>	<u>100</u>	<u>8,084,004</u>	<u>100</u>	<u>8,075,858 100</u>

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen Manager: Chi-Nan, Tsai Accounting Supervisor: Li-Min, Huang

This statement dated on September 30, 2021 and September 30, 2020 has only been reviewed, and not audited in accordance with the Generally Accepted Auditing Standards

DFI Inc. and Subsidiaries

Consolidated Balance Sheets (Continued from the previous page)

September 30, 2021, December 31 and September 30, 2020

Unit: In Thousands of New Taiwan Dollars

	September 30, 2021		December 31, 2020		September 30, 2020		
	Amount	%	Amount	%	Amount	%	
Liabilities and equity							
Current liabilities:							
2100	Short-term borrowings (Notes VI (XII) & VIII)	\$ 2,554,941	22	823,701	10	944,253	12
2120	Financial liabilities at fair value through profit or loss-current (Notes VI (II))	3,430	-	9,768	-	1,509	-
2130	Contract liabilities - current (Note VI (XXI))	167,325	1	96,698	1	87,426	1
2170	Notes and trade payables	2,313,418	20	1,083,474	13	1,049,974	13
2180	Trade payables to related parties (Note VII)	79,639	1	104,880	1	182,155	2
2200	Other payables (Note VII)	444,483	4	404,349	5	352,881	4
2230	Current income tax liabilities	104,203	1	122,492	2	115,381	1
2250	Provisions - current (Note VI (XV))	45,057	-	56,827	1	55,840	1
2280	Lease liabilities - current (Note VI (XIV) & VII)	76,515	1	52,120	1	42,320	1
2399	Other current liabilities	69,343	1	17,614	-	18,729	-
	Total current liabilities	<u>5,858,354</u>	<u>51</u>	<u>2,771,923</u>	<u>34</u>	<u>2,850,468</u>	<u>35</u>
Non-current liabilities:							
2540	Long-term borrowings (Notes VI (XIII))	104,176	1	-	-	-	-
2570	Deferred income tax liabilities	281,810	2	174,584	2	166,752	2
2580	Contract liabilities - non-current (Note VI (XIV) & VII)	198,259	2	63,896	1	53,041	1
2640	Net defined benefit liabilities - non-current	39,711	-	39,962	1	36,522	-
	Total non-current liabilities	<u>623,956</u>	<u>5</u>	<u>278,442</u>	<u>4</u>	<u>256,315</u>	<u>3</u>
	Total liabilities	<u>6,482,310</u>	<u>56</u>	<u>3,050,365</u>	<u>38</u>	<u>3,106,783</u>	<u>38</u>
Equity attributable to the owners of the parent company (Notes VI (III) (VIII) & (XVIII))							
3110	Share capital - ordinary shares	1,146,889	10	1,146,889	14	1,146,889	14
3200	Capital surplus	656,837	6	679,735	9	679,735	8
3300	Retained earnings	965,471	8	1,235,993	15	1,177,948	15
3400	Other equities	(114,813)	(1)	(74,607)	(1)	(74,025)	(1)
3500	Treasury shares	(12,907)	-	(12,907)	-	(12,907)	-
	Total equity attributable to owners of parent company	<u>2,641,477</u>	<u>23</u>	<u>2,975,103</u>	<u>37</u>	<u>2,917,640</u>	<u>36</u>
36XX	Non-controlling interests (Note VI (VIII) (XVIII))	<u>2,423,092</u>	<u>21</u>	<u>2,058,536</u>	<u>25</u>	<u>2,051,435</u>	<u>26</u>
	Total equity	<u>5,064,569</u>	<u>44</u>	<u>5,033,639</u>	<u>62</u>	<u>4,969,075</u>	<u>62</u>
	Total liabilities and equity	<u>\$ 11,546,879</u>	<u>100</u>	<u>8,084,004</u>	<u>100</u>	<u>8,075,858</u>	<u>100</u>

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

Manager: Chi-Nan, Tsai

Accounting Supervisor: Li-Min, Huang

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

DFI Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

July 1 to September 30, 2021 and 2020 and January 1 to September 30, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	July to September 2021		July to September 2020		January to September 2021		January to September 2020	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Net operating revenue (Notes VI (XXI), VII and XIV)	\$ 3,739,571	100	2,040,282	100	9,018,856	100	6,257,052	100
5000 Operating costs (Note VI (VI) (IX) (X) (XI) (XIV) (XVI) (XXII), VII & XII)	(3,054,118)	(82)	(1,516,996)	(74)	(7,159,693)	(79)	(4,657,223)	(74)
Gross Profit	<u>685,453</u>	<u>18</u>	<u>523,286</u>	<u>26</u>	<u>1,859,163</u>	<u>21</u>	<u>1,599,829</u>	<u>26</u>
Operating expenses (Note VI (V) (IX) (X) (XI) (XIV) (XVI) (XXII), VII & XII):								
6100 Selling and marketing expenses	(326,768)	(8)	(183,604)	(9)	(795,398)	(9)	(563,856)	(9)
6200 General and administrative expenses	(103,275)	(3)	(90,945)	(5)	(294,352)	(3)	(265,978)	(4)
6300 Research and development expenses	(101,955)	(3)	(100,608)	(5)	(295,139)	(4)	(298,351)	(5)
6450 Gain on reversal of expected credit loss	7,227	-	21,656	(1)	3,831	-	23,227	-
6000 Total operating expenses	<u>(524,771)</u>	<u>(14)</u>	<u>(353,501)</u>	<u>(18)</u>	<u>(1,381,058)</u>	<u>(16)</u>	<u>(1,104,958)</u>	<u>(18)</u>
Net operating income	<u>160,682</u>	<u>4</u>	<u>169,785</u>	<u>8</u>	<u>478,105</u>	<u>5</u>	<u>494,871</u>	<u>8</u>
Non-operating income and expenses (Note VI (XIV) (XXIII) & VIII):								
7100 Interest income	466	-	749	-	1,924	-	4,606	-
7010 Other income	10,139	-	5,331	-	21,784	-	12,731	-
7020 Other gains and losses	(5,081)	-	(6,079)	-	(9,046)	-	(22,061)	-
7050 Finance costs	(6,454)	-	(3,533)	-	(16,187)	-	(12,472)	-
Total non-operating income and expenses	<u>(930)</u>	<u>-</u>	<u>(3,532)</u>	<u>-</u>	<u>(1,525)</u>	<u>-</u>	<u>(17,196)</u>	<u>-</u>
7900 Net profit before tax	<u>159,752</u>	<u>4</u>	<u>166,253</u>	<u>8</u>	<u>476,580</u>	<u>5</u>	<u>477,675</u>	<u>8</u>
7950 Less: Income tax expense (Note VI (XVII))	<u>(44,680)</u>	<u>(1)</u>	<u>(37,677)</u>	<u>(2)</u>	<u>(131,569)</u>	<u>(1)</u>	<u>(107,175)</u>	<u>(2)</u>
8200 Net profit for the period	<u>115,072</u>	<u>3</u>	<u>128,576</u>	<u>6</u>	<u>345,011</u>	<u>4</u>	<u>370,500</u>	<u>6</u>
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	2,397	-	(3)	-	2,898	-	(980)	-
8349 Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-	-
	<u>2,397</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>2,898</u>	<u>-</u>	<u>(980)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss								
8361 Exchange differences on translating the financial statements of foreign operations	(9,052)	-	5,425	-	(47,360)	(1)	(17,645)	-
8399 Income tax relating to items that may be reclassified	-	-	-	-	-	-	-	-
	<u>(9,052)</u>	<u>-</u>	<u>5,425</u>	<u>-</u>	<u>(47,360)</u>	<u>(1)</u>	<u>(17,645)</u>	<u>-</u>
Other comprehensive income (loss) for the period	<u>(6,655)</u>	<u>-</u>	<u>5,422</u>	<u>-</u>	<u>(44,462)</u>	<u>(1)</u>	<u>(18,625)</u>	<u>-</u>
8500 Total comprehensive income/(loss) for the period	<u>\$ 108,417</u>	<u>3</u>	<u>133,998</u>	<u>6</u>	<u>300,549</u>	<u>3</u>	<u>351,875</u>	<u>6</u>
Net profit in current period attributable to:								
8610 Owners of the parent company	\$ 71,116	2	106,286	5	199,875	2	327,307	5
8620 Non-controlling interests	43,956	1	22,290	1	145,136	2	43,193	1
	<u>\$ 115,072</u>	<u>3</u>	<u>128,576</u>	<u>6</u>	<u>345,011</u>	<u>4</u>	<u>370,500</u>	<u>6</u>
Comprehensive income attributable to:								
8710 Owners of the parent company	\$ 65,542	2	106,954	5	159,669	2	314,602	5
8720 Non-controlling interests	42,875	1	27,044	1	140,880	1	37,273	1
	<u>\$ 108,417</u>	<u>3</u>	<u>133,998</u>	<u>6</u>	<u>300,549</u>	<u>3</u>	<u>351,875</u>	<u>6</u>
Earnings per share (Unit: In New Taiwan Dollars and Note VI (XX))								
9750 Basic earnings per share	<u>\$ 0.62</u>		<u>0.93</u>		<u>1.75</u>		<u>2.86</u>	
9850 Diluted earnings per share	<u>\$ 0.62</u>		<u>0.93</u>		<u>1.74</u>		<u>2.84</u>	

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

Manager: Chi-Nan, Tsai

Accounting Supervisor: Li-Min, Huang

Reviewed only, Not Audited in accordance with Generally Accepted Auditing Standards
DFI Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to September 30, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	Equity attributable to owners of parent company						Other equity items			Treasury shares	Total equities attributable to owners of parent company	Non-controlling interests	Total equity
	Retained earnings						Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total				
	Share capital - ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total							
Balance as of January 1, 2020	<u>\$ 1,146,889</u>	<u>679,644</u>	<u>725,424</u>	<u>52,616</u>	<u>657,399</u>	<u>1,435,439</u>	<u>(69,158)</u>	<u>14,890</u>	<u>(54,268)</u>	<u>(12,907)</u>	<u>3,194,797</u>	<u>2,166,001</u>	<u>5,360,798</u>
Net profit for the period	-	-	-	-	327,307	327,307	-	-	-	-	327,307	43,193	370,500
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(10,594)	(2,111)	(12,705)	-	(12,705)	(5,920)	(18,625)
Total comprehensive income/(loss) for the period	-	-	-	-	327,307	327,307	(10,594)	(2,111)	(12,705)	-	314,602	37,273	351,875
Profit distribution:													
Legal reserve	-	-	63,094	-	(63,094)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,652	(1,652)	-	-	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	(572,444)	(572,444)	-	-	-	-	(572,444)	-	(572,444)
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(40,814)	(40,814)
Changes in non-controlling interests	-	91	-	-	-	-	-	-	-	-	91	709	800
Differences between the actual price for acquisition or disposal of the subsidiaries and their carrying amount	-	-	-	-	(19,406)	(19,406)	-	-	-	-	(19,406)	(111,734)	(131,140)
Disposal of equity instruments at fair value through other comprehensive income/(loss)	-	-	-	-	7,052	7,052	-	(7,052)	(7,052)	-	-	-	-
Balance as of September 30, 2020	<u>\$ 1,146,889</u>	<u>679,735</u>	<u>788,518</u>	<u>54,268</u>	<u>335,162</u>	<u>1,177,948</u>	<u>(79,752)</u>	<u>5,727</u>	<u>(74,025)</u>	<u>(12,907)</u>	<u>2,917,640</u>	<u>2,051,435</u>	<u>4,969,075</u>
Balance as of January 1, 2021	<u>\$ 1,146,889</u>	<u>679,735</u>	<u>788,518</u>	<u>54,268</u>	<u>393,207</u>	<u>1,235,993</u>	<u>(83,110)</u>	<u>8,503</u>	<u>(74,607)</u>	<u>(12,907)</u>	<u>2,975,103</u>	<u>2,058,536</u>	<u>5,033,639</u>
Net profit for the period	-	-	-	-	199,875	199,875	-	-	-	-	199,875	145,136	345,011
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(42,909)	2,703	(40,206)	-	(40,206)	(4,256)	(44,462)
Total comprehensive income/(loss) for the period	-	-	-	-	199,875	199,875	(42,909)	2,703	(40,206)	-	159,669	140,880	300,549
Profit distribution:													
Legal reserve	-	-	37,246	-	(37,246)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	20,339	(20,339)	-	-	-	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	(320,569)	(320,569)	-	-	-	-	(320,569)	-	(320,569)
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(52,225)	(52,225)
Cash distributed from capital reserve	-	(22,898)	-	-	-	-	-	-	-	-	(22,898)	-	(22,898)
Differences between the actual price for acquisition or disposal of the subsidiaries and their carrying amount	-	-	-	-	(149,828)	(149,828)	-	-	-	-	(149,828)	(365,532)	(515,360)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	641,433	641,433
Balance as of September 30, 2021	<u>\$ 1,146,889</u>	<u>656,837</u>	<u>825,764</u>	<u>74,607</u>	<u>65,100</u>	<u>965,471</u>	<u>(126,019)</u>	<u>11,206</u>	<u>(114,813)</u>	<u>(12,907)</u>	<u>2,641,477</u>	<u>2,423,092</u>	<u>5,064,569</u>

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

Manager: Chi-Nan, Tsai

Accounting Supervisor: Li-Min, Huang

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

DFI Inc. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to September 30, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	<u>January to September 2021</u>	<u>January to September 2020</u>
Cash flows from operating activities:		
Net profit before tax for the period	\$ 476,580	477,675
Adjustment item:		
Adjustments for		
Depreciation expenses	128,799	111,654
Amortization expenses	45,859	21,354
Gain on reversal of expected credit loss	(3,831)	(23,227)
Evaluation losses of financial assets measured at fair value through gains and losses	1,362	3,137
Interest expense	16,187	12,472
Interest income	(1,924)	(4,606)
Dividend income	(999)	(1,260)
Loss (gain) on disposal of property, factory and equipment	929	(412)
Unrealized foreign exchange gains	-	(16,512)
Gain on lease amendment	(1)	(8)
Total revenue, expense and loss items	<u>186,381</u>	<u>102,592</u>
Changes in assets/liabilities related to business activities:		
Net changes in assets related to operating activities:		
Increase in financial assets measured at fair value through profit or loss	(137)	(7,944)
Increase in notes receivable and accounts receivable	(537,741)	(78,935)
Decrease (increase) in accounts receivable - related parties	(10,404)	41,663
Decrease (increase) in other receivables	(23,134)	6,892
Decrease (increase) in inventories	(952,985)	122,666
Decrease (increase) in prepayments	(41,887)	8,625
Decrease (increase) in other current assets	(3,873)	183
Total net changes in assets related to operating activities	<u>(1,570,161)</u>	<u>93,150</u>
Net change in liabilities related to operating activities:		
Decrease in financial liabilities measured at fair value compulsorily through profit or loss	(6,338)	-
Increase (decrease) in contractual liabilities	70,627	(5,736)
Increase (decrease) in notes payable and accounts payable	445,600	(341,028)
Decrease in accounts payable - related parties	(25,241)	(25,955)
Decrease in other payables	(126,379)	(79,920)
Decrease in liability reserve	(11,770)	(145)
Increase (decrease) in other current liabilities	(3,582)	6,273
Increase (decrease) in net defined benefit liabilities	(478)	223
Total net changes in liabilities related to business activities	<u>342,439</u>	<u>(446,288)</u>
Total net changes in assets and liabilities related to operating activities	<u>(1,227,722)</u>	<u>(353,138)</u>
Total adjustment items	<u>(1,041,341)</u>	<u>(250,546)</u>
Cash (used in) generated from operations	(564,761)	227,129
Interest received	1,926	4,604
Interest paid	(15,788)	(12,353)
Income tax paid	(146,846)	(131,420)
Net cash (used in) generated from operating activities	<u>(725,469)</u>	<u>87,960</u>

(Continued on the next page)

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

Manager: Chi-Nan, Tsai

Accounting Supervisor: Li-Min, Huang

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

DFI Inc. and Subsidiaries

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

January 1 to September 30, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

	January to September 2021	January to September 2020
Cash flows from investing activities:		
Proceeds from sale of financial assets at fair value through other comprehensive income	-	26,410
Purchase of financial assets at amortized cost	-	(2,707)
Proceeds from sale of financial assets at amortized cost	-	47,532
Proceeds from sale of financial assets at fair value through profit or loss	981	-
Acquisition of subsidiaries (less cash obtained)	(41,201)	-
Purchase of Property, plant and equipment	(461,552)	(29,767)
Proceeds from disposal of property, plant and equipment	1,019	778
Increase in advance receipts from disposal of assets	55,000	-
Decrease in refundable deposits	626	573
Purchase of intangible assets	(10,040)	(11,890)
Increase in other non-current assets	(33,247)	(868)
Dividends received	999	1,260
Net cash (used in) generated from investing activities	(487,415)	31,321
Cash flows from financing activities:		
Proceeds from short-term borrowings	4,699,739	2,398,639
Repayments of short-term borrowings	(2,967,835)	(2,068,332)
Long-term borrowings	400,000	-
Repayments of long-term borrowings	(300,000)	-
Repayment of the principal portion of lease	(58,167)	(39,029)
Cash dividends distributed	(343,467)	(572,444)
Acquisition of equity in subsidiaries	(515,360)	(131,140)
Changes in non-controlling interests	(52,225)	(40,014)
Net cash (used in) generated from financing activities	862,685	(452,320)
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(42,900)	(12,311)
Decrease in cash and cash equivalents for the current period	(393,099)	(345,350)
Cash and cash equivalents at the beginning of the period	1,922,245	2,045,343
Cash and cash equivalents at the end of the period	<u>\$ 1,529,146</u>	<u>1,699,993</u>

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

Manager: Chi-Nan, Tsai

Accounting Supervisor: Li-Min, Huang

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

DFI Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Nine Months Ended September 30, 2021 and 2020

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

I. Company History

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

II. Date and Procedures of Authorization of Financial Statements

The accompanying consolidated financial statements were approved and issued by the Board of Directors on November 5, 2021.

III. Application of New and Amended Standards and Interpretations

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

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

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

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

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

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

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

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

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

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

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

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

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

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

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

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements

<u>Name of investor company</u>	<u>Name of subsidiary</u>	<u>Nature of business</u>	<u>Comprehensive shareholding</u>			<u>Description</u>
			<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	
The Company	DFI AMERICA, LLC	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note 1
The Company	DFI Co., Ltd.	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note 1
The Company	Yan Tong Technology Ltd. (Yan Tong)	Investment business	100.00%	100.00%	100.00%	Note 1
The Company	Diamond Flower Information (NL) B.V.	Sales of industrial computer cards	100.00%	100.00%	100.00%	Note 1
The Company	Brainstorm Corporation (Brainstorm)	Wholesale and retail of computer and peripheral devices	35.09%	-	-	Note 2
Yan Tong	Yan Tong Infotech (Dongguan) Co., Ltd.	Manufacturing and sales of computer cards, board cards, host computer, electronic parts and components	100.00%	100.00%	100.00%	Note 1
Yan Tong	Yan Ying Hao Trading (ShenYan) Co., Ltd.	Wholesale, import and export of computer cards, board cards, host computer, electronic parts and components	100.00%	100.00%	100.00%	Note 1
The Company	AEWIN Technologies Co., Ltd. (AEWIN)	Design, manufacture and sale of industrial computer cards and related products	51.38%	50.84%	50.74%	-
AEWIN	Wise Way	Investment business	51.38%	50.84%	50.74%	-
AEWIN	Aewin Tech Inc.	Wholesale of computer and peripheral equipment and software	51.38%	50.84%	50.74%	-
Wise Way	Bright Profit	Investment business	51.38%	50.84%	50.74%	-
Bright Profit	Aewin Beijing Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	51.38%	50.84%	50.74%	-
Beijing AEWIN	Aewin(Shenzhen)Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	51.38%	50.84%	50.74%	-
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%	33.56%	32.42%	-
Ace Pillar	Cyber South Management Ltd. (Cyber South)	Holding Company	48.07%	33.56%	32.42%	-
Ace Pillar	Hong Kong Ace Pillar Enterprise Company Limited (Hong Kong ACE Pillar)	Sales and Purchases of transmission mechanical components	48.07%	33.56%	32.42%	-
Ace Pillar/Proton	Tianjin Ace Pillar Co., Ltd. (Tianjin Ace Pillar)	Sales and Purchases of transmission mechanical components	48.07%	33.56%	32.42%	-
Cyber South	Proton Inc.(Proton)	Holding Company	48.07%	33.56%	32.42%	-
Cyber South	Ace Tek (HK) Holding Co., Ltd. (Ace Tek)	Holding Company	48.07%	33.56%	32.42%	-
Cyber South	Suzhou Super Pillar Automation Equipment Co., Ltd. (Suzhou Super Pillar)	Processing and technical services of mechanical transmission and control products	48.07%	33.56%	32.42%	-
Cyber South	Grace Transmission (Tianjin) Co., Ltd.	Manufacturing and processing of machinery transmission products	48.07%	33.56%	32.42%	-
Cyber South	Xuchang Ace AI Equipment Co.,Ltd.	Wholesale and retail of industrial robotic related products	48.07%	33.56%	32.42%	-
Ace Tek	ADVANCEDTEK ACE (TJ) INC.	Electronic system integration	48.07%	33.56%	32.42%	-

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

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

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

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

(III) Employee benefits

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

(IV) Income tax

The Consolidated Company measures and discloses its income tax expenses for the interim period in accordance with paragraph B12 of IAS 34, "Interim Financial Reporting".

Income tax expenses are measured by multiplying net profit before tax for the interim period by management's best estimate of the estimated effective tax rate for the full year, and are allocated to current income tax expense and deferred income tax expense in proportion to the estimated current income tax expense and deferred income tax expense for the full year.

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

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

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

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

(I) Inventory valuation

Inventories are measured at the lower of cost or net realizable value. The Consolidated Company assesses the amount of inventories that are normally worn out, obsolete or have no marketable value at the reporting date and reduces the cost of inventories to net

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

realizable value. This inventory valuation is primarily based on estimates of product demand in specific periods in the future and is subject to significant changes due to rapid changes in the industry. Please refer to Note VI (VI) for the inventory valuation.

(II) Acquisition of subsidiaries

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

VI. Significant Account disclosures

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

(I) Cash and cash equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand and petty cash	\$ 672	742	775
Demand deposits and check deposits	1,450,522	1,842,123	1,557,665
Time deposits with original maturity date within three months	<u>77,952</u>	<u>79,380</u>	<u>141,553</u>
	<u>\$ 1,529,146</u>	<u>1,922,245</u>	<u>1,699,993</u>

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

(II) Financial instruments at fair value through profit or loss - current	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets mandatorily classified as at fair value through profit or loss:			
Non-hedging derivative instruments:			
Forward foreign exchange contracts	\$ 405	226	1,505
Foreign exchange SWAP	<u>-</u>	<u>42</u>	<u>6,432</u>
Subtotal	405	268	7,937
Non-derivative financial assets:			
Fund beneficiary certificates	<u>25,610</u>	<u>27,953</u>	<u>29,550</u>
	<u>\$ 26,015</u>	<u>28,221</u>	<u>37,487</u>
Financial liabilities held for trading:			
Derivative financial instruments:			
Forward foreign exchange contracts	\$ 1,030	2,185	1,258
Foreign exchange SWAP	<u>2,400</u>	<u>7,583</u>	<u>251</u>
Subtotal	<u>\$ 3,430</u>	<u>9,768</u>	<u>1,509</u>

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

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

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

1. Forward foreign exchange contracts

September 30, 2021			
Currency		Contractual amount (NTD in thousands)	Maturity period
Buy JPY/Sell USD	JPY	96,088	October 2021
Buy USD/Sell RMB	USD	14,879	October 2021
Buy RMB/Sell USD	RMB	6,813	October 2021
Buy Euro/Sell in USD	EUR	1,679	October 2021
December 31, 2020			
Currency		Contractual amount (NTD in thousands)	Maturity period
Buy JPY/Sell USD	JPY	246,778	January 2021
Buy USD/Sell RMB	USD	15,356	January 2021
September 30, 2020			
Currency		Contractual amount (NTD in thousands)	Maturity period
Buy JPY/Sell USD	JPY	112,473	October 2020
Buy USD/Sell RMB	USD	24,944	October to November 2021

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

2. Swaps contract

September 30, 2021			
Currency	Contractual amount (NTD in thousands)		Maturity period
Swap in NTD/ swap out USD	USD	22,130	October 2021
December 31, 2020			
Currency	Contractual amount (NTD in thousands)		Maturity period
Swap in NTD/ swap out USD	USD	34,860	January 2021
September 30, 2020			
Currency	Contractual amount (NTD in thousands)		Maturity period
Swap in NTD/ swap out USD	USD	39,270	October to November 2021

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

	September 30, 2021	December 31, 2020	September 30, 2020
Equity instruments measured at fair value through other comprehensive income:			
Stocks of domestic listed (OTC) companies:	\$ 32,417	29,920	32,467
Foreign unlisted (OTC) stocks	1,288	887	887
	<u>\$ 33,705</u>	<u>30,807</u>	<u>33,354</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.

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

The Consolidated Company didn't dispose of the aforesaid strategic investments from January 1 to September 30, 2021 and 2020, so the income and loss accumulated in such periods were not transferred within the equities in whatever manner. From January 1 to September 30, 2021, the Consolidated Company disposed of part of the equity instruments measured at fair value through other comprehensive income at a disposal price of NTD26,410,000, and transferred NTD7,052,000 in cumulative gains from other equity to retained earnings.

(IV) Financial assets at amortized cost - current

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Pledged certificate of deposit	<u>\$ 1,708</u>	<u>1,708</u>	<u>1,708</u>

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

(V) Notes and accounts receivable and other receivables

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	\$ 358,852	295,309	307,228
Trade receivables	2,249,515	1,590,003	1,599,503
Trade receivables - related parties	154,638	144,234	233,640
Less: Allowance for loss	<u>(34,660)</u>	<u>(45,065)</u>	<u>(78,665)</u>
	<u>\$ 2,728,345</u>	<u>1,984,481</u>	<u>2,061,706</u>
Other receivables	\$ 36,018	12,819	23,582
Other receivables - related parties	<u>525</u>	<u>592</u>	<u>590</u>
	<u>\$ 36,543</u>	<u>13,411</u>	<u>24,172</u>

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

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

	September 30, 2021		
	Book-entry amounts of accounts receivable	Weighted average expected credit loss rate	Allowance for expected credit losses for the duration of the period
Not overdue	\$ 2,097,835	0.06%	1,250
1-30 days overdue	107,938	4.00%	4,319
31-60 days overdue	9,078	8.03%	729
61-90 days overdue	5,808	9.95%	578
Overdue more than 90 days	<u>28,856</u>	96.29%	<u>27,784</u>
	<u>\$ 2,249,515</u>		<u>34,660</u>

	December 31, 2020		
	Book-entry amounts of accounts receivable	Weighted average expected credit loss rate	Allowance for expected credit losses for the duration of the period
Not overdue	\$ 1,451,008	0.20%	2,888
1-30 days overdue	84,528	3.75%	3,169
31-60 days overdue	10,990	15.33%	1,685
61-90 days overdue	2,050	20.29%	416
Overdue more than 90 days	<u>41,427</u>	89.09%	<u>36,907</u>
	<u>\$ 1,590,003</u>		<u>45,065</u>

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

	September 30, 2020		
	Book-entry amounts of accounts receivable	Weighted average expected credit loss rate	Allowance for expected credit losses for the duration of the period
Not overdue	\$ 1,379,637	0.27%	3,690
1-30 days overdue	133,022	6.42%	8,537
31-60 days overdue	15,859	25.29%	4,010
61-90 days overdue	9,843	50.32%	4,953
Overdue more than 90 days	<u>61,142</u>	94.00%	<u>57,475</u>
	<u>\$ 1,599,503</u>		<u>78,665</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 September 2021	January to September 2020
Beginning balance	\$ 45,065	120,815
Recovery of amounts written off in current period	100	2,340
Reversal of impairment loss for the period	(3,831)	(23,227)
Unrecoverable amount written off for current year	(6,559)	(19,126)
Effect of exchange rate changes	<u>(115)</u>	<u>(2,137)</u>
Ending balance	<u>\$ 34,660</u>	<u>78,665</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

	September 30, 2021	December 31, 2020	September 30, 2020
Raw materials	\$ 1,982,098	533,178	516,302
Work in progress	220,618	46,838	162,085
Manufactured goods and commodities	954,030	758,717	777,101
Goods in transit	52,216	117,449	102,793
Outsourced processing products	75,710	71,923	84,442
	<u>\$ 3,284,672</u>	<u>1,528,105</u>	<u>1,642,723</u>

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

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Cost of inventory sold	\$ 3,063,013	1,521,538	7,191,441	4,666,389
Gain on inventory write-up	(11,242)	(4,542)	(68,114)	(9,166)
Loss for inventory obsolescence	2,347	-	36,366	-
	<u>\$ 3,054,118</u>	<u>1,516,996</u>	<u>7,159,693</u>	<u>4,657,223</u>

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

(VII) Non-current assets held for sale

The Board of Director of the Company adopted the proposal to sell the plant and buildings in Xizhi District on August 6, 2021, and has signed a contract to deal with matters related to the sale. The transfer of these assets is scheduled to be completed in November 2021 at a total sale price of NTD55,000,000 (including tax). These real estate properties, with a book value of NTD72,885,000, have been transferred to non-current assets held for sale on September 30, 2021.

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

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	
Trade payables	(784,344)	
Other payables	(143,260)	
Current income tax liabilities	(2,055)	
Other current liabilities	(311)	
Lease liabilities (including current and non-current)	(51,212)	
Deferred income tax liabilities	(112,538)	
Long-term borrowings	(4,187)	988,189
Goodwill		<u>\$ 154,826</u>

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

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

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

(3) Intangible assets

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

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

(4) Pro-forma information on operating results

The operating results of Brainstorm from the acquisition date to September 30, 2021 have been consolidated into the consolidated comprehensive income statement of the Consolidated Company, and contributed a net operating revenue and a net after-tax profit of NTD2,454,511,000 and NTD101,711,000 respectively. If the acquisition had occurred on January 1, 2021, the pro-forma net operating revenue and net after-tax profit of the Consolidated Company for the period from January 1 to September 30, 2021 would have been NTD11,381,076,000 and NTD447,402,000 respectively.

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

From January to September 2021 and 2020, the Consolidated Company acquired additional equities in Ace Pillar and AEWIN for NTD515,360,000 and NTD131,140,000 respectively. Please see Note IV (II) for corresponding changes in shareholding ratio.

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

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

	January to September 2021	January to September 2020
Retained earnings	<u><u>\$ (149,828)</u></u>	<u><u>(19,406)</u></u>

3. Subsidiaries with material non-controlling interests

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

Name of subsidiary	Principal place of business/country of registration	Proportion of non-controlling interests in ownership interests		
		September 30, 2021	December 31, 2020	September 30, 2020
Ace Pillar	Taiwan	51.93%	66.44%	67.58%
Brainstorm	USA	64.91%	- %	- %

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

(1) Summary financial information on Ace Pillar:

	September 30, 2021	December 31, 2020	September 30, 2020
Current assets	\$ 2,304,610	2,260,104	2,215,333
Non-current assets	903,079	737,982	731,097
Current liabilities	(887,580)	(714,296)	(697,827)
Non-current liabilities	<u>(85,545)</u>	<u>(91,356)</u>	<u>(80,474)</u>
Net assets	<u><u>\$ 2,234,564</u></u>	<u><u>2,192,434</u></u>	<u><u>2,168,129</u></u>
Ending balance of non-controlling interests	<u><u>\$ 1,160,535</u></u>	<u><u>1,485,796</u></u>	<u><u>1,492,144</u></u>

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

	<u>July to September 2021</u>	<u>July to September 2020</u>	<u>January to September 2021</u>	<u>January to September 2020</u>
Net operating revenue	<u>\$ 910,764</u>	<u>647,016</u>	<u>2,762,921</u>	<u>2,002,338</u>
Net profit/(loss) for the period	\$ 29,354	24,918	114,592	52,867
Other comprehensive income	(1,465)	6,153	(5,112)	(8,516)
Total comprehensive income	<u>\$ 27,889</u>	<u>31,071</u>	<u>109,480</u>	<u>44,351</u>
Net profit for the period attributable to non-controlling interests	<u>\$ 16,783</u>	<u>16,752</u>	<u>71,868</u>	<u>29,785</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 16,340</u>	<u>21,009</u>	<u>69,037</u>	<u>14,566</u>
Cash flows from operating activities			\$ (10,668)	(70,023)
Cash flows from investing activities			(267,674)	68,530
Cash flows financing activities			(79,789)	(174,731)
Effect of changes in exchange rate			(4,345)	(16,220)
Decrease in cash and cash equivalents			<u>\$ (362,476)</u>	<u>(192,444)</u>
Dividends paid to non-controlling interests			<u>\$ (43,642)</u>	<u>(23,340)</u>

(2) Summary financial information on Brainstorm:

	<u>September 30, 2021</u>
Current assets	\$ 1,359,472
Non-current assets	611,273
Current liabilities	(730,769)
Non-current liabilities	(151,769)
Net assets	<u>\$ 1,088,207</u>
Ending balance of non-controlling interests	<u>\$ 706,355</u>

	<u>July to September 2021</u>	<u>May to September 2021</u>
Net operating revenue	<u>\$ 1,346,702</u>	<u>2,454,511</u>
Net profit for the period	<u>\$ 31,658</u>	<u>101,711</u>
Net profit for the period attributable to non-controlling interests	<u>\$ 20,549</u>	<u>66,021</u>
Cash flows from operating activities		\$ (380,764)
Cash flows from investing activities		(4,417)
Cash flows financing activities		(7,288)
Effect of changes in exchange rate		(305)
Decrease in cash and cash equivalents		<u>\$ (392,774)</u>
Dividends paid to non-controlling interests		<u>\$ -</u>

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

(IX) Property, plant and equipment

	Land	Buildings	Machinery equipment	Office equipment	Other equipment	Unfinished construction	Total
Costs:							
Balance on January 1, 2021	\$ 739,888	1,087,518	281,846	57,234	130,780	228,277	2,525,543
Acquired through business combination	-	-	4,299	502	10,503	-	15,304
Additions	181,650	79,483	100,129	11,342	22,796	89,006	484,406
Disposal	-	-	(6,931)	(3,463)	(3,779)	-	(14,173)
Reclassified to assets held for sale	(76,495)	(137,265)	-	-	-	-	(213,760)
Reclassification	-	-	866	215	2,922	(4,003)	-
Effect of changes in exchange rate	-	(1,051)	(41)	(496)	(948)	(1,163)	(3,699)
Balance on September 30, 2021	<u>\$ 845,043</u>	<u>1,028,685</u>	<u>380,168</u>	<u>65,334</u>	<u>162,274</u>	<u>312,117</u>	<u>2,793,621</u>
Balance on January 1, 2020	\$ 739,888	1,095,189	439,535	66,342	142,242	226,545	2,709,741
Additions	-	7,880	5,423	1,396	13,808	81	28,588
Disposal	-	(14,280)	(37,539)	(8,504)	(24,962)	-	(85,285)
Effect of changes in exchange rate	-	(2,024)	-	(502)	(852)	(2,233)	(5,611)
Balance on September 30, 2020	<u>\$ 739,888</u>	<u>1,086,765</u>	<u>407,419</u>	<u>58,732</u>	<u>130,236</u>	<u>224,393</u>	<u>2,647,433</u>
Accumulated depreciation:							
Balance on January 1, 2021	\$ -	276,711	193,338	49,939	93,966	-	613,954
Acquired through business combination	-	-	1,612	205	6,461	-	8,278
Depreciation	-	30,047	23,826	3,820	10,313	-	68,006
Disposal	-	-	(5,387)	(3,368)	(3,470)	-	(12,225)
Reclassified to assets held for sale	-	(67,423)	-	-	-	-	(67,423)
Effect of changes in exchange rate	-	(709)	(16)	(430)	(725)	-	(1,880)
Balance on September 30, 2021	<u>\$ -</u>	<u>238,626</u>	<u>213,373</u>	<u>50,166</u>	<u>106,545</u>	<u>-</u>	<u>608,710</u>
Balance on January 1, 2020	\$ -	250,145	326,718	55,921	104,955	-	737,739
Depreciation	-	31,059	24,381	3,485	11,378	-	70,303
Disposal	-	(14,280)	(37,539)	(8,485)	(24,615)	-	(84,919)
Effect of changes in exchange rate	-	(1,200)	-	(446)	(569)	-	(2,215)
Balance on September 30, 2020	<u>\$ -</u>	<u>265,724</u>	<u>313,560</u>	<u>50,475</u>	<u>91,149</u>	<u>-</u>	<u>720,908</u>
Book value:							
September 30, 2021	<u>\$ 845,043</u>	<u>790,059</u>	<u>166,795</u>	<u>15,168</u>	<u>55,729</u>	<u>312,117</u>	<u>2,184,911</u>
January 1, 2021	<u>\$ 739,888</u>	<u>810,807</u>	<u>88,508</u>	<u>7,295</u>	<u>36,814</u>	<u>228,277</u>	<u>1,911,589</u>
September 30, 2020	<u>\$ 739,888</u>	<u>821,041</u>	<u>93,859</u>	<u>8,257</u>	<u>39,087</u>	<u>224,393</u>	<u>1,926,525</u>

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

(X) Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost of right-of-use assets:				
Balance on January 1, 2021	\$ 31,714	176,860	4,124	212,698
Acquired through business combination	-	46,527	4,685	51,212
Additions	-	165,676	3,190	168,866
Decrease	-	(19,456)	(3,339)	(22,795)
Effect of changes in exchange rate	<u>(166)</u>	<u>(3,336)</u>	<u>(108)</u>	<u>(3,610)</u>
Balance on September 30, 2021	<u>\$ 31,548</u>	<u>366,271</u>	<u>8,552</u>	<u>406,371</u>
Balance on January 1, 2020	\$ 32,030	187,459	3,093	222,582
Additions	-	46,813	1,182	47,995
Decrease	-	(34,340)	(190)	(34,530)
Effect of changes in exchange rate	<u>(318)</u>	<u>(1,959)</u>	<u>3</u>	<u>(2,274)</u>
Balance on September 30, 2020	<u>\$ 31,712</u>	<u>197,973</u>	<u>4,088</u>	<u>233,773</u>
Accumulated depreciation of right-of-use assets:				
Balance on January 1, 2021	\$ 2,098	63,136	2,887	68,121
Depreciation	598	58,440	1,755	60,793
Decrease	-	(15,197)	(2,913)	(18,110)
Effect of changes in exchange rate	<u>(24)</u>	<u>(1,148)</u>	<u>(50)</u>	<u>(1,222)</u>
Balance on September 30, 2021	<u>\$ 2,672</u>	<u>105,231</u>	<u>1,679</u>	<u>109,582</u>
Balance on January 1, 2020	\$ 1,386	101,793	1,618	104,797
Depreciation	599	39,711	1,041	41,351
Decrease	-	(33,500)	(190)	(33,690)
Effect of changes in exchange rate	<u>(66)</u>	<u>(1,158)</u>	<u>11</u>	<u>(1,213)</u>
Balance on September 30, 2020	<u>\$ 1,919</u>	<u>106,846</u>	<u>2,480</u>	<u>111,245</u>
Book value:				
September 30, 2021	<u>\$ 28,876</u>	<u>261,040</u>	<u>6,873</u>	<u>296,789</u>
January 1, 2021	<u>\$ 29,616</u>	<u>113,724</u>	<u>1,237</u>	<u>144,577</u>
September 30, 2020	<u>\$ 29,793</u>	<u>91,127</u>	<u>1,608</u>	<u>122,528</u>

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

(XI) Intangible assets

	<u>Goodwill</u>	<u>Trademark</u>	<u>Client relationship</u>	<u>Computer software</u>	<u>Total</u>
Costs:					
Balance on January 1, 2021	\$ 195,020	-	129,493	75,786	400,299
Acquired through business combination	154,826	562,692	-	678	718,196
Separate acquisition	-	-	-	10,040	10,040
Impacts of exchange rate changes	-	-	-	(7)	(7)
Balance on September 30, 2021	<u>\$ 349,846</u>	<u>562,692</u>	<u>129,493</u>	<u>86,497</u>	<u>1,128,528</u>
Balance on January 1, 2020	\$ 195,020	-	129,493	62,889	387,402
Separate acquisition	-	-	-	11,891	11,891
Write off	-	-	-	(280)	(280)
Balance on September 30, 2020	<u>\$ 195,020</u>	<u>-</u>	<u>129,493</u>	<u>74,500</u>	<u>399,013</u>
Accumulated amortization:					
Balance on January 1, 2021	\$ -	-	32,048	59,461	91,509
Acquired through business combination	-	-	-	549	549
Amortization	-	23,446	14,829	7,584	45,859
Impacts of exchange rate changes	-	-	-	(5)	(5)
Balance on September 30, 2021	<u>\$ -</u>	<u>23,446</u>	<u>46,877</u>	<u>67,589</u>	<u>137,912</u>
Balance on January 1, 2020	\$ -	-	12,276	50,781	63,057
Amortization	-	-	14,829	6,525	21,354
Write off	-	-	-	(279)	(279)
Balance on September 30, 2020	<u>\$ -</u>	<u>-</u>	<u>27,105</u>	<u>57,027</u>	<u>84,132</u>
Book value:					
Balance on September 30, 2021	<u>\$ 349,846</u>	<u>539,246</u>	<u>82,616</u>	<u>18,908</u>	<u>990,616</u>
Balance on January 1, 2021	<u>\$ 195,020</u>	<u>-</u>	<u>97,445</u>	<u>16,325</u>	<u>308,790</u>
Balance on September 30, 2020	<u>\$ 195,020</u>	<u>-</u>	<u>102,388</u>	<u>17,473</u>	<u>314,881</u>

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

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

(XII) Short-term borrowings			
		September 30,	December 31,
		2021	2020
		September 30,	September 30,
		2020	2020
Unsecured bank loans	\$	2,525,341	784,143
Secured bank loans		29,600	39,558
		<u>\$ 2,554,941</u>	<u>823,701</u>
Unused lines of credit		<u>\$ 2,496,358</u>	<u>4,733,947</u>
Interest rate intervals		<u>0.6%-4.25%</u>	<u>0.74%-4.20%</u>
		<u>944,253</u>	<u>3,164,011</u>
		<u>0.74%-4.30%</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			
		September 30,	December 31,
		2021	2020
		September 30,	September 30,
		2020	2020
Unsecured bank loans	\$	100,000	-
Unsecured government borrowings		4,176	-
Less: Part due within one year		-	-
		<u>\$ 104,176</u>	<u>-</u>
Unused lines of credit		<u>\$ 900,000</u>	<u>-</u>
Year of maturity		<u>2022/2050</u>	<u>-</u>
Interest rate intervals		<u>0.98%-3.75%</u>	<u>-</u>

(XIV) Lease liabilities

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

		September 30,	December 31,	September 30,
		2021	2020	2020
Current	\$	76,515	52,120	42,320
Non-current	\$	198,259	63,896	53,041

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

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

The amounts recognized as profit and loss are as follows:

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Interest expense on lease liabilities	<u>\$ 1,294</u>	<u>733</u>	<u>3,882</u>	<u>1,964</u>
Short-term leases expenses and lease expenses of low-value assets	<u>\$ 6,928</u>	<u>2,251</u>	<u>15,571</u>	<u>8,490</u>
COVID-19-related rent concessions (recognized as a decrease in lease expense)	<u>\$ -</u>	<u>(1,347)</u>	<u>(1,463)</u>	<u>(1,540)</u>

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

	January to September 2021	January to September 2020
Total cash outflow for leases	<u>\$ 77,620</u>	<u>49,483</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 one to three years. In addition, the Consolidated Company has leased 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.

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

(XV) Provisions - current

	September 30, 2021	December 31, 2020	September 30, 2020
Warranty reserve	<u>\$ 45,057</u>	<u>56,827</u>	<u>55,840</u>

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

(XVI) Employee benefits

1. Defined benefit plans

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

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

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Operating costs	\$ 109	166	325	500
Operating expenses	-	63	(8)	180
	<u>\$ 109</u>	<u>229</u>	<u>317</u>	<u>680</u>

2. Defined contribution plans

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

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Operating costs	\$ 1,717	1,766	5,218	5,602
Operating expenses	8,261	6,690	25,645	21,658
	<u>\$ 9,978</u>	<u>8,456</u>	<u>30,863</u>	<u>27,260</u>

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

(XVII) Income tax

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

	<u>July to September 2021</u>	<u>July to September 2020</u>	<u>January to September 2021</u>	<u>January to September 2020</u>
Current income tax expenses	\$ 45,797	33,114	127,533	102,313
Deferred income tax expenses (gain)	<u>(1,117)</u>	<u>4,563</u>	<u>4,036</u>	<u>4,862</u>
	<u>\$ 44,680</u>	<u>37,677</u>	<u>131,569</u>	<u>107,175</u>

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

(XVIII) Capital and other equities

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

1. Share capital - ordinary shares

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

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

2. Capital surplus

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

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

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

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

3. Retained earnings and dividends policy

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

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

(2) Special reserve

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

4. Profit distribution

The Shareholders' Meeting of the Company resolved the profit distribution plan for 2020 and 2019 on August 20, 2021 and June 16, 2020, respectively. The amounts of dividends to be distributed to the ordinary shareholders are stated as follows:

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

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

The information regarding the profit distribution can be obtained from the open information monitoring website.

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, 2021	\$ (83,110)	8,503	(74,607)
Exchange difference from conversion of net assets of foreign operating organizations	(42,909)	-	(42,909)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	2,703	2,703
Balance on September 30, 2021	<u>\$ (126,019)</u>	<u>11,206</u>	<u>(114,813)</u>
Balance on January 1, 2020	\$ (69,158)	14,890	(54,268)
Exchange difference from conversion of net assets of foreign operating organizations	(10,594)	-	(10,594)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	(2,111)	(2,111)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	(7,052)	(7,052)
Balance on September 30, 2020	<u>\$ (79,752)</u>	<u>5,727</u>	<u>(74,025)</u>

6. Treasury shares

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

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

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

	<u>January to September 2021</u>	<u>January to September 2020</u>
Beginning balance	\$ 2,058,536	2,166,001
Shares attributable to non-controlling interests:		
Net profit for the period	145,136	43,193
Exchange differences on translating the financial statements of foreign operations	(4,451)	(7,051)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	195	1,131
Cash dividends distributed by subsidiaries to non-controlling interests	(52,225)	(40,814)
Non-controlling interest of acquisition in subsidiaries	641,433	-
Non-controlling interests related to outstanding vested share options held by the employees of the subsidiaries	-	709
Acquisition of additional equity in subsidiaries	<u>(365,532)</u>	<u>(111,734)</u>
Ending balance	<u>\$ 2,423,092</u>	<u>2,051,435</u>

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

(XIX) Share-based payment

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

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

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

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

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

	<u>January to September 2020</u>	
	<u>Amount (thousand units)</u>	<u>Weighted average exercise price (NTD)</u>
Outstanding at the beginning of the period	958	\$ 21.40
Exercised in current period	(25)	21.40
Invalid in current period	<u>(933)</u>	21.40
Outstanding at the end of the period	<u>-</u>	-
Executable quantity at end of period	<u>-</u>	-

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

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

(XX) Earnings per share

1. Basic earnings per share

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Net profit attributable to ordinary shareholders of the Company	<u>\$ 71,116</u>	<u>106,286</u>	<u>199,875</u>	<u>327,307</u>
Weighted average number of outstanding ordinary shares (1,000 shares)	<u>114,489</u>	<u>114,489</u>	<u>114,489</u>	<u>114,489</u>
Basic earnings per share (NTD)	<u>\$ 0.62</u>	<u>0.93</u>	<u>1.75</u>	<u>2.86</u>

2. Diluted earnings per share

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Net profit attributable to ordinary shareholders of the Company	<u>\$ 71,116</u>	<u>106,286</u>	<u>199,875</u>	<u>327,307</u>
Weighted average number of outstanding ordinary shares (1,000 shares)	114,489	114,489	114,489	114,489
Impacts of potential ordinary shares with dilution effect (in thousand shares):				
Impact of employee stock compensation	<u>323</u>	<u>149</u>	<u>495</u>	<u>722</u>
Weighted average number of outstanding ordinary shares (after adjusting the number of dilution potential common shares) (1,000 shares)	<u>114,812</u>	<u>114,638</u>	<u>114,984</u>	<u>115,211</u>
Diluted earnings per share (NTD)	<u>0.62</u>	<u>0.93</u>	<u>1.74</u>	<u>2.84</u>

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

(XXI) Revenue from customer contracts

1. Breakdown of income

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Main products and services:				
Industrial computer cards and systems	\$ 1,326,541	1,316,460	3,430,882	3,967,633
Industrial automation control	905,559	636,605	2,750,624	1,985,521
Computer component	1,346,702	-	2,454,511	-
Others	<u>160,769</u>	<u>87,217</u>	<u>382,839</u>	<u>303,898</u>
	<u>\$ 3,739,571</u>	<u>2,040,282</u>	<u>9,018,856</u>	<u>6,257,052</u>

2. Balance of contracts

	September 30, 2021	December 31, 2020	September 30, 2020
Notes and accounts receivable (including related parties)	\$ 2,763,005	2,029,546	2,140,371
Less: Allowance for loss	<u>(34,660)</u>	<u>(45,065)</u>	<u>(78,665)</u>
Total	<u>\$ 2,728,345</u>	<u>1,984,481</u>	<u>2,061,706</u>
Contract liabilities	<u>\$ 167,325</u>	<u>96,698</u>	<u>87,426</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 satisfying the performance obligation when the Consolidated Company transfers goods to a customer and the time point of the customer's payment.

The beginning balances of contract liabilities on January 1, 2021 and 2020 were recognized in the income in an amount of NTD72,787,000 and NTD62,179,000 respectively from January 1 to September 30, 2021 and 2020.

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

(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 NTD6,410,000, NTD9,710,000, NTD18,113,000 and NTD30,730,000, and estimated the directors' remunerations at NTD682,000, NTD1,033,000, NTD1,927,000 and NTD3,269,000 for the periods from July 1 to September 30, 2021 and 2020 and from January 1 to June 30, 2021 and 2020. The Company has made these estimates by multiplying the pre-tax profit of respective period before the remunerations of employees and directors are deducted and the distribution ratios of the remunerations of employees and directors, and recognized these remunerations as the operating cost or operating expense in respective period. If the actually distributed amount is different from the estimate, the difference will be treated as an accounting estimate change and listed in the profit and loss of next year.

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

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

(XXIII) Non-operating income and expenses

1. Interest income

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Interest on bank deposit	\$ 462	745	1,414	3,747
Interest income from financial assets measured at amortized cost	4	4	23	147
Interest income on financial assets measured at fair value through profit or loss	-	-	487	712
	<u>\$ 466</u>	<u>749</u>	<u>1,924</u>	<u>4,606</u>

2. Other income

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Rental income	\$ 1,548	1,563	4,643	4,658
Others	8,591	3,768	17,141	8,073
	<u>\$ 10,139</u>	<u>5,331</u>	<u>21,784</u>	<u>12,731</u>

3. Other gains and losses

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Net gain (loss) on foreign exchange	\$ 474	8,947	(4,409)	(17,386)
Gain (loss) on valuation of financial assets and liabilities	(3,880)	(14,937)	(1,810)	(3,137)
Other expenditures	(1,675)	(89)	(2,827)	(1,538)
	<u>\$ (5,081)</u>	<u>(6,079)</u>	<u>(9,046)</u>	<u>(22,061)</u>

4. Finance costs

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Bank interest expenses	\$ 5,160	2,800	12,305	10,508
Financial expenses on lease liabilities	1,294	733	3,882	1,964
	<u>\$ 6,454</u>	<u>3,533</u>	<u>16,187</u>	<u>12,472</u>

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

(XXIV) Financial Instruments

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

1. Classification of financial instruments

(1) Financial assets

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial assets at fair value through profit or loss - current	26,015	28,221	37,487
Financial assets at fair value through other comprehensive income - non-current	33,705	30,807	33,354
Financial assets at amortized cost:			
Cash and cash equivalents	1,529,146	1,922,245	1,699,993
Financial assets at amortized cost - current	1,708	1,708	1,708
Notes receivable, trade receivables, and other receivables (including related parties)	2,764,888	1,997,892	2,085,878
Refundable deposits	35,040	31,093	28,185
Subtotal	<u>4,330,782</u>	<u>3,952,938</u>	<u>3,815,764</u>
Total	<u>\$ 4,390,502</u>	<u>4,011,966</u>	<u>3,886,605</u>

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

(2) Financial liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial liabilities at fair value through profit or loss:			
Held-for-trading	\$ 3,430	9,768	1,509
Financial liabilities measured by amortized cost:			
Short-term borrowings	2,554,941	823,701	944,253
Notes payables, trade payables and other payables (including related parties)	2,837,540	1,592,703	1,585,010
Long-term borrowings	104,176	-	-
Lease liabilities (including current and non-current)	274,774	116,016	95,361
Subtotal	<u>5,771,431</u>	<u>2,532,420</u>	<u>2,624,624</u>
Total	<u>\$ 5,774,861</u>	<u>2,542,188</u>	<u>2,626,133</u>

2. Liquidity risk

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

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>5 years and above</u>
September 30, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,557,079	2,557,079	-	-	-
Long-term borrowings	105,178	980	100,022	-	4,176
Notes payables, trade payables and other payables (including related parties)	2,837,540	2,837,540	-	-	-
Lease liabilities	285,063	80,042	63,820	76,897	64,304
Subtotal	<u>5,784,860</u>	<u>5,475,641</u>	<u>163,842</u>	<u>76,897</u>	<u>68,480</u>
Derivative financial instruments:					
Forward foreign exchange contracts					
Outflow	522,561	522,561	-	-	-
Inflow	(521,673)	(521,673)	-	-	-
Foreign exchange SWAP					
Outflow	616,099	616,099	-	-	-
Inflow	(613,872)	(613,872)	-	-	-
Subtotal	3,115	3,115	-	-	-
	<u>\$ 5,787,975</u>	<u>5,478,756</u>	<u>163,842</u>	<u>76,897</u>	<u>68,480</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, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 825,514	825,514	-	-	-
Notes payables, trade payables and other payables (including related parties)	1,592,703	1,592,703	-	-	-
Lease liabilities (including current and non-current)	<u>120,861</u>	<u>55,107</u>	<u>44,683</u>	<u>21,071</u>	<u>-</u>
Subtotal	<u>2,539,078</u>	<u>2,473,324</u>	<u>44,683</u>	<u>21,071</u>	<u>-</u>
Derivative financial instruments:					
Forward foreign exchange contracts					
Outflow	435,331	435,331	-	-	-
Inflow	(434,282)	(434,282)	-	-	-
Foreign exchange SWAP					
Outflow	962,766	962,766	-	-	-
Inflow	<u>(959,990)</u>	<u>(959,990)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>3,825</u>	<u>3,825</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,542,903</u>	<u>2,477,149</u>	<u>44,683</u>	<u>21,071</u>	<u>-</u>
September 30, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 944,876	944,876	-	-	-
Notes payables, trade payables and other payables (including related parties)	1,585,010	1,585,010	-	-	-
Lease liabilities (including current and non-current)	<u>99,367</u>	<u>44,663</u>	<u>36,789</u>	<u>17,488</u>	<u>427</u>
Subtotal	<u>2,629,253</u>	<u>2,574,549</u>	<u>36,789</u>	<u>17,488</u>	<u>427</u>
Derivative financial liabilities:					
Forward foreign exchange contracts					
Outflow	760,459	760,459	-	-	-
Inflow	(760,676)	(760,676)	-	-	-
Foreign exchange SWAP					
Outflow	1,143,778	1,143,778	-	-	-
Inflow	<u>(1,149,951)</u>	<u>(1,149,951)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>(6,390)</u>	<u>(6,390)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,622,863</u>	<u>2,568,159</u>	<u>36,789</u>	<u>17,488</u>	<u>427</u>

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.

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

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):

September 30, 2021						
	Foreign currency	Exchange rate	NTD	Changes in exchange rates	Profit and loss influence (before tax)	
<u>Financial assets</u>						
Monetary items						
USD (Note 1)	\$	72,022	27.8400	2,005,092	1%	20,051
USD (Note 2)		1,951	6.4750	54,316	1%	543
RMB		4,676	4.2996	20,105	1%	201
JPY		55,769	0.2488	13,875	1%	139
<u>Financial liabilities</u>						
Monetary items						
USD (Note 1)		33,207	27.8400	924,483	1%	9,245
USD (Note 2)		24,953	6.4750	694,692	1%	6,947
JPY		13,179	0.2488	3,279	1%	33
December 31, 2020						
	Foreign currency	Exchange rate	NTD	Changes in exchange rates	Profit and loss influence (before tax)	
<u>Financial assets</u>						
Monetary items						
USD (Note 1)	\$	67,993	28.3500	1,927,602	1%	19,276
USD (Note 2)		1,950	6.5600	55,283	1%	553
RMB		21,086	4.3216	91,125	1%	911
JPY		66,285	0.2749	18,222	1%	182
<u>Financial liabilities</u>						
Monetary items						
USD (Note 1)		24,728	28.3500	701,039	1%	7,010
USD (Note 2)		20,408	6.5600	578,567	1%	5,786
JPY		21,969	0.2749	6,039	1%	60

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

September 30, 2020						
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Changes in exchange rates</u>	<u>Profit and loss influence (before tax)</u>	
<u>Financial assets</u>						
Monetary items						
USD (Note 1)	\$	75,192	29.1260	2,190,042	1%	21,900
USD (Note 2)		1,949	6.8200	56,767	1%	568
RMB		37,507	4.2707	160,181	1%	1,602
JPY		140,437	0.2757	38,718	1%	387
<u>Financial liabilities</u>						
Monetary items						
USD (Note 1)		31,054	29.1260	904,479	1%	9,045
USD (Note 2)		24,941	6.8200	726,432	1%	7,264
JPY		121,496	0.2757	33,496	1%	335

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

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

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

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

4. Fair value

(1) Financial instruments not measured at fair value

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

(2) Financial instruments measured at fair value

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

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

	September 30, 2021			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contracts	\$ -	405	-	405
Fund beneficiary certificates	25,610	-	-	25,610
	<u>\$ 25,610</u>	<u>405</u>	<u>-</u>	<u>26,015</u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 32,417	-	-	32,417
Foreign unlisted stocks	-	-	1,288	1,288
	<u>\$ 32,417</u>	<u>-</u>	<u>1,288</u>	<u>33,705</u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contract	\$ -	(1,030)	-	(1,030)
Derivative financial instruments - Foreign exchange swaps contract	-	(2,400)	-	(2,400)
	<u>\$ -</u>	<u>(3,430)</u>	<u>-</u>	<u>(3,430)</u>

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

	December 31, 2020			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contracts	\$ -	226	-	226
Derivative financial instruments - Foreign exchange swaps contract	-	42	-	42
Fund beneficiary certificates	<u>27,953</u>	<u>-</u>	<u>-</u>	<u>27,953</u>
	<u>\$ 27,953</u>	<u>268</u>	<u>-</u>	<u>28,221</u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 29,920	-	-	29,920
Foreign unlisted stocks	<u>-</u>	<u>-</u>	<u>887</u>	<u>887</u>
	<u>\$ 29,920</u>	<u>-</u>	<u>887</u>	<u>30,807</u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contract	\$ -	(2,185)	-	(2,185)
Derivative financial instruments - Foreign exchange swaps contract	<u>-</u>	<u>(7,583)</u>	<u>-</u>	<u>(7,583)</u>
	<u>\$ -</u>	<u>(9,768)</u>	<u>-</u>	<u>(9,768)</u>
	September 30, 2020			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contract	\$ -	1,505	-	1,505
Derivative financial instruments - Foreign exchange swaps contract	-	6,432	-	6,432
Fund beneficiary certificates	<u>29,550</u>	<u>-</u>	<u>-</u>	<u>29,550</u>
	<u>\$ 29,550</u>	<u>7,937</u>	<u>-</u>	<u>37,487</u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 32,467	-	-	32,467
Foreign unlisted stocks	<u>-</u>	<u>-</u>	<u>887</u>	<u>887</u>
	<u>\$ 32,467</u>	<u>-</u>	<u>887</u>	<u>33,354</u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contract	\$ -	(1,258)	-	(1,258)
Derivative financial instruments - Foreign exchange swaps contract	<u>-</u>	<u>(251)</u>	<u>-</u>	<u>(251)</u>
	<u>\$ -</u>	<u>(1,509)</u>	<u>-</u>	<u>(1,509)</u>

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

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

A. Non-derivative financial instruments

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

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

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

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

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

B. Derivative financial instruments

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

(4) Transfer between fair value levels

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

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

(5) Detailed statement on changes in level 3

Financial assets at fair value through other comprehensive income:

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

(XXV) Financial risk management

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

(XXVI) Capital management

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

(XXVII) Investing and financing activities not in cash transaction

- 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>Non-cash change</u>				<u>September 30, 2021</u>
	<u>January 1, 2021</u>	<u>Cash Flows</u>	<u>Impact from initial consolidati on of subsidiary</u>	<u>Increase in lease liabilities</u>	<u>Decrease in lease liabilities</u>	<u>Exchange rate changes</u>	
Short-term borrowings	\$ 823,701	1,731,904	-	-	-	(664)	2,554,941
Long-term borrowings	-	100,000	4,187	-	-	(11)	104,176
Lease liabilities	<u>116,016</u>	<u>(58,167)</u>	<u>51,212</u>	<u>168,866</u>	<u>(4,686)</u>	<u>1,533</u>	<u>274,774</u>
Total liabilities from financing activities	<u><u>\$ 939,717</u></u>	<u><u>1,773,737</u></u>	<u><u>55,399</u></u>	<u><u>168,866</u></u>	<u><u>(4,686)</u></u>	<u><u>858</u></u>	<u><u>2,933,891</u></u>

			<u>Non-cash change</u>			<u>September 30, 2020</u>
	<u>January 1, 2020</u>	<u>Cash Flows</u>	<u>Increase in lease liabilities</u>	<u>Decrease in lease liabilities</u>	<u>Exchange rate changes</u>	
Short-term borrowings	\$ 622,075	330,307	-	-	(8,129)	944,253
Lease liabilities	<u>88,027</u>	<u>(39,029)</u>	<u>47,995</u>	<u>(848)</u>	<u>(784)</u>	<u>95,361</u>
Total liabilities from financing activities	<u><u>\$ 710,102</u></u>	<u><u>291,278</u></u>	<u><u>47,995</u></u>	<u><u>(848)</u></u>	<u><u>(8,913)</u></u>	<u><u>1,039,614</u></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
LILY-MEDICAL Corporation	Direct/indirect subsidiary of Qisda
Partner Technology Co., Ltd.	Direct/indirect subsidiary of Qisda
Partner Tech Europe GmbH	Direct/indirect subsidiary of Qisda
Webest Solution Corporation	Direct/indirect subsidiary of Qisda
Alpha Networks Inc.	Direct/indirect subsidiary of Qisda
BenQ Medical Technology Corporation	Direct/indirect subsidiary of Qisda
BenQ Materials Corporation	Direct/indirect subsidiary of Qisda
BenQ Asia Pacific Corporation	Direct/indirect subsidiary of Qisda
BenQ ESCO Corporation	Direct/indirect subsidiary of Qisda
BenQ Healthcare Corporation (former BenQ)	Direct/indirect subsidiary of Qisda
BenQ Guru Software Corporation	Direct/indirect subsidiary of Qisda
BenQ Corporation	Direct/indirect subsidiary of Qisda
BenQ (Shanghai) Co., Ltd.	Direct/indirect subsidiary of Qisda
Simula Technology Inc.	Direct/indirect subsidiary of Qisda
Golden Spirit CO., Ltd.	Direct/indirect subsidiary of Qisda
Dsta Image CO., Ltd.	Direct/indirect subsidiary of Qisda
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
Qisda Optronics (Suzhou) Co., Ltd.	Direct/indirect subsidiary of Qisda
Qisda (Suzhou) Co., Ltd.	Direct/indirect subsidiary of Qisda
Suzhou BenQ Hospital Co., Ltd.	Direct/indirect subsidiary of Qisda
BenQ Foundation	Substantive related party 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)
AFPD Pte., 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 (Kunshan) Co., Ltd.	Direct/indirect subsidiary of AUO
AU Optronics (Xiamen) Co., Ltd.	Direct/indirect subsidiary of AUO
AU Optronics (Suzhou) Co., Ltd.	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)

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>July to September 2021</u>	<u>July to September 2020</u>	<u>January to September 2021</u>	<u>January to September 2020</u>
Parent company	\$ 13,704	42,945	29,093	100,312
Other related parties	49,504	63,706	143,257	216,210
	<u>\$ 63,208</u>	<u>106,651</u>	<u>172,350</u>	<u>316,522</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.

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

2. Purchases

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

	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Parent company	\$ 90,065	216,128	292,162	615,961
Other related parties	2,793	3,34	12,642	30,988
	<u>\$ 92,858</u>	<u>219,362</u>	<u>304,804</u>	<u>646,949</u>

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

3. Lease

The Consolidated Company has leased plants and offices from the parent company and other related parties respectively and signed the lease contracts based on the rent prices in the adjacent areas. The total amounts of increase in right-of-use assets from January 1 to September 30, 2021 and 2020 were NTD135,488,000 and NTD6,228,000, respectively.

The Consolidated Company has recognized an interest expense of NTD1,222,000 and NTD72,000 for the periods from January 1 to September 30, 2021 and 2020 respectively. Relevant balance of lease liabilities was NTD133,883,000, NTD5,133,000 and NTD5,571,000 as on September 30, 2021, December 31 and September 30, 2020 respectively.

4. Property transactions

Category of related party	Item	July to September 2021	July to September 2020	January to September 2021	January to September 2020
Parent company	Property, plant and equipment	\$ -	5,469	-	5,469
Other related parties	Property, plant and equipment	5,714	-	6,114	210
Parent company	Intangible assets	-	-	1,789	-
Other related parties	Intangible assets	288	-	288	-
		<u>\$ 6,002</u>	<u>5,469</u>	<u>8,191</u>	<u>5,679</u>

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

5. Receivables from related parties

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

Item	Category of related party	September 30, 2021	December 31, 2020	September 30, 2020
Trade receivables - related parties	Parent company	\$ 93,948	89,355	169,596
	Other related parties	<u>60,690</u>	<u>54,879</u>	<u>64,044</u>
		<u>154,638</u>	<u>144,234</u>	<u>233,640</u>
Other receivables	Other related parties	<u>525</u>	<u>592</u>	<u>590</u>
		<u>\$ 155,163</u>	<u>144,826</u>	<u>234,230</u>

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

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

6. Trade payable to related parties

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

<u>Item</u>	<u>Category of related party</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Trade payables	Parent company	\$ 76,908	100,567	179,296
	Other related parties	<u>2,731</u>	<u>4,313</u>	<u>2,859</u>
		<u>79,639</u>	<u>104,880</u>	<u>182,155</u>
Other payables	Parent company	3,361	931	863
	Other related parties	<u>8,448</u>	<u>337</u>	<u>1,655</u>
		<u>11,809</u>	<u>1,268</u>	<u>2,518</u>
Lease liabilities - current	Parent company	13,444	-	-
	Other related parties	2,116	2,067	2,024
Lease liabilities - non-current	Parent company	116,868	-	-
	Other related parties	<u>1,455</u>	<u>3,066</u>	<u>3,547</u>
		<u>133,883</u>	<u>5,133</u>	<u>5,571</u>
		<u>\$ 225,331</u>	<u>111,281</u>	<u>190,244</u>

7. Others

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:

<u>Item</u>	<u>Category of related party</u>	<u>July to September 2021</u>	<u>July to September 2020</u>	<u>January to September 2021</u>	<u>January to September 2020</u>
Operating costs	Parent company	\$ 4,813	5,883	5,165	7,919
	Other related parties	632	7	1,128	197
Operating expenses	Parent company	2,350	689	3,540	1,129
	Other related parties	4,278	5,077	6,874	9,524
Other income	Other related parties	<u>1,403</u>	<u>1,403</u>	<u>4,209</u>	<u>4,209</u>

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

		<u>\$ 13,476</u>	<u>13,059</u>	<u>20,916</u>	<u>22,978</u>
(III)	Remuneration to main management				
		July to September 2021	July to September 2020	January to September 2021	January to September 2020
	Short-term employee benefits	<u>\$ 10,417</u>	<u>10,377</u>	<u>29,575</u>	<u>32,174</u>

VIII. Pledged Assets

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

<u>Asset name</u>	<u>Subject matter of pledge guarantee</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Pledged certificate of deposit	Performance bond for release before tax to customs house	\$ 1,708	1,708	1,708
Notes receivable	Guarantee for bank borrowings	<u>29,600</u>	<u>39,558</u>	<u>99,141</u>
		<u>\$ 31,308</u>	<u>41,266</u>	<u>100,849</u>

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

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

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date

- (I) On November 5, 2021, the Board of Directors of the Company adopted the resolution to implement capital reduction by canceling 200,000 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.
- (II) On October 4, 2021, the Board of Directors of AEWIN, a subsidiary of the Consolidated Company, adopted the resolution to purchase real estate property for use as an operating office at a total contract price of NTD470,880,000.

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

XII. Others

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

Function Nature	July to September 2021			July to September 2020		
	Attributable to operating cost	Attributable to operating expenses	Total	Attributable to operating cost	Attributable to operating expenses	Total
Employee benefits expenses						
Salary expense	65,091	266,495	331,586	53,411	207,955	261,366
Labor and health insurance expenses	5,691	23,601	29,292	5,112	18,072	23,184
Pension expense	1,826	8,261	10,087	1,931	6,754	8,685
Other employee benefit expenses	3,415	10,009	13,424	2,898	6,948	9,846
Depreciation expenses	16,882	29,340	46,222	11,719	24,629	36,348
Amortization expenses	467	21,117	21,584	262	6,933	7,195

Function Nature	January to September 2021			January to September 2020		
	Attributable to operating cost	Attributable to operating expenses	Total	Attributable to operating cost	Attributable to operating expenses	Total
Employee benefits expenses						
Salary expense	170,589	684,844	855,433	163,494	615,519	779,013
Labor and health insurance expenses	17,433	61,893	79,326	15,024	52,727	67,751
Pension expense	5,543	25,637	31,180	6,102	21,838	27,940
Other employee benefit expenses	9,429	23,985	33,414	8,631	19,481	28,112
Depreciation expenses	47,524	81,275	128,799	36,356	75,298	111,654
Amortization expenses	1,322	44,537	45,859	715	20,639	21,354

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

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

XIII. Supplementary Disclosures

(I) Information on Significant Transactions:

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

1. Financing provided to others:

Unit: In Thousands of New Taiwan Dollars

No.	Financing Company	Loan recipient	Transaction item	Related Party	Maximum balance in current period	Ending balance	Amount of actual use	Interest rate intervals	Nature for Financing (Note 4)	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Loss	Collateral		Financing Limits for Each Borrowing Company	Total Financing Limits
													Name	Value		
1	AEWIN	Beijing AEWIN	Other receivables - related parties	Yes	85,590	-	-	-	2	-	Operating capital fund	-	-	-	226,889 (Note 1)	453,778 (Note 1)
2	Ace Pillar	Tianjin ACE Pillar	Other receivables - related parties	Yes	250,560	250,560	167,040	0%-4.35%	2	-	Operating capital fund	-	-	-	404,071 (Note 2)	808,143 (Note 2)
2	Ace Pillar	Suzhou Super Pillar	Other receivables - related parties	Yes	28,530	27,840	27,840	0.00%	2	-	Operating capital fund	-	-	-	404,071 (Note 2)	808,143 (Note 2)
3	Cyber South	Suzhou Super Pillar	Other receivables - related parties	Yes	15,692	-	-	1.15%	2	-	Operating capital fund	-	-	-	623,588 (Note 3)	623,588 (Note 3)
4	Tianjin Jinhao	Tianjin ACE Pillar	Other receivables - related parties	Yes	13,008	12,899	12,899	1.80%	2	-	Operating capital fund	-	-	-	39,052 (Note 3)	39,052 (Note 3)
4	Tianjin Jinhao	Quansheng Information	Other receivables - related parties	Yes	2,602	2,580	2,580	1.80%	2	-	Operating capital fund	-	-	-	39,052 (Note 3)	39,052 (Note 3)
5	Hong Kong ACE Pillar	Tianjin ACE Pillar	Other receivables - related parties	Yes	17,344	17,198	17,198	1.80%	2	-	Operating capital fund	-	-	-	39,646 (Note 3)	39,646 (Note 3)

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

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

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

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

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

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

2. Endorsements/guarantees to others:

Unit: In Thousands of New Taiwan Dollars

No.	Company Name of Endorser	Company name of endorsee	Relationship (Note 3)	Endorsement limit for a single enterprise	Maximum endorsement guarantee balance for current period	Ending balance of endorsement guarantee	Amount Actually Drawn	Amount of endorsements secured by the property	The ratio of accumulated endorsement amount to the net worth of the latest financial statements	Maximum amount of endorsement	Endorsement of the parent company to a subsidiary	Endorsement of a subsidiary to the parent company	Endorsement for Mainland China
1	AEWIN	Beijing AEWIN	2	226,889 (Note 1)	129,780	64,494	64,494	-	5.69%	567,223 (Note 1)	Y	N	Y
1	Ace Pillar	Tianjin ACE Pillar	2	808,143 (Note 2)	327,500	189,200	27,947	-	9.36%	1,010,179 (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 certificate: Cathay I Real Estate Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	1,442	25,610	- %	25,610	-
The Company	Stock: APLEX Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	999	32,417	3.32%	32,417	-
The Company	Fund: Asia Tech Taiwan Venture Fund	-	Financial assets at fair value through profit or loss - non-current	USD 225	-	-	-	-
The Company	Bonds: WM 7.25% Perpetual	-	Financial assets at fair value through profit or loss - current	USD 200	-	-	-	-
AEWIN	Stock: AEWIN KOREA TECHNOLOGIES CO., LTD	Substantial related party	Financial assets at fair value through other comprehensive income - non-current	10	1,288	16.67%	1,288	-
AEWIN	Stock: Authentrend Technology Inc.	-	Financial assets at fair value through profit or loss - non-current	300	-	1.42%	-	-

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

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

Buyer and seller	Type and Name of Marketable Securities	Item	Counterparty	Relationship	Buy at beginning of period				Sell at end of period				End of Period	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Sales price	Book cost	Disposal profit or loss	Number of shares	Amount
The Company	Stock-Brainstorm Corporation	Investment under equity approach	-	Parent company and subsidiary	-	-	233	501,582	-	-	-	-	233	501,582
The Company	Stock - Ace Pillar Co., Ltd.	Investment under equity approach	-	Parent company and subsidiary	37,676	793,722	16,282	507,636	-	-	-	-	53,958	1,301,359

5. The amount of property acquired reached NTD 300 million or 20% and above of the paid-in capital:

Unit: In Thousands of New Taiwan Dollars

Name of company	Name of property	Transaction date or date of occurrence of event	Transaction amount	Payment status	Counterparty	Relationship	Prior transaction of related counterparty			Basis of reference for price determination	Purpose and use	Other agreed matters
							Owner	Relationship with the issuer	Transfer date			
Ace Pillar	Land and buildings	2021/7/7	262,270 (Note)	Fully paid	Chung Mao Property Development Co., Ltd.	-	-	-	-	Price negotiation according to appraisal report	Office use	None

Note: Transaction amount includes business tax.

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

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

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

Unit: In Thousands of New Taiwan Dollars

Purchasing (selling) company	Name of counterparty	Relationship	Transaction Status				Difference in payment terms from ordinary transactions and related reason		Notes and trade receivable (payable)		Remark
			Purchase/Sales	Amount	Ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of notes and accounts receivable and payable	
The Company	Qisda	Parent company and subsidiary	Purchases	292,162	11 %	OA60	-	30-90 days to collect	(76,908)	(9) %	-
Qisda	The Company	Parent company and subsidiary	Sales	(292,162)	-	OA60	-	30-90 days to collect	76,908	-	-
DFI AMEICA, LLC.	The Company	Parent company and subsidiary	Purchases	414,815	98 %	60-90 days to collect	-	30-90 days to collect	(68,851)	(98) %	Note 2
The Company	DFI AMEICA, LLC.	Parent company and subsidiary	Sales	(414,815)	(16) %	60-90 days to collect	-	30-90 days to collect	68,851	10 %	Note 2
Diamond Flower Information (NL) B.V	The Company	Parent company and subsidiary	Purchases	244,660	100 %	60-90 days to collect	-	30-90 days to collect	(31,673)	(100) %	Note 2
The Company	Diamond Flower Information (NL) B.V.	Parent company and subsidiary	Sales	(244,660)	(10) %	60-90 days to collect	-	30-90 days to collect	31,673	5 %	Note 2
DFI Co., Ltd.	The Company	Parent company and subsidiary	Purchases	176,905	99 %	60-90 days to collect	-	30-90 days to collect	(17,236)	(93) %	Note 2
The Company	DFI Co., Ltd.	Parent company and subsidiary	Sales	(176,905)	(7) %	60-90 days to collect	-	30-90 days to collect	17,236	3 %	Note 2
Yan Ying Hao Trading (Shenzhen) Co., Ltd.	The Company	Parent company and subsidiary	Purchases	101,934	89 %	60-90 days to collect	-	30-90 days to collect	(26,631)	88 %	Note 2
The Company	Yan Ying Hao Trading (Shenzhen) Co., Ltd.	Parent company and subsidiary	Sales	(101,934)	(4) %	60-90 days to collect	-	30-90 days to collect	26,631	4 %	Note 2
AEWIN	Beijing AEWIN	Parent company and subsidiary	Sales	(296,515)	(35) %	150 days after shipment	-	120 days after shipment (Note 1)	459,386	69 %	Note 2
Beijing AEWIN	AEWIN	Parent company and subsidiary	Purchases	296,515	39 %	150 days after shipment	-	120 days after shipment (Note 1)	(459,386)	(70) %	Note 2
Quansheng Information	Tianjin ACE Pillar	Affiliate	Sales	(349,324)	(100) %	T/T 30 days	-		99,675	99 %	Note 2
Tianjin ACE Pillar	Quansheng Information	Affiliate	Purchases	349,324	34 %	T/T 30 days	-		(99,675)	(45) %	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.

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 trade receivable	Name of counterparty	Relationship	Balance of receivables from related party	Turnover rate	Overdue receivables from related parties		Recovery amount of receivables from related parties after the balance sheet date	Allowance for Loss
					Amount	Treatment		
AEWIN	Beijing AEWIN	Parent company and subsidiary	459,386	0.93	255,050	Strengthen collection	11,660	-
Ace Pillar	Tianjin ACE Pillar	Parent company and subsidiary	167,272	-	-	-	-	-

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

9. Engage in derivatives transaction: See Note VI (II) for details.
 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 AMEICA, LLC.	1	(Sales)	(414,815)	60-90 days to collect	5%
0	The Company	Diamond Flower Information (NL) B.V.	1	(Sales)	(244,660)	60-90 days to collect	3%
0	The Company	DFI Co., Ltd.	1	(Sales)	(176,905)	60-90 days to collect	2%
0	The Company	Yan Ying Hao Trading (Shenzhen) Co., Ltd.	1	(Sales)	(101,934)	60-90 days to collect	1%
1	AEWIN	Beijing AEWIN	3	(Sales)	(296,515)	Note 5	3%
2	Quansheng Information	Tianjin ACE Pillar	3	(Sales)	(349,324)	T/T30 days	4%
1	AEWIN	Beijing AEWIN	3	Trade receivables	459,386	Note 5	4%
3	Ace Pillar	Tianjin ACE Pillar	3	Other receivables - borrowings	167,272	One year	1%

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

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

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

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

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

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

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

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

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

(II) Information on Reinvestment:

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

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

Name of investor company	Name of investee company	Location	Primary business	Original investment amount		Held at the end of the period			Net income (loss) of the investee	Investment profit (loss) recognized for the period	Remark (Note 2)
				End of current period	End of last year	Number of shares	Ratio	Carrying Amount			
The Company	DFI AMERICA, LLC	USA	Sales of industrial computer cards	254,683	254,683	1,209	100.00%	363,847	3,383	3,383	Subsidiary of the company
The Company	Yan Tong	Mauritius	General investment business	187,260	187,260	6,000	100.00%	177,362	5,442	5,442	Subsidiary of the company
The Company	DFI Co., Ltd.	Japan	Sales of industrial computer cards	104,489	104,489	6	100.00%	290,410	5,625	5,625	Subsidiary of the company
The Company	Diamond Flower Information (NL) B.V. AEWIN	Netherlands	Sales of industrial computer cards	35,219	35,219	12	100.00%	66,623	10,829	10,829	Subsidiary of the company
The Company	AEWIN	Taiwan	Design, manufacturing and sale of industrial computer mainboards and related products	564,191	556,464	30,376	51.38%	583,383	22,428	7,638	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	793,722	53,958	48.07%	1,081,091	122,404	42,724	Subsidiary of the company
The Company	Brainstorm	USA	Wholesale and retail of computer and peripheral devices	501,582	-	233	35.09%	536,677	237,863	35,690	Subsidiary of the company
AEWIN	Wise Way	Aquila	Investment business	46,129	46,129	1,500	100.00%	124,513	46,970	(Note 1)	Subsidiary of the company
AEWIN	Aewin Tech Inc.	USA	Wholesale of computer and peripheral equipment and software	77,791	77,791	2,560	100.00%	(690)	(4,470)	(Note 1)	Subsidiary of the company
Wise Way	Bright Profit	Hong Kong	Investment business	46,129	46,129	1,500	100.00%	159,902	46,970	(Note 1)	Subsidiary of the company
Ace Pillar	Cyber South	Samoa	Holding Company	107,041	107,041	4,669	100.00%	623,588	57,884	(Note 1)	Subsidiary of the company
Ace Pillar	Hong Kong ACE Pillar	Hong Kong	Sales and Purchases of transmission mechanical components	5,120	5,120	1,200	100.00%	39,646	(622)	(Note 1)	Subsidiary of the company
Cyber South	Proton	Samoa	Holding Company	527,665	527,665	17,744	100.00%	498,739	46,102	(Note 1)	Subsidiary of the company
Cyber South	Ace Tek	Hong Kong	Holding Company	4,938	4,938	150	100.00%	(1,478)	2,768	(Note 1)	Subsidiary of the company

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

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

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

(III) Information on Investments in Mainland China:

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

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

Investee Company In Mainland China	Primary business	Paid-in Capital	Method of Investment	Accumulated amount of investment remitted out of Taiwan at the beginning of the period	Remitted or repatriated amount of investment for the period		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	69,600 (USD2,500)	(Note 1)	-	-	-	-	(730)	100.00 %	(730) (Note 2)	51,824	33,306
Yan Ying Hao Trading (ShenYan) Co., Ltd.	Wholesale, import and export of computer cards, board cards, host computer, electronic parts and components	13,920 (USD500)	(Note 1)	-	-	-	-	7,813	100.00 %	7,813 (Note 2)	42,791	-
Beijing AEWIN	Wholesale of computer and peripheral equipment and software	46,129 (USD1,500)	(Note 1)	46,129 (USD1,500)	-	-	46,129 (USD1,500)	46,970	100.00 %	46,970 (Note 3)	159,897	-
Aewin(Shenzhen)Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	13,062 (RMB3,000)	(Note 5)	-	-	-	-	(4,798) (RMB(1,107))	100.00 %	(4,798) (RMB(1,107)) (Note III)	(1,298) (RMB(302))	-
Tianjin ACE Pillar	Sales and Purchases of transmission mechanical components	951,571 (USD34,180)	(Note 1)	54,288 (USD1,950)	-	-	54,288 (USD1,950)	57,550	100.00 %	57,550 (Note 3)	575,181	125,533
Tianjin Jinhao	Manufacturing and processing of machinery transmission products	7,180 (RMB1,670)	(Note 1)	4,454 (USD160)	-	-	4,454 (USD160)	1,062	100.00 %	1,062 (USD38) (Note 3)	39,052 (USD1,403)	-
Quansheng Information	Electronic system integration	8,352 (USD300)	(Note 1)	4,176 (USD150)	-	-	4,176 (USD150)	2,768	100.00 %	2,768 (USD99) (Note 3)	(1,503) (USD(54))	-
Suzhou Super Pillar	Processing and technical services of mechanical transmission and control products	40,368 (USD1,450)	(Note 1)	- (Note 4)	-	-	- (Note 4)	9,411	100.00 %	9,411 (USD335) (Note 3)	96,433 (USD3,464)	-
Xuchang Ace AI Equipment Co.,Ltd.	Wholesale and retail of industrial robotic related products	8,352 (USD300)	(Note 1)	- (Note 4)	-	-	- (Note 4)	(311)	100.00 %	(311) (USD(11)) (Note 3)	2,529 (USD91)	-

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

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

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.

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

2. Limit of the investment in Mainland Chinese:

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

Company Name	The cumulative amount of investment remitted from Taiwan to the Mainland Chinese at the end of the current period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Upper Limit on Investment in Mainland China regulated by the Investment Commission of the Ministry of Economic Affairs (Note 2)
DFI	-(Note 1)	58,046(Note 3 & 4) (USD2,085)	3,038,741
AEWIN	46,129 (USD1,500)	55,680 (USD2,000)	680,667
Ace Pillar	142,513 (USD5,119)	142,513 (USD5,119)	1,212,214

(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.

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

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

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

(IV) Information on Major Shareholders:

Name of Major Shareholder	Unit: Shares	
	Shares	Shareholding Ratio
Qisda Co., Ltd.	51,609,986	45.00%
Gordias Investments Limited of British Virgin Islands Merchant	15,734,441	13.71%
Darly2 Venture, Inc.	9,175,109	8.00%
Hyllus Investments Limited of British Virgin Islands Merchant	8,559,818	7.46%

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

XIV. Segment information

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

	July to September 2021				
	Board cards and system department	Industrial automation control department	Computer component	Adjustment and elimination	Total
Revenue from external clients	\$1,482,108	910,761	1,346,702	-	3,739,571
Inter-departmental income	472,460	3	-	(472,463)	-
Total income	<u>\$1,954,568</u>	<u>910,764</u>	<u>1,346,702</u>	<u>(472,463)</u>	<u>3,739,571</u>
Reportable department profit or loss	<u>\$ 78,025</u>	<u>40,817</u>	<u>39,226</u>	<u>2,614</u>	<u>160,682</u>

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

	July to September 2020				
	Board cards and system department	Industrial automation control department	Computer component	Adjustment and elimination	Total
Revenue from external clients	\$1,400,281	640,001	-	-	2,040,282
Inter-departmental income	<u>500,766</u>	<u>7,016</u>	<u>-</u>	<u>(507,782)</u>	<u>-</u>
Total income	<u>\$1,901,047</u>	<u>647,017</u>	<u>-</u>	<u>(507,782)</u>	<u>2,040,282</u>
Reportable department profit or loss	<u>\$ 132,510</u>	<u>34,500</u>	<u>-</u>	<u>2,775</u>	<u>169,785</u>

	January to September 2021				
	Board cards and system department	Industrial automation control department	Computer component	Adjustment and elimination	Total
Revenue from external clients	\$3,801,612	2,762,733	2,454,511	-	9,018,856
Inter-departmental income	<u>1,271,545</u>	<u>189</u>	<u>-</u>	<u>(1,271,734)</u>	<u>-</u>
Total income	<u>\$5,073,157</u>	<u>2,762,922</u>	<u>2,454,511</u>	<u>(1,271,734)</u>	<u>9,018,856</u>
Reportable department profit or loss	<u>\$ 175,930</u>	<u>152,021</u>	<u>140,292</u>	<u>9,862</u>	<u>478,105</u>

	January to September 2020				
	Board cards and system department	Industrial automation control department	Computer component	Adjustment and elimination	Total
Revenue from external clients	\$4,263,097	1,993,955	-	-	6,257,052
Inter-departmental income	<u>1,392,638</u>	<u>8,383</u>	<u>-</u>	<u>(1,401,021)</u>	<u>-</u>
Total income	<u>\$5,655,735</u>	<u>2,002,338</u>	<u>-</u>	<u>(1,401,021)</u>	<u>6,257,052</u>
Reportable department profit or loss	<u>\$ 407,578</u>	<u>79,348</u>	<u>-</u>	<u>7,945</u>	<u>494,871</u>