

# **DFI Inc. and its subsidiaries**

## **Consolidated Financial Statements and Independent Auditors' Review Report**

**For the Three Months Ended March 31, 2022 and 2021**

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

**Address: 10F, No. 97, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City  
Tel:(02)26972986**

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

## Table of Contents

<b>Item</b>	<b>Page</b>
A. Cover Page	1
B. Table of Contents	2
C. Independent Auditors' Review Report	3
D. Consolidated Balance Sheets	4
E. Consolidated Statements of Comprehensive Income	5
F. Consolidated Statements of Changes in Equity	6
G. Consolidated Statements of Cash Flows	7
H. Notes to Consolidated Financial Statements	
I. Company History	8
II. Date and Procedures of Authorization of Financial Statements	8
III. Application of New and Amended Standards and Interpretations	8-9
IV. Summary of Significant Accounting Policies	9-12
V. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions	12
VI. Details of Significant Accounts	13-46
VII. Related Party Transactions	47-51
VIII. Pledged Assets	51
IX. Significant Contingent Liabilities and Unrecognized Contract Commitments	52
X. Significant Disaster Loss	52
XI. Significant Events after the Balance Sheet Date	52
XII. Others	52
XIII. Supplementary Disclosures	
(I) Information on Significant Transactions	53-56
(II) Information on Reinvestment	56-57
(III) Information on Investments in Mainland China	57-59
(IV) Information on Major Shareholders	59
XIV. Segment Information	60

## **Independent Auditors' Review Report**

The Board of Directors and Shareholders DFI Inc.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of DFI Inc. and its subsidiaries as of March 31, 2022, the related consolidated statements of comprehensive income, of changes in equity, and of cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion," we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As described in Note IV(II) of the consolidated financial statements, the financial statements for the same periods of immaterial subsidiaries that have been included in the consolidated financial statements were not reviewed by independent auditors, which statements reflected total assets in New Taiwan Dollars (same as below) of \$1,406,878,000, representing 10.69% of total consolidated assets as of March 31, 2022; total liabilities of \$380,214,000, representing 4.83% of total consolidated liabilities as of March 31, 2022; its total comprehensive income (loss) of \$39,281,000, representing 21.87% of total consolidated comprehensive income (loss) for the three-month period ended March 31, 2022.

### **Qualified Conclusion**

Based on our reviews, except for possible effects from financial statements of the immaterial subsidiaries mentioned in the paragraph titled “Basis for Qualified Conclusion” if they were reviewed by independent auditors, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of DFI Inc. and its subsidiaries as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the three-month period ended March 31, 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard No. 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Other Matters**

The DFI Inc. and the subsidiaries’ consolidated financial statements for the first quarter of 2021 were audited by other independent auditors and a review report with qualified conclusions was issued on May 6, 2021.

KPMG  
Certified Public Accountant:

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

May 5, 2022

#### Notes to Readers

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

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

**As of March 31, 2022 and 2021 (Reviewed only, Not Audited in accordance with  
Generally Accepted Auditing Standards)**

**DFI Inc. and its subsidiaries**

**Consolidated Balance Sheets**

**March 31, 2022, December 31 and March 31, 2021**

**Unit: In Thousands of New Taiwan Dollars**

	<b>2022.3.31</b>		<b>2021.12.31</b>		<b>2021.3.31</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>						
<b>Current assets:</b>						
1100 Cash and cash equivalents (Note VI (I))	\$ 1,475,063	11	1,521,790	12	1,979,756	24
1110 Financial assets at fair value through profit or loss - current (Note VI (II))	29,227	-	28,528	-	30,477	-
1136 Financial assets at amortized cost - current (Notes VI (IV) & VIII)	19,899	-	1,708	-	1,708	-
1170 Net of notes receivable and accounts receivable (Notes VI (V) (XXI) & VIII)	2,614,026	20	2,596,077	21	1,888,215	23
1180 Trade receivable - related parties (Notes VI (V) (XXI) & VII)	201,137	2	167,795	2	123,159	1
1200 Other receivables (Notes VI (V) & VII)	35,895	-	30,806	-	25,211	-
130X Inventories (Notes VI (VI))	4,158,270	32	3,583,295	29	1,586,135	19
1410 Prepayments	200,561	1	133,011	1	74,748	1
1460 Non-current assets held for sale (Notes VI (VII)(IX))	359,753	3	312,601	3	-	-
1470 Other current assets	15,626	-	16,227	-	10,338	-
<b>Total current assets</b>	<b>9,109,457</b>	<b>69</b>	<b>8,391,838</b>	<b>68</b>	<b>5,719,747</b>	<b>68</b>
<b>Non-current assets:</b>						
1517 Financial assets at fair value through other comprehensive income - non-current (Notes VI (III))	45,480	-	42,547	-	27,761	1
1535 Financial assets at amortized cost - non- current (Notes VI (IV) & VIII)	3,013	-	-	-	-	-
1600 Property, plant and equipment (Notes VI (IX), VII & VIII)	2,466,232	19	2,466,382	20	1,908,831	23
1755 Right-of-use assets (Notes VI (X) & VII)	234,783	2	267,778	2	261,090	3
1780 Intangible assets (Notes VI (VIII) (XI) & VII))	1,119,714	9	974,453	8	303,491	3
1840 Deferred income tax assets	78,642	-	78,856	1	81,777	1
1990 Other non-current assets	103,610	1	90,342	1	98,565	1
<b>Total non-current assets</b>	<b>4,051,474</b>	<b>31</b>	<b>3,920,358</b>	<b>32</b>	<b>2,681,515</b>	<b>32</b>
<b>Total assets</b>	<b>\$ 13,160,931</b>	<b>100</b>	<b>12,312,196</b>	<b>100</b>	<b>8,401,262</b>	<b>100</b>

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

**As of March 31, 2022 and 2021 (Reviewed only, Not Audited in accordance with  
Generally Accepted Auditing Standards)**  
**DFI Inc. and its subsidiaries**

**Consolidated Balance Sheets (Continued from the previous page)**

**March 31, 2022, December 31 and March 31, 2021**

**Unit: In Thousands of New Taiwan Dollars**

	2022.3.31		2021.12.31		2021.3.31	
	Amount	%	Amount	%	Amount	%
<b>Current liabilities:</b>						
2100 Short-term borrowings (Notes VI (XII) & VIII)	\$ 2,367,152	18	1,311,304	11	898,454	11
2120 Financial liabilities at fair value through profit or loss - current (Note VI (II))	4,876	-	821	-	7,521	-
2130 Contract liabilities - current (Note VI (XXI))	182,579	2	181,755	1	124,937	1
2170 Notes and trade payables	2,375,632	18	2,191,477	18	1,187,574	14
2180 Trade payables to related parties (Note VII)	98,518	1	63,053	1	101,234	1
2200 Other payables (Note VII)	1,003,957	8	548,898	4	331,177	4
2230 Current income tax liabilities	111,520	1	86,768	1	139,510	2
2250 Provisions - current (Note VI (XV))	48,421	-	46,247	-	53,206	1
2280 Lease liabilities - current (Notes VI (XIV) & VII)	61,524	-	73,484	1	62,683	1
2322 Long-term borrowings - current portion (Notes VI (XIII) & VIII)	20,000	-	20,000	-	-	-
2399 Other current liabilities	15,757	-	17,092	-	22,996	-
<b>Total current liabilities</b>	<u>6,289,936</u>	<u>48</u>	<u>4,540,899</u>	<u>37</u>	<u>2,929,292</u>	<u>35</u>
<b>Non-current liabilities:</b>						
2540 Long-term borrowings (Notes VI (XIII) & VIII)	1,025,000	8	1,730,000	14	-	-
2570 Deferred income tax liabilities	357,538	3	315,669	3	176,457	2
2580 Contract liabilities - non-current (Notes VI (XIV) & VII)	160,900	1	181,231	2	173,493	2
2640 Net defined benefit liabilities - non-current	43,192	-	40,584	-	39,674	1
<b>Total non-current liabilities</b>	<u>1,586,630</u>	<u>12</u>	<u>2,267,484</u>	<u>19</u>	<u>389,624</u>	<u>5</u>
<b>Total liabilities</b>	<u>7,876,566</u>	<u>60</u>	<u>6,808,383</u>	<u>56</u>	<u>3,318,916</u>	<u>40</u>
<b>Equity attributable to the owners of the parent company (Note VI (VIII) (XVIII)):</b>						
3110 Share capital - ordinary shares	1,144,889	9	1,144,889	9	1,146,889	14
3200 Capital surplus	609,948	5	655,744	5	679,735	8
3300 Retained earnings	1,088,720	8	1,371,470	11	1,294,490	15
3400 Other equity	(78,727)	(1)	(114,824)	(1)	(97,207)	(1)
3500 Treasury shares	-	-	-	-	(12,907)	-
<b>Total equity attributable to owners of parent company</b>	<u>2,764,830</u>	<u>21</u>	<u>3,057,279</u>	<u>24</u>	<u>3,011,000</u>	<u>36</u>
36XX <b>Non-controlling interests (Note VI (VIII) (XVIII))</b>	<u>2,519,535</u>	<u>19</u>	<u>2,446,534</u>	<u>20</u>	<u>2,071,346</u>	<u>24</u>
<b>Total equity</b>	<u>5,284,365</u>	<u>40</u>	<u>5,503,813</u>	<u>44</u>	<u>5,082,346</u>	<u>60</u>
<b>Total liabilities and equity</b>	<u>\$ 13,160,931</u>	<u>100</u>	<u>12,312,196</u>	<u>100</u>	<u>8,401,262</u>	<u>100</u>

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

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

**DFI Inc. and its subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to March 31, 2022 and 2021**

**Unit: In Thousands of New Taiwan Dollars**

		<u>January to March 2022</u>		<u>January to March 2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Net operating revenue (Notes VI (VIII) (XXI), VII &amp; XIV)</b>	\$ 3,870,828	100	2,008,118	100
5000	<b>Operating costs (Note VI (VI) (IX) (X) (XI) (XVI) (XXII), VII &amp; XII)</b>	<u>(3,166,249)</u>	<u>(82)</u>	<u>(1,514,121)</u>	<u>(75)</u>
	<b>Gross Profit</b>	<u>704,579</u>	<u>18</u>	<u>493,997</u>	<u>25</u>
	<b>Operating expenses (Note VI (V) (IX) (X) (XI) (XIV) (XVI) (XXII), VII &amp; XII):</b>				
6100	Selling and marketing expenses	(342,680)	(9)	(191,990)	(10)
6200	General and administrative expenses	(112,297)	(3)	(91,767)	(5)
6300	Research and development expenses	(106,954)	(2)	(97,014)	(5)
6450	Expected credit losses (or gains on reversal)	<u>(3,009)</u>	<u>-</u>	<u>9,192</u>	<u>1</u>
6000	<b>Total operating expenses</b>	<u>(564,940)</u>	<u>(14)</u>	<u>(371,579)</u>	<u>(19)</u>
	<b>Net operating income</b>	<u>139,639</u>	<u>4</u>	<u>122,418</u>	<u>6</u>
	<b>Non-operating income and expenses (Notes VI (VII) (XIV) (XXIII) &amp; VII):</b>				
7100	Interest income	353	-	341	-
7010	Other income	7,105	-	4,766	-
7020	Other gain and loss	15,179	-	2,366	-
7050	Finance costs	<u>(11,047)</u>	<u>-</u>	<u>(4,299)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>11,590</u>	<u>-</u>	<u>3,174</u>	<u>-</u>
7900	<b>Profit before tax</b>	151,229	4	125,592	6
7950	<b>Loss: Income tax expense (Note VI (XVII))</b>	<u>(41,110)</u>	<u>(1)</u>	<u>(28,406)</u>	<u>(1)</u>
8200	<b>Net profit for the period</b>	<u>110,119</u>	<u>3</u>	<u>97,186</u>	<u>5</u>
	<b>Other comprehensive income (Note VI (XVIII)):</b>				
8310	<b>Items that will not be reclassified to profit or loss</b>				
8316	Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	1,499	-	(3,046)	-
8349	Income tax relating to items that will not be reclassified	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>1,499</u>	<u>-</u>	<u>(3,046)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translating the financial statements of foreign operations	68,015	2	(17,597)	(1)
8399	Income tax relating to items that may be reclassified	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>68,015</u>	<u>2</u>	<u>(17,597)</u>	<u>(1)</u>
	<b>Other comprehensive income (loss) for the period</b>	<u>69,514</u>	<u>2</u>	<u>(20,643)</u>	<u>(1)</u>
8500	<b>Total comprehensive income (loss) for the period</b>	<u>\$ 179,633</u>	<u>5</u>	<u>76,543</u>	<u>4</u>
	<b>Net profit in current period attributable to:</b>				
8610	Owners of the parent company	\$ 83,614	2	66,234	3
8620	Non-controlling interests	<u>26,505</u>	<u>1</u>	<u>30,952</u>	<u>2</u>
		<u>\$ 110,119</u>	<u>3</u>	<u>97,186</u>	<u>5</u>
	<b>Total comprehensive income (loss) attributable to:</b>				
8710	Owners of the parent company	\$ 119,711	3	43,634	2
8720	Non-controlling interests	<u>59,922</u>	<u>2</u>	<u>32,909</u>	<u>2</u>
		<u>\$ 179,633</u>	<u>5</u>	<u>76,543</u>	<u>4</u>
	<b>Earnings per share (Unit: In New Taiwan Dollars and Note VI (XX))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 0.73</u>		<u>0.58</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 0.73</u>		<u>0.58</u>	

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

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

**Consolidated Statements of Changes in Equity**  
**January 1 to March 31, 2022 and 2021**

**Unit: In Thousands of New Taiwan Dollars**

	Equity attributable to owners of parent company						Other equity items			Total equities attributable to owners of parent company	Non-controlling interests	Total equity	
	Share capital - ordinary shares	Capital surplus	Retained earnings			Total	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total				Treasury shares
			Legal reserve	Special reserve	Unappropriated earnings								
<b>Balance as of January 1, 2021</b>	\$ 1,146,889	679,735	788,518	54,268	393,207	1,235,993	(83,110)	8,503	(74,607)	(12,907)	2,975,103	2,058,536	5,033,639
Net profit for the period	-	-	-	-	66,234	66,234	-	-	-	-	66,234	30,952	97,186
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(19,359)	(3,241)	(22,600)	-	(22,600)	1,957	(20,643)
Total comprehensive income (loss) for the period	-	-	-	-	66,234	66,234	(19,359)	(3,241)	(22,600)	-	43,634	32,909	76,543
Differences between the actual price for acquisition or disposal of the subsidiaries and their carrying amount	-	-	-	-	(7,737)	(7,737)	-	-	-	-	(7,737)	(20,099)	(27,836)
<b>Balance as of March 31, 2021</b>	<b>\$ 1,146,889</b>	<b>679,735</b>	<b>788,518</b>	<b>54,268</b>	<b>451,704</b>	<b>1,294,490</b>	<b>(102,469)</b>	<b>5,262</b>	<b>(97,207)</b>	<b>(12,907)</b>	<b>3,011,000</b>	<b>2,071,346</b>	<b>5,082,346</b>
<b>Balance as of January 1, 2022</b>	\$ 1,144,889	655,744	825,764	74,607	471,099	1,371,470	(134,871)	20,047	(114,824)	-	3,057,279	2,446,534	5,503,813
Net profit for the period	-	-	-	-	83,614	83,614	-	-	-	-	83,614	26,505	110,119
Other comprehensive income (loss) for the period	-	-	-	-	-	-	34,598	1,499	36,097	-	36,097	33,417	69,514
Total comprehensive income (loss) for the period	-	-	-	-	83,614	83,614	34,598	1,499	36,097	-	119,711	59,922	179,633
Profit distribution:													
Cash dividends for common shares	-	-	-	-	(366,364)	(366,364)	-	-	-	-	(366,364)	-	(366,364)
Cash dividends distributed by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(69,711)	(69,711)
Cash distributed from capital surplus	-	(45,796)	-	-	-	-	-	-	-	-	(45,796)	-	(45,796)
Non-controlling interests adjustments	-	-	-	-	-	-	-	-	-	-	-	3,415	3,415
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	79,375	79,375
<b>Balance as of March 31, 2022</b>	<b>\$ 1,144,889</b>	<b>609,948</b>	<b>825,764</b>	<b>74,607</b>	<b>188,349</b>	<b>1,088,720</b>	<b>(100,273)</b>	<b>21,546</b>	<b>(78,727)</b>	<b>-</b>	<b>2,764,830</b>	<b>2,519,535</b>	<b>5,284,365</b>

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang



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

**Consolidated Statements of Cash Flows**  
**January 1 to March 31, 2022 and 2021**

**Unit: In Thousands of New Taiwan Dollars**

	<u>January to March 2022</u>	<u>January to March 2021</u>
<b>Cash flows from operating activities:</b>		
<b>Net profit before tax for the period</b>	\$ 151,229	125,592
<b>Adjustment item:</b>		
Adjustments for		
Depreciation expenses	48,168	39,350
Amortization expenses	22,873	7,267
Expected credit losses (or gains on reversal)	3,009	(9,192)
Evaluation losses (gains) of financial assets measured at fair value through profit or loss	(1,529)	5,205
Interest expense	11,047	4,299
Interest income	(353)	(341)
Loss on disposal of property, plant and equipment	7	216
Gain on disposal of non-current assets held for sale	(948)	-
Unrealized foreign exchange losses	-	3,751
Gain on lease amendment	(525)	-
Total revenue, expense and loss items	<u>81,749</u>	<u>50,555</u>
Changes in assets/liabilities related to business activities:		
Net changes in assets related to operating activities:		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	830	(10,389)
Decrease (increase) in notes receivable and accounts receivable	88,560	(37,622)
Increase (decrease) in accounts receivable - related parties	(18,007)	18,118
Increase (decrease) in other receivables	(4,077)	(11,770)
Increase in inventories	(462,749)	(58,462)
Increase in prepayments	(62,483)	(14,251)
Decrease (increase) in other current assets	1,272	(2,293)
Total net changes in assets related to operating activities	<u>(456,654)</u>	<u>(116,669)</u>
Net change in liabilities related to operating activities:		
Increase in financial liabilities held for trading	4,055	-
Decrease (increase) in contractual liabilities	(11,245)	28,239
Increase in notes and trade payables	118,955	99,865
Increase (decrease) in accounts payable - related parties	35,465	(4,228)
Decrease in other payables	(102,467)	(75,408)
Increase (decrease) in provisions	2,174	(3,621)
Decrease (increase) in other current liabilities	(1,511)	5,382
Decrease in net defined benefit liabilities	(3,131)	(387)
Total net changes in liabilities related to business activities	<u>42,295</u>	<u>49,842</u>
Total net changes in assets and liabilities related to operating activities	<u>(414,359)</u>	<u>(66,827)</u>
Total adjustment items	<u>(332,610)</u>	<u>(16,272)</u>
Cash (used in) generated from operations	(181,381)	109,320
Interest received	346	342
Interest paid	(11,173)	(4,410)
Income tax paid	(26,057)	(3,867)
<b>Net cash (used in) generated from operating activities</b>	<u>(218,265)</u>	<u>101,385</u>

**(Continued on the next page)**

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

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

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

**January 1 to March 31, 2022 and 2021**

**Unit: In Thousands of New Taiwan Dollars**

	<u>January to March 2022</u>	<u>January to March 2021</u>
<b>Cash flows from investing activities:</b>		
Purchase of financial assets at amortized cost	(10)	-
Proceeds from sale of financial assets at fair value through profit or loss	-	681
Acquisition of subsidiaries (less cash obtained)	(22,507)	-
Proceeds from disposal of non-current assets held for sale	24,583	-
Purchase of Property, plant and equipment	(85,128)	(61,406)
Proceeds from disposal of property, plant and equipment	-	190
Decrease in refundable deposits	(127)	1,208
Purchase of intangible assets	(1,824)	(289)
Increase in other non-current assets	(12,374)	(2,115)
<b>Net cash used in investing activities</b>	<u>(97,387)</u>	<u>(61,731)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from short-term borrowings	1,907,470	1,147,627
Repayments of short-term borrowings	(987,039)	(1,073,426)
Proceeds from long-term borrowings	100,000	-
Repayments of long-term borrowings	(805,000)	-
Repayment of the principal portion of lease	(19,413)	(14,130)
Acquisition of subsidiaries	-	(27,836)
<b>Net cash generated from financing activities</b>	<u>196,018</u>	<u>32,235</u>
<b>Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies</b>	<u>72,907</u>	<u>(14,378)</u>
<b>Decrease (increase) in cash and cash equivalents for the current period</b>	(46,727)	57,511
<b>Cash and cash equivalents at the beginning of the period</b>	<u>1,521,790</u>	<u>1,922,245</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>\$ 1,475,063</b></u>	<u><b>1,979,756</b></u>

(Please refer to notes to consolidated financial statements)

Chairman: Chi-Hung, Chen

President: Chia-Hung, Su

Accounting Supervisor: Li-Min, Huang

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

**DFI Inc. and its subsidiaries**

**Notes to Consolidated Financial Statements**

**For the Three Months Ended March 31, 2022 and 2021**

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

**I. Company History**

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

**II. Date and Procedures of Authorization of Financial Statements**

The accompanying consolidated financial statements were approved and issued by the Board of Directors on May 5, 2022.

**III. Application of New and Amended Standards and Interpretations**

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

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

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

(II) 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:

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

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

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

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

- 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 Tax related to Assets and Liabilities arising from a Single Transaction"

### IV. Summary of Significant Accounting Policies

#### (I) Statement of Compliance

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

#### (II) Basis of Consolidation

##### 1. Subsidiaries included in consolidated financial statements

Name of investor		Nature of business	Comprehensive shareholding %			Description
company	Name of subsidiary		2022.3.31	2021.12.31	2021.3.31	
The Company	DFI AMERICA, LLC (DFI US)	Sales of industrial computer cards	100.00%	100.00%	100.00%	-
The Company	DFI Co., Ltd.	Sales of industrial computer cards	100.00%	100.00%	100.00%	-
The Company	Yan Tong Technology Ltd. (Yan Tong)	Investment business	100.00%	100.00%	100.00%	-
The Company	Diamond Flower Information (NL) B.V.	Sales of industrial computer cards	100.00%	100.00%	100.00%	-
The Company	Brainstorm Corporation (Brainstorm)	Wholesale and retail of computer and peripheral devices	35.09%	35.09%	-	Note 1
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%	-
Yan Tong	Yan Ying Hao Trading (Shenzhen) Co., Ltd.	Wholesale, import and export of computer cards, board cards, host computer, electronic parts and components	100.00%	100.00%	100.00%	-
The Company	AEWIN Technologies Co., Ltd. (AEWIN)	Design, manufacture and sale of industrial computer cards and related products	51.38%	51.38%	51.35%	-

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

Name of investor company	Name of subsidiary	Nature of business	Comprehensive shareholding %			Description
			2022.3.31	2021.12.31	2021.3.31	
AEWIN	Wise Way	Investment business	51.38%	51.38%	51.35%	-
AEWIN	Aewin Tech Inc.	Wholesale of computer and peripheral equipment and software	51.38%	51.38%	51.35%	-
Wise Way	Bright Profit	Investment business	51.38%	51.38%	51.35%	-
Bright Profit	Aewin Beijing Technologies Co., Ltd. (Beijing AEWIN)	Wholesale of computer and peripheral equipment and software	51.38%	51.38%	51.35%	-
Beijing AEWIN	Aewin(Shenzhen)Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	51.38%	51.38%	51.35%	-
The Company	Ace Pillar Co., Ltd. (Ace Pillar)	Automated control and testing, processing, sales, repair, and mechanical and electrical integration of industrial transmission systems	48.07%	48.07%	34.28%	-
Ace Pillar	Cyber South Management Ltd. (Cyber South)	Holding Company	48.07%	48.07%	34.28%	-
Ace Pillar	Hong Kong Ace Pillar Enterprise Company Limited (Hong Kong ACE Pillar)	Sales and Purchases of transmission mechanical components	48.07%	48.07%	34.28%	-
Ace Pillar/Proton/Cyber South	Tianjin Ace Pillar Co., Ltd. (Tianjin Ace Pillar)	Sales and Purchases of transmission mechanical components	48.07%	48.07%	34.28%	-
Ace Pillar	Standard Technology Corporation (Standard Co., Taiwan)	Trading of semiconductor optoelectronic equipment and consumables and equipment maintenance services	28.84%	-	%	-
Cyber South	Proton Inc.(Proton)	Holding Company	48.07%	48.07%	34.28%	-
Cyber South	Ace Tek (HK) Holding Co., Ltd. (Ace Tek)	Holding Company	48.07%	48.07%	34.28%	-
Cyber South	Suzhou Super Pillar Automation Equipment Co., Ltd. (Suzhou Super Pillar)	Processing and technical services of mechanical transmission and control products	48.07%	48.07%	34.28%	-
Cyber South	Grace Transmission (Tianjin) Co., Ltd. (Tianjin Jinhao)	Manufacturing and processing of machinery transmission products	48.07%	48.07%	34.28%	-

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

Name of investor company	Name of subsidiary	Nature of business	Comprehensive shareholding %			Description
			2022.3.31	2021.12.31	2021.3.31	
Cyber South	Xuchang Ace AI Equipment Co.,Ltd.	Wholesale and retail of industrial robotic related products	48.07%	48.07%	34.28%	-
Ace Tek	ADVANCEDTEK ACE (TJ) INC. (Quansheng Information)	Electronic system integration	48.07%	48.07%	34.28%	-
Standard Co.	Standard Technology Corp. (STCBVI)	Holding Company	28.84%	-	-	Note 2
STCBVI	Standard International Trading (Shanghai) Co., Ltd. (Shanghai Standard)	Trading of semiconductor optoelectronic equipment and consumables and equipment maintenance services	28.84%	-	-	Note 2

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

Note 2 : As mentioned in Note VI(VIII), Ace Pillar was granted control over Standard Co. and its subsidiaries on March 1, 2022, and, therefore, it is included in the entities of the consolidated financial statements preparation.

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

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

### (III) Employee benefits

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

### (IV) Income taxes

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

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

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

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

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

In preparing the consolidated financial statements, the significant judgements and the major sources of estimation uncertainty made by the management in applying the accounting policies of the Group are consistent with Note V to the consolidated financial statements for the year ended December 31, 2021.

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

### VI. Details of Significant Accounts

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

#### (I) Cash and cash equivalents

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Cash on hand and petty cash	\$ 420	360	750
Demand deposits and check deposits	1,394,563	1,443,926	1,624,132
Time deposits with original maturity date within three months	<u>80,080</u>	<u>77,504</u>	<u>354,874</u>
	<u><b>\$ 1,475,063</b></u>	<u><b>1,521,790</b></u>	<u><b>1,979,756</b></u>

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

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Financial assets mandatorily classified as at fair value through profit or loss:			
Non-hedging derivative instruments:			
Forward foreign exchange contracts	\$ 1,316	74	3,059
Foreign exchange SWAP	<u>239</u>	<u>2,311</u>	<u>183</u>
	1,555	2,385	3,242
Non-derivative financial assets:			
Fund beneficiary certificates	<u>27,672</u>	<u>26,143</u>	<u>27,235</u>
	<u><b>\$ 29,227</b></u>	<u><b>28,528</b></u>	<u><b>30,477</b></u>
Financial liabilities held for trading:			
Derivative financial instruments:			
Forward foreign exchange contracts	\$ 1,164	821	1,036
Foreign exchange SWAP contracts	<u>3,712</u>	<u>-</u>	<u>6,485</u>
	<u><b>\$ 4,876</b></u>	<u><b>821</b></u>	<u><b>7,521</b></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 outstanding derivative financial instruments as of the reporting date is as follows:

### 1. Forward foreign exchange contracts

<b>2022.3.31</b>		
<b>Currency</b>	<b>Contractual amount (NTD in thousands)</b>	<b>Maturity period</b>
Buy USD/Sell JPY	USD 430	2022.04
Buy USD/Sell RMB	USD 15,101	2022.04
Buy Euro/Sell in USD	EUR 2,018	2022.04

<b>2021.12.31</b>		
<b>Currency</b>	<b>Contractual amount (NTD in thousands)</b>	<b>Maturity period</b>
Buy JPY/Sell USD	JPY 34,034	2022.01
Buy USD/Sell JPY	USD 17,279	2022.01
Buy JPY/Sell USD	JPY 6,156	2022.01
Buy Euro/Sell in USD	EUR 1,258	2022.01

<b>2021.3.31</b>		
<b>Currency</b>	<b>Contractual amount (NTD in thousands)</b>	<b>Maturity period</b>
Buy JPY/Sell USD	JPY 186,208	2021.04
Buy USD/Sell RMB	USD 11,454	2021.04
Buy RMB/Sell USD	RMB 9,426	2021.04
Buy Euro/Sell in USD	EUR 777	2021.04

### 2. Swap contracts

<b>2022.3.31</b>		
<b>Currency</b>	<b>Contractual amount (NTD in thousands)</b>	<b>Maturity period</b>
Swap in NTD/swap out USD	USD 24,030	2022.04

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

<b>2021.3.31</b>		
<b>Currency</b>	<b>Contractual amount (NTD in thousands)</b>	<b>Maturity period</b>
Swap in NTD/swap out USD	USD 30,510	2021.04

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

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

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Equity instruments measured at fair value through other comprehensive income:			
Stocks of domestic listed (OTC) companies:	\$ 42,758	41,259	26,473
Foreign unlisted (OTC) stocks	<u>2,722</u>	<u>1,288</u>	<u>1,288</u>
	<u><b>\$ 45,480</b></u>	<u><b>42,547</b></u>	<u><b>27,761</b></u>

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

The consolidated company didn't dispose of the aforesaid strategic investments from January 1 to March 31, 2022 and 2021, so the income and loss accumulated in such periods were not transferred within the equities in whatever manner.

### (IV) Financial assets at amortized cost

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Financial assets at amortized cost - current			
Pledged certificate of deposit	\$ 12,319	1,708	1,708
Time deposits with original maturity date over 3 months	<u>7,580</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 19,899</b></u>	<u><b>1,708</b></u>	<u><b>1,708</b></u>
Financial assets at amortized cost - non-current			
Corporate bonds	<u><b>\$ 3,013</b></u>	<u>-</u>	<u>-</u>

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

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

### (V) Notes and accounts receivable and other receivables

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Notes receivable	\$ 257,590	305,492	306,576
Accounts receivable	2,395,024	2,322,762	1,615,545
Accounts receivable from related parties	201,137	167,795	123,159
Loss: Allowance for loss	<u>(38,588)</u>	<u>(32,177)</u>	<u>(33,906)</u>
	<u><b>\$ 2,815,163</b></u>	<u><b>2,763,872</b></u>	<u><b>2,011,374</b></u>
Other receivables	\$ 34,922	30,308	24,720
Other receivables - related parties	<u>973</u>	<u>498</u>	<u>491</u>
	<u><b>\$ 35,895</b></u>	<u><b>30,806</b></u>	<u><b>25,211</b></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:

<b>2022.3.31</b>			
	<b>Book-entry amounts of accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance for expected credit losses for the duration of the period</b>
Not overdue	\$ 2,130,530	0.05%	1,145
1-30 days overdue	174,517	2.84%	4,958
31-60 days overdue	41,335	7.75%	3,205
61-90 days overdue	14,665	10.13%	1,485
Overdue more than 90 days	33,977	81.81%	27,795
	<b><u>\$ 2,395,024</u></b>		<b><u>38,588</u></b>
<b>2021.12.31</b>			
	<b>Book-entry amounts of accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance for expected credit losses for the duration of the period</b>
Not overdue	\$ 2,114,177	0.05%	1,122
1-30 days overdue	159,106	3.25%	5,175
31-60 days overdue	16,337	9.85%	1,609
61-90 days overdue	5,188	17.85%	926
Overdue more than 90 days	27,954	83.51%	23,345
	<b><u>\$ 2,322,762</u></b>		<b><u>32,177</u></b>
<b>2021.3.31</b>			
	<b>Book-entry amounts of accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Allowance for expected credit losses for the duration of the period</b>
Not overdue	\$ 1,500,904	0.08%	1,265
1-30 days overdue	61,125	1.95%	1,189
31-60 days overdue	13,786	6.22%	857
61-90 days overdue	5,650	10.05%	568
Overdue more than 90 days	34,080	88.11%	30,027
	<b><u>\$ 1,615,545</u></b>		<b><u>33,906</u></b>

The Consolidated Company has assessed the counterparties of notes receivable, accounts receivable - related parties and other receivables (including related parties) in respect of past

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

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:

	<b>January to March 2022</b>	<b>January to March 2021</b>
Beginning Balance	\$ 32,177	45,065
Recovery of amounts written off in current period	-	100
Impairment loss recognized (reversed) in the period	3,009	(9,192)
Impact from initial consolidation of subsidiary	3,140	-
Unrecoverable amount written off for current year	(882)	(2,176)
Effect of exchange rate changes	<u>1,144</u>	<u>109</u>
Ending balance	<b><u>\$ 38,588</u></b>	<b><u>33,906</u></b>

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

### (VI) Inventories

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Raw materials	\$ 2,221,227	2,058,371	640,614
Work in progress	241,518	143,287	101,969
Manufactured goods and commodities	1,536,406	1,246,458	701,658
Goods in Transit	85,524	67,907	67,103
Outsourced processing products	<u>73,595</u>	<u>67,272</u>	<u>74,791</u>
	<b><u>\$ 4,158,270</u></b>	<b><u>3,583,295</u></b>	<b><u>1,586,135</u></b>

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

	<b>January to March 2022</b>	<b>January to March 2021</b>
Cost of inventory sold	\$ 3,168,319	1,494,823
Loss (recovery gain) on inventory write-down	(2,095)	19,298
Loss for inventory obsolescence	<u>25</u>	<u>-</u>
	<b><u>\$ 3,166,249</u></b>	<b><u>1,514,121</u></b>

The above inventory price loss was due to the write-down of inventories to net realizable value at the end of the period, thus recognized as loss on inventories. The gain on reversal of inventory valuation arises from obsolete inventory sold or scrapped, and the gain on reversal is recognized within the scope of inventory price loss.

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

### (VII) Non-current assets held for sale

On May 21, 2021, the Board of Directors of the subsidiary of the Consolidated Company, Ace Pillar, adopted the proposal to sell the land and buildings in Sanchong District, which is expected for completion in the following year. Therefore, carrying amounts of such real estate has been transferred to non-current assets held for sale amounted to NTD117,125,000 and NTD73,452,000 on March 31, 2022 and December 31, 2021, respectively. Some of the aforementioned assets were sold on January 25, 2022, and the sale price and the carrying amounts of the assets were NTD24,876,000 and NTD23,635,000, respectively.

On December 23, 2021, the Board of Directors of the subsidiary of the Consolidated Company, Tianjin Ace Pillar, adopted the proposal to sell the pilot free trade zone factory of Tianjin Ace Pillar, which is expected for completion in the following year. Therefore, total carrying amounts of such relevant right-of-use assets - land and buildings has been transferred to non-current assets held for sale amounted to NTD266,263,000 and NTD239,149,000 on March 31, 2022 and December 31, 2021, respectively.

### (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.

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

### (2) Net identifiable assets acquired

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

Transfer consideration:

Cash		\$ 501,582
Plus: Non-controlling interests (measured by the proportion of non-controlling interests in net identifiable assets)		641,433
Less: Fair value of net identifiable assets acquired:		
Cash and cash equivalents	\$ 460,381	
Net accounts receivable	191,888	
Inventories	803,582	
Prepayments and other current assets	4,613	
Property, plant and equipment	7,026	
Right-of-use assets	51,212	
Intangible assets - Trademark	562,692	
Intangible assets - Computer Software	129	
Refundable deposits	4,573	
Accounts payables	(784,344)	
Other payables	(143,260)	
Current income tax liabilities	(2,055)	
Other current liabilities	(311)	
Lease liabilities (including current and non-current)	(51,212)	
Deferred income tax liabilities	(112,538)	
Long-term borrowings	(4,187)	<u>988,189</u>
Goodwill		<u><u>\$ 154,826</u></u>

The consolidated company constantly reviewed the above matters during the measurement period and adjusted the amounts of abovementioned intangible assets and goodwill in the first quarter of 2022 as follows:

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

### (3) Intangible assets

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

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

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

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

#### (1) Consideration transferred for acquisition of the subsidiary

On March 1, 2022 (the acquisition date), the consolidated company acquired 4,680 thousand ordinary shares of Standard Technology Corporation (Standard Co.) for a cash consideration of NTD187,000,000 and acquired a 60% equity interest, thereby obtaining control over this company and has included Standard Co. and its subsidiaries in the consolidated entities since the acquisition date. Standard Co. and its subsidiaries are principally engaged in the trading of semiconductor optoelectronic equipment and consumables and equipment maintenance services. Standard Co. was acquired by the Group for the purpose of optimizing the layout of the semiconductor business, expanding its business and providing customers with comprehensive products and services.

#### (2) Net identifiable assets acquired

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

Transfer consideration:

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

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

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

### (3) Intangible assets

The intangible asset - client relationship is evenly amortized with the straight-line method based on its economic benefit life of 14.84 years.

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

### (4) Pro-forma information on operating results

The operating results of Standard Co. and its subsidiaries from the acquisition date to March 31, 2022 have been consolidated into the consolidated comprehensive income statement of the Consolidated Company, and contributed a net operating revenue and a net after-tax profit of NTD64,245,000 and NTD5,312,000 respectively. If the acquisition had occurred on January 1, 2022, the pro-forma net operating revenue and net after-tax profit of the consolidated company for the three months ended March 31, 2021 would have been NTD3,984,005,000 and NTD113,696,000 respectively.

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

From January to March 2021, the consolidated company acquired additional equities in Ace Pillar and AEWIN for NTD20,485,000 and NTD7,351,000 respectively. Please see Note IV (II) for corresponding changes in shareholding ratio.

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

	<b>January to March 2022</b>	<b>January to March 2021</b>
Retained earnings	<u>\$ -</u>	<u>(7,737)</u>



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

### 4. Subsidiaries with material non-controlling interests

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

Name of subsidiary	Principal place of business/country of registration	Proportion of non-controlling interests in ownership interests		
		2022.3.31	2021.12.31	2021.3.31
Ace Pillar	Taiwan	51.93%	51.93%	65.72%
AEWIN	Taiwan	48.62%	48.62%	48.65%
Brainstorm	USA	64.91%	64.91%	- %

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

#### (1) Summary financial information on Ace Pillar:

	2022.3.31	2021.12.31	2021.3.31
Current assets	\$ 2,921,331	2,610,761	2,446,674
Non-current assets	852,001	676,262	737,440
Current liabilities	(1,315,257)	(917,629)	(847,380)
Non-current liabilities	(145,268)	(97,041)	(87,644)
Net assets	<u>\$ 2,312,807</u>	<u>2,272,353</u>	<u>2,249,090</u>
Ending balance of non-controlling interests	<u>\$ 1,236,794</u>	<u>1,176,182</u>	<u>1,503,454</u>

	January to March 2022	January to March 2021
Net operating revenue	<u>\$ 934,706</u>	<u>878,085</u>
Net profit for the period	33,095	46,595
Other comprehensive income	29,010	2,406
Total comprehensive income	<u>\$ 62,105</u>	<u>49,001</u>
Net profit for the period attributable to non-controlling interests	<u>\$ 18,207</u>	<u>30,319</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 33,700</u>	<u>31,890</u>

	January to March 2022	January to March 2021
Cash flows from operating activities	\$ (129,860)	(54,105)
Cash flows from investing activities	(11,255)	(1,738)
Cash flows from financing activities	39,458	79,165
Effect of changes in exchange rate	23,858	1,909
Increase (decrease) in cash and cash equivalents	<u>\$ (77,799)</u>	<u>25,231</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

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

### (2) Summary financial information on AEWIN

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Current assets	\$ 1,643,476	1,614,052	1,138,540
Non-current assets	986,007	968,544	519,867
Current liabilities	(1,030,748)	(952,890)	(454,626)
Non-current liabilities	<u>(443,579)</u>	<u>(458,709)</u>	<u>(31,802)</u>
Net assets	<u>\$ 1,155,156</u>	<u>1,170,997</u>	<u>1,171,979</u>
Carrying amount of non-controlling interests, ending	<u>\$ 559,354</u>	<u>567,059</u>	<u>567,892</u>

	<u>January to March 2022</u>	<u>January to March 2021</u>
Operating revenue	<u>\$ 412,276</u>	<u>323,055</u>
Net profit for the period	\$ 12,803	1,272
Other comprehensive income	6,831	803
Total comprehensive income	<u>\$ 19,634</u>	<u>2,075</u>
Net profit for the period attributable to non-controlling interests	<u>\$ 6,222</u>	<u>633</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 9,543</u>	<u>1,019</u>

	<u>January to March 2022</u>	<u>January to March 2021</u>
Cash flows from operating activities	\$ 132,523	(12,436)
Cash flows from investing activities	(38,019)	(1,478)
Cash flows from financing activities	57,183	42,888
Effect of changes in exchange rate	8,603	(7,687)
Increase in cash and cash equivalents	<u>\$ 160,290</u>	<u>21,287</u>
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>-</u>

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

### (3) Summary financial information on Brainstorm:

	<b>2022.3.31</b>	<b>2021.12.31</b>
Current assets	\$ 1,685,156	1,528,818
Non-current assets	749,196	748,712
Current liabilities	(1,031,650)	(898,830)
Non-current liabilities	<u>(135,276)</u>	<u>(140,385)</u>
Net assets	<b><u>\$ 1,267,426</u></b>	<b><u>1,238,315</u></b>
Ending balance of non-controlling interests	<b><u>\$ 723,387</u></b>	<b><u>703,293</u></b>
		<b>January to March 2022</b>
Net operating revenue		<b><u>\$ 1,517,807</u></b>
Net profit for the period		<b><u>\$ 3,198</u></b>
Net profit for the period attributable to non-controlling interests		<b><u>\$ 2,076</u></b>
Cash flows from operating activities		\$ (2,888)
Cash flows from investing activities		(12,864)
Cash flows from financing activities		62,143
Effect of changes in exchange rate		<u>3,436</u>
Increase in cash and cash equivalents		<b><u>\$ 49,827</u></b>
Dividends paid to non-controlling interests		<b><u>\$ -</u></b>

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

### (IX) Property, plant and equipment

	Land	Buildings	Machinery equipment	Office equipment	Other equipment	Unfinished construction	Total
Costs:							
Balance on January 1, 2022	\$ 932,159	1,411,272	402,743	65,225	268,924	17,527	3,097,850
Acquired through business combination	-	-	-	7,300	2,926	-	10,226
Additions	-	46,795	846	4,817	11,697	20,905	85,060
Disposal	-	-	(3,569)	(960)	(6,377)	-	(10,906)
Reclassification	(34,752)	(16,456)	294	1,417	3,392	(18,948)	(65,053)
Effect of changes in exchange rate	-	5,007	169	1,266	2,814	495	9,751
Balance on March 31, 2022	<u>\$ 897,407</u>	<u>1,446,618</u>	<u>400,483</u>	<u>79,065</u>	<u>283,376</u>	<u>19,979</u>	<u>3,126,928</u>
Balance on January 1, 2021	\$ 739,888	1,087,518	281,846	57,234	130,780	228,277	2,525,543
Additions	-	-	2,299	1,137	336	14,426	18,198
Disposal	-	-	-	(1,613)	(2,127)	(191)	(3,931)
Effect of changes in exchange rate	-	551	-	(35)	48	752	1,316
Balance on March 31, 2021	<u>\$ 739,888</u>	<u>1,088,069</u>	<u>284,145</u>	<u>56,723</u>	<u>129,037</u>	<u>243,264</u>	<u>2,541,126</u>
Accumulated depreciation:							
Balance on January 1, 2022	\$ -	248,703	222,171	50,864	109,730	-	631,468
Acquired through business combination	-	-	-	5,540	1,845	-	7,385
Depreciation	-	10,323	9,322	1,467	7,071	-	28,183
Disposal	-	-	(3,591)	(954)	(6,355)	-	(10,900)
Reclassification	-	(2,368)	46	-	(46)	-	(2,368)
Effect of changes in exchange rate	-	3,568	76	1,162	2,122	-	6,928
Balance on March 31, 2022	<u>\$ -</u>	<u>260,226</u>	<u>228,024</u>	<u>58,079</u>	<u>114,367</u>	<u>-</u>	<u>660,696</u>
Balance on January 1, 2021	\$ -	276,711	193,338	49,939	93,966	-	613,954
Depreciation	-	10,424	6,948	1,082	3,027	-	21,481
Disposal	-	-	-	(1,589)	(1,936)	-	(3,525)
Effect of changes in exchange rate	-	367	-	(11)	29	-	385
Balance on March 31, 2021	<u>\$ -</u>	<u>287,502</u>	<u>200,286</u>	<u>49,421</u>	<u>95,086</u>	<u>-</u>	<u>632,295</u>
Book value:							
March 31, 2022	<u>\$ 897,407</u>	<u>1,186,392</u>	<u>172,459</u>	<u>20,986</u>	<u>169,009</u>	<u>19,979</u>	<u>2,466,232</u>
January 1, 2022	<u>\$ 932,159</u>	<u>1,162,569</u>	<u>180,572</u>	<u>14,361</u>	<u>159,194</u>	<u>17,527</u>	<u>2,466,382</u>
March 31, 2021	<u>\$ 739,888</u>	<u>800,567</u>	<u>83,859</u>	<u>7,302</u>	<u>33,951</u>	<u>243,264</u>	<u>1,908,831</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, 2022	\$ 21,238	339,968	9,044	370,250
Acquired through business combination	-	6,237	443	6,680
Decrease	-	(49,340)	-	(49,340)
Effect of changes in exchange rate	<u>1,032</u>	<u>5,175</u>	<u>226</u>	<u>6,433</u>
Balance on March 31, 2022	<u><b>\$ 22,270</b></u>	<u><b>302,040</b></u>	<u><b>9,713</b></u>	<u><b>334,023</b></u>
Balance on January 1, 2021	\$ 31,714	176,860	4,124	212,698
Additions	-	138,450	431	138,881
Decrease	-	(15,300)	(464)	(15,764)
Effect of changes in exchange rate	<u>77</u>	<u>(444)</u>	<u>(55)</u>	<u>(422)</u>
Balance on March 31, 2021	<u><b>\$ 31,791</b></u>	<u><b>299,566</b></u>	<u><b>4,036</b></u>	<u><b>335,393</b></u>
Accumulated depreciation of right-of-use assets:				
Balance on January 1, 2022	\$ 2,138	97,888	2,446	102,472
Acquired through business combination	-	1,132	27	1,159
Depreciation	138	19,006	841	19,985
Decrease	-	(27,548)	-	(27,548)
Effect of changes in exchange rate	<u>807</u>	<u>2,299</u>	<u>66</u>	<u>3,172</u>
Balance on March 31, 2022	<u><b>\$ 3,083</b></u>	<u><b>92,777</b></u>	<u><b>3,380</b></u>	<u><b>99,240</b></u>
Balance on January 1, 2021	\$ 2,098	63,136	2,887	68,121
Depreciation	199	17,305	365	17,869
Decrease	-	(11,074)	(464)	(11,538)
Effect of changes in exchange rate	<u>9</u>	<u>(124)</u>	<u>(34)</u>	<u>(149)</u>
Balance on March 31, 2021	<u><b>\$ 2,306</b></u>	<u><b>69,243</b></u>	<u><b>2,754</b></u>	<u><b>74,303</b></u>
Book value:				
March 31, 2022	<u><b>\$ 19,187</b></u>	<u><b>209,263</b></u>	<u><b>6,333</b></u>	<u><b>234,783</b></u>
January 1, 2022	<u><b>\$ 19,100</b></u>	<u><b>242,080</b></u>	<u><b>6,598</b></u>	<u><b>267,778</b></u>
March 31, 2021	<u><b>\$ 29,485</b></u>	<u><b>230,323</b></u>	<u><b>1,282</b></u>	<u><b>261,090</b></u>

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

### (XI) Intangible assets

	<u>Goodwill</u>	<u>Trademark</u>	<u>Client relationship</u>	<u>Computer software</u>	<u>Total</u>
Costs:					
Balance on January 1, 2022	\$ 349,846	562,692	129,493	89,848	1,131,879
Acquired through business combination (Notes VI (VIII))	67,937	-	92,585	2,014	162,536
Business combinations adjusted during the measurement period	(1,847)	6,577	-	-	4,730
Separate Acquisition	-	-	-	1,824	1,824
Impacts of exchange rate changes	-	-	-	46	46
Balance on March 31, 2022	<u>\$ 415,936</u>	<u>569,269</u>	<u>222,078</u>	<u>93,732</u>	<u>1,301,015</u>
Balance on January 1, 2021	\$ 195,020	-	129,493	75,786	400,299
Separate Acquisition	-	-	-	1,968	1,968
Balance on March 31, 2021	<u>\$ 195,020</u>	<u>-</u>	<u>129,493</u>	<u>77,754</u>	<u>402,267</u>
Accumulated amortization:					
Balance on January 1, 2022	\$ -	37,513	51,820	68,093	157,426
Acquired through business combination (Notes VI (VIII))	-	-	-	975	975
Amortization	-	14,670	5,463	2,740	22,873
Impacts of exchange rate changes	-	-	-	27	27
Balance on March 31, 2022	<u>\$ -</u>	<u>52,183</u>	<u>57,283</u>	<u>71,835</u>	<u>181,301</u>
Balance on January 1, 2021	\$ -	-	32,048	59,461	91,509
Amortization	-	-	4,943	2,324	7,267
Balance on March 31, 2021	<u>\$ -</u>	<u>-</u>	<u>36,991</u>	<u>61,785</u>	<u>98,776</u>
Book value:					
Balance on March 31, 2022	<u>\$ 415,936</u>	<u>517,086</u>	<u>164,795</u>	<u>21,897</u>	<u>1,119,714</u>
Balance on January 1, 2022	<u>\$ 349,846</u>	<u>525,179</u>	<u>77,673</u>	<u>21,755</u>	<u>974,453</u>
Balance on March 31, 2021	<u>\$ 195,020</u>	<u>-</u>	<u>92,502</u>	<u>15,969</u>	<u>303,491</u>

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

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

### (XII) Short-term borrowings

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Unsecured bank loans	\$ 2,256,547	1,293,108	839,643
Secured bank loans	110,605	18,196	58,811
	<u>\$ 2,367,152</u>	<u>1,311,304</u>	<u>898,454</u>
Unused lines of credit	<u>\$ 3,964,152</u>	<u>4,394,526</u>	<u>5,362,417</u>
Interest Rate	<u>0.65%~4.2%</u>	<u>0.62%~4.25%</u>	<u>0.64%~4.25%</u>

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

### (XIII) Long-term borrowings

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Unsecured bank loans	\$ 700,000	1,420,000	-
Secured bank loans	345,000	330,000	-
Loss: Part due within one year	(20,000)	(20,000)	-
	<u>\$ 1,025,000</u>	<u>1,730,000</u>	<u>-</u>
Unused lines of credit	<u>\$ 700,000</u>	<u>-</u>	<u>-</u>
Year of maturity	<u>2023~2024</u>	<u>2022~2024</u>	<u>-</u>
Interest Rate	<u>1.02%~1.3%</u>	<u>0.94%~1.12%</u>	<u>-</u>

The amount of long-term borrowings of the Group newly added and repaid during the first quarter of 2022 was NTD100,000,000 and NTD805,000,000, respectively. Please refer to Note VI(XXIII) for details of interest expense.

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

### (XIV) Lease liabilities

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

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Current	<u>\$ 61,524</u>	<u>73,484</u>	<u>62,683</u>
Non-current	<u>\$ 160,900</u>	<u>181,231</u>	<u>173,493</u>

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

The amounts recognized as profit and loss are as follows:

	<u>January to March 2022</u>	<u>January to March 2021</u>
Interest expense on lease liabilities	<u>\$ 1,087</u>	<u>1,234</u>
Short-term leases expenses and lease expenses of low-value assets	<u>\$ 8,856</u>	<u>2,830</u>

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

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

	<b>January to March 2022</b>	<b>January to March 2021</b>
Total cash outflow for leases	<u>\$ (29,356)</u>	<u>(18,194)</u>

Important lease clauses:

1. Lease of land, houses and buildings

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

2. Other lease

The consolidated company has leased the transport equipment with a period of 1 to 3 years. In addition, the Consolidated Company has leased offices and office equipment and other assets with a period of no longer than one year. Such leases are short-term leases or leases of low-value assets, and the Consolidated Company has selected to apply the provision of exemption from recognition and not recognized them as relevant right-of-use assets and lease liabilities.

(XV) Provisions for liabilities - current

	<b>2022.3.31</b>	<b>2021.12.31</b>	<b>2021.3.31</b>
Warranty reserve	<u>\$ 48,421</u>	<u>46,247</u>	<u>53,206</u>

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

(XVI) Employee benefits

1. Defined benefit plans

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

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

	<b>January to March 2022</b>	<b>January to March 2021</b>
Operating costs	\$ 110	108
Operating Expenses	<u>(4)</u>	<u>(4)</u>
	<u>\$ 106</u>	<u>104</u>



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

### 2. Defined contribution plans

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

	<b>January to March 2022</b>	<b>January to March 2021</b>
Operating costs	\$ 2,781	1,761
Operating Expenses	<u>11,485</u>	<u>7,503</u>
	<b><u>\$ 14,266</u></b>	<b><u>9,264</u></b>

### (XVII) Income taxes

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

	<b>January to March 2022</b>	<b>January to March 2021</b>
Current income tax expenses	\$ 42,800	20,622
Deferred income tax expenses (benefits)	<u>(1,690)</u>	<u>7,784</u>
	<b><u>\$ 41,110</u></b>	<b><u>28,406</u></b>

2. The consolidated company did not recognize any income tax in other comprehensive income or directly recognized in equity from January 1 to March 31, 2022 and 2021.

3. Income tax assessments

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

### (XVIII) Capital and other equities

Except as described below, there was no material change in the capital and other equity of the consolidated company from January 1 to March 31, 2022 and 2021. Please refer to Note VI(XVIII) of the consolidated financial statements for relevant information.

1. Ordinary shares and treasury shares

As on March 31, 2022, December 31 and March 31, 2021, the total authorized capital of the Company was NTD1,772,000,000, which was divided into 177,200 thousand shares at NTD10 per share. The number of issued shares were 114,489 thousand shares, 114,489 thousand shares and 144,689 thousand shares, respectively. The share capital reserved for the issuance of the exercise of employee share options was 20,000 thousand shares.

From November 2018 to January 2019, the Company bought back 200,000 ordinary shares of the Company at an average buyback price of NTD64.53 each from the centralized trading market. The Company 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)

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

### 2. Capital surplus

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

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Share premium	\$ 579,575	625,371	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><b>\$ 609,948</b></u>	<u><b>655,744</b></u>	<u><b>679,735</b></u>

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

### 3. Retained earnings and dividends policy

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

Pursuant to the provisions of the Articles of Association of the Company, the profit distribution plan made by the Board of Directors shall consider the general dividend level in the industry, adopt the balanced dividend policy and follow the principle of prudence in

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

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.

### (1) Legal reserve

Pursuant to the provision of the Company Act, when the Company makes no loss, the Company shall distribute the legal surplus reserve in the form of new shares or in cash to the extent that such legal reserve exceeds 25% of the total paid-in capital. The Board of Directors is authorized to make a resolution to distribute and report to the Shareholders' Meeting if which as mentioned in the preceding paragraph shall be in the form of cash.

### (2) Special reserve

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

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

### 4. Profit distribution

On March 3, 2022 and May 6, 2021, the Board of Directors of the Company resolved the amount of cash dividends and cash distributions from capital reserves in the profit distribution proposal for the years ended December 31, 2021 and 2020, respectively.

The amounts of dividends distributed to owners of ordinary shares are as follows:

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

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

### 5. Other equities (net amount after tax)

	Exchange differences on translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Total
Balance on January 1, 2022	\$ (134,871)	20,047	(114,824)
Exchange difference from conversion of net assets of foreign operating organizations	34,598	-	34,598
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	1,499	1,499
Balance on March 31, 2022	<u>\$ (100,273)</u>	<u>21,546</u>	<u>(78,727)</u>
Balance on January 1, 2021	\$ (83,110)	8,503	(74,607)
Exchange difference from conversion of net assets of foreign operating organizations	(19,359)	-	(19,359)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	(3,241)	(3,241)
Balance on March 31, 2021	<u>\$ (102,469)</u>	<u>5,262</u>	<u>(97,207)</u>

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

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

	<b>January to March 2022</b>	<b>January to March 2021</b>
Beginning Balance	\$ 2,446,534	2,058,536
Shares attributable to non-controlling interests:		
Net profit for the period	26,505	30,952
Exchange differences on translating the financial statements of foreign operations	33,417	1,762
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	195
Non-controlling interests adjustments	3,415	-
Cash dividends distributed by subsidiaries to non-controlling interests	(69,711)	-
Increase in non-controlling interest of acquisition in subsidiaries	79,375	-
Acquisition of additional equity in subsidiaries	-	(20,099)
Ending balance	<u>\$ 2,519,535</u>	<u>2,071,346</u>

### (XIX) Share-based payment

Except as described below, there was no material change in the share-based payment of the consolidated company from January 1 to March 31, 2022 and 2021. Please refer to the consolidated financial statements for the year ended December 31, 2021 for relevant information.

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

	<b>January to March 2021</b>	
	<b>Amount (thousand units)</b>	<b>Weighted average exercise price (NTD)</b>
Outstanding at the beginning of the period	761	\$ 37.70
Invalid in current period	<u>(8)</u>	37.70
Outstanding at the end of the period	<u><u>753</u></u>	37.70
Executable quantity at end of period	<u><u>753</u></u>	37.70

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

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

### (XX) Earnings per Share

#### 1. Basic earnings per share

	<u>January to March 2022</u>	<u>January to March 2021</u>
Net profit attributable to ordinary shareholders of the Company	\$ <u>83,614</u>	<u>66,234</u>
Weighted average number of outstanding ordinary shares (1,000 shares)	<u>114,489</u>	<u>114,489</u>
Basic earnings per share (NTD)	\$ <u>0.73</u>	<u>0.58</u>

#### 2. Diluted earnings per share

	<u>January to March 2022</u>	<u>January to March 2021</u>
Net profit attributable to ordinary shareholders of the Company	\$ <u>83,614</u>	<u>66,234</u>
Weighted average number of outstanding ordinary shares (1,000 shares)	114,489	114,489
Impacts of potential ordinary shares with dilution effect (1,000 shares):		
Impact of employee stock compensation	<u>724</u>	<u>610</u>
Weighted average number of outstanding ordinary shares (after adjusting the number of dilution potential common shares) (1,000 shares)	<u>115,213</u>	<u>115,099</u>
Diluted earnings per share (NTD)	\$ <u>0.73</u>	<u>0.58</u>

### (XXI) Revenue from customer contracts

#### 1. Breakdown of income

	<u>January to March 2022</u>	<u>January to March 2021</u>
Main products and services:		
Industrial computer cards and systems	\$ 1,301,155	1,011,666
Industrial Automation Control	866,142	874,936
Computer component	1,517,807	-
Semiconductor equipment and materials	64,245	-
Others	<u>121,479</u>	<u>121,516</u>
	<u>\$ 3,870,828</u>	<u>2,008,118</u>

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

### 2. Balance of contracts

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Notes and accounts receivable (including related parties)	\$ 2,853,751	2,796,049	2,045,280
Loss: Allowance for loss	<u>(38,588)</u>	<u>(32,177)</u>	<u>(33,906)</u>
	<u>\$ 2,815,163</u>	<u>2,763,872</u>	<u>2,011,374</u>
Contract liabilities	<u>\$ 182,579</u>	<u>181,755</u>	<u>124,937</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, 2022 and 2021 were recognized in the income in an amount of NTD70,370,000 and NTD49,009,000 for the three months ended March 31, 2022 and 2021, respectively.

### (XXII) Employees compensation and remunerations of directors

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

The Company has estimated the employees' remunerations at NTD7,552,000 and NTD6,008,000, and estimated the directors' remunerations at NTD803,000 and NTD639,000 for the three months ended March 31, 2022 and 2021. The Company has made these estimates by multiplying the pre-tax profit of respective period before the remunerations of employees and directors are deducted and the distribution ratios of the remunerations of employees and directors, and recognized these remunerations as the operating cost or operating expense in respective period. If the actually distributed amount of next year is different from the estimate, the difference will be treated as an accounting estimate change and listed in the profit and loss of next year.

The accrued amount of employee compensation of the Company for the years ended December 31, 2021 and 2020 were NTD53,437,000 and NTD37,720,000, respectively; the accrued amount of remuneration were NTD5,685,000 and NTD4,013,000, respectively, which is not different from the amount determined by the Board of Directors of the Company and is distributed in full in cash. Relevant information can be inquired at Market Observation Post System.

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

### (XXIII) Non-operating income and expenses

#### 1. Interest income

	<b>January to March 2022</b>	<b>January to March 2021</b>
Interest on bank deposit	\$ 343	325
Interest income from financial assets measured at amortized cost	<u>10</u>	<u>16</u>
	<b><u>\$ 353</u></b>	<b><u>341</u></b>

#### 2. Other income

	<b>January to March 2022</b>	<b>January to March 2021</b>
Rental income	\$ 1,502	1,548
Others	<u>5,603</u>	<u>3,218</u>
	<b><u>\$ 7,105</u></b>	<b><u>4,766</u></b>

#### 3. Other gain and loss

	<b>January to March 2022</b>	<b>January to March 2021</b>
Loss on disposal of property, plant and equipment	\$ (7)	(216)
Gain on disposal of non-current assets held for sale	948	-
Net gain on foreign exchange	40,955	9,125
Loss on financial instruments at fair value through profit or loss	(27,183)	(5,205)
Other gains (expenditures)	<u>466</u>	<u>(1,338)</u>
	<b><u>\$ 15,179</u></b>	<b><u>2,366</u></b>



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

### 4. Finance costs

	<b>January to March 2022</b>	<b>January to March 2021</b>
Bank interest expenses	\$ 9,960	3,065
Financial expenses on lease liabilities	1,087	1,234
	<b><u>\$ 11,047</u></b>	<b><u>4,299</u></b>

### (XXIV) Financial Instruments

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

#### 1. Classification of financial instruments

##### (1) Financial assets

	<b><u>2022.3.31</u></b>	<b><u>2021.12.31</u></b>	<b><u>2021.3.31</u></b>
Financial assets at fair value through profit or loss - current	\$ 29,227	28,528	30,477
Financial assets at fair value through other comprehensive income - non-current	45,480	42,547	27,761
Financial assets at amortized cost:			
Cash and cash equivalents	1,475,063	1,521,790	1,979,756
Financial assets at amortized cost - current	19,899	1,708	1,708
Notes receivable, accounts receivable, and other receivables (including related parties)	2,851,058	2,794,678	2,036,585
Financial assets at amortized cost - non-current	3,013	-	-
Refundable deposits	35,199	34,610	29,662
Subtotal	<u>4,384,232</u>	<u>4,352,786</u>	<u>4,047,711</u>
Total	<b><u>\$ 4,458,939</u></b>	<b><u>4,423,861</u></b>	<b><u>4,105,949</u></b>

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

### (2) Financial liabilities

	<u>2022.3.31</u>	<u>2021.12.31</u>	<u>2021.3.31</u>
Financial liabilities at fair value through profit or loss:			
Held-for-trading	\$ 4,876	821	7,521
Financial liabilities measured by amortized cost:			
Short-term borrowings	2,367,152	1,311,304	898,454
Notes payables, accounts payables and other payables (including related parties)	3,478,107	2,803,428	1,619,985
Long-term borrowings (including the part due within one year)	1,045,000	1,750,000	-
Lease liabilities (including current and non-current)	222,424	254,715	236,176
Subtotal	<u>7,112,683</u>	<u>6,119,447</u>	<u>2,754,615</u>
Total	<u>\$ 7,117,559</u>	<u>6,120,268</u>	<u>2,762,136</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>
<b>March 31, 2022</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 2,375,438	2,375,438	-	-	-
Long-term borrowings	1,066,907	31,857	626,618	408,432	-
Notes payables, accounts payables and other payables (including related parties)	3,478,107	3,478,107	-	-	-
Lease liabilities	230,668	64,182	43,010	66,592	56,884
Subtotal	<u>7,151,120</u>	<u>5,949,584</u>	<u>669,628</u>	<u>475,024</u>	<u>56,884</u>
Derivative financial instruments:					
Forward foreign exchange contracts-total amount of delivery					
Outflow	508,564	508,564	-	-	-
Inflow	(508,716)	(508,716)	-	-	-
Foreign exchange SWAP-total amount of delivery					
Outflow	687,857	687,857	-	-	-
Inflow	(684,384)	(684,384)	-	-	-
Subtotal	<u>3,321</u>	<u>3,321</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,154,441</u>	<u>5,952,905</u>	<u>669,628</u>	<u>475,024</u>	<u>56,884</u>

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

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>5 years and above</u>
<b>December 31, 2021</b>					
Non-derivative financial liabilities:					
Short-term borrowings (variable interest rates)	\$ 1,318,223	1,318,223	-	-	-
Long-term borrowings (variable interest rates)	1,776,288	37,375	1,325,596	413,317	-
Notes payables, accounts payables and other payables (including related parties; no interest)	2,803,428	2,803,428	-	-	-
Lease liabilities	<u>264,601</u>	<u>77,114</u>	<u>57,475</u>	<u>69,418</u>	<u>60,594</u>
Subtotal	<u>6,162,540</u>	<u>4,236,140</u>	<u>1,383,071</u>	<u>482,735</u>	<u>60,594</u>
Derivative financial instruments:					
Forward foreign exchange contracts-total amount of delivery					
Outflow	553,511	553,511	-	-	-
Inflow	(552,764)	(552,764)	-	-	-
Foreign exchange SWAP-total amount of delivery					
Outflow	612,731	612,731	-	-	-
Inflow	<u>(615,042)</u>	<u>(615,042)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>(1,564)</u>	<u>(1,564)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 6,160,976</u></b>	<b><u>4,234,576</u></b>	<b><u>1,383,071</u></b>	<b><u>482,735</u></b>	<b><u>60,594</u></b>
<b>March 31, 2021</b>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 899,534	899,534	-	-	-
Notes payables, accounts payables and other payables (including related parties)	1,619,985	1,619,985	-	-	-
Lease liabilities (including current and non-current)	<u>247,659</u>	<u>66,827</u>	<u>53,887</u>	<u>61,706</u>	<u>65,239</u>
Subtotal	<u>2,767,178</u>	<u>2,586,346</u>	<u>53,887</u>	<u>61,706</u>	<u>65,239</u>
Derivative financial liabilities:					
Forward foreign exchange contracts-total amount of delivery					
Outflow	684,511	684,511	-	-	-
Inflow	(686,534)	(686,534)	-	-	-
Foreign exchange SWAP-total amount of delivery					
Outflow	5,953,716	5,953,716	-	-	-
Inflow	<u>(5,947,414)</u>	<u>(5,947,414)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>4,279</u>	<u>4,279</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 2,771,457</u></b>	<b><u>2,590,625</u></b>	<b><u>53,887</u></b>	<b><u>61,706</u></b>	<b><u>65,239</u></b>

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):

<b>2022.3.31</b>					
	<b>Foreign Currency</b>	<b>Exchange rate</b>	<b>NTD</b>	<b>Changes in exchange rates</b>	<b>Profit and loss influence (before tax)</b>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD (Note 1)	\$ 74,243	28.6000	2,123,350	1%	21,234
USD (Note 2)	6,980	6.3600	199,628	1%	1,996
RMB	1,240	4.4969	5,576	1%	56
JPY	40,738	0.2349	9,569	1%	96
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD (Note 1)	36,812	28.6000	1,052,823	1%	10,528
USD (Note 2)	26,182	6.3600	748,805	1%	7,488
JPY	18,431	0.2349	4,329	1%	43
<b>2021.12.31</b>					
	<b>Foreign Currency</b>	<b>Exchange rate</b>	<b>NTD</b>	<b>Changes in exchange rates</b>	<b>Profit and loss influence (before tax)</b>
<u>Financial assets</u>					
<u>Monetary items</u>					
USD (Note 1)	\$ 67,168	27.6800	1,859,210	1%	18,592
USD (Note 2)	2,093	6.3700	57,934	1%	579
RMB	4,687	4.3454	20,367	1%	204
JPY	31,879	0.2404	7,664	1%	77
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD (Note 1)	30,710	27.6800	850,053	1%	8,501
USD (Note 2)	26,447	6.3700	732,064	1%	7,321
JPY	11,453	0.2404	2,753	1%	28

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

		2021.3.31				
		Foreign Currency	Exchange rate	NTD	Changes in exchange rates	Profit and loss influence (before tax)
<u>Financial assets</u>						
<u>Monetary items</u>						
USD (Note 1)	\$	62,535	28.5300	1,784,124	1%	17,841
USD (Note 2)		1,950	6.5800	12,833	1%	128
RMB		18,907	4.3359	81,979	1%	820
JPY		54,666	0.2579	14,098	1%	141
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD (Note 1)		25,272	28.5300	721,010	1%	7,210
USD (Note 2)		15,780	6.5800	103,832	1%	1,038
JPY		13,750	0.2579	3,546	1%	35

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

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

The Consolidated Company has many functional currencies, so the Company has selected to disclose the overall exchange gain or loss information on the monetary items. Please refer to Note VI (XXIII) for details of the Company's foreign exchange gain or loss (realized and unrealized) for the three months ended March 31, 2022 and 2021.

#### 4. Fair value

##### (1) Financial instruments not measured at fair value

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

##### (2) Financial instruments measured at fair value

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

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

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

2022.3.31				
Fair value				
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contracts	\$ -	1,316	-	1,316
Derivative financial instruments - Foreign exchange swap contracts	-	239	-	239
Fund beneficiary certificates	<u>27,672</u>	<u>-</u>	<u>-</u>	<u>27,672</u>
	<u><b>\$ 27,672</b></u>	<u><b>1,555</b></u>	<u><b>-</b></u>	<u><b>29,227</b></u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 42,758	-	-	42,758
Foreign unlisted stocks	<u>-</u>	<u>-</u>	<u>2,722</u>	<u>2,722</u>
	<u><b>\$ 42,758</b></u>	<u><b>-</b></u>	<u><b>2,722</b></u>	<u><b>45,480</b></u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contract	\$ -	(1,164)	-	(1,164)
Derivative financial instruments - Foreign exchange swap contracts	<u>-</u>	<u>(3,712)</u>	<u>-</u>	<u>(3,712)</u>
Subtotal	<u><b>-</b></u>	<u><b>(4,876)</b></u>	<u><b>-</b></u>	<u><b>(4,876)</b></u>
2021.12.31				
Fair value				
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contract	\$ -	74	-	74
Derivative financial instruments - Foreign exchange swap contracts	-	2,311	-	2,311
Fund beneficiary certificates	<u>26,143</u>	<u>-</u>	<u>-</u>	<u>26,143</u>
	<u><b>\$ 26,143</b></u>	<u><b>2,385</b></u>	<u><b>-</b></u>	<u><b>28,528</b></u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 41,259	-	-	41,259
Foreign unlisted stocks	<u>-</u>	<u>-</u>	<u>1,288</u>	<u>1,288</u>
	<u><b>\$ 41,259</b></u>	<u><b>-</b></u>	<u><b>1,288</b></u>	<u><b>42,547</b></u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contract	<u><b>\$ -</b></u>	<u><b>(821)</b></u>	<u><b>-</b></u>	<u><b>(821)</b></u>

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

	2021.3.31			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contract	\$ -	3,059	-	3,059
Derivative financial instruments - Foreign exchange swap contracts	-	183	-	183
Fund beneficiary certificates	27,235	-	-	27,235
	<u>\$ 27,235</u>	<u>3,242</u>	<u>-</u>	<u>30,477</u>
Financial assets at fair value through other comprehensive income:				
Domestic listed stocks	\$ 26,473	-	-	26,473
Foreign unlisted stocks	-	-	1,288	1,288
	<u>\$ 26,473</u>	<u>-</u>	<u>1,288</u>	<u>27,761</u>
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments - Forward foreign exchange contract	\$ -	(1,036)	-	(1,036)
Derivative financial instruments - Foreign exchange swap contracts	-	(6,485)	-	(6,485)
	<u>\$ -</u>	<u>(7,521)</u>	<u>-</u>	<u>(7,521)</u>

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

#### A. Non-derivative financial instruments

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

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

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

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

The Consolidated Company employs the asset approach to estimate fair

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

values of unlisted stocks without active market and infers their fair values with total market values of individual assets and individual liabilities covered by the valuation subject as well as other factors.

### B. Derivative financial instruments

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

#### (4) Transfer between fair value levels

There were no transfers of fair value levels of any financial asset and financial liability for the three months ended March 31, 2022 and 2021.

#### (5) Detailed statement on changes in level 3

Financial assets at fair value through other comprehensive income:

	<b>January to March 2022</b>	<b>January to March 2021</b>
Beginning Balance	\$ 1,288	887
Impact from initial consolidation of subsidiary	1,434	-
Changes recognized in other comprehensive incomes in current period	-	401
Ending balance	<u><u>\$ 2,722</u></u>	<u><u>1,288</u></u>

#### (XXV) Financial risk management

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

#### (XXVI) Capital management

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



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

### (XXVII) Investing and financing activities not in cash transaction

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

			<u>Non-cash change</u>			
	<u>2022.1.1</u>	<u>Cash</u> <u>Flows</u>	<u>Impact from</u> <u>initial</u> <u>consolidation</u> <u>of subsidiary</u>	<u>Increase</u> <u>or</u> <u>decrease</u> <u>in lease</u> <u>liabilities</u>	<u>Exchange</u> <u>rate</u> <u>changes</u>	<u>2022.3.31</u>
Short-term borrowings	\$ 1,311,304	920,431	122,161	-	13,256	2,367,152
Long-term borrowings (including the part due within one year)	1,750,000	(705,000)	-	-	-	1,045,000
Lease liabilities	<u>254,715</u>	<u>(19,413)</u>	<u>5,464</u>	<u>(22,317)</u>	<u>3,975</u>	<u>222,424</u>
Total liabilities from financing activities	<u><b>\$ 3,316,019</b></u>	<u><b>196,018</b></u>	<u><b>127,625</b></u>	<u><b>(22,317)</b></u>	<u><b>17,231</b></u>	<u><b>3,634,576</b></u>

			<u>Non-cash change</u>			
	<u>2021.1.1</u>	<u>Cash</u> <u>Flows</u>	<u>Impact from</u> <u>initial</u> <u>consolidation</u> <u>of subsidiary</u>	<u>Increase</u> <u>or</u> <u>decrease</u> <u>in lease</u> <u>liabilities</u>	<u>Exchange</u> <u>rate</u> <u>changes</u>	<u>2021.3.31</u>
Short-term borrowings	\$ 823,701	74,201	-	-	552	898,454
Lease liabilities	<u>116,016</u>	<u>(14,130)</u>	<u>134,655</u>	<u>(365)</u>	<u>187</u>	<u>236,176</u>
Total liabilities from financing activities	<u><b>\$ 939,717</b></u>	<u><b>60,071</b></u>	<u><b>134,655</b></u>	<u><b>(365)</b></u>	<u><b>187</b></u>	<u><b>1,134,630</b></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:

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

## 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 Digitech Taiwan Inc.	Direct/indirect subsidiary of AUO
AUO Display Plus Corp.	Direct/indirect subsidiary of AUO
AUO Crystal Corporation	Direct/indirect subsidiary of AUO
Darwin Precisions (Xiamen) Corporation	Direct/indirect subsidiary of AUO
Darwin Precisions Corporation	Direct/indirect subsidiary of AUO
Ta Chi Education Development Co., Ltd.	Direct/indirect subsidiary of AUO
AEWIN KOREA CO., LTD.	Substantive related party of AEWIN
Darfon Electronics Corporation (Darfon)	Related enterprise of Qisda
Unictron Technologies Corporation	Direct/indirect subsidiary of Darfon
Darfon Electronics (Suzhou) Co., Ltd.	Direct/indirect subsidiary of Darfon
San Jose Technology, Inc.	Direct/indirect subsidiary of Darfon (Note 2)

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>January to March 2022</u>	<u>January to March 2022</u>
Parent company	\$ 11,852	9,438
Other related parties	72,384	40,822
	<u>\$ 84,236</u>	<u>50,260</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:

	<b>January to March 2022</b>	<b>January to March 2021</b>
Parent company	\$ 104,206	100,507
Other related parties	5,825	7,857
	<b><u>\$ 110,031</u></b>	<b><u>108,364</u></b>

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

### 3. Leases

The consolidated company has leased plants and offices from the parent company and other related parties respectively and signed the lease contracts based on the rent prices in the adjacent areas. The total amounts of increase in right-of-use assets from January 1 to March 31, 2021 were NTD125,437,000.

The consolidated company has recognized interest expenses of NTD381,000 and NTD390,000 from January 1 to March 31, 2022 and 2021, respectively. Relevant balance of lease liabilities was NTD126,565,000, NTD130,047,000, and NTD130,322,000 as on March 31, 2022, December 31 and March 31, 2021, respectively.

### 4. Property transactions

<b>Category of related party</b>	<b>Item</b>	<b>January to March 2022</b>	<b>January to March 2021</b>
Other related parties	Property, plant and equipment	\$ 334	-
Parent company	Intangible assets	-	1,789
Other related parties	Intangible assets	984	-
		<b><u>\$ 1,318</u></b>	<b><u>1,789</u></b>

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

### 5. Operating costs, expenses, and other income

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

Item	Category of related party	January to March 2022	January to March 2021
Operating costs	Parent company	\$ 3,271	166
	Other related parties	2,437	38
Operating expenses	Parent company	967	419
	Other related parties	3,587	1,366
Other income	Other related parties	1,357	1,403

### 6. Receivables from related parties

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

Item	Category of related party	2022.3.31	2021.12.31	2021.3.31
Accounts receivable from related parties	Parent company	\$ 121,585	106,639	82,782
	Other related parties	<u>79,552</u>	<u>61,156</u>	<u>40,377</u>
		<u>201,137</u>	<u>167,795</u>	<u>123,159</u>
Other receivables	Other related parties	<u>973</u>	<u>498</u>	<u>491</u>
		<b><u>\$ 202,110</u></b>	<b><u>168,293</u></b>	<b><u>123,650</u></b>

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

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

### 7. Accounts payable to related parties

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

Item	Category of related party	2022.3.31	2021.12.31	2021.3.31
Accounts payables	Parent company	\$ 94,825	51,668	93,780
	Other related parties	3,693	11,385	7,454
		98,518	63,053	101,234
Other payables	Parent company	5,921	3,188	4,074
	Other related parties	3,747	3,803	557
		9,668	6,991	4,631
Lease liabilities - current	Parent company	13,520	13,482	11,257
	Other related parties	2,255	2,158	1,994
Lease liabilities - non-current	Parent company	110,089	113,483	114,526
	Other related parties	701	924	2,545
		126,565	130,047	130,322
		\$ 234,751	200,091	236,187

### (III) Remuneration to main management

	January to March 2022	January to March 2021
Short-Term Employee Benefits	\$ 11,737	9,031

### VIII. Pledged Assets

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

Asset name	Subject matter of pledge guarantee	2022.3.31	2021.12.31	2021.3.31
Pledged certificate of deposit	Performance bond for release before tax to customs house	\$ 2,319	1,708	1,708
Pledged certificate of deposit	Guarantee for bank loans	10,000	-	-
Notes receivable	Guarantee for bank loans	70,605	18,196	58,811
Property, plant and equipment	Guarantee for bank loans	459,276	461,112	-
		\$ 542,200	481,016	60,519

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

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

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

### X. Significant Disaster Loss: None.

### XI. Significant Events after the Balance Sheet Date

The consolidated subsidiary, Ace Pillar, was approved by the Board of Directors on March 14, 2022 to acquire a 100% equity in BlueWalker GmbH for EUR 4,000 thousand in order to increase product diversification and expand product sales areas, and to improve overall operating efficiency. The shares have been paid in full and the transfer has been completed on April 1, 2022.

### XII. Others

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

Function Nature	January to March 2022			January to March 2021		
	Attributable to operating cost	Attributable to operating expenses	Total	Attributable to operating cost	Attributable to operating expenses	Total
Employee benefits expenses						
Salary expense	70,343	272,606	342,949	50,341	178,331	228,672
Labor and health insurance expenses	6,347	26,478	32,825	6,018	16,728	22,746
Pension expense	2,891	11,481	14,372	1,869	7,499	9,368
Other employee benefit expenses	4,053	8,136	12,189	2,805	6,662	9,467
Depreciation expenses	19,822	28,346	48,168	14,874	24,476	39,350
Amortization expenses	449	22,424	22,873	417	6,850	7,267

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

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

### XIII. Supplementary Disclosures

#### (I) Information on Significant Transactions:

Listed below are the material transactions the consolidated company shall disclose again in line with the accounting standard for the three months ended March 31, 2022:

##### 1. Loans to others:

Unit: In Thousands of New Taiwan Dollars

No.	Financing Company	Loan recipient	Transaction item	Related Party	Maximum balance in current period	Ending balance	Amount of actual use	Interest Rate Intervals	Nature for financing (Note 3)	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Loss	Collateral		Financing Limits for Each Borrowing Company	Total Financing Limits
													Name	Value		
1	AEWIN	Beijing AEWIN	Other receivables-related parties	Yes	92,869	21,653	21,653	-	1	450,065	Business Interaction	-		-	229,194 (Note 1)	458,387 (Note 1)
2	Ace Pillar	Tianjin ACE Pillar	Other receivables-related parties	Yes	252,225	171,600	171,600	-	2	-	Operating capital fund	-		-	404,004 (Note 2)	808,008 (Note 2)
2	Ace Pillar	Suzhou Super Pillar	Other receivables-related parties	Yes	28,600	28,600	28,600	-	2	-	Operating capital fund	-		-	404,004 (Note 2)	808,008 (Note 2)

(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 natures of loans are stated as follows:

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

(Note:4) The aforesaid transactions had been written off when the consolidated financial statements were prepared.

##### 2. Endorsements/guarantees to others:

Unit: In Thousands of New Taiwan Dollars

No.	Company Name of Endorser	Company name of endorsee		Endorsement limit for a single enterprise	Maximum endorsement guarantee balance for current period	Ending balance of endorsement guarantee	Amount Actually Drawn	Amount of endorsements secured by the property	The ratio of accumulated endorsement amount to the net worth of the latest financial statements	Maximum amount of endorsement	Endorsement of the parent company to a subsidiary	Endorsement of a subsidiary to the parent company	Endorsement for Mainland China
		Company Name	Relationship (Note 3)										
1	AEWIN	Beijing AEWIN	2	229,194 (Note 1)	67,454	67,454	67,454	-	5.89%	572,984 (Note 1)	Y	N	Y
1	Ace Pillar	Tianjin ACE Pillar	2	808,008 (Note 2)	190,125	107,200	29,230	-	5.31%	1,010,011 (Note 2)	Y	N	Y

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

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

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



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

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

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

Name of Held Company	Type and Name of Marketable Securities	Relationship with the issuer of securities	Item	End of Period				Remark
				Number of Shares/number of Units	Carrying Amount	Shareholding Ratio	Fair value	
The Company	Beneficiary certificates: Cathay No.1 REIT	-	Financial assets at fair value through profit or loss - current	1,442	27,672	- %	27,672	-
The Company	Stock: APLEX Technology Inc.	-	Financial assets at fair value through other comprehensive income - non-current	999	42,758	3.32%	42,758	-
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%	-	-
Standard Co.	Stock: Intelligent fluids GmbH	-	Financial assets at fair value through other comprehensive income - non-current	27	-	2.64%	-	-
Standard Co.	Stock: COMPITEK CORP PTE LTD (CPL )	-	Financial assets at fair value through other comprehensive income - non-current	36	1,434	6.28%	1,434	-
STCBVI	Bonds: Biogen Inc.	-	Financial assets at amortized cost - non-current	USD 100	3,013	-	3,013	-

4. The cumulative purchase or sale of the same securities amounted to NTD 300 million or 20% and above of the paid-in capital: None.
5. The amount of property acquired reached NTD 300 million or 20% and above of the paid-in capital: None.
6. The amount of property disposal reached NTD 300 million or 20% and above of the paid-in capital: None.

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

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

Unit: In Thousands of New Taiwan Dollars

Purchasing (selling) company	Name of counterparty	Relationship	Transaction Status				The situation and reason for the difference between the trading terms and the general trading		Notes and accounts receivable (payable)		Remark
			Purchase/Sales	Amount	Ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio of notes and accounts receivable and payable	
DFI US	The Company	Parent company and subsidiary	Purchases	152,384	94%	60-90 days to collect	-	30-90 days to collect	(64,279)	(96) %	Note 1
The Company	DFI US	Parent company and subsidiary	Sales	(152,384)	(15)%	60-90 days to collect	-	30-90 days to collect	64,279	8 %	Note 1
The Company	AEWIN	Parent company and subsidiary	Sales	(139,018)	(14)%	Payment term of 90 days	At agreed price	Payment term of 60-90 days to collect	150,230	18 %	Note 1
AEWIN	The Company	Parent company and subsidiary	Purchases	139,018	36%	Payment term of 90 days	At agreed price	Payment term of 60-90 days to collect	(150,230)	(45) %	Note 1
Quansheng Information	Tianjin ACE Pillar	Affiliate	Sales	(164,859)	(100)%	T/T 30 days	-	-	113,708	99 %	Note 1
Tianjin ACE Pillar	Quansheng Information	Affiliate	Purchases	164,859	46%	T/T 30 days	-	-	(113,708)	(44) %	Note 1

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

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

Unit: In Thousands of New Taiwan Dollars

Company from which accounts receivable	Name of counterparty	Relationship	Balance of receivables from related party	Turnover rate	Overdue receivables from related parties		Recovery amount of receivables from related parties after the balance sheet date	Allowance for Loss
					Amount	Treatment		
The Company	Qisda	Parent company and subsidiary	111,104	0.45	-	-	24,015	-
The Company	AEWIN	Parent company and subsidiary	150,230	4.24	-	-	58,342	-
AEWIN	Beijing AEWIN	Parent company and subsidiary	417,706	0.64	250,897	Strengthen collection	-	-
AEWIN	Beijing AEWIN	Parent company and subsidiary	21,653	-	-	-	21,653	-
Ace Pillar	Tianjin ACE Pillar	Parent company and subsidiary	171,600	-	-	-	-	-
Quansheng Information	Tianjin ACE Pillar	Affiliate	113,708	5.22	113,708	-	59,089	-

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

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

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

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

Unit: In Thousands of New Taiwan Dollars

No. (Note 1)	Name of trader	Name of counterparty	Relationship with the trader (Note 2)	Situations of transactions (Note 3)			
				Account	Amount	Transaction terms	Ratio to consolidated total revenue or total assets (Note 4)
0	The Company	DFI US	1	(Sales)	(152,384)	60~90 days to collect	4%
2	Quansheng Information	Tianjin ACE Pillar	3	(Sales)	(164,859)	T/T 30 days	4%
0	The Company	AEWIN	1	(Sales)	(139,018)	Payment term of 90 days	4%
0	The Company	AEWIN	1	Accounts receivable	150,230	Payment term of 60~90 days to collect	1%
1	AEWIN	Beijing AEWIN	3	Accounts receivable	417,706	(Note 5)	3%
3	Ace Pillar	Tianjin ACE Pillar	3	Other receivables - borrowings	171,600	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.

### (II) Information on Reinvestment:

Below is the information of the reinvestment business (excluding invested companies in Mainland Chinese) from January 1 to March 31, 2022:

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

Name of investor company	Name of investee company	Location	Primary business	Original investment amount		Held at the end of the period			Net income (loss) of the investee	Investment profit (loss) recognized for the period	Remark (Note 2)
				End of current period	End of last year	Number of shares	Ratio	Carrying Amount			
The Company	DFI US	USA	Sales of industrial computer cards	254,683	254,683	1,209	100.00%	381,483	2,328	2,328	Subsidiary of the Company
The Company	Yan Tong	Mauritius	General investment business	187,260	187,260	6,000	100.00%	191,932	9,420	9,420	Subsidiary of the Company
The Company	DFI Co., Ltd.	Japan	Sales of industrial computer cards	104,489	104,489	6	100.00%	110,691	3,364	3,364	Subsidiary of the Company
The Company	Diamond Flower Information (NL) B.V.	Netherlands	Sales of industrial computer cards	35,219	35,219	12	100.00%	80,790	6,961	6,961	Subsidiary of the Company
The Company	AEWIN	Taiwan	Design, manufacturing and sale of industrial computer mainboards and related products	564,191	564,191	30,376	51.38%	591,820	15,317	6,581	Subsidiary of the Company
The Company	Ace Pillar	Taiwan	Automated control and testing, processing, sales, repair, and mechanical and electrical integration of industrial transmission systems	1,301,359	1,301,359	53,958	48.07%	1,075,127	39,832	14,887	Subsidiary of the Company

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

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	Brainstorm	USA	Wholesale and retail of computer and peripheral devices	501,582	501,582	233	35.09%	544,038	14,934	1,122	Subsidiary of the Company
AEWIN	Wise Way	Aquila	Investment business	46,129	46,129	1,500	100.00%	171,616	1,298	(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%	(6,244)	2,575	(Note 1)	Subsidiary of the Company
Wise Way	Bright Profit	Hong Kong	Investment business	46,129	46,129	1,500	100.00%	198,940	1,298	(Note 1)	Subsidiary of the Company
Ace Pillar	Cyber South	Samoa	Holding Company	107,041	107,041	4,669	100.00%	651,622	4,158	(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%	41,886	979	(Note 1)	Subsidiary of the Company
Cyber South	Proton	Samoa	Holding Company	527,665	527,665	17,744	100.00%	531,789	2,248	(Note 1)	Subsidiary of the Company
Cyber South	Ace Tek	Hong Kong	Holding Company	4,938	4,938	150	100.00%	869	1,449	(Note 1)	Subsidiary of the Company
Ace Pillar	Standard Technology	Taiwan	Trading of semiconductor optoelectronic equipment and consumables and equipment maintenance services	187,000	-	4,680	60.00%	191,520	10,136	(Note 1)	Subsidiary of the Company
Standard Technology	Standard Technology Corp.	B.V.I	Holding Company	21,727	-	600	100.00%	136,992	5,571	(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.

### (III) Information on Investments in Mainland China:

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

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

Investee Company In Mainland China	Primary business	Paid-in Capital	Method of Investment	Accumulated amount of investment remitted out of Taiwan at the beginning of the period	Remitted or repatriated amount of investment for the period		Accumulated investment amount remitted from Taiwan at the end of current period	Net income (loss) of the investee	Shareholding ratio of the direct or indirect investment of the company	Investment profit (loss) recognized for the period	Carrying amount of the investment at the end of period	Investment income repatriated by the end of period
					Remitted	Repatriated						
Yan Tong Infotech (Dongguan) Co., Ltd.	Manufacturing and sales of computer cards, board cards, host computer, electronic parts and components	69,200 (USD2,500)	(Note 1)	-	-	-	-	(91)	100.00%	(91) (Note 2)	53,197	33,306
Yan Ying Hao Trading (Shenzhen) Co., Ltd.	Wholesale, import and export of computer cards, board cards, host computer, electronic parts and components	13,840 (USD500)	(Note 1)	-	-	-	-	6,702	100.00%	6,702 (Note 2)	55,023	-
Beijing AEWIN	Wholesale of computer and peripheral equipment and software	46,129 (USD1,500)	(Note 1)	46,129 (USD1,500)	-	-	46,129 (USD1,500)	1,298	100.00%	1,298 (Note 3)	198,935	-
Aewin(Shenzhen)Technologies Co., Ltd.	Wholesale of computer and peripheral equipment and software	13,062 (RMB3,000)	(Note 5)	-	-	-	-	(1,758) (RMB(401))	100.00%	(1,758) (RMB(401)) (Note 2)	(3,698) (RMB(822))	-

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

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						
Tianjin ACE Pillar	Sales and Purchases of transmission mechanical components	1,009,494 (USD35,297)	(Note 1)	55,700 (USD1,950)	-	-	55,700 (USD1,950)	3,350	100.00%	3,350 (Note 3)	635,781	125,533
Tianjin Jinhao	Manufacturing and processing of machinery transmission products	7,510 (RMB1,670)	(Note 1)	4,576 (USD160)	-	-	4,576 (USD160)	(2,500)	100.00%	(2,500) (USD90) (Note 3)	4,702 (USD164)	-
Quansheng Information	Electronic system integration	8,580 (USD300)	(Note 1)	4,290 (USD150)	-	-	4,290 (USD150)	1,449	100.00%	1,449 (USD52) (Note 3)	844 (USD30)	-
Suzhou Super Pillar	Processing and technical services of mechanical transmission and control products	41,470 (USD1,450)	(Note 1)	- (Note 4)	-	-	- (Note 4)	2,984	100.00%	2,984 (USD108) (Note 3)	105,075 (USD3,674)	-
Xuchang Ace AI Equipment Co.,Ltd.	Wholesale and retail of industrial robotic related products	8,580 (USD300)	(Note 1)	- (Note 4)	-	-	- (Note 4)	(129)	100.00%	(129) (USD5) (Note 3)	2,098 (USD73)	-
Standard International Trading (Shanghai) Co., Ltd.	Trading of semiconductor optoelectronic equipment and consumables	13,728 (USD480)	(Note 1)	- (Note 7)	-	-	- (Note 7)	5,777	100.00%	1,601 (Note 2)	97,985	83,401

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

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

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

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

Note 5 : It is a Mainland Chinese-based company reinvested by Beijing AEWIN.

Note 6 : Xuchang Ace AI Equipment Co.,Ltd.'s board of directors has resolved to dissolve the company, and the liquidation process is still in process on November 23, 2021.

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

## 2. Limit of the investment in Mainland Chinese:

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

Company Name	The cumulative amount of investment remitted from Taiwan to the Mainland Chinese at the end of the current period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Upper Limit on Investment in mainland China regulated by the Investment Commission of the Ministry of Economic Affairs (Note 2)
DFI	-(Note 1)	59,631 (Note 3 and Note 4) (USD2,085)	3,170,619
AEWIN	46,129 (USD1,500)	57,200 (USD2,000)	687,581
Ace Pillar	146,403 (USD5,119)	146,403 (USD5,119)	1,261,446
Standard Co.	13,728 (USD480)	13,728 (USD480)	79,392

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

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

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

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

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

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

Please see the statement under the “Information on Significant Transactions” for the direct or indirect material transactions between the consolidated company and the invested companies in the Mainland Chinese for the three months ended March 31, 2022 (these transactions had been written off when the consolidated financial statements were prepared).

### (IV) Information on Major Shareholders:

Unit: Share

<b>Name of Major Shareholder</b>	<b>Shares</b>	<b>Number of Shares Held</b>	<b>Shareholding Ratio</b>
Qisda Co., Ltd.		51,609,986	45.07%
Gordias Investments Limited of British Virgin Islands Merchant		15,734,441	13.74%
Darly2 Venture, Inc.		9,175,109	8.01%
Hyllus Investments Limited of British Virgin Islands Merchant		8,559,818	7.47%

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

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

### XIV. Segment information

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

	January to March 2022					Total
	Board cards and system department	Industrial automation control department	Computer component	Others	Adjustment and elimination	
Revenue from external clients	\$ 1,418,317	870,459	1,517,807	64,245	-	3,870,828
Inter-departmental income	512,325	3	-	-	(512,328)	-
Total income	<u>\$ 1,930,642</u>	<u>870,462</u>	<u>1,517,807</u>	<u>64,245</u>	<u>(512,328)</u>	<u>3,870,828</u>
Reportable department profit or loss	<u>\$ 91,460</u>	<u>29,431</u>	<u>8,612</u>	<u>6,567</u>	<u>3,569</u>	<u>139,639</u>

	January to March 2021				Total
	Board cards and system department	Industrial automation control department	Computer component	Adjustment and elimination	
Revenue from external clients	\$ 1,130,054	878,064	-	-	2,008,118
Inter-departmental income	359,009	21	-	(359,030)	-
Total income	<u>\$ 1,489,063</u>	<u>878,085</u>	<u>-</u>	<u>(359,030)</u>	<u>2,008,118</u>
Reportable department profit or loss	<u>\$ 58,222</u>	<u>58,933</u>	<u>-</u>	<u>5,263</u>	<u>122,418</u>