

**PEGATRON CORPORATION AND SUBSIDIARIES****Consolidated Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2019 and 2018**

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The independent auditors' report and the accompanying consolidated 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' report and consolidated financial statements, the Chinese version shall prevail.

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## **Representation Letter**

The entities that are required to be included in the combined financial statements of Pegatron Corporation as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Pegatron Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Pegatron Corporation  
Chairman: Tzu-Hsien Tung  
Date: March 26, 2020



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## Independent Auditors' Report

To the Board of Directors of Pegatron Corporation:

### Opinion

We have audited the consolidated financial statements of Pegatron Corporation and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended then and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, inclusive of the reports from other auditors, is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Based on our professional judgment, key audit matters pertain to the most important matters in the audit of consolidated financial statements for the year ended December 31, 2019 of the Group. Those matters have been addressed in our audit opinion on the said consolidated financial statements and during the formation of our audit opinion. However, we do not express an opinion on these matters individually. The key audit matters that, in our professional judgment, should be communicated are as follows:

#### 1. Revenue recognition

The accounting principles on the recognition of revenue and the related sales returns and allowances are discussed in Note 4(p) of the notes to consolidated financial statements.

(a) Key audit matters:

The timing for the recognition of revenue and the transfer of risk and reward is relatively complex because the transaction terms for each client differ so that warehouses are established overseas according to clients' needs. These factors expose the Group to material risk of untimely recording of revenue.

Therefore, the test of sales and sales returns and allowances recognition was one of the key audit matters in the audit of consolidated financial reports for the years ended December 31, 2019 and 2018 of the Group.

(b) Auditing procedures performed:

- Review external documents with records on ledger to confirm whether or not the sales transaction really exists, valid and legitimate.
- Randomly select material sales contracts and review the transaction term in order to evaluate the propriety of the timing for the recognition of revenue.
- Conduct cut-off test for sales and sales returns and allowances on the periods before and after balance sheets date.

2. Inventory valuation

Please refer to notes 4(h), 5 and 6(f) of the notes to consolidated financial statement for the accounting policies on measuring inventory, assumptions used and uncertainties considered in determining net realizable value, allowances for impairment loss and obsolescence and balances of impairment loss and obsolescence, respectively.

(a) Key audit matters:

Inventories are measured at the lower of cost and net realizable value in the financial statements. However, the cost of inventory might exceed its net realizable value because high-tech products change fast and the industry in which the Group operates is very competitive.

(b) Auditing procedures performed:

- Analyze the amount of obsolete inventory and inventory market price decline between 2019 and 2018 and understand reasons of the difference. Discuss and resolve those differences with management.
- Obtain an inventory aging analysis and randomly select items to verify the correctness for age of inventory.
- Obtain last selling price for finished goods and replacement cost for raw material, and recalculate net realizable value with selling expense rate to check whether or not the method of inventory measurement adopted by the Group is reasonable.

**Other Matter**

We did not audit the financial statements of certain consolidated subsidiaries with total assets representing 9.94% and 9.49% and net sales representing 3.07% and 2.87% of the related consolidated total as of and for the years ended December 31, 2019 and 2018, respectively. Also, we did not audit the long-term investments in other companies representing 0.00% of consolidated total assets as of December 31, 2018, and the related investment loss thereon representing 0.00% of consolidated net income before tax for the years ended December 31, 2018. The financial statements of these subsidiaries and investees accounted for under the equity method were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these companies, were based solely on the reports of other auditors.

We have also audited the non-consolidated financial statements of Pegatron Corporation as of and for the years ended December 31, 2019 and 2018 and have issued unqualified audit reports with other matter thereon.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

### **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. Also, we:

1. Assess for purposes of identifying the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Evaluate for purposes of determining the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we determine that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo-Yang Tseng and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)  
March 26, 2020

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated statement of 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
<b>Current assets:</b>					
1100	Cash and cash equivalents (Note 6(a))	\$ 145,795,913	26	106,068,046	18
1110	Current financial assets at fair value through profit or loss (Note 6(b))	6,801,529	1	3,113,002	1
1170	Notes and accounts receivable, net (Notes 6(d) and 6(z))	206,338,405	36	198,883,584	34
1200	Other receivables, net (Note 6(e))	1,472,702	-	1,476,581	-
130X	Inventories (Note 6(f))	106,063,490	19	164,988,341	29
1460	Non-current assets classified as held for sale, net (Note 6(g))	122,652	-	145,893	-
1476	Other current financial assets (Notes 6(n) and 8)	3,564,920	1	794,775	-
1479	Other current assets (Note 6(n))	<u>5,674,300</u>	<u>1</u>	<u>7,334,875</u>	<u>1</u>
		<u>475,833,911</u>	<u>84</u>	<u>482,805,097</u>	<u>83</u>
<b>Non-current assets:</b>					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	556,266	-	419,971	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	858,158	-	812,593	-
1550	Investments accounted for using equity method (Note 6(h))	256,093	-	246,423	-
1600	Property, plant and equipment (Notes 6(j) and 8)	80,248,760	14	87,605,762	15
1755	Right-of-use assets (Note 6(k))	5,888,602	1	-	-
1760	Investment property, net (Note 6(l))	44,496	-	48,712	-
1780	Intangible assets (Note 6(m))	1,297,891	-	1,475,872	-
1840	Deferred tax assets	3,305,613	1	3,627,681	1
1915	Prepayments on purchase of equipment	1,698,780	-	2,578,494	-
1980	Other non-current financial assets (Notes 6(n) and 8)	481,158	-	650,896	-
1985	Long-term prepaid rentals (Note 6(s))	-	-	3,749,695	1
1990	Other non-current assets (Note 6(n))	<u>50,065</u>	<u>-</u>	<u>329,419</u>	<u>-</u>
		<u>94,685,882</u>	<u>16</u>	<u>101,545,518</u>	<u>17</u>
<b>Total assets</b>		<u>\$ 570,519,793</u>	<u>100</u>	<u>584,350,615</u>	<u>100</u>

See accompanying notes to financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
2100	Short-term loans (Note 6(o))	\$ 64,808,786	11	86,927,246	15
2130	Current contract liabilities (Note 6(z))	1,522,221	-	990,704	-
2150	Notes and accounts payable (Note 7)	218,101,566	38	228,074,756	39
2209	Accrued expenses (Note 6(t))	26,992,758	5	27,173,941	5
2219	Other payables	3,760,422	1	5,588,935	1
2230	Current tax liabilities	4,037,776	1	3,005,187	-
2281	Current lease liabilities (Note 6(r))	1,195,039	-	-	-
2321	Bonds payable, current portion (Note 6(q))	3,000,000	1	-	-
2322	Long-term loans payable, current portion (Note 6(p))	2,657,496	-	2,388,522	-
2399	Other current liabilities (Note 6(g))	<u>19,510,595</u>	<u>4</u>	<u>16,252,023</u>	<u>3</u>
		<u>345,586,659</u>	<u>61</u>	<u>370,401,314</u>	<u>63</u>
<b>Non-Current liabilities:</b>					
2527	Non-current contract liabilities (Note 6(z))	420,197	-	372,493	-
2530	Bonds payable (Note 6(q))	20,480,339	4	14,986,762	3
2540	Long-term loans (Note 6(p))	6,534,954	1	9,511,681	2
2570	Deferred tax liabilities	1,928,241	-	1,538,252	-
2581	Non-current lease liabilities (Note 6(r))	1,294,702	-	-	-
2670	Other non-current liabilities	<u>1,029,188</u>	<u>-</u>	<u>1,093,330</u>	<u>-</u>
		<u>31,687,621</u>	<u>5</u>	<u>27,502,518</u>	<u>5</u>
	<b>Total liabilities</b>	<u>377,274,280</u>	<u>66</u>	<u>397,903,832</u>	<u>68</u>
<b>Equity Attributable to Owners of the Parent Company (Note 6(v)):</b>					
3100	Share capital	<u>26,110,919</u>	<u>5</u>	<u>26,123,773</u>	<u>4</u>
<b>Capital surplus:</b>					
3210	Capital surplus, premium on capital stock	76,645,504	13	75,696,958	13
3280	Capital surplus, others (Note 6(w))	<u>4,406,597</u>	<u>1</u>	<u>4,979,372</u>	<u>1</u>
		<u>81,052,101</u>	<u>14</u>	<u>80,676,330</u>	<u>14</u>
<b>Retained earnings:</b>					
3310	Legal reserve	11,774,310	2	10,662,823	2
3320	Special reserve	7,868,877	2	8,815,213	2
3350	Unappropriated retained earnings	<u>42,156,192</u>	<u>7</u>	<u>32,149,237</u>	<u>5</u>
		<u>61,799,379</u>	<u>11</u>	<u>51,627,273</u>	<u>9</u>
<b>Other equity interest:</b>					
3410	Exchange differences on translation of foreign financial statements	(10,982,396)	(2)	(7,482,556)	(1)
3420	Unrealized losses on financial assets measured at fair value through other comprehensive income	(303,654)	-	(386,322)	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(w))	<u>(8,287)</u>	<u>-</u>	<u>(524,686)</u>	<u>-</u>
		<u>(11,294,337)</u>	<u>(2)</u>	<u>(8,393,564)</u>	<u>(1)</u>
3500	Treasury stock	<u>(3,000)</u>	<u>-</u>	<u>(4,974)</u>	<u>-</u>
	<b>Equity attributable to the parent company</b>	<u>157,665,062</u>	<u>28</u>	<u>150,028,838</u>	<u>26</u>
36xx	<b>Non-controlling interests (Notes 6(i) and (v))</b>	<u>35,580,451</u>	<u>6</u>	<u>36,417,945</u>	<u>6</u>
	<b>Total equity</b>	<u>193,245,513</u>	<u>34</u>	<u>186,446,783</u>	<u>32</u>
	<b>Total liabilities and equity</b>	<u>\$ 570,519,793</u>	<u>100</u>	<u>584,350,615</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
PEGATRON CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the years ended December 31			
		2019		2018	
		Amount	%	Amount	%
4110	Operating revenue (Note 6(z))	\$ 1,369,180,977	100	1,343,782,768	100
4170	Less: Sales returns and allowances	2,893,651	-	3,780,737	-
	<b>Operating revenue, net</b>	<u>1,366,287,326</u>	<u>100</u>	<u>1,340,002,031</u>	<u>100</u>
5000	Cost of sales (Notes 6(f), 6(r), 6(t), 6(aa) and 7)	1,321,181,968	97	1,299,233,486	97
	<b>Gross profit from operations</b>	<u>45,105,358</u>	<u>3</u>	<u>40,768,545</u>	<u>3</u>
6000	<b>Operating expenses (Notes 6(r), 6(t) and 6(aa)):</b>				
6100	Selling expenses	5,063,535	-	5,015,981	-
6200	General and administrative expenses	8,361,657	1	9,034,397	1
6300	Research and development expenses	14,773,900	1	14,787,544	1
	<b>Total operating expenses</b>	<u>28,199,092</u>	<u>2</u>	<u>28,837,922</u>	<u>2</u>
	<b>Net operating income</b>	<u>16,906,266</u>	<u>1</u>	<u>11,930,623</u>	<u>1</u>
	<b>Non-operating income and expenses:</b>				
7010	Other income (Notes 6(l), 6(r) and 6(ab))	8,175,568	1	5,366,195	-
7020	Other gains and losses (Notes 6(j), 6(ab) and 12)	3,588,864	-	478,836	-
7050	Finance costs (Notes 6(d), 6(q), 6(r) and 6(ab))	(3,206,542)	-	(2,614,435)	-
7060	Share of profit of associates and joint ventures accounted for using equity method (Note 6(h))	60,281	-	(26,971)	-
7590	Miscellaneous disbursements	(56,532)	-	(77,981)	-
	<b>Total non-operating income and expenses</b>	<u>8,561,639</u>	<u>1</u>	<u>3,125,644</u>	<u>-</u>
	<b>Profit before tax</b>	<u>25,467,905</u>	<u>2</u>	<u>15,056,267</u>	<u>1</u>
7950	Less: Tax expenses (note 6(u))	7,183,797	1	3,940,168	-
	<b>Profit for the year</b>	<u>18,284,108</u>	<u>1</u>	<u>11,116,099</u>	<u>1</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Losses on remeasurements of defined benefit plans	(11,520)	-	(881)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	79,232	-	(225,274)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(u))	(538)	-	(457)	-
	<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>68,250</u>	<u>-</u>	<u>(225,698)</u>	<u>-</u>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss (Note 6(ac))</b>				
8361	Exchange differences on translation of foreign financial statements	(4,088,409)	-	2,023,357	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(h))	(232)	-	(12,835)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(u))	2,671	-	8,373	-
	<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>	<u>(4,091,312)</u>	<u>-</u>	<u>2,002,149</u>	<u>-</u>
8300	<b>Other comprehensive income for the period, net of tax</b>	<u>(4,023,062)</u>	<u>-</u>	<u>1,776,451</u>	<u>-</u>
8500	<b>Total comprehensive income for the period</b>	<u>\$ 14,261,046</u>	<u>1</u>	<u>12,892,550</u>	<u>1</u>
	<b>Profit attributable to:</b>				
8610	Owners of the parent company	\$ 19,317,741	1	11,114,866	1
8620	Non-controlling interests	(1,033,633)	-	1,233	-
		<u>\$ 18,284,108</u>	<u>1</u>	<u>11,116,099</u>	<u>1</u>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of the parent company	\$ 15,889,966	1	13,096,757	1
8720	Non-controlling interests	(1,628,920)	-	(204,207)	-
		<u>\$ 14,261,046</u>	<u>1</u>	<u>12,892,550</u>	<u>1</u>
	<b>Earnings per share, net of tax (Note 6(y))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 7.40</u>		<u>4.25</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 7.32</u>		<u>4.22</u>	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of the parent company											Total equity attributable to owners of the parent company	Total equity	
	Retained earnings					Total other equity interest					Treasury stock			Non-controlling interests
Share capital	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Deferred compensation arising from issuance of restricted stock	Total other equity interest		Treasury stock	Non-controlling interests	
	\$ 26,140,906	79,897,751	9,194,524	3,368,986	37,412,958	49,976,468	(9,698,374)	883,161	(1,222,232)	(10,037,445)	-	-	33,748,072	179,723,810
Balance at January 1, 2018	26,140,906	79,897,751	9,194,524	3,368,986	1,031,638	1,031,638	11,223	(161,048)	-	(1,032,986)	-	-	33,748,072	179,723,810
Effects of retrospective application	-	-	-	-	38,444,596	51,008,106	(9,687,151)	(883,161)	(1,222,232)	(11,070,431)	(1,942)	-	-	179,723,810
Balance at January 1, 2018 after adjustments	26,140,906	79,897,751	9,194,524	3,368,986	11,114,866	11,114,866	(9,687,151)	-	(1,222,232)	(11,070,431)	(1,942)	-	33,748,072	179,723,810
Profit for the period	-	-	-	-	2,570	2,570	2,204,595	(225,274)	-	1,979,321	-	-	1,233	11,116,099
Other comprehensive income for the period	-	-	-	-	11,117,436	11,117,436	2,204,595	(225,274)	-	1,979,321	-	(205,440)	(204,207)	1,776,451
Total comprehensive income for the period	-	-	-	-	11,117,436	11,117,436	2,204,595	(225,274)	-	1,979,321	-	-	(204,207)	1,776,451
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	1,468,299	-	(1,468,299)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	5,446,227	(5,446,227)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(10,454,652)	(10,454,652)	-	-	-	-	-	-	-	(10,454,652)
Changes in ownership interests in subsidiaries	-	183,992	-	-	-	-	-	-	-	-	(3,032)	-	(183,992)	183,992
Expiration of restricted shares of stock issued to employees	(17,133)	20,165	-	-	(43,617)	(43,617)	-	-	-	-	(3,032)	-	(43,617)	(43,617)
Compensation cost arising from restricted shares of stock	-	574,422	-	-	-	-	-	-	697,546	697,546	-	-	1,271,968	1,271,968
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	3,058,072	3,058,072
Balance at December 31, 2018	26,123,773	80,676,330	10,662,823	8,815,213	32,149,237	51,627,273	(7,482,556)	(386,322)	(524,686)	(8,393,564)	(4,974)	-	36,417,945	186,446,783
Profit for the period	-	-	-	-	19,317,741	19,317,741	(3,499,840)	79,232	-	(3,420,608)	-	-	(595,287)	18,284,108
Other comprehensive income for the period	-	-	-	-	(7,167)	(7,167)	(3,499,840)	79,232	-	(3,420,608)	-	-	(595,287)	(4,023,062)
Total comprehensive income for the period	-	-	-	-	19,310,574	19,310,574	(3,499,840)	79,232	-	(3,420,608)	-	-	(1,628,920)	14,261,046
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	1,111,487	-	(1,111,487)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	(946,336)	946,336	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(9,141,580)	(9,141,580)	-	-	-	-	-	-	-	(9,141,580)
Changes in ownership interests in subsidiaries	-	504,846	-	-	-	-	-	-	-	-	-	-	(504,846)	504,846
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(3,436)	(3,436)	-	3,436	-	3,436	-	-	-	-
Expiration of restricted shares of stock issued to employees	(12,854)	143,453	-	-	6,548	6,548	-	-	516,399	516,399	1,974	-	139,121	139,121
Compensation cost arising from restricted shares of stock	-	(272,528)	-	-	-	-	-	-	-	-	-	-	243,871	243,871
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,296,272	1,296,272
Balance at December 31, 2019	\$ 26,110,919	81,052,101	11,774,310	7,868,877	42,156,192	61,799,379	(10,982,396)	(303,654)	(8,287)	(11,294,337)	(3,000)	-	35,580,451	193,245,513

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
PEGATRON CORPORATION AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2019	2018
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 25,467,905	15,056,267
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit:</b>		
Depreciation expense	18,289,662	16,209,357
Amortization expense	277,737	266,716
Expected credit (gain) loss	(13,912)	53,837
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(4,046,018)	191,266
Interest expense	3,189,505	2,596,132
Interest income	(3,599,944)	(2,309,814)
Dividend income	(46,910)	(42,047)
Compensation cost arising from employee stock options	462,367	1,442,402
Amortization of issuance costs on bonds payable	3,077	2,286
Share of (gain) loss of associates and joint ventures accounted for using equity method	(60,281)	26,971
Gain on lease remeasurement	(2,522)	-
Loss (gain) on disposal of property, plant and equipment	11,170	(123,709)
Property, plant and equipment charged to expenses	140,546	109,951
Gain on disposal of investments	(5,892)	(42,098)
Impairment loss on non-financial assets	15,279	63,167
(Gain) loss on foreign currency exchange on long-term loans	(209,016)	202,341
Long-term prepaid rentals charged to expenses	-	92,366
Provision of other current liabilities	-	409,971
Decrease in other current assets	-	4,981
<b>Total adjustments to reconcile profit</b>	<u>14,404,848</u>	<u>19,154,076</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease in financial assets at fair value through profit or loss	221,196	35,036
Increase in notes and accounts receivable	(7,437,581)	(49,494,744)
Decrease in other receivables	25,731	66,981
Decrease (increase) in inventories	58,924,851	(41,111,648)
(Increase) decrease in other financial assets	(2,770,145)	427,965
Decrease in other current assets	1,904,251	1,414,814
Decrease (increase) in other non-current assets	279,354	(164,884)
<b>Total changes in operating assets</b>	<u>51,147,657</u>	<u>(88,826,480)</u>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in contract liabilities	579,221	(413,225)
(Decrease) increase in notes and accounts payable	(9,973,190)	41,178,449
(Decrease) increase in accrued expenses	(583,518)	160,914
Decrease in other payables	(1,940,326)	(6,113,585)
Increase in other current liabilities	3,256,412	1,162,501
(Decrease) increase in other non-current liabilities	(75,662)	182,514
<b>Total changes in operating liabilities</b>	<u>(8,737,063)</u>	<u>36,157,568</u>
<b>Total changes in operating assets and liabilities</b>	<u>42,410,594</u>	<u>(52,668,912)</u>
<b>Total adjustments</b>	<u>56,815,442</u>	<u>(33,514,836)</u>
Cash inflow (outflow) generated from operations	82,283,347	(18,458,569)
Interest received	3,687,886	2,263,306
Dividends received	95,691	42,047
Interest paid	(3,205,765)	(2,431,047)
Income taxes paid	(5,383,145)	(4,563,664)
<b>Net cash flows from (used in) operating activities</b>	<u>77,478,014</u>	<u>(23,147,927)</u>

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PEGATRON CORPORATION AND SUBSIDIARIES

**Consolidated Statements of Cash Flows (CONT'D)**

**For the years ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows used in investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(6,244)	(25,054)
Proceeds from disposal of financial assets at fair value through other comprehensive income	38,950	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	1,929
Proceeds from disposal of investments accounted for using equity method	-	92,145
Proceeds from capital reduction of investments accounted for using equity method	1,336	120,188
Acquisition of property, plant and equipment	(8,139,057)	(20,416,017)
Proceeds from disposal of property, plant and equipment	1,563,205	702,000
Acquisition of intangible assets	(115,322)	(212,569)
Proceeds from disposal of right-of-use assets	164,961	-
Decrease (increase) in other financial assets	169,738	(350,196)
Increase in prepayments on purchase of equipment	(3,293,285)	(4,845,700)
Increase in long-term prepaid rentals	-	(45,625)
<b>Net cash flows used in investing activities</b>	<b>(9,615,718)</b>	<b>(24,978,899)</b>
<b>Cash flows (used in) from financing activities:</b>		
(Decrease) increase in short-term loans	(22,118,460)	40,868,626
Proceeds from issuing bonds	8,490,500	7,992,000
Proceeds from long-term loans	4,928,900	4,871,500
Repayments of long-term loans	(7,427,637)	(1,235,750)
Repayments of lease liabilities	(1,522,957)	-
Cash dividends paid	(10,061,913)	(11,570,817)
Redemption of restricted stock	(12,500)	(23,525)
Changes in non-controlling interests	2,061,226	4,240,037
<b>Net cash flows (used in) from financing activities</b>	<b>(25,662,841)</b>	<b>45,142,071</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>(2,471,588)</b>	<b>1,608,677</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>39,727,867</b>	<b>(1,376,078)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>106,068,046</b>	<b>107,444,124</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 145,795,913</b>	<b>106,068,046</b>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**PEGATRON CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

PEGATRON CORPORATION (the “Company”) was established on June 27, 2007. The Company’s registered office address is located at 5F., No.76, Ligong St., Beitou District, Taipei City 112, Taiwan. In order to enhance competitiveness and boost productivity, the Company resolved to absorb the OEM business from ASUSTek Computer Inc. on January 1, 2008 as part of the Company’s business restructuring. On April 1, 2008, ASUSALPHA Computer Inc. was merged with the Company. The main activities of the Company are to produce, design and sell OEM business. In January 2010, pursuant to the resolutions of the respective Board of Directors, the Company merged with Pegatron International Investment Co., Ltd., effective June 10, 2010. As the surviving entity from this merger, the Company applied for initial public offering (IPO) to TSEC. The Company’s shares were listed on TSEC on June 24, 2010.

In accordance with Article 19 of the Business Mergers and Acquisitions Act, the Company merged with its subsidiary, UNIHAN CORPORATION, pursuant to the resolutions of the Board of Directors in November, 2013.

The consolidated financial statements of the Company as of and for year ended December 31, 2019 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates entities.

**(2) Approval date and procedures of the consolidated financial statements:**

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 26, 2020.

**(3) Application of new standards, amendments and interpretations:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below :

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note4(m).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases.

(Continued)

## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- a) Applied a single discount rate to a portfolio of leases with similar characteristics.
  - b) Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
  - c) Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
  - d) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
  - e) Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

#### 3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

#### 4) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional \$2,945,584 thousands of both right-of-use assets and lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.01%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>January 1, 2019</b>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 3,993,929
Recognition exemption for:	
short-term leases	(790,085)
Extension and termination options reasonably certain to be exercised	1,493
Variable lease payment based on an index or a rate	(84,375)
Residual value guarantees	224,783
	<b>\$ 3,345,745</b>
Discounted using the incremental borrowing rate at January 1, 2019	<b>\$ 2,945,584</b>

- (b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39, and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC :

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(4) Summary of significant accounting policies:**

The accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

The following significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements unless otherwise specified.

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as “IFRS endorsed by the FSC”).

**(b) Basis of preparation**

**(i) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets :

- 1) Financial instruments at fair value through profit or loss are measured at fair value ;
- 2) Fair value through other comprehensive income are measured at fair value ;
- 3) The net defined benefit liability is recognized as the present value of the defined benefit obligation less the fair value of plan assets.

**(ii) Functional and presentation currency**

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

**(c) Basis of consolidation**

**(i) Principle of preparation of the consolidated financial statements**

The consolidated financial statements comprise the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized income arising from investment accounted for using equity method is eliminated against the Company invested in its subsidiaries. The accounting treatment for unrealized loss is the same as unrealized income only when there is no indication of impairment.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Acquisition of non-controlling interests

Acquisition of non-controlling interests is accounted for as an equity transaction with owners. Under the aforesaid transaction, goodwill is not recognized.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) Business combination under common control

The business combinations under common control often occur as the group activities are recognized in which the direct ownership of subsidiaries changes but the ultimate parent remains the same. These combinations are treated as the later of either the earliest comparative period in financial statements or the date of common control that requires the restatement of comparative information of prior period. Upon consolidation, assets and liabilities of the acquired entity are recognized at their carrying amount in the consolidated financial statements of owners of the Company. The equity of the consolidated entity is accounted for under the non-controlling interest, and related income and loss are directly recognized in profits attributable to non-controlling interest.

(v) Losing control

When the Group loses control of a subsidiary it derecognizes the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. Subsequently, the retained investment is recognized as either investments accounted for using equity method or financial instruments at FVOCI depending on the extent of its impact.

(vi) List of subsidiaries included in the consolidated financial statements :

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2019	December 31, 2018	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN HOLDING)	Investing activities	100.00 %	100.00 %	
UNIHAN HOLDING	CASETEK HOLDINGS LIMITED (CASETEK HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	
CASETEK HOLDINGS	SLITEK HOLDINGS LIMITED	Investing and trading activities	100.00 %	100.00 %	

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2019	December 31, 2018	
CASETEK HOLDINGS	CASETEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	
CASETEK HOLDINGS	KAEDAR HOLDINGS LIMITED (KAEDAR HOLDINGS)	Investing and trading activities	100.00 %	100.00 %	
KAEDAR HOLDINGS	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Tooling molds of stainless steel computer cases	100.00 %	100.00 %	
CASETEK HOLDINGS	KAEDAR TRADING LTD.	Investing and trading activities	100.00 %	100.00 %	
CASETEK HOLDINGS	CORE-TEK (SHANGHAI) LIMITED	Researching and producing spare parts for notebook computers, designing nonmetal tooling, electronic specific equipment and related products, repairing and producing precision equipment and providing after-sales service	100.00 %	100.00 %	
CASETEK HOLDINGS	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling self-manufactured products	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	AZUREWAVE TECHNOLOGIES, INC. (AZUREWAVE)	Manufacturing office machinery, electronic parts and computer peripherals and selling precision equipment, and digital cameras	32.85 %	32.81 %	Notes 1 and 2
AZUREWAVE	EZWAVE TECHNOLOGIES, INC.	Manufacturing office machinery, electronic parts and computer peripherals	100.00 %	100.00 %	Notes 1
AZUREWAVE	Azwave Holding (Samoa) Inc.(Azwave Samoa)	Investing activities	100.00 %	100.00 %	Note 1
AZUREWAVE	Azurewave Technologies (USA) Inc.	Market development activities	100.00 %	100.00 %	Note 1
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC.	Selling electronic parts	100.00 %	100.00 %	Note 1
Azwave Samoa	AZUREWAVE TECHNOLOGIES (SHANGHAI) INC.	Designing, manufacturing and trading computer products	100.00 %	100.00 %	Note 1
Azwave Samoa	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	Note 1
Azwave Samoa	AIGALE CORPORATION (SHANGHAI)	Designing and selling communication equipment and electronic products	100.00 %	100.00 %	Note 1
THE COMPANY	AMA PRECISION INC.(AMA PRECISION)	Designing and developing computer parts	100.00 %	100.00 %	
AMA PRECISION	AMA Holdings Limited(AMA)	Investing activities	100.00 %	100.00 %	
AMA, MAINTEK COMPUTER (SUZHOU) CO., LTD.	TOPTTEK PRECISION INDUSTRY(SUZHOU) CO., LTD.	Manufacturing and selling new electronic parts and premium hardware	- %	100.00 %	Note 13

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2019	December 31, 2018	
THE COMPANY	PEGATRON HOLLAND HOLDING B.V.(PHH)	Investing activities	100.00 %	100.00 %	
PHH	PEGATRON Czech s.r.o.	Installing, repairing and selling electronic products	100.00 %	100.00 %	
THE COMPANY	PEGATRON HOLDING LTD. (PEGATRON HOLDING)	Investing activities	100.00 %	100.00 %	
PEGATRON HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	
POWTEK	POWTEK (SHANGHAI) LTD.	Selling main boards, computer peripherals, note books, servers and software, and providing after-sales service	100.00 %	100.00 %	
PEGATRON HOLDING · KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	Note 5
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK HOLDING)	Investing activities	100.00 %	100.00 %	Note 5
PIOTEK HOLDING	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	Note 5
PIOTEK HOLDING	PIOTEK(H.K.) TRADING LIMITED	Trading activities	100.00 %	100.00 %	Note 5
PEGATRON HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED	Investing and trading activities	100.00 %	100.00 %	
PEGATRON HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	
ASLINK	PEGAGLOBE (KUNSHAN) CO.,LTD.	Manufacturing GPS, computer electronic devices, mobile phone, high-end server, disk drive, and other related components	100.00 %	100.00 %	
PEGATRON HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	
DIGITEK	DIGITEK (CHONGQING) LTD.	Manufacturing, developing, and selling GPS, electronic calculators, and after sale service	100.00 %	100.00 %	
DIGITEK (CHONGQING) LTD.	CHONGQING ZUANSHUO TRADING CO., LTD.	Computer software and hardware, computer parts, electronic products (excluding electronic publications), electric appliance, industrial communication device (excluding wireless transmitter and transmitter), communication equipment (excluding wireless transmitter and satellite ground receiving facilities), and providing related technical consulting services. Import and export of goods and technology. Packaging service, product design, marketing planning, business consulting	100.00 %	100.00 %	
PEGATRON HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2019	December 31, 2018	
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Manufacturing, developing and selling power supply units, computer cases, computer systems, notebooks, main boards, and computer peripherals, and providing after-sales service	100.00 %	100.00 %	
PEGATRON HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	
PROTEK	PROTEK (SHANGHAI) LTD.	Developing, manufacturing and selling GPS, new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	
PEGATRON HOLDING	COTEK HOLDINGS LIMITED(COTEK)	Investing and trading activities	100.00 %	100.00 %	
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	
PEGATRON HOLDING	TOP QUARK LIMITED(TOP QUARK)	Investing activities	100.00 %	100.00 %	
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD.	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	100.00 %	100.00 %	
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD.	Investing activities	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	55.92 %	55.87 %	Note 3
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V.	Selling database service and trading electronic components	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC.	Office building leasing	100.00 %	100.00 %	
ASROCK	Leader Insight Holdings Limited (Leader)	Investing and holding activities	100.00 %	100.00 %	
Leader	First place International Limited (First place)	Investing and holding activities	100.00 %	100.00 %	
First place	ASRock America, Inc.	Selling database service and trading electronic components	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation	Manufacturing and selling computer and related peripherals	62.02 %	65.97 %	Note 6

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2019	December 31, 2018	
ASROCK	ASRock Industrial Computer Corporation	Manufacturing and selling computer and related peripherals	67.38 %	82.47 %	Note 7
ASROCK	Soaring Asia Limited	Trading activities	100.00 %	100.00 %	
ASUSPOWER INVESTMENT AND ASUS INVESTMENT	PEGATRON Mexico, S.A. DE C.V.	Sales and repair service center in Mexico	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing electronic components, and providing business management consultant service	38.56 %	38.58 %	Notes 4 and 5
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	Note 5
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION	Manufacturing medical appliances	45.21 %	54.87 %	Notes 5 and 8
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION	Manufacturing and wholesaling wires, cables, and electronic components	89.13 %	89.13 %	
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION (PEGAVISION)	Investing activities	100.00 %	100.00 %	Note 5
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical appliances	100.00 %	100.00 %	Note 5
FUYANG TECHNOLOGY CORPORATION	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Researching, producing, inspecting, repairing and selling flexible multilayer model, computer digital signal process system and card; selling own produced products and providing related technical consulting service	100.00 %	100.00 %	
PEGAVISION	PEGAVISION (SHANGHAI) LIMITED	Selling medical appliances	100.00 %	100.00 %	Note 5
PEGAVISION (SHANGHAI) LIMITED	Gemvision Technology (Zhejiang) Limited.	Manufacturing and selling medical appliances	100.00 %	- %	Notes 5 and 9
KINSUS	KINSUS CORP. (USA)	Developing and designing new technology and products; analyzing marketing strategy and developing new customers	100.00 %	100.00 %	Note 5
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	Note 5

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2019	December 31, 2018	
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED(KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	Note 5
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Manufacturing and selling circuit boards	100.00 %	100.00 %	Note 5
KINSUS CAYMAN	KINSUS TRADING (SUZHOU) CORP.	Manufacturing and selling circuit boards related products and materials	100.00 %	100.00 %	Note 5
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASUSPOWER CORPORATION	Investing and trading activities	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED(CAYMAN) (CASETEK CAYMAN)	Investing activities	59.41 %	59.41 %	
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	RI-MING (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product.	100.00 %	100.00 %	
RIH LI	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	Note 12

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2019	December 31, 2018	
RIH LI	RI KAI COMPUTER ACCESSORY CO., LTD.(RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
CASETEK CAYMAN	APEX SUN LIMITED	Investing activities	- %	100.00 %	Note 14
CASETEK CAYMAN	RI-KUAN METAL CORPORATION	Selling iron and aluminum products	100.00 %	100.00 %	
RI-KUAN METAL CORPORATION	RITENG USA, INC (RUS)	Market survey	100.00 %	- %	Note 10
CASETEK CAYMAN	APLUS PRECISION LIMITED(APLUS)	Investing and trading activities	100.00 %	100.00 %	
APLUS	UNITED NEW LIMITED(UNITED)	Investing and trading activities	100.00 %	100.00 %	
UNITED	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	100.00 %	100.00 %	
CASETEK CAYMAN	MEGA MERIT LIMITED	Trading activities	100.00 %	100.00 %	
CASETEK CAYMAN	CASETEK SINGAPORE PTE. LTD. (CSG)	Trading activities	100.00 %	- %	Note 11
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED	Trading agency	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON TECHNOLOGY SERVICE INC. (PTSI)	Sales and repair service center in North America	100.00 %	100.00 %	
PTSI	PEGATRON SERVICOS DE INFORMATICA LTDA. (PCBR)	Maintenance service	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED	Design service and sales	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.	Sales and repair service center in Japan	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.	Sales and logistics center in North America	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens Optics)	Developing, manufacturing and selling computer data projectors and related peripherals	55.21 %	55.21 %	
Lumens Optics	Lumens Integration Inc.	Selling computer communication products and peripherals	100.00 %	100.00 %	
Lumens Optics	Lumens Digit Image Inc. (SAMOA)(Lumens)	Investing activities	100.00 %	100.00 %	
Lumens	Lumens (Suzhou) Digital Image Inc.	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd.(PSG)	Sales and logistics center in Singapore	100.00 %	100.00 %	
PSG	PEGATRON SERVICE KOREA LLC.	Sales and repair service center in Korea	100.00 %	100.00 %	

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2019	December 31, 2018	
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED	Investing activities	100.00 %	100.00 %	
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Investing activities	100.00 %	100.00 %	
THE COMPANY	PEGATRON USA, INC.	Sales and repair service center in North America	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER INVESTMENT	PT. PEGATRON TECHNOLOGY INDONESIA	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer equipment and electronic components	100.00 %	-	% Note 9

- Note 1 : Since the Group only held 32.85% of voting rights of AZUREWAVE TECHNOLOGY INC. (AZUREWAVE), with the remaining 67.15% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over AZUREWAVE, therefore, AZUREWAVE has been included in the consolidated financial statement of the Group.
- Note 2 : On March 13, August 7. and December 26, 2019, respectively, AZUREWAVE TECHNOLOGY INC. (AZUREWAVE) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in AZUREWAVE to increase from 32.81% to 32.85%.
- Note 3 : On March 7, 2019, ASROCK INCORPORATION (ASROCK) reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in ASROCK to increase from 55.87% to 55.92%.
- Note 4 : On February 18, 2019, KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS) reduced its capital by canceling those retired employee restricted shares, and issued secondary employee restricted shares. In addition, on July 29, 2019, KINSUS reduced its capital by canceling those retired employee restricted shares, resulting in the Group's shareholding ratio in KINSUS to decrease from 38.58%to 38.56%.
- Note 5 : Since the Group only held 38.56% of voting rights of KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS), with the remaining 61.44% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over KINSUS, therefore, KINSUS has been included in the consolidated financial statements of the Group.
- Note 6 : ASRock Rack Incorporation issued its employee restricted shares on March 4, 2019, and approved to increase its capital on June 10, 2019. However, the Group did not increase its shares proportionally in ASRock Rack Incorporation, resulting in its shareholding ratio to decrease from 65.97% to 62.01%. On December 17, 2019, the Group purchased 30 thousand shares from non-related parties amounting to \$60, resulting in the Group's shareholding ratio to increase from 62.01% to 62.02%.
- Note 7 : On July 24, 2019, ASRock Industrial Computer Corporation approved to increase its capital by \$200,000, with the Group investing the amount of \$112,122. The record date for the capital increase through cash was October 1, 2019. However, The Group did not increase its shares proportionally in ASRock Industrial Computer Corporation, resulting in its shareholding ratio to decrease from 82.47% to 67.38%.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Note 8 : Since the Group only held 45.21% of rights of PEGAVISION CORPORATION (PEGAVISION), with the remaining 54.79% shares belonging to different shareholders having no intention of exercising their votes collectively, and also, due to the fact that the Group's participation dominated the previous shareholders' meetings, resulting in the Group having a significant control over PEGAVISION, therefore, PEGAVISION has been included in the consolidated financial statement of the Group. PEGAVISION handled a cash increase of \$100,000 and issued the ordinary shares of 10,000 thousand shares, with a face value of \$10 per share, prior to its initial listing according to the IPO. However, the Group did not increase its shares proportionally in PEGAVISION, and sold ordinary shares 1,275 thousand shares, resulting in its shareholding ratio to decrease from 54.87% to 45.21%.

Note 9 : Subsidiary established by the Group in the first quarter of 2019.

Note 10 : Subsidiary established by the Group in the second quarter of 2019.

Note 11 : Subsidiary established by the Group in the third quarter of 2019.

Note 12 : On May 21, 2019, RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. changed its name to the current name from KAI JIA (SUZHOU) COMPUTER ACCESSORY CO., LTD.

Note 13 : It was liquidated in December 2019.

Note 14 : It was liquidated in the fourth quarter of 2019.

(vii) Subsidiaries excluded from consolidation : None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences are generally recognized in profit or loss, except for the following accounts which are recognized in other comprehensive income :

- 1) fair value through other comprehensive income equity investment ;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective ; or
- 3) qualifying cash flow hedges to the extent the hedge are effective.

(Continued)

## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated into the Group's functional currency at average rate. Exchange differences are recognized in other comprehensive income.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current when :

- (i) It is expected to be realized the asset, or intended to be sold or consumed, during the normal operating cycle ;
- (ii) It is held primarily for the purpose of trading ;
- (iii) It is expected to be realized within twelve months after the reporting period ; or
- (iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when :

- (i) It is expected to be settled within the Group's normal operating cycle ;
- (ii) It is held primarily for the purpose of trading ;
- (iii) The liability is due to be settled within twelve months after the reporting period ; or
- (iv) The Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

All other liabilities are classified as non-current.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are assets that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in their fair value.

Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose.

(g) Financial assets

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- a) it is held within a business model whose objective is to hold assets to collect contractual cash flows ; and
- b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ; and
- b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivable are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Group, therefore, those receivables are measured at FVOCI. However, they are included in the 'accounts receivable' line item.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Accounts receivable that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'accounts receivable' line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes :

- a) the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets ;
- b) how the performance of the portfolio is evaluated and reported to the Group's management ;
- c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed ;
- d) the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### 5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers :

- a) contingent events that would change the amount or timing of cash flows ;
- b) terms that may adjust the contractual coupon rate, including variable rate features ;
- c) prepayment and extension features ; and

(Continued)

## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- d) terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable and other financial assets) and trade receivables measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- a) debt securities that are determined to have low credit risk at the reporting date ;  
and
- b) other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)



## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data :

- a) significant financial difficulty of the borrower or issuer ;
- b) a breach of contract such as a default or being more than 180 days past due ;
- c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- d) it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- e) the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amount due.

#### 7) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

6) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

7) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to pay on due date in accordance with the original or modified terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The replacement cost of raw material is its net realizable value.

(i) Non-current assets held for sale

Non-current assets that are expected highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale or held for distribution to owners, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to assets not within the scope of IAS 36 – *Impairment of Assets*. Such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale are to be depreciated or amortized, they are no longer depreciated or amortized.

(Continued)

## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of investment includes transaction costs. The carrying amount of investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The Group's share of the profit or loss and other comprehensive income of investments accounted for using equity method are included, after adjustments to align the said investees' accounting policies with those of the Group, in the consolidated financial statements from the date on which significant influence commences until the date that significant influence ceases.

Gains and losses resulting from the transactions between the Group and an associate are recognized only to the extent of unrelated. Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interest in associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(k) Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment loss.

Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

Depreciation is provided over the estimated economic lives using the straight-line method. Land has an unlimited useful life and therefore is not depreciated. The estimated useful lives for the current and comparative years of significant items of investment properties are as follows :

Buildings	20 years
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When the use of an investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows :

Buildings	1-50 years
Machinery	0-10 years
Instrument equipment	0-10 years
Office and other equipment	1-10 years
Miscellaneous equipment	0-25 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Leased

Applicable from January 1, 2019

(i) Identifying a lease

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of the use; and
- 3) The Group has the right to direct the use of the asset if either :
  - The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.
  - In rare cases where the decision about how and for what purpose the asset is used is predetermined.
    - the Group has the right to operate the asset and the providers do not have the right to vary; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments or penalties for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the Group's estimate of purchase options; or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) there is any lease modifications in lease subject, scope of the lease or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

Applicable before January 1, 2019

(i) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value and the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are accounted for operating leases and the lease assets are not recognized in the Group's consolidated balance sheets.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the periods in which they are incurred.

At inception of an arrangement, the Group evaluates whether such an arrangement is or contains a lease, which involves the fulfillment of the arrangement is dependent on the use of a specific asset or assets and contains a right to transfer the asset. At inception or on reassessment of the arrangement, if an arrangement contains a lease, that lease is classified as a finance lease or an operating lease.

The Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payment reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate.

If the Group concludes for an operating lease that it is impracticable to separate the payment reliably, then treat all payments under the arrangement as lease payments, and disclose the situation accordingly.

Prepaid lease payments represent land use rights under long-term operating lease arrangement and are expensed equally over 38 to 67 years.

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Lessor

A financial lease asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease is added to the net investment of the leased asset. Finance income is allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Depreciable amount of intangible asset is calculated based on the cost of an asset less its residual values.

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The estimated useful life of intangible assets for the current and comparative periods is as follows :

Computer software cost                      0-10 years

Intangible assets in development      1-10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment – non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and investment properties and biological assets, measured at fair value, less costs) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group grants its main customers the right to return the product within certain period. Therefore, the Group reduces its revenue by the amount of expected returns and discounts, and recognizes a refund liability and a right to the returned goods. Accumulated experience is used to estimate such returns and discounts at the time of sale. Also, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Group reassesses the estimated amount of expected returns and discounts.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Rendering of services

Revenue from providing services is recognized in the accounting period in which performance obligation is satisfied.

(iii) Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

(Continued)

## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any change in the liability is recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(Continued)

## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(s) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(t) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

For each business combination, non-controlling equity interest is measured either at fair value at acquisition-date or at the share of the acquirer's identifiable net assets in each acquisition.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

Business combinations under common control are accounted in the later date of the earliest period financial reports are expressed and the establishment date of common control. Assets and liabilities of the merged entities are recognized at their carrying amount in the non-consolidated financial statements.

(u) Government grant

A government grant is recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

The grant is recognized as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. If the grant is used for reimburse loss and expenses that have happened or for immediate financial aid for the Company and no future related cost, it can be recognized gain at the time the Company acquires.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
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A grant relating to assets is presented as deferred income. If a grant is related to depreciable assets, the grant is recognized over the useful life of the assets and for a grant related to a non-depreciable asset, the grant is credited to income over the same period over which the cost is charged to income.

(v) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as remuneration of employees and employee stock options.

(w) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

- Judgment regarding control of subsidiaries

Due to significant judgments involved and material impact on recognized amounts for consolidated financial report, please refer to Note 4(c) for details.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

- Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(f) for further description of the valuation of inventories.

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**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash on hand	\$ 10,354	15,084
Cash in banks	36,563,302	27,781,441
Time deposits	104,823,503	74,035,178
Cash equivalents	<u>4,398,754</u>	<u>4,236,343</u>
	<b><u>\$ 145,795,913</u></b>	<b><u>106,068,046</u></b>

- (i) The above cash and cash equivalents were not pledged as collateral. Pledged time deposits were accounted for under other financial assets. Please refer to Notes 6(n) and 8 for details.
- (ii) Please refer to Note 6(ad) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Financial assets at fair value through profit or loss

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current mandatorily measured at fair value through profit or loss :		
Non-derivative financial assets		
Shares of stock of listed companies	\$ 875,720	668,448
Shares of stock of unlisted companies	16,500	-
Beneficiary certificates	2,437,370	2,149,733
Shares of stock of overseas listed companies	3,471,939	294,821
Derivative financial assets		
Non-current mandatorily measured at fair value through profit or loss :		
Non-derivative financial assets		
Shares of stock of listed companies	225,050	217,000
Beneficiary certificates	259,706	123,320
Shares of stock of overseas unlisted companies	<u>71,510</u>	<u>79,651</u>
Total	<b><u>\$ 7,357,795</u></b>	<b><u>3,532,973</u></b>

- (i) Please refer to Note 6(ab) for re-measurement at fair value recognized in profit or loss.
- (ii) Please refer to Note 6(ad) for credit risk and market risk.
- (iii) The aforesaid financial assets were not pledged as collateral.

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(c) Financial assets at fair value through other comprehensive income

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Equity instruments at fair value through other comprehensive income :		
Shares of stock of listed companies	\$ 586,407	530,518
Shares of stock of unlisted companies	150,000	150,000
Shares of stock of overseas unlisted companies	<u>121,751</u>	<u>132,075</u>
Total	<u>\$ 858,158</u>	<u>812,593</u>

(i) Equity instruments at fair value through other comprehensive income

The Group holds these equity instruments, which are not held for trading at designated fair value through other comprehensive income, for long-term strategic purposes.

For the years ended December 31, 2019 and 2018, the Group has recognized the dividend income of \$19,919 and \$28,503, respectively, from equity instruments designated at fair value through other comprehensive income; the dividend of \$3,348 related to the investments derecognized in 2019, were recognized. Please refer to Note 6(ab).

In 2019, the Group has sold its shares as a result of investment strategic. The shares sold had a fair value of \$38,950 and the Group realized a loss of \$3,436, which is already included in other comprehensive income. The loss has been transferred to retained earnings. No strategic investments were disposed for the year ended December 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

(ii) Please refer to Note 6(ad) for credit risk and market risk.

(iii) The aforesaid financial assets were not pledged as collateral.

(d) Notes and accounts receivable, net

(i) The components of notes and accounts receivable were as follows :

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivables from operating activities	\$ 20,232	45,327
Accounts receivable-measured at amortized cost	200,499,571	185,261,685
Accounts receivable-fair value through other comprehensive income	7,495,000	15,357,500
Less : Allowance for impairment	<u>1,676,398</u>	<u>1,780,928</u>
	<u>\$ 206,338,405</u>	<u>198,883,584</u>

The Group assesses its portion accounts receivable held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and therefore such assets are recognized as accounts receivable were measured at fair value through other comprehensive income.

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(ii) Credit loss

The Group applies the simplified approach to provide for the loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as forward looking information, including overall economic environment and related industrial information.

The loss allowance provision was determined as follows :

	<b>December 31, 2019</b>		
	<u>Gross carrying amount</u>	<u>Expected loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 203,528,826	0%~2%	(33,125)
Overdue 0 to 30 days	2,656,159	0%~30%	(46,356)
Overdue 31 to 120 days	204,686	2%~100%	(27,881)
Overdue 121 to 365 days	73,112	4%~100%	(17,016)
Over 365 days past due	<u>1,552,020</u>	100%	<u>(1,552,020)</u>
	<u><b>\$ 208,014,803</b></u>		<u><b>(1,676,398)</b></u>
	<b>December 31, 2018</b>		
	<u>Gross carrying amount</u>	<u>Expected loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 196,093,745	0%~2%	(25,531)
Overdue 0 to 30 days	2,562,407	1%~30%	(53,095)
Overdue 31 to 120 days	302,892	1%~100%	(19,350)
Overdue 121 to 365 days	30,671	11%~100%	(8,155)
Over 365 days past due	<u>1,674,797</u>	100%	<u>(1,674,797)</u>
	<u><b>\$ 200,664,512</b></u>		<u><b>(1,780,928)</b></u>

The movement in the allowance for notes and accounts receivable was as follows :

	<b>For the years ended December 31</b>	
	<u>2019</u>	<u>2018</u>
Balance on January 1	\$ 1,780,928	1,724,664
Impairment losses recognized	24,933	55,523
Impairment losses reversed	(42,173)	(2,799)
Amounts written off	(84,550)	-
Foreign exchange losses	<u>(2,740)</u>	<u>3,540</u>
Balance on December 31	<u><b>\$ 1,676,398</b></u>	<u><b>1,780,928</b></u>

The aforesaid financial assets were not pledged as collateral.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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- (iii) Please refer to Note 6(ad) for the Group's notes and accounts receivable exposure to credit risk and currency risk.
- (iv) Accounts receivable factoring

The Group entered into separate factoring agreements with different financial institutions to sell its accounts receivable. The Group derecognized the above accounts receivable because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them.

As of December 31, 2019 and 2018, and December 31, 2018, the relevant information on accounts receivable factored by the Company, but unsettled, were as follows :

December 31, 2019							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
ANZ (Note)	\$ <u>7,495,000</u>	USD <u>1,200,000</u>	USD <u>950,000</u>	USD <u>250,000</u>	None	2.03%~ 2.93%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

  

December 31, 2018							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
ANZ (Note)	\$ <u>4,668,680</u>	USD <u>1,200,000</u>	USD <u>1,048,000</u>	USD <u>152,000</u>	None	1.99%~ 2.89%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

Note : In October 2017, the Company signed a one year joint accounts receivable factoring agreement with ANZ Bank and six other banks where each bank will factor on pro-rata basis.

For the years ended December 31, 2019 and 2018, the Company recognized a fee and interest on bank advance payment of \$68,962 and \$156,295, respectively, from the factoring of accounts receivable, which was accounted under finance costs in the statement of comprehensive income.

As of December 31, 2019 and 2018, KINSUS INTERCONNECT TECHNOLOGY CORP. sold its accounts receivable without recourse as follows :

December 31, 2019							
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
Mega International Commercial Bank	\$ <u>286,663</u>	USD <u>30,000</u>	USD <u>29,500</u>	USD <u>500</u>	None	2.17%	The accounts receivable factoring is without recourse

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Purchaser	December 31, 2018						
	Amount Derecognized	Factoring Line (thousands)	Amount Advanced (thousands)		Collateral	Range of Interest Rate	Significant Factoring Terms
			Unpaid	Paid			
Mega International Commercial Bank	\$ <u>214,285</u>	USD <u>30,000</u>	USD <u>30,000</u>	USD <u>-</u>	None	-	The accounts receivable factoring is without recourse

As of December 31, 2019 and 2018, KINSUS reclassified the derecognized accounts receivable to other receivables.

(e) Other receivables

	December 31, 2019	December 31, 2018
Other receivables	\$ 1,489,704	1,490,955
Less : Allowance for impairment	<u>17,002</u>	<u>14,374</u>
	<b><u>\$ 1,472,702</u></b>	<b><u>1,476,581</u></b>

Please refer to Note 6(ad) for credit risk.

(f) Inventories

	December 31, 2019	December 31, 2018
Merchandise	\$ 1,285,078	1,989,825
Finished goods	61,552,810	110,281,796
Work in process	18,134,156	21,178,778
Raw materials	<u>31,614,069</u>	<u>39,614,370</u>
Subtotal	112,586,113	173,064,769
Less: Allowance for inventory market decline and obsolescence	<u>6,522,623</u>	<u>8,076,428</u>
Total	<b><u>\$ 106,063,490</u></b>	<b><u>164,988,341</u></b>

For the years ended December 31, 2019 and 2018, the components of cost of goods sold were as follows :

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Cost of goods sold	1,297,793,554	1,275,042,179
Provision on (reversal of) inventory market price decline	(1,553,805)	1,177,928
Loss on disposal of inventory	20,100,080	20,520,910
Unallocated manufacturing overhead	4,833,891	2,489,255
Loss on physical inventory	<u>8,248</u>	<u>3,214</u>
	<b><u>1,321,181,968</u></b>	<b><u>1,299,233,486</u></b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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For the year ended December 31, 2019, the Group recognized a gain from the reversal of allowance for inventory valuation loss resulting from destocking. Such gain was deducted from cost of goods sold. For the year ended December 31, 2018, the Group recognized a inventory valuation loss because of the decreasing value from the carrying amount to the net realized value, and converted the amount to cost of goods sold.

As of December 31, 2019 and 2018, the aforesaid inventories were not pledged as collateral.

(g) Non-current assets held for sale

On May 8, 2018, KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD (“KAI HE”) was presented as a non current assets held for sale, pursuant to the resolutions of the Board of Directors. Management of the Group planned to perform the disposal plan by selling the land use rights and plants of KAI HE. The sale was expected by December 2018, and was estimated to be highly possible. Thereafter, as of December 31, 2018, the abovementioned assets were recognized as non current assets held for sale. The carrying amounts of long term prepaid rentals land use rights and plant amounted to \$36,750 and \$109,143, respectively. Please refer to Notes 6(j) and (s) for details.

In addition, no impairment loss was recognized after measuring at the lower of carrying amount and fair value less costs to sale.

In January 2019, CASETEK CAYMAN signed a sale contract with non-related parties. Proceeds from the sale was CNY107,000 thousand, and the gain on the disposal was approximately CNY78,622 thousand. The transaction is expected to be completed in the end of 2019. As of December 31, 2019, CASETEK CAYMAN has received \$8,595 (CNY2,000 thousand), which was accounted under other current liabilities.

(h) Investments accounted for using equity method

(i) The Group’s financial information for investments in individually insignificant associates accounted for using equity method at reporting date was as follows. These financial information are included in the consolidated financial statements.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Individually insignificant associates	<b>\$ <u>256,093</u></b>	<b><u>246,423</u></b>
	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Group’s share of profit (loss) of the associates		
Profit (loss) for the period	60,281	(26,971)
Other comprehensive loss	(232)	(12,835)
Total comprehensive income (loss)	<b><u>60,049</u></b>	<b><u>(39,806)</u></b>

(ii) As of December 31, 2019 and 2018, the aforesaid investments accounted for using equity method were not pledged as collateral.

(iii) Please refer to Note 6(ab) for gain or loss arising from disposal of investments.

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- (i) Subsidiaries that have material non-controlling interest

Subsidiaries that have material non-controlling interest were as follows :

Subsidiaries	Main operation place/Country of registration	Equity ownership of non-controlling interest	
		December 31, 2019	December 31, 2018
KINSUS and its subsidiaries	Taiwan	61.44 %	61.42 %
ASROCK and its subsidiaries	Taiwan	44.08 %	44.13 %
CASETEK CAYMAN	Taiwan/ Cayman	40.59 %	40.59 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Company and its subsidiaries as at acquisition date. Intra-group transactions were not eliminated in this information.

- (i) Information regarding KINSUS and its subsidiaries

	December 31, 2019	December 31, 2018
Current assets	\$ 19,340,507	19,294,569
Non-current assets	22,362,838	23,329,385
Current liabilities	(10,841,218)	(10,199,199)
Non-current liabilities	(2,024,427)	(2,676,233)
Net assets	<u>\$ 28,837,700</u>	<u>29,748,522</u>
Non-controlling interest	<u>\$ 17,957,674</u>	<u>17,989,981</u>
	<b>For the years ended December 31</b>	
	2019	2018
Operating revenue	\$ <u>22,327,410</u>	<u>23,727,929</u>
Net (loss) income for the period	\$ (1,947,268)	411,040
Other comprehensive loss	(108,071)	(37,638)
Comprehensive (loss) income	<u>\$ (2,055,339)</u>	<u>373,402</u>
Net (loss) income attribute to non-controlling interest	<u>\$ (1,008,028)</u>	<u>457,527</u>
Comprehensive (loss) income attribute to non-controlling interest	<u>\$ (1,061,623)</u>	<u>443,353</u>
	<b>For the years ended December 31</b>	
Cash flows from operating activities	\$ 3,101,309	4,102,579
Cash flows from investing activities	(3,730,887)	(4,910,117)
Cash flows from financing activities	1,285,546	595,177
Net increase (decrease) in cash and cash equivalents	<u>\$ 655,968</u>	<u>(212,361)</u>

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(ii) Information regarding ASROCK and its subsidiaries

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 9,706,137	8,664,042
Non-current assets	560,035	700,151
Current liabilities	(3,747,151)	(3,225,809)
Non-current liabilities	(64,554)	(26,896)
Net assets	<u>\$ 6,454,467</u>	<u>6,111,488</u>
Non-controlling interest	<u>\$ 3,030,844</u>	<u>2,751,861</u>
	<b><u>For the years ended December 31</u></b>	
Operating revenue	<u>\$ 13,415,090</u>	<u>10,193,155</u>
Net income for the period	\$ 650,059	592,796
Other comprehensive (loss) income	(95,416)	117,068
Comprehensive income	<u>\$ 554,643</u>	<u>709,864</u>
Net income attribute to non-controlling interest	<u>\$ 316,228</u>	<u>262,005</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 274,850</u>	<u>314,538</u>
	<b><u>For the years ended December 31</u></b>	
Cash flows from operating activities	\$ 1,346,368	(1,339,412)
Cash flows from investing activities	(393,164)	176,491
Cash flows from financing activities	(504,698)	(372,183)
Net increase (decrease) in cash and cash equivalents	<u>\$ 448,506</u>	<u>(1,535,104)</u>

(iii) Information regarding CASETEK CAYMAN

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current assets	\$ 26,620,964	27,647,773
Non-current assets	25,082,697	28,269,709
Current liabilities	(14,543,892)	(14,404,687)
Non-current liabilities	(6,559,372)	(8,680,913)
Net assets	<u>\$ 30,600,397</u>	<u>32,831,882</u>
Non-controlling interest	<u>\$ 12,385,305</u>	<u>13,290,892</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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	<u>For the years ended December 31</u>	
Operating revenue	\$ <u>32,635,437</u>	<u>30,494,458</u>
Net loss for the period	\$ (630,830)	(1,702,119)
Other comprehensive loss	<u>(1,165,360)</u>	<u>(315,800)</u>
Comprehensive loss	\$ <u>(1,796,190)</u>	<u>(2,017,919)</u>
Net loss attribute to non-controlling interest	\$ <u>(262,020)</u>	<u>(695,700)</u>
Comprehensive loss attribute to non-controlling interest	\$ <u>(734,957)</u>	<u>(907,955)</u>
Cash flows from operating activities	\$ 6,132,176	3,307,385
Cash flows from investing activities	(2,710,473)	(8,638,308)
Cash flows from financing activities	<u>(1,633,046)</u>	<u>6,829,603</u>
Net increase in cash and cash equivalents	\$ <u>1,788,657</u>	<u>1,498,680</u>

(j) Property, plant and equipment

The movements in the cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows :

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost or deemed cost:</b>							
Balance on January 1, 2019	\$ 6,384,886	48,479,698	71,612,529	1,444,578	32,195,791	10,391,635	170,509,117
Additions	-	288,044	1,024,348	215,622	2,956,023	3,882,746	8,366,783
Disposals and obsolescence	-	(224,669)	(6,764,567)	(243,254)	(3,024,315)	-	(10,256,805)
Reclassifications	1,369,663	7,994,067	2,931,578	3,466	2,669,275	(10,811,356)	4,156,693
Effect of movement in exchange rate	<u>113</u>	<u>(1,240,726)</u>	<u>(1,641,782)</u>	<u>(24,257)</u>	<u>(680,617)</u>	<u>(216,224)</u>	<u>(3,803,493)</u>
Balance on December 31, 2019	\$ <u>7,754,662</u>	<u>55,296,414</u>	<u>67,162,106</u>	<u>1,396,155</u>	<u>34,116,157</u>	<u>3,246,801</u>	<u>168,972,295</u>
Balance on January 1, 2018	\$ 4,361,929	43,769,325	64,583,011	1,453,182	27,394,560	6,528,226	148,090,233
Additions	2,019,211	2,942,984	3,752,293	73,942	4,003,431	7,602,453	20,394,314
Disposals and obsolescence	-	(218,958)	(1,574,056)	(130,772)	(2,342,423)	-	(4,266,209)
Reclassifications	-	1,401,672	5,116,110	17,728	2,806,727	(3,598,095)	5,744,142
Effect of movement in exchange rate	<u>3,746</u>	<u>584,675</u>	<u>(264,829)</u>	<u>30,498</u>	<u>333,496</u>	<u>(140,949)</u>	<u>546,637</u>
Balance on December 31, 2018	\$ <u>6,384,886</u>	<u>48,479,698</u>	<u>71,612,529</u>	<u>1,444,578</u>	<u>32,195,791</u>	<u>10,391,635</u>	<u>170,509,117</u>
<b>Depreciation and impairment loss :</b>							
Balance on January 1, 2019	\$ -	17,315,572	45,237,334	1,257,084	19,093,365	-	82,903,355
Depreciation for the period	-	2,857,707	8,024,083	127,425	5,732,271	-	16,741,486
Impairment loss	-	1	12,970	-	2,308	-	15,279
Reclassifications	-	21,590	(89,005)	-	73,559	-	6,144
Disposals and obsolescence	-	(219,641)	(5,703,973)	(241,819)	(2,516,997)	-	(8,682,430)
Effect of movement in exchange rate	<u>-</u>	<u>(507,784)</u>	<u>(1,193,242)</u>	<u>(23,846)</u>	<u>(535,427)</u>	<u>-</u>	<u>(2,260,299)</u>
Balance on December 31, 2019	\$ <u>-</u>	<u>19,467,445</u>	<u>46,288,167</u>	<u>1,118,844</u>	<u>21,849,079</u>	<u>-</u>	<u>88,723,535</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Instrument equipment</u>	<u>Other facilities</u>	<u>Construction in progress</u>	<u>Total</u>
Balance on January 1, 2018	\$ -	14,863,199	37,893,522	1,230,272	16,027,969	-	70,014,962
Depreciation for the period	-	2,439,088	8,690,360	119,348	4,957,436	-	16,206,232
Impairment loss	-	-	38,545	16	24,606	-	63,167
Reclassifications	-	(24,994)	18,028	6,460	(94,309)	-	(94,815)
Disposals and obsolescence	-	(192,689)	(1,287,714)	(129,139)	(2,078,376)	-	(3,687,918)
Effect of movement in exchange rate	-	230,968	(115,407)	30,127	256,039	-	401,727
Balance on December 31, 2018	<u>\$ -</u>	<u>17,315,572</u>	<u>45,237,334</u>	<u>1,257,084</u>	<u>19,093,365</u>	<u>-</u>	<u>82,903,355</u>
<b>Carrying amounts :</b>							
Balance on December 31, 2019	<u>\$ 7,754,662</u>	<u>35,828,969</u>	<u>20,873,939</u>	<u>277,311</u>	<u>12,267,078</u>	<u>3,246,801</u>	<u>80,248,760</u>
Balance on January 1, 2018	<u>\$ 4,361,929</u>	<u>28,906,126</u>	<u>26,689,489</u>	<u>222,910</u>	<u>11,366,591</u>	<u>6,528,226</u>	<u>78,075,271</u>
Balance on December 31, 2018	<u>\$ 6,384,886</u>	<u>31,164,126</u>	<u>26,375,195</u>	<u>187,494</u>	<u>13,102,426</u>	<u>10,391,635</u>	<u>87,605,762</u>

- (i) Based on the results of its evaluation of the recoverability of property, plant and equipment, the Group recognized impairment loss as follows :

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Impairment loss	<u>\$ 15,279</u>	<u>63,167</u>

- (ii) KINSUS INTERCONNECT TECHNOLOGY CORP. and its subsidiaries completed a series of farm land purchases covering a total land area of 36,115.24 square meters in the name of KINSUS' s chairman instead of KINSUS, due to the restriction imposed by the local government.
- (iii) For the and years ended December 31, 2019 and 2018, KINSUS INTERCONNECT TECHNOLOGY CORP. and its subsidiaries had written the carrying amount of certain property, plant and equipment to their recoverable amount of \$0, and recognized an impairment loss of \$12,149 and \$49,770, respectively. Impairment loss was recognized under other income and losses in the consolidated statement of comprehensive income. The recoverable amount of individual asset was estimated based on its value-in-use.
- (iv) As of December 31, 2018, CASETEK CAYMAN and its subsidiaries reclassified partial assets to non-current assets held for sale, and the carrying amount amounted \$109,143. Please refer to Note 6(g) for other related information.
- (v) Please refer to Note 6(ab) for gain and loss on disposal of property, plant and equipment.
- (vi) Please refer to Note 8 for details of the property, plant and equipment pledged as collateral.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (k) Right-of-use assets

The movements in the cost and depreciation of the leased land, buildings, machinery equipment and transportation equipment were as follows :

	<u>Land</u>	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
<b>Cost:</b>					
Balance on January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	4,540,409	2,925,838	17,793	1,331	7,485,371
Additions	12,882	1,400,286	-	1,587	1,414,755
Reductions	(272,842)	(436,910)	-	-	(709,752)
Effect of movement in exchange rate	<u>(94,190)</u>	<u>(51,267)</u>	<u>-</u>	<u>-</u>	<u>(145,457)</u>
Balance on December 31, 2019	<u>\$ 4,186,259</u>	<u>3,837,947</u>	<u>17,793</u>	<u>2,918</u>	<u>8,044,917</u>
<b>Accumulated depreciation:</b>					
Balance on January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	778,162	-	-	-	778,162
Depreciation for the period	33,701	1,503,443	6,888	1,093	1,545,125
Reductions	-	(107,848)	-	-	(107,848)
Effect of movement in exchange rate	<u>(23,547)</u>	<u>(35,569)</u>	<u>-</u>	<u>(8)</u>	<u>(59,124)</u>
Balance on December 31, 2019	<u>\$ 788,316</u>	<u>1,360,026</u>	<u>6,888</u>	<u>1,085</u>	<u>2,156,315</u>
<b>Carrying amounts:</b>					
Balance on December 31, 2019	<u>\$ 3,397,943</u>	<u>2,477,921</u>	<u>10,905</u>	<u>1,833</u>	<u>5,888,602</u>

For the year ended December 31, 2018, the Group leased offices, warehouses, factory facilities and employees' dormitories under an operating lease, please refer to Note 6(s).

## (l) Investment property

Investment property are owned by the Group, and the movement were as follows :

	<u>Buildings</u>
<b>Cost or deemed cost:</b>	
Balance on January 1, 2019	\$ 62,509
Effect of movement in exchange rate	<u>(1,496)</u>
Balance on December 31, 2019	<u>\$ 61,013</u>
Balance on January 1, 2018	\$ 63,763
Effect of movement in exchange rate	<u>(1,254)</u>
Balance on December 31, 2018	<u>\$ 62,509</u>
<b>Depreciation and impairment loss :</b>	
Balance on January 1, 2019	\$ 13,797
Depreciation for the year	3,051
Effect of movement in exchange rate	<u>(331)</u>
Balance on December 31, 2019	<u>\$ 16,517</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Buildings</b>
Balance on January 1, 2018	\$ 10,893
Depreciation for the year	3,125
Effect of movement in exchange rate	(221)
Balance on December 31, 2018	<b>\$ 13,797</b>
<b>Carrying amounts :</b>	
Balance on December 31, 2019	<b>\$ 44,496</b>
Balance on January 1, 2018	<b>\$ 52,870</b>
Balance on December 31, 2018	<b>\$ 48,712</b>

- (i) Rental income and direct operating expenses arising from investment property that generate rental income were as follows :

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Rental income	\$ -	1,917
Direct operating expenses arising from investment property that generate rental income	\$ 3,051	3,125

- (ii) As of December 31, 2019 and 2018, the fair value of investment property of the Group was \$83,623 and \$12,149, respectively. The fair value of investment property was based on the market price evaluation of the buildings located in the area.
- (iii) As of December 31, 2019 and 2018, the aforesaid investment properties were not pledged as collateral.

- (m) Intangible assets

The movements in the costs, amortization, and impairment loss of the Group were as follows :

	<b>Goodwill</b>	<b>Others</b>	<b>Total</b>
<b>Costs:</b>			
Balance on January 1, 2019	\$ 1,746,024	1,488,815	3,234,839
Additions	-	115,322	115,322
Disposals	-	(159,115)	(159,115)
Reclassifications	-	11,566	11,566
Effect of movement in exchange rate	(25,670)	(22,701)	(48,371)
Balance on December 31, 2019	<b>\$ 1,720,354</b>	<b>1,433,887</b>	<b>3,154,241</b>
Balance on January 1, 2018	\$ 1,712,671	1,374,753	3,087,424
Additions	-	212,569	212,569
Disposals	-	(113,137)	(113,137)
Reclassifications	-	466	466
Effect of movement in exchange rate	33,353	14,164	47,517
Balance on December 31, 2018	<b>\$ 1,746,024</b>	<b>1,488,815</b>	<b>3,234,839</b>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
<b>Amortization and impairment loss:</b>			
Balance on January 1, 2019	\$ 671,792	1,087,175	1,758,967
Amortization for the period	-	277,737	277,737
Disposals	-	(159,115)	(159,115)
Effect of movement in exchange rate	-	(21,239)	(21,239)
Balance on December 31, 2019	<u>\$ 671,792</u>	<u>1,184,558</u>	<u>1,856,350</u>
Balance on January 1, 2018	\$ 671,792	918,398	1,590,190
Amortization for the period	-	266,716	266,716
Disposals	-	(113,137)	(113,137)
Effect of movement in exchange rate	-	15,198	15,198
Balance on December 31, 2018	<u>\$ 671,792</u>	<u>1,087,175</u>	<u>1,758,967</u>
<b>Carrying amounts:</b>			
Balance on December 31, 2019	<u>\$ 1,048,562</u>	<u>249,329</u>	<u>1,297,891</u>
Balance on January 1, 2018	<u>\$ 1,040,879</u>	<u>456,355</u>	<u>1,497,234</u>
Balance on December 31, 2018	<u>\$ 1,074,232</u>	<u>401,640</u>	<u>1,475,872</u>

- (i) The amortization of intangible assets were respectively recognized in the statement of comprehensive income as follows:

	<b>For the years ended December 31</b>	
	<u>2019</u>	<u>2018</u>
Operating costs	\$ 145,699	137,452
Operating expenses	<u>132,038</u>	<u>129,264</u>
	<u>\$ 277,737</u>	<u>266,716</u>

- (ii) Goodwill impairment

For the purpose of impairment testing, goodwill was allocated to the Group's cash-generating units, such as mechanics, consumer electronic and others, as follows :

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Mechanics	\$ 1,005,331	1,029,978
Consumer electronic	41,709	42,732
Others	<u>1,522</u>	<u>1,522</u>
	<u>\$ 1,048,562</u>	<u>1,074,232</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

- 1) The recoverable amount of the mechanics cash-generating unit was based on value in use. Key assumptions used in calculating the recoverable amount were as follows:

The key assumptions used to estimate the value in use were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Discount rate (before tax)	<u>13.38 %</u>	<u>13.11 %</u>

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the Taiwan government in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing generally in equities and the systemic risk of the specific CGU.

Cash flows of five years were included in the discounted cash flow model, which was based on the financial forecast for the following year approved by the management.

Budgeted EBITDA over the financial forecast period was based on expectations of future outcome, taking into account the past experience, adjusted for the anticipated revenue growth. Revenue growth is projected by taking into account the average growth levels experienced over the past few years.

- 2) The recoverable amount of the customer electronic cash-generating unit was based on value in use. Key assumptions used in calculating the recoverable amount were as follows:
- Cash flow estimation was based on past experience, actual operating results and a five-year operating plan.
  - Projected revenue and gross profit ratio were extrapolated from management's forecast based on past operating results and future marketing development trends.
  - Pre-tax discount rate used in calculating the value in use was determined from weighted average cost of capital (WACC) of the Group.

(iii) For the years ended December 31, 2019 and 2018, the Group has not noted any indication of potential impairment loss based on the impairment testing performed.

(iv) As of December 31, 2019 and 2018, the intangible assets were not pledged as collateral.

- (n) Other financial assets and other assets

Other financial assets and other assets were as follows :

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Other financial assets-current	\$ 3,564,920	794,775
Other financial assets-noncurrent	481,158	650,896
Other current assets	5,674,300	7,334,875
Other noncurrent assets	<u>50,065</u>	<u>329,419</u>
	<b><u>\$ 9,770,443</u></b>	<b><u>9,109,965</u></b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

- (i) Other financial assets are assets that do not qualify as cash equivalents which consisted of time deposits, restricted time deposits and guarantee deposits. Please refer to Note 8 for details.
- (ii) Other current assets consisted of prepayments, current tax asset, rights to the returned goods and others.
- (iii) Other noncurrent assets consisted of other long-term prepaid expenses and others.

(o) Short-term loans

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Unsecured bank loans	\$ 64,808,786	86,846,756
Secured bank loans	-	80,490
Total	<u>\$ 64,808,786</u>	<u>86,927,246</u>
Interest rate	<u>0.60%~4.70%</u>	<u>0.51%~5.11%</u>

Please refer to Note 8 for details of the related assets pledged as collateral.

(p) Long-term loans

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Unsecured bank loans	\$ 9,192,450	11,900,203
Less: current portion	(2,657,496)	(2,388,522)
Total	<u>\$ 6,534,954</u>	<u>9,511,681</u>
Interest rate	<u>0.60%~3.97%</u>	<u>1.074%~3.97%</u>

(i) Collateral for bank loans

Please refer to Note 8 for details of the related assets pledged as collateral.

(ii) Loan covenants

On January 3, 2018 and January 30, 2015, CASETEK CAYMAN signed a USD360,000 and USD300,000 thousand worth of credit facility in the form of credit loan with multiple banks, respectively. According to the credit loan facility agreements, during the loan repayment periods, CASETEK CAYMAN must comply with certain financial covenants, such as current ratio, debt ratio, interest coverage ratio and tangible net assets, based on its audited annual consolidated financial statements (December 31).

- 1) Current ratio (Current assets/Current liabilities): Not less than 100%.
- 2) Total liabilities 【 Total liabilities (including contingent liability, but excluding those of noncontrolling interests)/Total assets less intangible assets 】 : Less than 100%.
- 3) Interest coverage ratio 【 (Profit before tax + depreciation + amortization + interest expenses)/ interest expenses 】 : Not lower than five.

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**PEGATRON CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

- 4) Tangible net assets (Total assets total liabilities intangible assets): Not lower than \$15,000,000.

The compliance with the aforesaid covenants will be examined annually based on the audited CASETEK CAYMAN annual consolidated financial statements.

CASETEK CAYMAN was in compliance with the above financial covenants as of December 31, 2019 and 2018.

(q) Bonds payable

The Group's unsecured ordinary corporate bonds were as follows :

	<b>December 31,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
Ordinary corporate bonds issued	\$ 23,500,000	15,000,000
Unamortized discount on bonds payable	<u>(19,661)</u>	<u>(13,238)</u>
Bonds payable, end of the year	23,480,339	14,986,762
Less: current portion	<u>(3,000,000)</u>	<u>-</u>
	<b><u>\$ 20,480,339</u></b>	<b><u>14,986,762</u></b>
	<b><u>For the years ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Interest expense	<b><u>\$ 190,068</u></b>	<b><u>146,821</u></b>

On May 9, 2017, the Company's Board of Directors approved to issue unsecured ordinary corporate bonds amounting to no more than \$15,000,000, which were approved and declared effective by the Taipei Exchange (TPEX) on July 4, 2017 and December 29, 2017, respectively. The offering information and main rights and obligations were as follows:

<b>Item</b>	<b>1<sup>st</sup> unsecured ordinary bonds issued in 2017</b>
1.Issuing amount	The Bonds are issued at \$7,000,000, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$3,000,000, \$2,000,000 and \$2,000,000, respectively.
2.Par value	Each unit is valued at \$1,000.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from July 13, 2017 and matures on July 13, 2020. The issuance period of Tranche B commences from July 13, 2017 and matures on July 13, 2022. The issuance period of Tranche C commences from July 13, 2017 and matures on July 13, 2024.
5.Coupon rate	Tranche A, B and C bear annual coupon rates of 0.91%, 1.06% and 1.20%, respectively.

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**PEGATRON CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

<b>Item</b>	<b>1<sup>st</sup> unsecured ordinary bonds issued in 2017</b>
6.Repayment	Tranche A, Tranche B and Tranche C are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

<b>Item</b>	<b>2<sup>nd</sup> unsecured ordinary bonds issued in 2017</b>
1.Issuing amount	The Bonds are issued at \$8,000,000, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$1,000,000, \$4,500,000 and \$2,500,000, respectively.
2.Par value	Each unit is valued at \$1,000.
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A, Tranche B and Tranche C has 3-year term, 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from January 10, 2018 and matures on January 10, 2021. The issuance period of Tranche B commences from January 10, 2018 and matures on January 10, 2023. The issuance period of Tranche C commences from January 10, 2018 and matures on January 10, 2025.
5.Coupon rate	Tranche A, B and C bear annual coupon rates of 0.78%, 0.92% and 1.08%, respectively.
6.Repayment	Tranche A, Tranche B and Tranche C are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

On March 14, 2019, the Company's Board of Directors approved to issue unsecured ordinary corporate bonds, which were approved and declared effective by the Taipei Exchange (TPEX) on June 3, 2019, the offering information and main rights and obligations were as follows :

<b>Item</b>	<b>1<sup>st</sup> unsecured ordinary bonds issued in 2019</b>
1.Issuing amount	The Bonds are issued at \$8,500,000, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A and Tranche B are \$6,000,000 and \$2,500,000, respectively.
2.Par value	Each unit is valued at \$1,000.

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**PEGATRON CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

<u>Item</u>	<u>1<sup>st</sup> unsecured ordinary bonds issued in 2019</u>
3.Offering price	The Bonds are issued by par value at the issuance date.
4.Issuance period	Each of Tranche A and Tranche B has 5-year term and 7-year term, respectively. The issuance period of Tranche A commences from June 13, 2019 and matures on June 13, 2024. The issuance period of Tranche B commences from June 13, 2019 and matures on June 13, 2026.
5.Coupon rate	Tranche A, and B bear annual coupon rates of 0.85% and 0.95%, respectively.
6.Repayment	Tranche A, and Tranche B are repayable on maturity.
7.Interest payment	Interests are payable annually at coupon rate from the issuance date. The payment of each bond is rounded to the nearest dollar. If the repayment date and interest payment date are bank closing days, principal and interest shall be paid without extra interest on the next business day. If bondholders receive principal and interest past due the repayment date and interest payment date, there will no calculation of extra interest.
8.Guarantee	The Bonds are unsecured ordinary corporate bonds.

(r) Lease liabilities

The Group's lease liabilities were as follows :

	<b>December 31, 2019</b>
Current	<u>\$ 1,195,039</u>
Non-current	<u>\$ 1,294,702</u>

Please refer to Note 6(ad) for maturity analysis.

The amounts recognized in profit or loss were as follows :

	<b>For the year ended December 31 2019</b>
Interest on lease liabilities	<u>\$ 110,179</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 15,034</u>
Income from sub-leasing right-of-use assets	<u>\$ 834</u>
Expenses relating to short-term leases	<u>\$ 481,796</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 1,232</u>

The amounts recognized in the statement of cash flows for the Group was as follows :

	<b>For the year ended December 31 2019</b>
Total cash outflow for leases	<u>\$ 2,131,198</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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The Group leases land, buildings, machinery equipment, transportation equipment and other equipment. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. According to the lease contracts, some leases shall not be rent, sub-leased or by any other means totally or partially transferred to third parties, unless obtain the lessor's approval. Some leases do not contain renewal option, and no restrictions were disposed in the contracts. Some leases provide for additional rent payments that are based on changes in the facts or circumstances after the lease commencement date.

The Group leases employees' dormitories, parking lots and other equipment that are short-term or leases of low-value items. The Group has chosen to apply the exemption and not to recognize right-of-use assets and lease liabilities for these leases.

(s) Operating leases

(i) Lessee

For the year ended December 31, 2018, the Group's lease commitments were as follows:

	<b>December 31, 2018</b>
Less than one year	\$ 2,127,311
Between one and five years	1,792,127
More than five years	<u>74,491</u>
	<b><u>\$ 3,993,929</u></b>

The Group leases a number of office, warehouse, factory facilities and staff dormitories under operating leases. The leases typically run for a period of 1 to 13 years, with an option to renew the lease after that date.

For the year ended December 31, 2018, expenses recognized in profit or loss in respect of operating leases were as follows:

	<b>For the year ended December 31 2018</b>
Cost of sales	\$ 2,105,524
Operating expenses	<u>560,243</u>
	<b><u>\$ 2,665,767</u></b>

(ii) Long-term prepaid rentals

	<b>December 31, 2018</b>
Long-term prepaid rentals	<b><u>\$ 3,749,695</u></b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 1) Long-term prepaid rentals represent land use rights under operating lease arrangement and is expensed equally over 38 to 67 years. The Group has transferred long-term prepaid rentals to right-of-use assets upon the initial application of IFRS 16 on January 1, 2019. Please refer to Note 6(k) for further information.
- 2) As of December 31, 2018, CASETEK CAYMEN and its subsidiaries reclassified the long-term prepaid rentals of KAI HE to non-current assets held for sale. Please refer to Note 6(g).
- 3) As of December 31, 2018, the aforesaid long-term prepaid rental was not pledged as collateral.

(t) Employee benefits

(i) Defined benefit plans

The Group's defined benefit obligations and fair value of plan assets were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Present value of defined benefit obligations	\$ 265,807	243,843
Fair value of plan assets	(170,414)	(157,499)
Net defined benefit liabilities	<b>\$ 95,393</b>	<b>86,344</b>
	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Shortterm employee benefits liabilities	\$ 277,395	245,407
Cash-settled share-based payment liability	96,667	191,883
Total employee benefit liabilities	<b>\$ 374,062</b>	<b>437,290</b>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provide pension benefits for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for six months prior to retirement.

1) Composition of plan assets

The Group set aside pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. Under these regulations, the minimum earnings from these pension funds shall not be less than the earnings from two-year time deposits with the interest rates offered by local banks.

The Group's contributions to the pension funds were deposited with Bank of Taiwan. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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**PEGATRON CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

2) Movements in present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended December 31, 2019 and 2018 were as follows:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Defined benefit obligation, January 1	\$ 243,843	234,479
Current service costs and interest	5,303	6,875
Re-measurements of the net defined benefit liability		
– Actuarial (losses) gains arose from changes in demographic assumptions	2,841	(2,851)
– Actuarial gains arose from changes in financial assumption	18,227	14,149
– Experience adjustments	(4,407)	(6,836)
Benefits paid by the plan	-	(1,973)
Defined benefit obligation, December 31	<u>\$ 265,807</u>	<u>243,843</u>

3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2019 and 2018 were as follows:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Fair value of plan assets, January 1	\$ 157,499	147,608
Interests revenue	1,953	2,336
Re-measurements of the net defined benefit liability		
– Experience adjustments	5,141	3,581
Contributions made	5,821	5,947
Benefits paid by the plan	-	(1,973)
Fair value of plan assets, December 31	<u>\$ 170,414</u>	<u>157,499</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Expenses recognized in profit or loss

The Group's pension expenses recognized in profit or loss for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current service cost	\$ 2,277	3,236
Net interest on net defined benefit liability	1,073	1,303
	<b>\$ 3,350</b>	<b>4,539</b>
Operating costs	\$ 219	381
Operating expenses	3,131	4,158
	<b>\$ 3,350</b>	<b>4,539</b>

5) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Group's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Cumulative amount, January 1	\$ 78,747	77,866
Recognized during the year	11,520	881
Cumulative amount, December 31	<b>\$ 90,267</b>	<b>78,747</b>

6) Actuarial assumptions

The followings were the key actuarial assumptions at the reporting date:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Discount rate	0.73%~1.34%	1.03%~1.50%
Future salary increase rate	2.00%~3.00%	2.00%~3.00%

Based on the actuarial report, the Group is expected to make a contribution payment of \$5,821 to the defined benefit plans for the one year period after the reporting date.

The weighted-average duration of the defined benefit plans is between 6 and 23 years.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

7) Sensitivity Analysis

In determining the present value of the defined benefit obligation, the Group's management makes judgments and estimates in determining certain actuarial assumptions on the balance sheet date, which includes discount rate and future salary increase rate. Changes in actuarial assumptions may have significant impact on the amount of defined benefit obligation.

As of December 31, 2019 and 2018, the changes in the principal actuarial assumptions will impact on the present value of defined benefit obligation as follows:

	<b>Impact on the present value of defined benefit obligation</b>	
	<b>Increase by 0.50%</b>	<b>Decrease by 0.50%</b>
December 31, 2019		
Discount rate	(22,905)	25,548
Future salary increase rate	24,517	(22,246)
December 31, 2018		
Discount rate	(21,841)	24,401
Future salary increase rate	23,723	(21,484)

The sensitivity analysis assumed all other variables remain constant during the measurement. This may not be representative of the actual change in defined benefit obligation as some of the variables may be correlated in the actual situation. The model used in the sensitivity analysis is the same as the defined benefit obligation liability.

The analysis is performed on the same basis for prior year.

(ii) Defined contribution plans

The Group contributes an amount at the rate of 6% of the employee's monthly wages to the Labor Pension personal account with the Bureau of the Labor Insurance and Council of Labor Affairs in R.O.C. in accordance with the provisions of the Labor Pension Act. The Group's contributions to the Bureau of the Labor Insurance and Social Security Bureau for the employees' pension benefits require no further payment of additional legal or constructive obligations.

The costs of the pension contributions to the Labor Insurance Bureau for the years ended December 31, 2019 and 2018 were amounted to \$5,364,424 and \$6,612,946, respectively.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (u) Income tax

- (i) The income tax expense for the years ended December 31, 2019 and 2018 was calculated as follows :

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Current income tax expense		
Current period incurred	\$ 6,444,793	4,160,093
Prior years income tax adjustment	(137,427)	50,600
Surtax on undistributed earnings	175,452	28,309
Deferred tax expense		
The origination and reversal of temporary differences	700,979	(216,553)
Adjustment in tax rate	-	(82,281)
Income tax expense	<u>\$ 7,183,797</u>	<u>3,940,168</u>

- (ii) The amount of income tax recognized in other comprehensive income (loss) for the years ended December 31, 2019 and 2018 was as follows :

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Items that will not be reclassified subsequently to profit or loss		
Re-measurements of the net defined benefit plans	\$ <u>(538)</u>	<u>(457)</u>
Items that will be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	\$ <u>2,671</u>	<u>8,373</u>

- (iii) Income tax on pre-tax financial income reconciled with income tax expense for the years ended December 31, 2019 and 2018 was as follows:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Profit before income tax	\$ 25,467,905	15,056,267
Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned	7,989,442	4,887,456
Adjustment in tax rate	-	(82,281)
Permanent differences	(569,778)	364,294
Changes in unrecognized temporary differences	(1,272,433)	(1,269,812)
Overseas dividends received	271,044	372,738
Prior years income tax adjustment	(137,427)	50,600
Surtax on undistributed earnings	175,452	28,309
Others	727,497	(411,136)
Income tax expense	<u>\$ 7,183,797</u>	<u>3,940,168</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

As of December 31, 2019 and 2018, the temporary differences associated with investments in subsidiaries were not recognized as deferred income tax liabilities as the Group has the ability to control the reversal of these temporary differences which are not expected to reverse in the foreseeable future. The related amounts were as follows:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
The aggregate temporary differences associated with investments in subsidiaries	\$ <u>61,665,954</u>	<u>50,034,721</u>
Unrecognized deferred tax liabilities	\$ <u>12,333,191</u>	<u>10,006,944</u>

2) Unrecognized deferred tax assets

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Deductible temporary differences	\$ 1,284,902	1,215,295
Tax losses	<u>2,692,113</u>	<u>1,707,906</u>
	\$ <u>3,977,015</u>	<u>2,923,201</u>

The ROC Income Tax Act allows the carry forward of net losses, as assessed by the tax authorities, to offset against taxable income. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2019, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets, and the expiry years thereof were as follows:

<u>Company Name</u>	<u>Year of occurrence</u>	<u>Unused balance</u>	<u>Expiry year</u>
KINSUS and its subsidiaries	2012 ~ 2019	\$ 2,119,527	2022 ~ 2029
ASROCK and its subsidiaries	2013~2017	224,548	2023~2027
AZUREWAVE and its subsidiaries	2013~2019	524,042	2023~2029
AMA PRECISION	2010~2017	<u>91,873</u>	2020~2027
		\$ <u>2,959,990</u>	

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

		<u>Gain on foreign investments</u>	<u>Others</u>	<u>Total</u>		
<b>Deferred tax liabilities:</b>						
Balance on January 1, 2019	\$	1,399,745	138,507	1,538,252		
Recognized in (profit) loss		(12,423)	470,499	458,076		
Recognized in other comprehensive income		2,755	-	2,755		
Exchange differences on translation		<u>(53,707)</u>	<u>(17,135)</u>	<u>(70,842)</u>		
Balance on December 31, 2019	<b>\$</b>	<b><u>1,336,370</u></b>	<b><u>591,871</u></b>	<b><u>1,928,241</u></b>		
Balance on January 1, 2018	\$	1,576,817	24,664	1,601,481		
Recognized in (profit) loss		(149,944)	111,983	(37,961)		
Recognized in other comprehensive income		8,334	-	8,334		
Exchange differences on translation		<u>(35,462)</u>	<u>1,860</u>	<u>(33,602)</u>		
Balance on December 31, 2018	<b>\$</b>	<b><u>1,399,745</u></b>	<b><u>138,507</u></b>	<b><u>1,538,252</u></b>		
		<u>Provision for Contingent Service Cost</u>	<u>Gain on valuation of inventory</u>	<u>Unrealized expenses</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax assets:</b>						
Balance on January 1, 2019	\$	121,800	1,097,392	2,009,494	398,995	3,627,681
Recognized in profit (loss)		12,492	(334,172)	179,413	(100,636)	(242,903)
Recognized in other comprehensive income		-	-	-	622	622
Exchange differences on translation		<u>-</u>	<u>(13,899)</u>	<u>(59,182)</u>	<u>(6,706)</u>	<u>(79,787)</u>
Balance on December 31, 2019	<b>\$</b>	<b><u>134,292</u></b>	<b><u>749,321</u></b>	<b><u>2,129,725</u></b>	<b><u>292,275</u></b>	<b><u>3,305,613</u></b>
Balance on January 1, 2018	\$	108,565	1,253,559	1,686,754	297,114	3,345,992
Recognized in profit (loss)		13,235	(176,778)	324,970	99,446	260,873
Recognized in other comprehensive income		-	-	-	418	418
Exchange differences on translation		<u>-</u>	<u>20,611</u>	<u>(2,230)</u>	<u>2,017</u>	<u>20,398</u>
Balance on December 31, 2018	<b>\$</b>	<b><u>121,800</u></b>	<b><u>1,097,392</u></b>	<b><u>2,009,494</u></b>	<b><u>398,995</u></b>	<b><u>3,627,681</u></b>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Status of approval of income tax

- 1) The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.
- 2) The Group have income tax returns approved by the Tax Authority were as follows :

<u>Years of Approval</u>	<u>Company Name</u>
2016	PEGAVISION CORPORATION and ASROCK INCORPORATION
2017	ASROCK RACK, INC., ASUS INVESTMENT, ASUSTEK INVESTMENT, ASUSPOWER INVESTMENT, AZUREWAVE, AZURE LIGHTING TECHNOLOGIES, INC., EZWAVE TECHNOLOGIES, INC., AMA, KINSUS INTERCONNECT TECHNOLOGY CORP., KINSUS INVESTMENT, STARLINK ELECTRONICS CORPORATION, HUA-YUAN INVESTMENT LTD, LUMENS OPTICS, AS FLY TRAVEL SERVICE LTD, FUYANG TECHNOLOGY CORPORATION, and RI-KUAN METAL CORPORATION (Income tax returns through 2016 haven't been approved).
2018	PEGA INTERNATIONAL LIMITED.

(v) Share capital and other equity interests

(i) Ordinary shares

Reconciliation of shares outstanding for 2019 and 2018 was as follows:

<u>(In thousands of shares)</u>	<u>Ordinary Shares</u>	
	<u>2019</u>	<u>2018</u>
Beginning balance on January 1	2,612,377	2,614,090
Retirement of restricted shares of stock	(1,285)	(1,713)
Ending balance on December 31	<u>2,611,092</u>	<u>2,612,377</u>

For the years ended December 31, 2019 and 2018, the Company had retired 1,285 and 1,713 thousand shares, respectively, of restricted stock to employees. The authorized capital of the Company consisted of both 3,000,000 thousand shares, with par value of \$10 per share, and its outstanding capital consisted of 2,611,092 and 2,612,377 thousand common shares of stock, as of December 31, 2019 and 2018, respectively. All share proceeds from outstanding capital have been collected.

As of December 31, 2019 and 2018, the restricted company shares of stock issued to employees have expired, of which 300 and 497 thousand shares, respectively, have not been retired.

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## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(i) Global depositary receipts

ASUSTeK GDR holders who surrendered their ASUSTeK GDRs on or after the Effective Date of Spin-off and Merger in Taiwan will receive new ASUSTeK GDRs and the Company's entitlement. The Company's entitlement represents the rights to receive 60,819,026 of the Company's common shares in Taiwan.

The Company may issue new GDRs with no more than 60,819,020 of the Company's common shares and deliver them to ASUSTeK GDR holders pursuant to the "Guidelines for Offering and Issuing by Issuer of Overseas Securities". As of December 31, 2019 and 2018, the Company has listed, in total, 790 and 1,594 thousand units of GDRs, respectively, on the Euro MTF market of the Luxembourg Stock Exchange. As each unit of these GDRs represents 5 common shares of the Company, the Company has listed Company shares totaling 3,949 and 7,971 thousand shares of stock, respectively. Major terms and conditions for GDRs were as follows:

1) Voting Rights

Holders of GDRs may exercise voting rights with respect to the common shares in the manner set out in "Terms and Conditions of the Global Depositary Shares – Voting Rights," as such provisions may be amended from time to time to comply with applicable ROC law.

2) Dividend Distributions, Pre-emptive Rights, and Other Rights

Holders of GDRs have same rights on dividend distribution and share distribution as the Company's existing common shareholders.

(ii) Capital surplus

The components of the capital surplus were as follows :

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
From issuance of share capital	\$ 65,571,841	64,623,295
From conversion of convertible bonds	11,073,663	11,073,663
From treasury stock transactions	23,614	23,614
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,432,387	2,383,056
Changes in ownership interest in subsidiaries	1,215,540	760,025
Employee stock options	1,304	1,304
Restricted stock to employees	323,835	1,401,456
Other	409,917	409,917
	<b><u>\$ 81,052,101</u></b>	<b><u>80,676,330</u></b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

According to the R.O.C. Company Act, realized capital reserves can only be capitalized or distributed as cash dividends after offsetting a deficit. The aforementioned realized capital surplus includes share premiums and donation gains. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital reserves that can be capitalized shall not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's Articles of Incorporation require that after tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid legal reserve, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, may be appropriated according to a resolution of a shareholder's meeting.

According to the R.O.C. Company Act, the Company should distribute dividends and bonus, or all or part of the legal reserve and capital surplus, stipulated by the Company Act, as cash dividends based on the resolution of the Board of Directors with two-thirds directors present and approved by one-half of the present directors.

In order to bring about stability in the payment of dividends, the Company distributes dividends depending on the level of earnings of each year. The Company is facing a rapidly changing industrial environment. In consideration of the Company's long term operating plan and funding needs, the Company adopts a stable dividends policy. Therefore, dividend distributions should not be less than 10% of distributable earnings. The Company distributes dividends of at least 10% of the aggregate dividends, if the distributions include cash dividends.

1) Legal reserve

When a company incurs profit, the meeting of shareholders shall decide on the distribution of the statutory earnings reserve either by issuing new shares or by paying cash, of up to 25% of the actual share capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, apportion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Earnings distribution

On June 21, 2019, and June 21, 2018, the Company's shareholder's meeting resolved to appropriate the 2018 and 2017 earnings. These earnings were appropriated or distributed as follows :

	<b>For the years ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Common stock dividends per share (dollars)		
— Cash	<b>\$ 3.50</b>	<b>4.00</b>

(iv) Other equity interest (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Available -for-sale investments	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2019	\$ (7,482,556)	(386,322)	-	(524,686)	(8,393,564)
Exchange differences on foreign operation	(3,493,889)	-	-	-	(3,493,889)
Losses reclassified to profit or loss on disposal of foreign operation	(5,719)	-	-	-	(5,719)
Exchange differences on associates accounted for using equity method	(232)	-	-	-	(232)
Unrealized gain from financial assets measured at fair value through other comprehensive income	-	79,232	-	-	79,232
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	3,436	-	-	3,436
Deferred compensation cost arising from issuance of restricted stock	-	-	-	516,399	516,399
Balance on December 31, 2019	<b>\$ (10,982,396)</b>	<b>(303,654)</b>	<b>-</b>	<b>(8,287)</b>	<b>(11,294,337)</b>
Balance on January 1, 2018	\$ (9,698,374)	-	883,161	(1,222,232)	(10,037,445)
Effects of retrospective application	11,223	(161,048)	(883,161)	-	(1,032,986)
Balance on January 1, 2018 after adjustments	(9,687,151)	(161,048)	-	(1,222,232)	(11,070,431)
Exchange differences on foreign operation	2,217,430	-	-	-	2,217,430
Losses reclassified to profit or loss on disposal of associates accounted for using equity method	(10,750)	-	-	-	(10,750)
Exchange differences on associates accounted for using equity method	(2,085)	-	-	-	(2,085)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(225,274)	-	-	(225,274)
Deferred compensation cost arising from issuance of restricted stock	-	-	-	697,546	697,546
Balance on December 31, 2018	<b>\$ (7,482,556)</b>	<b>(386,322)</b>	<b>-</b>	<b>(524,686)</b>	<b>(8,393,564)</b>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (v) Non-controlling interests (net of tax)

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance on January 1	\$ 36,417,945	33,748,072
(Loss) gain attributable to non-controlling interests	(1,033,633)	1,233
Other comprehensive income attributable to non-controlling interests		
Exchange differences on foreign operation	(591,472)	(202,446)
Income tax related to remeasurements of defined benefit plans	(3,815)	(2,994)
Changes in ownership interest in subsidiaries	(504,846)	(183,992)
Changes in non-controlling interests	<u>1,296,272</u>	<u>3,058,072</u>
Balance on December 31	<u>\$ 35,580,451</u>	<u>36,417,945</u>

## (w) Share-based payment

Information on share-based payment transactions as of December 31, 2019 and 2018 were as follows:

	<u>Equity-settled share-based payment</u>	
	<u>Restricted stock to employee</u>	
	<u>Issued in 2016</u>	<u>Issued in 2014</u>
Thousand units granted	40,000	40,000
Contractual life	3 years	3 years
Vesting period	Note A	Note A
Actual turnover rate of employees	7.39%、0.73%	8.33%
Estimated future turnover rate for each or the three years of employees	10.21%	-

Note A :Employees are entitled to receive 20%, 40%, and 40% of the restricted stock in the first, second, and third year, respectively, of their service.

On June 18, 2014, the shareholders approved a resolution passed during their meeting to award 40,000 thousand new restricted shares of stock to those full-time employees who meet certain requirement of the Company. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On May 7, 2015, the Board of Directors issued 39,678 thousand restricted shares with fair value of NT\$91.9 each at grant date.

Employees with restricted stock awards are entitled to purchase the Company's shares at the price of NT\$10 with the condition that these employees continue to work for the Company for the following three years. 20%, 40%, and 40% of the restricted shares of stock is vested in year 1, 2, and 3, respectively. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the right as the holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issue price, and cancel the shares thereafter.

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## PEGATRON CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

On June 21, 2016, the shareholders approved a resolution passed during their meeting to award 40,000 thousand new restricted shares of stock to those full-time employees who meet certain requirement of the Company. The restricted stock has been declared effective by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On May 9, 2017, the Board of Directors approved to issue 38,191 thousand shares of restricted shares of stock with fair value of NT\$89.7 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was July 11, 2017. The actual issuance number for the capital increase was 37,808 thousand shares. On July 27, 2017, the registration procedures were completed. On September 15, 2017, Board of Directors of the Company approved to issue secondary new restricted shares of stock totaling 2,192 thousand shares with fair value of \$88.5 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was October 19, 2017. The actual issuance number for the capital increase was 2,192 thousand shares, and the registration procedures were completed.

Employees with restricted stock awards are entitled to purchase the Company's shares at the price of NT\$ 10 per share provided that these employees continue to work for the Company for the following three years. 20%, 40%, and 40% of the restricted shares of stock is vested in year 1, 2, and 3, respectively. The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the right as the holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, the Company will repurchase all the unvested shares at the issue price, and cancel the shares thereafter.

(i) Determining the fair value of equity instruments granted

The Company adopted the Black-Scholes model to calculate the fair value of the stock option at grant date, and the assumptions adopted in this valuation model were as follows:

	<b>Equity-settled share-based payment</b>		
	<b>Restricted stock to employee</b>		
	<b>Issued in 2016</b>	<b>Issued in 2016</b>	<b>Issued in 2014</b>
	09/15/2017	05/09/2017	05/07/2015
Fair value at grant date			
Stock price at grant date	\$ 88.50	89.70	91.90
Exercise price	10.00	10.00	10.00
Expected life of the option	3 years	3 years	3 years
Current market price	88.50	89.70	91.90
Expected volatility	22.46%	33.31%	33.37%
Expected dividend yield	-%	-%	-%
Risk-free interest rate	(Note A)	(Note B)	(Note C)

Note A : The risk-free interest rate is 0.13% for the period between three and six month.

Note B : The risk-free interest rate is 0.16% for the period between six and nine month.

Note C : The risk-free interest rate is 0.7992% for the 3rd year.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Restricted stock to employee

For the years ended December 31, 2019 and 2018, 1,088 and 2,017 thousand shares of the restricted shares of stock issued to employees have expired, which were converted to capital surplus of \$10,880 and \$20,165, respectively. As of December 31, 2019 and 2018, the Company has deferred compensation cost arising from the issuance of restricted stock of \$8,287 and \$524,686, respectively.

For the years ended December 31, 2019 and 2018, the Company reversed and recognized salary cost of \$6,548 and \$43,617 from the distribution of cash dividends to estimated non-vesting restricted shares of stock distributed to employees from prior period earnings. Such salary cost was credited/debited to retained earnings.

(iii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the years ended December 31, 2019 and 2018 as follows :

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Expenses resulting from the issuance of restricted stock to employees	<b>\$ 300,495</b>	<b>1,182,963</b>

(x) Subsidiary's share-based payments

(i) Restricted stock to employee of AZUREWAVE

On June 16, 2016, pursuant to the resolution of its shareholders during their meeting, AZURE WAVE will issue 5,000 thousand new restricted shares of stock to those full-time employees who meet certain requirements of AZURE WAVE. The restricted shares of stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On March 13, 2017, Board of Directors approved to issue all restricted shares of stock with fair value of NT\$14.55 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was May 25, 2017. On June 5, 2017, AZURE WAVE's Board of Directors approved to decrease issued shares to 3,655 thousand shares. Furthermore, the record date for the capital increase through issuance of restricted shares of stock was changed to June 5, 2017.

Employees with restricted stock awards are entitled to purchase shares at the price of NT\$10 per share provided that these employees continue to work for AZURE WAVE for the following three years. 20%, 40% and 40% of the restricted shares of stock is vested in year 1, 2 and 3, respectively. The restricted stock is kept by a trust, which is appointed by AZURE WAVE, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted, or by any other means of disposed to third parties during the custody period. These shares of stock are entitled to the same right as the holders of common stock once issued, except for those shares kept by a trust or shares that do not meet the vesting condition. If the shares remain unvested after the vesting period, AZURE WAVE will repurchase all the unvested shares at the issue price, and cancel the shares thereafter. As of December 31, 2018, AZURE WAVE retired 336 thousand shares of the restricted stock due to turnover of employees, and 308 thousand shares had been cancelled.

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
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For the year ended December 31, 2019, AZUREWAVE retired and cancelled 162 thousand shares of restricted employee stock due to the resignation of its employees. Except for the 102 thousand shares, which have been converted into capital shares – pending cancellation, with the record date of capital decrease on December 27, 2019, 60 thousand shares had been cancelled as of December 31, 2019, including the 28 thousand shares which have yet to be cancelled on January 1, 2018.

For the years ended December 31, 2019 and 2018, AZUREWAVE recognized share-based compensation cost of \$2,291 and \$4,953, respectively. As of December 31, 2019, and 2018, AZUREWAVE has deferred compensation cost resulting from the issuance of restricted stock of \$345 and \$2,636, respectively.

(ii) Restricted stock to employee of ASROCK

On June 7, 2017, the shareholders of ASROCK approved a resolution passed during their meeting to award 6,000 thousand new restricted shares of stock to those full-time employees who meet certain requirement of ASROCK. The restricted shares of stock totaling 5,750 thousand shares have been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On September 22, 2017, 5,704 thousand shares were actually issued for such award with fair value of NT\$68.8 each at grant date.

Employees with restricted stock awards are entitled to purchase shares at the price of NT\$10 per share provided that these employees continue to work for ASROCK for the following three years. 40%, 30% and 30% of the restricted shares of stock is vested in year 1, 2 and 3, respectively. The restricted stock is kept by a trust, which is appointed by ASROCK, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the same right as holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition.

The aforesaid information of restricted stock to employees was as follows:

Vesting period	<b>Restricted stock to employee</b>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
Original vested shares (In thousands)	2,282	1,711	1,711	5,704
Estimated employee turnover rate	- %	3.89 %	7.00 %	
Vested shares after considering employee turnover rate (In thousands)	2,282	1,645	1,591	5,518
Embedded value	NT\$58.80	58.80	58.80	
Service costs	\$ 134,158	96,705	93,575	324,438

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) ASROCK

On September 22, 2017, ASROCK issued restricted shares of stock to employees amounting to 5,704 thousand shares, which was charged to capital surplus - restricted employee stock of \$245,372. ASROCK adjusted its estimated turnover rate to actual rate in June, 2018, resulting in increasing its capital surplus - restricted employee stock by \$47,089. ASROCK then adjusted the estimated turnover rate in August, 2018, resulting in increasing its capital surplus - restricted employee stock by \$26,835. Capital surplus - restricted shares of stock was charged to capital surplus - share premium due to vested shares of the year, resulting in its capital surplus - restricted employee stock decreasing by \$134,158. As of December 31, 2018, ASROCK has capital surplus-restricted shares of stock and deferred compensation cost arising from issuance of restricted stock amounting to \$185,138 and \$82,494, respectively.

For the year ended December 31, 2018, ASROCK recognized salary cost of \$1,094 from the distribution of cash dividends to the estimated nonvesting restricted shares of stock distributed to employees from prior period earnings. Such salary cost was credited to retained earnings

In August 2019, ASROCK recognized its capital surplus-restricted shares of stock of \$5,142, deriving from the revision of its estimated employee turnover rate. The vested capital surplus-restricted shares of stock in 2019 has been converted into capital surplus - share premiums, resulting in a decrease of \$96,705 in capital shares - restricted surplus. On December 31, 2019, ASROCK has the capital surplus-restricted shares of stock and deferred compensation cost arising from issuance of restricted stock amounting to \$93,575 and \$18,202, respectively.

The cash dividend received by the non-vested employees in 2018 amounting to \$1,094 was debited as salary expense and credited as retained earnings in 2019. In August, 2019, the cash dividends received by the non-vested employees in 2017 and 2018, adjusted to salary expense based on the revised estimated employee turnover rate, each amounted to \$349, with the total amount of \$698, which was debited to retained earnings.

2) ASROCK RACK INCORPORATION

On February 27, 2019, the Board of Directors of ASROCK RACK INCORPORATION approved to award 1,490 thousand new restricted shares of stock to those fulltime employees who met certain requirement of ASROCK RACK INCORPORATION. On March 4, 2019, 1,490 thousand shares were actually issued for such award with fair value of NT\$5.53 each at the granted date.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
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Employees with restricted stock awards who keep working for ASROCK RACK INCORPORATION for three years, 50% of the restricted shares of stock are vested in year 3, which started at the granted date. During the service, employees cannot violate the law, code of conduct, code of business ethics conduct, etc. Employees with restricted stock awards who keep working for ASROCK RACK INCORPORATION for four years, residual 50% of the restricted shares of stock is vested in year 4, which started at the granted date. Meanwhile, during the service, employees cannot violate the law, code of conduct, code of business ethics conduct etc. The restricted stock is kept by a trust, which is appointed by ASROCK RACK INCORPORATION, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. These shares of stock are entitled to the same right as holders of common shares once issued, except for those shares kept by a trust or shares that do not meet the vesting condition.

The aforesaid information of restricted stock to employee was follows:

Vesting period	<b>Restricted stock to employee</b>				
	<b>year 1</b>	<b>years 2</b>	<b>years 3</b>	<b>years 4</b>	<b>Total</b>
Original vested shares	-	-	745,000	745,000	1,490,000
Estimated employee turnover rate	-	-	36.08 %	43.53 %	
Vested shares after considering employee turnover rate	-	-	476,204	420,702	896,906
Embedded value	NT\$ -	-	5.53	5.53	
Service costs	\$ -	-	2,633	2,326	4,959

3) **ASROCK INDUSTRIAL COMPUTER CORPORATION**

On January 15, 2019, the Board of Directors of ASROCK INDUSTRIAL COMPUTER CORPORATION approved a resolution passed during their meeting to award 1,500 thousand employee stock option. Each option certificate can purchase one ordinary share, delivered by issuing new shares. The option certificates, awarded to those employees who meet certain requirement of ASROCK INDUSTRIAL COMPUTER CORPORATION. Duration is 30 months. One year after issuance, the certificate owners can exercise a specific proportion of the option certificates. The exercise price of the option is \$10 per share. After the issue of the options, even if ASROCK INDUSTRIAL COMPUTER has changed the total amount of the common shares, the price would not be changed.

The fair value of the options is evaluated according to the binomial option pricing model, and the parameters and assumptions are based on the terms and conditions of the contract.

<b>Grant date</b>	<b>Total shares issued (In thousands of shares)</b>	<b>Exercise price per share</b>
January 15, 2019	1,500	NT\$ 10

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
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For the year ended December 31, 2019, the assumptions and pricing model adopted in this share-based payments were as follows:

	<b>For the year ended December 31</b>
	<b>2019</b>
Expected volatility rate	31.74%
Risk-free interest rate	0.5741%
Expected duration of option	2.5 years
Weighted average stock price	NT\$8.10
Pricing model	Binomial options pricing model

Expected duration period of option was estimated by historical data and current expectation. Consequently, it might not equal to actual implement situation. Expected volatility rate assumed that historical volatility close to the duration period of the option represents future trend. Hence, it might not equal the actual ratio in the future.

The aforesaid information on the employee stock option was as follow:

	<b>For the year ended December 31</b>	
	<b>2019</b>	
	<b>Outstanding number of options (In thousand units)</b>	<b>Weighted average exercise price</b>
Outstanding as of January 1	-	NT\$ -
Granted during the period	1,500	10
Exercising during the period	-	-
Outstanding as of December 31	<b>1,500</b>	10
Exercisable as of December 31	-	
Weighted average fair value of the options granted	NT\$ <u>          -</u>	

As of December 31, 2019, related information about outstanding options on the share-based payments was as follows:

<b>December 31, 2019</b>	<b>Exercise price</b>	<b>Weighted average residual duration</b>
Outstanding option	NT\$10	1.125 years

ASRock Industrial Computer Corporation increased its capital by 20,000 thousand shares, at a par value of \$10 per share, with the record date of the capital increase by cash on October 1, 2019, based on the resolution approved by its board of directors on July 24, 2019 and completed the registration on October 29, 2019.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
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In accordance with the Company Act., ASRock Industrial Computer Corporation retained 10% of the aforesaid shares for its employees to purchase using the fair value method, adopting the Black Scholes model to calculate the fair value of the stock option at grant date as follows:

Stock price at grant date	NT\$12.28
Exercise price	NT\$10.00
Expected price volatility	26.96%
Risk-free interest rate	0.3874%
Expected life of the option	0.0795 years
Weighted average stock price	NT\$2.28

For the year ended December 31, 2019, ASRock Industrial Computer Corporation incurred compensation cost of \$4,560 because of the capital increase and recognized the cost in capital surplus.

- 4) ASROCK did not make any cancellation or amendment to share-based payment transactions for the year ended December 31, 2019 .
- 5) The expenses resulting from share-based payment transactions were as follows :

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Expense resulting from equity-settled share-based payment	<u>\$ 76,519</u>	<u>166,792</u>

(iii) Restricted stock to employee of CASETEK CAYMAN

On June 22, 2017, pursuant to the resolution of its shareholders during their meeting, CASETEK CAYMAN will issue 1,500 thousand new restricted shares of stock to those full-time employees who meet certain requirement of CASETEK CAYMAN and its subsidiaries. The restricted shares of stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On August 31, 2017, Board of Directors of CASETEK CAYMAN approved to issue all restricted shares of stock. The record date for the capital increase through issuance of restricted shares of stock was September 5, 2017.

Employees with restricted stock awards are entitled to obtain shares without consideration provided that these employees continue to work for CASETEK CAYMAN for at least six months. 50% of the restricted stock is vested in six months, and the remaining shares of stock is vested in year 1. The restricted stock is kept by a trust, which is appointed by CASETEK CAYMAN, before it is vested. These shares of stock shall not be sold, pledged, transferred, gifted, or by any other means of disposed to third parties during the custody period. The voting rights of these shareholders are executed by the custodian. If the shares remain unvested after the vesting period, CASETEK CAYMAN bears the right to retire the restricted shares of stock without any payment and to cancel all restricted shares of stock issued to any employee who fails to comply with the vesting condition without returning the distributed dividend.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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Information on restricted shares of stock to employee was as follows :

	<b>For the years ended December 31 2018</b>
Outstanding as of January 1 (In thousands of shares)	1,500
Vested during the period	(750)
Expired during the period	(750)
Outstanding as of December 31 (In thousands of shares)	<u><u>-</u></u>

Capital surplus of \$135,000 was recognized from the issuance of restricted employee stock, amounting to \$15,000 with the fair value of NT\$100 per share based on the closing price at grant date. On March 5, 2018, half of the aforesaid restricted employee stock has met certain vesting requirements, and 750 thousand shares has been issued. Capital surplus - restricted employee stock amounting to \$67,500 was converted to capital surplus - share premium.

As of December 31, 2018, CASETEK CAYMAN retired 750 thousand shares of restricted employee stock, and all shares had been cancelled.

The expense resulting from share-based payment transactions for the year ended December 31, 2018 was \$1,858.

(iv) Employee stock option of FUYANG TECHNOLOGY CORPORATION

As of December 31, 2019 and 2018, FUYANG TECHNOLOGY CORPORATION had the following share-based payment transaction:

	<b>Equity-settled Employee stock option</b>
Grant date	July 10, 2017
Number of shares granted (In thousands of shares)	10,000
Contract term	4 years
Vesting conditions	At least 2 years of service after acquisition

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Determining the fair value of equity instruments granted

FUYANG TECHNOLOGY CORPORATION adopted the Black-Scholes model to calculate the fair value of the stock option at grant date, and the assumptions adopted in this valuation model were as follows:

	For the year ended December 31 2019
	<b>Employee stock option issued in 2017</b>
<u>Valuation model</u>	
Fair value at grant date	NT\$ 1.54
Stock price at grant date	NT\$ 8.05
Exercise price	NT\$ 10.00
<u>Assumptions</u>	
Dividend yield	-
Expected price volatility	32.81 %
Expected life of the option	4 years
Risk-free interest rate	0.73 %

The expected volatility rate is estimated based on peers' average annualized standard deviation of daily returns. The expected life of the option is in compliance with the issuance regulation of FUYANG TECHNOLOGY CORPORATION. The risk-free interest rate was determined based on government bonds. Service and non-market performance conditions attached to the transactions were not taken into account in determining the fair value.

2) Employee stock options

Information on employee stock options was as follows :

	For the years ended December 31			
	2019		2018	
	Weighted- average exercise price	Units of stock option (In thousand units)	Weighted- average exercise price	Units of stock option (In thousand units)
Outstanding as of January 1	\$ 8.05	7,990	8.05	10,000
Expired during the year	-	-	8.05	(2,010)
Granted during the year	-	-	-	-
Outstanding as of December 31		7,990		7,990
Exercisable as of December 31		-		-

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
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- 3) The expense resulting from share-based payment transactions for the years ended December 31, 2019 and 2018, were as follows :

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Expenses resulting from employee stock option	<b>\$ 2,585</b>	<b>3,311</b>

- (v) Compensated restricted stock to employee of KINSUS

- 1) On May 29, 2018, the shareholders meeting approved to issue 5,500 thousand shares of restricted employee stock for certain qualified employee, with the approval from the Securities and Futures Bureau. On July 30, 2018, the board of KINSUS approved to issue 4,947 thousand shares of restricted stock, with the record date for the capital increase on August 28, 2018. However, only 4,841 thousand shares were actually issued, with a fair value of \$49.1 per share at the granted date.
- 2) On February 28, 2019, the board of KINSUS approved to issue 659 thousand shares of restricted stock, with the record date for the capital increase on March 18, 2019. However, only 599 thousand shares were actually issued, with a fair value of \$43.45 per share at the granted date.

Employees with restricted stock awards are entitled to purchase shares at the price of \$10 per share, and the vesting conditions were as follows :

<b>Vesting conditions</b>	<b>Vested percentage of restricted stock</b>
One month from grant date	20 %
April 25, 2019	20 %
September 25, 2019	15 %
April 25, 2020	15 %
September 25, 2020	15 %
April 25, 2021	15 %

The restricted obligation before vested was as follows :

- a) The restricted stock is kept by a trust before being vested. These shares shall not be sold, pledged, transferred, gifted, or disposed of by any other means to third parties during the custody period.
- b) Upon the issuance of the restricted stock, it shall be kept by a trust immediately. Before the vesting conditions have been met, there shall not be any reason or way to request trustee returning the restricted stock.
- c) The restricted stock can participate in the distribution of cash dividend and stock dividend in the vesting period.
- d) The voting rights of these shareholders are executed by the custodian, and the custodian will act based on law and regulations.

(Continued)



**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On August 28, 2018, KINSUS issued a total of 4,841 thousand shares of employee restricted stock, resulting in its capital surplus - restricted employee stock to increase by \$184,530. As of December 31, 2019, 379 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$3,790. On December 31, 2019, KINSUS has the deferred compensation cost arising from the issuance of its employee restricted stock amounting to \$24,955.

On March 18, 2019, KINSUS issued a total of 599 thousand shares of employee restricted stock, resulting in its capital surplus - restricted employee stock to increase by \$19,396. As of December 31, 2019, 20 thousand shares of employee restricted stock have expired, resulting in the capital surplus of KINSUS to increase by \$200. On December 31, 2019,, KINSUS has the deferred compensation cost arising from the issuance of its employee restricted stock amounting to \$3,637.

- 3) The expense resulting from the share-based payment transactions was as follows :

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Expense resulting from equity-settled share-based payment	\$ 80,477	82,525

- 4) KINSUS did not made any cancellations or amendments to share-based payment transactions for the year ended December 31, 2019.

- (vi) Stock appreciation rights of FUYANG ELECTRONICS (SUZHOU) CO., LTD.

On April 28, 2017, Board of Directors of FUYANG ELECTRONICS (SUZHOU) CO., LTD. approved to issue 5,000 thousand units of stock appreciation rights to employees with fair value of NT\$10 each. As of December 31, 2019, FUYANG ELECTRONICS (SUZHOU) CO., LTD. had two share-based payment arrangements as follows:

	<b>Stock appreciation rights (employee)</b>	
	6 years	7 years
Vesting period		
Original vested units (In thousand units)	2,500	2,500
Outstanding as of December 31	1,645	1,645
Expected employee turnover rate	83.75%	90.30%
Vested units after considering employee turnover rate (In thousand units)	267	160
Fair value (dollars)	\$ 1.94	1.94
Service costs (In thousand dollars)	\$ 519	310

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Units of stock option (In thousand units)</b>	<b>Units of stock option (In thousand units)</b>
Outstanding as of January 1	\$ 3,290	5,000
Expired during the year	-	(1,710)
Outstanding as of December 31	\$ 3,290	3,290
Exercisable as of December 31	3,290	3,290

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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## (y) Earnings per share

The basic earnings per share and diluted earnings per shares were calculated as follows :

	For the three months ended December 31	
	2019	2018
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders	\$ <u>19,317,741</u>	<u>11,114,866</u>
Weighted-average number of ordinary shares	<u>2,611,330</u>	<u>2,612,769</u>
	\$ <u>7.40</u>	<u>4.25</u>
<b>Diluted earnings per share</b>		
Profit attributable to ordinary shareholders (diluted)	\$ <u>19,317,741</u>	<u>11,114,866</u>
Weighted-average number of ordinary shares	2,611,330	2,612,769
Effect of potentially dilutive ordinary shares		
Employee stock bonus	<u>27,226</u>	<u>20,580</u>
Weighted-average number of ordinary shares (diluted)	<u>2,638,556</u>	<u>2,633,349</u>
	\$ <u>7.32</u>	<u>4.22</u>

## (z) Revenue from contracts with customers

## (i) Disaggregation of revenue

	For the year ended December 31, 2019		
	DMS	Strategic Investment Group	Total
Primary geographical markets :			
Europe	\$ 547,976,653	5,625,336	553,601,989
U.S.A.	446,067,161	25,487,085	471,554,246
Taiwan	124,934,818	7,100,364	132,035,182
China	37,090,465	34,050,918	71,141,383
Japan	64,116,533	1,806,028	65,922,561
Other countries	<u>69,274,557</u>	<u>2,757,408</u>	<u>72,031,965</u>
	<u>\$ 1,289,460,187</u>	<u>76,827,139</u>	<u>1,366,287,326</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
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	<b>For the year ended December 31, 2018</b>		
	<b>DMS</b>	<b>Strategic Investment Group</b>	<b>Total</b>
	Primary geographical markets :		
Europe	\$ 540,507,707	3,373,813	543,881,520
U.S.A.	440,140,252	33,717,061	473,857,313
Taiwan	107,161,958	6,068,012	113,229,970
China	36,216,244	36,959,751	73,175,995
Japan	72,267,550	577,401	72,844,951
Other countries	61,760,632	1,251,650	63,012,282
	<b>\$ 1,258,054,343</b>	<b>81,947,688</b>	<b>1,340,002,031</b>

(ii) Contract balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Notes receivable	\$ 20,232	45,327	52,010
Accounts receivable	207,994,571	200,619,185	151,085,518
Less: Allowance for impairment	1,676,398	1,780,928	1,723,316
Total	<b>\$ 206,338,405</b>	<b>198,883,584</b>	<b>149,414,212</b>
Contract liabilities	<b>\$ 1,942,418</b>	<b>1,363,197</b>	<b>1,854,707</b>

Please refer to Note 6(d) for the details on accounts receivable and allowance for impairment.

The amounts of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were \$1,363,197 and \$1,854,707, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2019 and 2018.

(aa) Remuneration of employees and directors

Based on the amended Company's Articles of Incorporation, remuneration of employees and directors are appropriated at the rate of at least 7% and no more than 0.7% of profit before tax, respectively. Prior years' accumulated deficit is first offset before any appropriation of profit. Employees of subsidiaries may also be entitled to the employee remuneration of the Company, which can be settled in the form of cash or stock.

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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For the years ended December 31, 2019 and 2018, remuneration of employees of \$1,639,000 and \$896,000, respectively, and remuneration of directors of \$163,000 and \$89,000, respectively, were estimated on the basis of the Company's net profit before tax, excluding the remuneration of employees and directors of each period, multiplied by the percentage of remuneration of employees and directors as specified in the Company's Articles of Incorporation. Such amounts were recognized as operating cost or operating expense for the years ended December 31, 2019 and 2018. Management is expecting that the differences, if any, between the actual distributed amounts and estimated amounts will be treated as changes in accounting estimates and charged to profit or loss. The number of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day prior to the Board of Directors meeting. For further relevant information, please refer to Market Observation Post System. There was no difference between the amounts approved in the Board of Directors meeting and recognized for the years ended December 31, 2019 and 2018.

(ab) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Interest income	\$ 3,599,944	2,309,814
Subsidy income	2,779,484	1,756,306
Rental income	887,908	292,675
Technical service income	569,067	540,224
Other income	<u>339,165</u>	<u>467,176</u>
	<u>\$ 8,175,568</u>	<u>5,366,195</u>

(ii) Other gains and losses

The details of other gain and losses were as follows:

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Reversal of expected credit loss	\$ 41,186	12
(Losses) gains on disposals of property, plant and equipment	(8,710)	156,524
Gains on disposals of investments	5,892	42,098
Foreign exchange (losses) gains	(482,765)	567,045
Gains on lease modifications	2,522	-
Impairment loss on non-financial assets	(15,279)	(63,167)
Net gains(losses) on financial assets measured at fair value through profit or loss	4,046,018	(191,266)
Compensation losses	<u>-</u>	<u>(32,410)</u>
	<u>\$ 3,588,864</u>	<u>478,836</u>

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**PEGATRON CORPORATION AND SUBSIDIARIES**  
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## (iii) Finance costs

The details of finance costs were as follows:

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest expenses	\$ 3,189,505	2,596,132
Financial expense-bank fees and factoring fees, etc.	17,037	18,303
	<b>\$ 3,206,542</b>	<b>2,614,435</b>

## (ac) Reclassification adjustments of components of other comprehensive income

	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Cumulative adjustment		
Cumulative foreign exchange difference from current period	\$ (4,085,361)	2,014,984
Share of other associates accounted for using equity method	(232)	(2,085)
Reclassification to profit or loss on the disposal of other associates accounted for using equity method	-	(10,750)
Reclassification to profit or loss on the disposal of other associates accounted for using equity method	(5,719)	-
Net change in fair value recognized in other comprehensive income	<b>\$ (4,091,312)</b>	<b>2,002,149</b>

## (ad) Financial instruments

## (i) Credit risk

## 1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

## 2) Concentration of credit risk

As of December 31, 2019 and 2018, the accounts receivable from the Group's top three customers were amounted to \$151,554,738 and \$129,779,524, respectively, representing 73% and 65% of accounts receivable, respectively, which exposes the Group to credit risk.

## 3) Accounts receivable of credit risk

For credit risk exposure of notes and accounts receivables, please refer to note 6(d). Other financial assets at amortized cost includes other receivables and time deposits, etc.

All of these financial assets are considered to be low risk, and thus the impairment provision recognized during the period was limited to 12 months expected losses. (Please refer to Note 4(g) for the Group determines whether credit risk is to be low risk).

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The loss allowance provision for the years ended December 31, 2019 and 2018 were determined as follows :

	<b>Other receivables</b>
Balance on January 1, 2019	\$ 14,374
Impairment loss recognized	3,337
Reversal of impairment loss	(9)
Foreign exchange gain	(700)
Balance on December 31, 2019	<b>\$ 17,002</b>
Balance on January 1, 2018	\$ 13,494
Impairment loss recognized	1,113
Foreign exchange gain	(233)
Balance on December 31, 2018	<b>\$ 14,374</b>

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments and the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	More than 2 years
<b>December 31, 2019</b>					
Non-derivative financial liabilities					
Unsecured bank loans	\$ 74,001,236	74,001,236	67,466,282	857,421	5,677,533
Unsecured ordinary corporate bonds	23,500,000	23,500,000	3,000,000	1,000,000	19,500,000
Non-interest bearing liabilities	249,747,416	249,747,416	249,747,416	-	-
Lease liabilities	2,489,741	2,489,741	1,195,039	914,164	380,538
	<b>\$ 349,738,393</b>	<b>349,738,393</b>	<b>321,408,737</b>	<b>2,771,585</b>	<b>25,558,071</b>
<b>December 31, 2018</b>					
Non-derivative financial liabilities					
Secured bank loans	\$ 80,490	80,490	80,490	-	-
Unsecured bank loans	98,746,959	98,746,959	89,235,278	6,707,806	2,803,875
Unsecured ordinary corporate bonds	15,000,000	15,000,000	-	3,000,000	12,000,000
Non-interest bearing liabilities	261,781,132	261,781,132	261,781,132	-	-
	<b>\$ 375,608,581</b>	<b>375,608,581</b>	<b>351,096,900</b>	<b>9,707,806</b>	<b>14,803,875</b>

The liquidity of the aforesaid bank loans, bonds payable, and lease liabilities does not include interest expense on cash outflow. The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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## (iii) Market risk

## 1) Currency risk

The Group's significant exposures to foreign currency risk were as follows :

(Unit: Foreign currency / NTD in Thousands)

	December 31, 2019			December 31, 2018		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$18,131,819	29.980	543,591,934	16,701,074	30.715	512,973,488
USD:CNY	433,187	6.9762	12,987,041	402,783	6.8632	12,371,431
CNY:USD	2,178,975	0.1433	9,364,077	2,346,521	0.1457	10,501,427
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	17,505,328	29.980	524,809,733	16,926,775	30.715	519,905,894
USD:CNY	368,450	6.9762	11,046,212	361,240	6.8632	11,095,443
CNY:USD	2,243,752	0.1433	9,642,454	2,702,709	0.1457	12,095,481

## 2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables, loans, accounts and other payables that are denominated in foreign currency. A 1% of appreciation or depreciation of each major foreign currency against the Group's functional currency as of December 31, 2019 and 2018 would have increased (decreased) the before-tax net income for the years ended December 31, 2019 and 2018 by \$208,816 and \$58,492, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

## 3) Foreign exchange gains or losses on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018, foreign exchange (loss) gain (including realized and unrealized portions) amounted to (\$482,765) and \$567,045, respectively.

## (iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments at the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year at the reporting date. The Group's internal management reported the increases/decreases in the interest rates and the exposure to changes in interest rates of 1% is considered by management to be a reasonable change of interest rate.

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If the interest rate increases / decreases by 1%, the Group's net income will decrease /increase by \$267,850 and \$261,450 for the years ended December 31, 2019 and 2018, respectively, assuming all other variable factors remaining constant. This is mainly due to the Group's variable rate borrowing and cash advances for accounts receivable factoring.

(v) Other market price risk

If the equity price changes, the impact of equity price change to other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remain the same :

	For the years ended December 31			
	2019		2018	
	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)	Comprehensive Income (Loss) (net of tax)	Net Income (Loss) (net of tax)
Increase 3%	\$ 25,745	139,822	24,378	37,798
Decrease 3%	\$ (25,745)	(139,822)	(24,378)	(37,798)

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

The Group measured its financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows ; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required :

	December 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Financial assets mandatorily measured at fair value through profit or loss	\$ 7,357,795	6,372,879	637,200	347,716	7,357,795
<b>Financial assets at fair value through other comprehensive income</b>					
Receivables-Financial assets at fair value through other comprehensive income	\$ 7,495,000	7,495,000	-	-	7,495,000
Stock of listed companies	\$ 586,407	586,407	-	-	586,407
Stock of unlisted companies	150,000	-	-	150,000	150,000
Stock of overseas unlisted companies	121,751	-	-	121,751	121,751
Subtotal	\$ 8,353,158	8,081,407	-	271,751	8,353,158

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2) Valuation techniques for financial instruments not measured at fair value :

The assumptions and methods used in valuing financial instruments that are not measured at fair value are as follows :

a) Financial assets and liabilities measured at amortized cost

Fair value measurement for financial assets and liabilities is based on the latest quoted price and agreed-upon price if these prices are available in active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

3) Valuation techniques for financial instruments measured at fair value :

a) Non-derivative financial instruments

Financial instruments trade in active markets is based on quoted market prices.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

Measurements of fair value of financial instruments without active market are based on valuation technique or quoted price from competitor. Fair value measured by valuation technique can be extrapolated from similar financial instruments, discounted cash flow method or other valuation technique which include model calculating with observable market data at the balance sheet date.

b) Derivative financial instruments

It is based on the valuation model accepted by the most market users, ex: discount rate and option pricing model. Forward exchange agreement is usually based on the current forward rate.

Fair value of structured financial instruments is based on appropriated valuation model, ex: Black-Scholes model, or other valuation model, ex: Monte Carlo simulation.

4) Transfers between Level 1 and Level 2

There have been no transfers from each level for the years ended December 31, 2019 and 2018.

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5) Reconciliation of Level 3 fair values

	<u>At fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
	<u>Non derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Total</u>
Opening balance, January 1, 2019	\$ 202,971	282,075	485,046
Total gains and losses recognized:			
In profit or loss	(43,371)	-	(43,371)
In other comprehensive income	-	(10,323)	(10,323)
Purchased	<u>188,116</u>	<u>-</u>	<u>188,116</u>
Ending Balance, December 31, 2019	<u>\$ 347,716</u>	<u>271,752</u>	<u>619,468</u>
Opening balance, January 1, 2018	\$ 71,015	279,494	350,509
Total gains and losses recognized:			
In profit or loss	(259)	-	(259)
In other comprehensive income	-	(22,473)	(22,473)
Purchased	<u>132,215</u>	<u>25,054</u>	<u>157,269</u>
Ending Balance, December 31, 2018	<u>\$ 202,971</u>	<u>282,075</u>	<u>485,046</u>

For the years ended December 31, 2019 and 2018, total gains and losses that were included in “other gains and losses” and “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

	<u>2019</u>	<u>2018</u>
Total gains and losses recognized:		
In profit or loss, and including “other gains and losses”	<u>\$ (43,371)</u>	<u>(259)</u>
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	<u>\$ (10,323)</u>	<u>(22,473)</u>

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss – equity investments, private equity and financial assets measured at fair value through other comprehensive income – equity investments.

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Most of the Group's financial assets in Level 3 have only one significant unobservable input, while its financial instrument investments without an active market have more than one significant unobservable inputs. The significant unobservable inputs of financial instrument investments without an active market are individually independent, and there is no correlation between them.

Quantified information of significant unobservable inputs was as follows :

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> <li>·The multiplier of price-to-book ratio (As of December 31, 2019 and December 31, 2018, were 1.0~2.6 and 0.9, respectively.)</li> <li>·Market illiquidity discount (As of December 31, 2019 and December 31, 2018, were 20%)</li> </ul>	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> <li>·the multiplier were higher (lower)</li> <li>·the market illiquidity discount were lower (higher).</li> </ul>
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> <li>·The multiplier of price-to-book ratio (As of December 31, 2019 and December 31, 2018, were 1.9~6.2 and 1.8~5.7, respectively.)</li> <li>·Market illiquidity discount (As of December 31, 2019 and December 31, 2018, were 20%)</li> </ul>	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> <li>·the multiplier were higher (lower)</li> <li>·the market illiquidity discount were lower (higher).</li> </ul>
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	·Net Asset Value	Not applicable

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income :

	<u>Inputs</u>	<u>Fluctuation in inputs</u>	<u>Profit or loss</u>		<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2019</b>						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	880	(880)	-	-
Equity investments without an active market	Market illiquidity discount	1%	880	(880)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	2,718	(2,718)
Equity investments without an active market	Market illiquidity discount	1%	-	-	2,718	(2,718)

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	Inputs	Fluctuation in inputs	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
<b>December 31, 2018</b>						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	797	(797)	-	-
Equity investments without an active market	Market illiquidity discount	1%	797	(797)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	2,821	(2,821)
Equity investments without an active market	Market illiquidity discount	1%	-	-	2,821	(2,821)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(vii) Offsetting of financial assets and financial liabilities

The Group has financial assets and liabilities which are subject to the guidance concerning financial instrument transactions under paragraph 42 of IAS 32 as endorsed by the Financial Supervisory Commission. These financial assets and liabilities are presented on a net basis in balance sheet.

The following table presents the recognized financial instruments that are subject to offsetting agreement or contract and have legally enforceable right to set off :

December 31, 2019						
Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Assets (a)	Gross Liabilities Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset (d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 23,050,581	15,787,701	7,262,880	-	-	7,262,880

  

December 31, 2019						
Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Liabilities (a)	Gross Assets Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset (d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 15,787,701	15,787,701	-	-	-	-

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December 31, 2018						
Financial assets subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Assets (a)	Gross Liabilities Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset (d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 30,241,749	22,562,671	7,679,078	-	-	7,679,078

December 31, 2018						
Financial liabilities subject to offsetting agreement or contract and have legally enforceable right to set off.						
	Gross Liabilities (a)	Gross Assets Offset (b)	Net amounts presented (c)=(a)-(b)	Amounts not offset (d)		
				Financial Instruments (Note)	Cash collected as pledge	Net amounts (e)=(c)-(d)
Accounts Receivable and Payable	\$ 22,562,671	22,562,671	-	-	-	-

Note : The master netting arrangement and non-cash collateral were included.

(ae) Financial risk management

(i) Overview

The Group has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying non-consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has deputized managements of core business departments for developing and monitoring the Group's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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The Group's Internal Audit Department oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures and exception management, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk means the potential loss of the Group if the counterparty involved in that transaction defaults. The primary potential credit risk is from financial instruments like cash, equity securities, and accounts receivable. Also, the Group deposits cash in different financial institutions. The Group manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk on cash and equity securities.

The Group transacted only with the approved third parties with good financial conditions and reputation. For those customers with poor financial situation, the Group would transfer the risk through acquiring guarantees or transacting by L/C. Therefore, the Group believes that there is no significant credit risk.

1) Accounts receivable and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the current deteriorating economic circumstances.

Under its customer credibility evaluation policies, the Group evaluates the customer's credibility and collectability of notes and account receivables regularly before doing business. Thus, management is not expecting any significant uncollectible accounts.

The major customers of the Group are concentrated in the high-tech computer industry. As the customers of the Group have good credits and profit records, the Group evaluates the financial conditions of these customers continually to reduce credit risk from accounts receivable. Moreover, the Group also periodically evaluates the customers' financial positions and the possibility of collecting accounts receivable. Thus, management is not expecting any significant issue on credit risk.

2) Investment

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, management believes that the Group do not have compliance issues and no significant credit risk.

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3) Guarantee

The Group's policies were prepared in accordance with Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies. Please refer to Notes 9 and 13 Table 2 for details of endorsements and guarantees provided by the Group as of December 31, 2019 and 2018.

(iv) Liquidity risk

Liquidity risk is a risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The capital and working funds of the Group are sufficient to meet its entire contractual obligations and non-hedging forward exchange contracts; therefore, management is not expecting any significant issue on liquidity risk.

(v) Market risk

Market risk is a risk that arises from changes in market prices, such as foreign exchange rates, interest rates and equity prices that affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (NTD), US Dollars (USD) and Chinese Yuan (CNY). The currencies used in these transactions are denominated in NTD, EUR, USD, and CNY.

The Group's foreign currency denominated purchases and sales are denominated mainly in US dollars. This exposes the Group to the current and future foreign exchange fluctuation risk that arises from cash flows of foreign currency assets and liabilities. However, the risks may be regarded as insignificant, because foreign currency losses from sales are subsequently offset by the foreign currency gain from purchases. In addition, the Group conducts foreign exchange activities on spot market in order to manage its foreign exchange risks.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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2) Interest rate risk

The Group's interest rate risk arises from part of the short-term and long-term loans bearing floating interest rates and cash advances for accounts receivable factoring. Future cash flow will be affected by a change in market interest rate. The Group decreases the interest rate risk through negotiating with banks aperiodically.

3) Price floating risk on equity instruments

The equity securities held by the Group are classified as financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. As these assets are measured at fair value, the Group is exposed to the market price fluctuation risk in the equity securities market. The Group's investment portfolios of equity instruments are reviewed regularly by management, and significant investment decision is approved by the Board of Directors.

(af) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, paid-in capital, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group uses the debt-to-equity ratio, interest bearing liability-to-equity ratio and other financial ratio to maintain an optimal capital structure and raise returns on equity.

The Group's debt to equity ratios at the balance sheet date were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total liabilities	\$ 377,274,280	397,903,832
Less: cash and cash equivalents	<u>145,795,913</u>	<u>106,068,046</u>
Net debt	<b><u>\$ 231,478,367</u></b>	<b><u>291,835,786</u></b>
Total capital (Note)	<b><u>\$ 424,723,880</u></b>	<b><u>478,282,569</u></b>
Debt to equity ratio	<b><u>54.50%</u></b>	<b><u>61.02%</u></b>

Note : Total capital includes share capital, capital surplus, retained earnings, other equity and non-controlling interest and net debt.

Management believes that there were no changes in the Group's approach to capital management for the year ended December 31, 2019.

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(ag) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the years ended December 31, 2019 and 2018, were as follows :

Reconciliation of liabilities arising from financing activities were as follows :

	January 1, 2019	Cash flows	Non-cash changes		December 31, 2019
			Foreign exchange movement	Other	
Long-term loans	\$ 11,900,203	(2,498,737)	(209,016)	-	9,192,450
Short-term loans	86,927,246	(22,118,460)	-	-	64,808,786
Bonds payable	14,986,762	8,490,500	-	3,077	23,480,339
Lease liabilities	2,945,584	(1,522,957)	(16,506)	1,083,620	2,489,741
Other payables-restricted employee stock	191,883	(12,500)	-	(82,716)	96,667
Non-controlling interests	<u>36,417,945</u>	<u>2,061,226</u>	<u>(591,472)</u>	<u>(2,307,248)</u>	<u>35,580,451</u>
Total liabilities from financing activities	<u>\$153,369,623</u>	<u>(15,600,928)</u>	<u>(816,994)</u>	<u>(1,303,267)</u>	<u>135,648,434</u>

	January 1, 2018	Cash flows	Non-cash changes		December 31, 2018
			Foreign exchange movement	Other	
Long-term loans	\$ 8,062,112	3,635,750	202,341	-	11,900,203
Short-term loans	46,058,620	40,868,626	-	-	86,927,246
Bonds payable	6,992,476	7,992,000	-	2,286	14,986,762
Other payables-restricted employee stock	259,771	(23,525)	-	(44,363)	191,883
Non-controlling interests	<u>33,748,072</u>	<u>4,240,037</u>	<u>(202,446)</u>	<u>(1,367,718)</u>	<u>36,417,945</u>
Total liabilities from financing activities	<u>\$ 95,121,051</u>	<u>56,712,888</u>	<u>(105)</u>	<u>(1,409,795)</u>	<u>150,424,039</u>

(7) **Related-party transactions:**

(a) Key management personnel compensation :

	For the years ended December 31	
	2019	2018
Short-term employee benefits	\$ 316,229	428,094
Post-employment benefits	4,541	3,492
Share-based payments	<u>61,495</u>	<u>270,516</u>
	<u>\$ 382,265</u>	<u>702,102</u>

Please refer to Notes 6(w) and 6(x) for further explanations related to share-based payment transactions.

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**(8) Pledged assets:**

As of December 31, 2019 and 2018, book value of pledged assets were as follows :

<u>Asset</u>	<u>Purpose of pledge</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other financial asset-restricted deposit	Post-release duty deposits, customs duty, lease deposits, short-term loans, travel agency guarantee, etc.	\$ 203,219	144,954
Other financial asset-restricted deposit	Litigation pledge	10,998	-
Property, plant and equipment	Bank loans	1,383,038	-
Other financial asset-guarantee deposits	Customs duty guarantee, rental deposits, and deposits for performance guarantee	42,985	37,318
		<u>\$ 1,640,240</u>	<u>182,272</u>

**(9) Significant commitments and contingencies:**

(a) Significant commitments and contingencies were as follows :

(i) Unused standby letters of credit

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
EUR	\$ 29	2,273
JPY	1,029,071	961,880
USD	3,376	6,718

(ii) Promissory notes and certificates of deposit obtained for business purpose were as follows :

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
NTD	<u>\$ 34,263</u>	<u>60,780</u>

(iii) As of December 31, 2019 and 2018 the significant contracts for purchase of properties by the Group amounted to \$15,002,411 and \$18,655,532, of which \$2,215,402 and \$3,786,909, respectively, were unpaid.

(iv) As of December 31, 2019 and 2018, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$1,259,160 and \$1,290,031, respectively.

(v) As of December 31, 2019 and 2018, the Group issued a tariff guarantee of \$1,764,424 and \$2,185,813, respectively, to the bank for the purpose of importing goods.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Significant contingent liability :

In May 2017, QUALCOMM INCORPORATED filed a lawsuit against the Group for royalty payment under the license agreement in the U.S. District Court for the Southern District of California. In July 2017, the Group counterclaimed and the lawsuit has still been in cognizance. In April 2019, the Group has already compromised and both parties have revoked the lawsuit. It is not expected to have a material effect on the Group's operation.

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**

**(12) Other:**

The nature of employee benefits, depreciation and amortization expenses categorized by function, were as follows :

By function	For the years ended December 31					
	2019			2018		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
<b>By item</b>						
Employee benefit						
Salary	\$ 50,726,332	14,442,619	65,168,951	55,716,331	14,486,548	70,202,879
Health and labor insurance	4,385,633	952,320	5,337,953	4,930,542	944,050	5,874,592
Pension	4,530,485	837,289	5,367,774	5,723,251	894,234	6,617,485
Others	1,407,397	999,542	2,406,939	1,385,852	912,627	2,298,479
Depreciation	16,455,096	1,831,515	18,286,611	14,559,380	1,646,852	16,206,232
Amortization	145,699	132,038	277,737	137,452	129,264	266,716

Above depreciations did not include depreciation in investment property which was accounted under non-operating expense as follows :

	<b>2019</b>	<b>2018</b>
Depreciation in investment property	<u>\$ 3,051</u>	<u>3,125</u>

(Continued)

**(English Translation of Financial Report Originally Issued in Chinese)**  
**Notes to Consolidated Financial Statements**

**(13) Other disclosures:**

## (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

No.	Item	Table
1	Loans to other parties	Table 1
2	Guarantees and endorsements for other parties	Table 2
3	Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures)	Table 3
4	Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock	Table 4
5	Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	None
6	Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock	None
7	Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 5
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 6
9	Trading in derivative instruments	None
10	Business relationships and significant intercompany transactions	Table 9

## (b) Information on investees:

Please refer to Table 7 for the information on investees for the year ended December 31, 2019.

## (c) Information on investment in mainland China:

- (i) Please refer to Table 8 for names of investee, main businesses and products, total amount of capital surplus, method of investment, investment flows, net income (losses) of the investee, percentage of ownership and the upper limit on investment.
- (ii) Please refer to information on significant transactions for either directly or indirectly through a third area, with investee companies in the Mainland Area. The transactions were eliminated in the consolidated financial statements.

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:****(a) General Information**

The Group's operating segments required to be disclosed are categorized as DMS (Design, Manufacturing and Service) and Strategic Investment Group. DMS's main operating activities are designing and manufacturing computer, communication and consumer electronics' end products, and providing after-sales service. Strategic Investment Group is DMS's upstream and downstream supply chain, strategic investments and other related investments arms. The chief operating decision maker's main responsibility is to integrate strategy that creates operating synergy throughout the supply chain and to allocate the profit from the operating result. The Group assesses performance of the segments based on the segments' profit, and report the amounts of revenues based on the financial information used to prepare the consolidated interim financial report.

**(b) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations**

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, excluding any extraordinary activity and foreign exchange gains or losses, because taxation, extraordinary activity and foreign exchange gains or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to the ones described in Note 4 "Significant accounting policies" except for the recognition and measurement of pension cost, which is on a cash basis. The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

Please refer to Note 6(z) for information on revenue for the years ended December 31, 2019 and 2018. The Group's operating segment information and reconciliation were as follows :

	2019			Total
	DMS	Strategic Investment Group	Adjustment and eliminations	
Revenue :				
Revenue from external customers	\$ 1,289,230,818	77,056,508	-	1,366,287,326
Intersegment revenues	<u>520,876</u>	<u>4,459,189</u>	<u>(4,980,065)</u>	<u>-</u>
Total revenue	<u>\$ 1,289,751,694</u>	<u>81,515,697</u>	<u>(4,980,065)</u>	<u>1,366,287,326</u>
Share of profit (loss) of associates and joint ventures accounted for using equity method	<u>\$ (808,944)</u>	<u>(984,482)</u>	<u>1,853,707</u>	<u>60,281</u>
Other significant non-monetary items:				
Goodwill	<u>\$ -</u>	<u>1,048,562</u>	<u>-</u>	<u>1,048,562</u>
<b>Reportable segment profit or loss</b>	<u>\$ 25,169,232</u>	<u>(1,555,034)</u>	<u>1,853,707</u>	<u>25,467,905</u>
Assets:				
Investments accounted for using equity method	<u>\$ 41,647,782</u>	<u>115,094,952</u>	<u>(156,486,641)</u>	<u>256,093</u>
<b>Reportable segment assets</b>	<u>\$ 492,727,088</u>	<u>234,288,174</u>	<u>(156,495,469)</u>	<u>570,519,793</u>
<b>Reportable segment liabilities</b>	<u>\$ 335,062,026</u>	<u>42,221,082</u>	<u>(8,828)</u>	<u>377,274,280</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	2018			Total
	DMS	Strategic Investment Group	Adjustment and eliminations	
Revenue :				
Revenue from external customers	\$ 1,257,909,952	82,092,079	-	1,340,002,031
Intersegment revenues	940,370	5,778,494	(6,718,864)	-
Total revenue	<u>\$ 1,258,850,322</u>	<u>87,870,573</u>	<u>(6,718,864)</u>	<u>1,340,002,031</u>
Share of profit of associates and joint ventures accounted for using equity method	<u>\$ (531,447)</u>	<u>520,921</u>	<u>(16,445)</u>	<u>(26,971)</u>
Other significant non-monetary items:				
Goodwill	<u>\$ -</u>	<u>1,074,232</u>	<u>-</u>	<u>1,074,232</u>
<b>Reportable segment profit or loss</b>	<u>\$ 13,535,561</u>	<u>1,535,322</u>	<u>(14,616)</u>	<u>15,056,267</u>
Assets:				
Investments accounted for using equity method	<u>\$ 44,318,848</u>	<u>105,017,344</u>	<u>(149,089,769)</u>	<u>246,423</u>
<b>Reportable segment assets</b>	<u>\$ 503,839,168</u>	<u>229,784,573</u>	<u>(149,273,126)</u>	<u>584,350,615</u>
<b>Reportable segment liabilities</b>	<u>\$ 353,810,330</u>	<u>44,276,859</u>	<u>(183,357)</u>	<u>397,903,832</u>

## (c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, please refer to Note 6(z) and segment assets are based on the geographical location of the assets.

## (i) External Sales

<u>Region</u>	For the years ended December 31	
	2019	2018
Europe	\$ 553,601,989	543,881,520
USA	471,554,246	473,857,313
Taiwan	132,035,182	113,229,970
China	71,141,383	73,175,995
Japan	65,922,561	72,844,951
Others	<u>72,031,965</u>	<u>63,012,282</u>
	<u>\$ 1,366,287,326</u>	<u>1,340,002,031</u>

## (ii) Non-current assets

<u>Region</u>	December 31,	December 31,
	2019	2018
Taiwan	\$ 28,290,509	28,108,628
China	59,643,098	65,895,149
Others	<u>1,297,409</u>	<u>711,944</u>
Total	<u>\$ 89,231,016</u>	<u>94,715,721</u>

(Continued)

**PEGATRON CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets and other non-current assets, excluding financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(d) Major Customer

Major customers from DMS in 2019 and 2018 were as follows:

Customer	<b>For the years ended December 31</b>	
	<b>2019</b>	<b>2018</b>
A	\$ 828,174,033	844,032,246
B	106,817,483	79,615,762
C	61,543,760	62,651,088
	<b>\$ 996,535,276</b>	<b>986,299,096</b>



Notes to the Consolidated Financial Statements

Table 1. Loans to other parties  
December 31, 2019

No. (Note 1)	Creditor	Borrower	General ledger Account (Note 2)	Is a related party (Note 3)	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate (Note 3)	Nature of loan (Note 3)	Amount of transactions with the borrower (Note 4)	Reason for short-term financing (Note 5)	Allowance for doubtful accounts		Collateral		Limit on loans granted to a single party (Note 6)	Expressed in thousands of RMB (Note 6)
												Y	N	Item	Value		
1	MAINTHEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Other Receivables	Y	3,879,740	1,499,000	1,499,000	2.59%	1	-	Fund accommodation	-	-	-	-	15,536,930	27,073,861
2	ASUSPOWER CORPORATION	PEGATRON CORPORATION	Other Receivables	Y	4,497,000	4,497,000	4,497,000	0.00%	2	-	Fund accommodation	-	-	-	-	7,262,854	14,525,708
2	ASUSPOWER CORPORATION	AUSTRIA FTX LTD.	Other Receivables	Y	210,050	210,050	210,050	0.00%	2	-	Fund accommodation	-	-	-	-	7,262,854	14,525,708
3	STARLINK ELECTRONICS CORPORATION	FUYANG TECHNOLOGY CORPORATION	Other Receivables	Y	168,000	-	-	0.66%	2	-	Fund accommodation	-	-	-	-	190,118	190,118
4	Axwave Holding (Suzhou) Inc.	AXIAJE CORPORATION (SHANGHAI)	Other Receivables	Y	29,980	29,980	22,485	0.00%	2	-	Cash flow adequacy	-	-	-	-	470,429	470,429
5	RHILL International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	8,694,200	8,694,200	8,094,600	1.00%	2	-	Business operation	-	-	-	-	34,220,461	34,220,461
6	RI TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	1,719,000	1,719,000	1,719,000	1.00%	2	-	Business operation	-	-	-	-	8,867,754	8,867,754
6	RI TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RHANG (SHANGHAI) CO., LTD.	Short-Term Accounts Receivable	Y	4,297,500	1,074,375	1,074,375	1.00%	2	-	Business operation	-	-	-	-	8,867,754	8,867,754
7	RIPEL COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RUPRO PRECISION MOBEL (SHANGHAI) CO., LTD.	Short-Term Accounts Receivable	Y	300,825	214,875	214,875	1.00%	2	-	Business operation	-	-	-	-	5,085,163	5,085,163
7	RIPEL COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	SHENG BULEI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Long-Term Accounts Receivable	Y	423,750	257,850	257,850	1.00%	2	-	Business operation	-	-	-	-	5,085,163	5,085,163
7	RIPEL COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	2,578,500	2,578,500	2,578,500	1.00%	2	-	Business operation	-	-	-	-	5,085,163	5,085,163
8	KAIHE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	214,875	214,875	214,875	1.00%	2	-	Business operation	-	-	-	-	465,845	465,845
9	REANG (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Long-Term Accounts Receivable	Y	644,625	644,625	300,825	1.00%	2	-	Business operation	-	-	-	-	9,744,792	9,744,792
10	ASIAROCK TECHNOLOGY LIMITED	CAIROCK HOLDINGS,LLC	Other Receivables	Y	107,870	-	-	2.50%	2	-	Fund accommodation	-	-	-	-	3,802,238	3,802,238
11	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Other Receivables	Y	343,800	-	-	3.00%	2	-	Fund accommodation	-	-	-	-	442,955	442,955

Note 1: The number column is organized as follows:  
(1) Number 0 represents the issuer.  
(2) Consolidated subsidiaries are organized in order from number 1.

Note 2: If the nature of accounts receivable (including affiliated enterprises and related parties), shareholder transactions, advance payments, temporary payments, etc., are loans, the amount will be disclosed in the table.

Note 3: Reference for the Nature of loan column  
(1): the borrower has business contact with the creditor  
(2): the borrower has short-term financing necessities

Note 4: PEI in business contact amount if nature of loan conforms to situation 1.  
Note 5: PEI in the reasons and the use of the fund if nature of loan conforms to situation 2.

Note 6: Collateral for the ceiling on total loans granted.  
Ceiling on total loans granted

According to our MAINTHEK COMPUTER (SUZHOU) CO., LTD.'s policy for loans granted, the ceiling on total loans granted to all parties is 100% of our MAINTHEK COMPUTER (SUZHOU) CO., LTD.'s net assets.  
While granting loans to the Company, this subsidiaries and subsidiaries which are wholly-owned by the Company, the ceiling on total loans granted to all parties is 40% of our MAINTHEK COMPUTER (SUZHOU) CO., LTD.'s net assets.  
While granting loans to the Company, this subsidiaries and subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of our net assets.  
According to our STARLINK ELECTRONICS CORPORATION policy for loans granted, the ceiling on total loans granted to all parties is 40% of our STARLINK ELECTRONICS CORPORATION net assets.  
According to our STARLINK ELECTRONICS CORPORATION policy for loans granted, the ceiling on total loans granted to all parties is 40% of our STARLINK ELECTRONICS CORPORATION net assets.  
According to our (RHILL International Limited) policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASITEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our (RHILL International Limited) net assets, the ceiling on total loans granted to all other parties is 40% of our net assets.  
According to our RIPEL COMPUTER ACCESSORY (SUZHOU) CO., LTD.'s policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASITEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RIPEL COMPUTER ACCESSORY (SUZHOU) CO., LTD.'s net assets, the ceiling on total loans granted to all other parties is 40% of our net assets.  
According to our RIPEL COMPUTER ACCESSORY (SUZHOU) CO., LTD.'s policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASITEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our RIPEL COMPUTER ACCESSORY (SUZHOU) CO., LTD.'s net assets, the ceiling on total loans granted to all other parties is 40% of our net assets.  
According to our KAIHE COMPUTER ACCESSORY (SUZHOU) CO., LTD.'s policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASITEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our KAIHE COMPUTER ACCESSORY (SUZHOU) CO., LTD.'s net assets, the ceiling on total loans granted to all other parties is 40% of our net assets.  
According to our REANG (SHANGHAI) CO., LTD.'s policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASITEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the amount of the net assets of REANG (SHANGHAI) CO., LTD.; and the amount of loans permitted to others shall not exceed 40% of the net assets of REANG (SHANGHAI) CO., LTD. net assets.  
According to our ASIAROCK TECHNOLOGY LIMITED policy for loans granted, the ceiling on total loans granted to all parties is 40% of our ASIAROCK TECHNOLOGY LIMITED net assets.  
While granting loans to the foreign subsidiaries which are wholly-owned by ASIAROCK TECHNOLOGY LIMITED, there is no limit on total loans granted.  
According to our KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.'s policy for loans granted, the ceiling on total loans granted to all parties is 100% of our KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.'s net assets.  
While granting loans to the Company, this subsidiaries and subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of our KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.'s net assets.  
According to our ASUSPOWER CORPORATION policy for loans granted, the ceiling on total loans granted to a single party is 30% of our ASUSPOWER CORPORATION net assets.

## Notes to the Consolidated Financial Statements

According to our STARLINK ELECTRONICS CORPORATION policy for loans granted, the ceiling on total loans granted to a single party is 40% of our STARLINK ELECTRONICS CORPORATION net assets.

According to our AZWAVE HOLDING (SAMOA) INC.'s policy for loans granted to a foreign subsidiary whose voting shares are directly or indirectly wholly-owned by the Company is as follows: ceiling on total loans granted to a subsidiary is 40% of our AZWAVE HOLDING (SAMOA) INC.'s net assets.

According to our RUIJI International Limited policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to other single party is 40% of our RUIJI International Limited net assets.

According to our BENTENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to other single party is 40% of our BENTENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.'s net assets.

According to our RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to other single party is 40% of our RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.'s net assets.

According to our RI PEI COMPUTER ACCESSORY (SUZHOU) CO., LTD. policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the ceiling on total loans granted to other single party is 40% of our RI PEI COMPUTER ACCESSORY (SUZHOU) CO., LTD.'s net assets.

According to our KAIHE COMPUTER ACCESSORY (SUZHOU) CO., LTD. policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the amount of loans permitted to single borrower shall not exceed 100% of the net assets of the Company and CASETEK HOLDINGS LIMITED (CAYMAN).

According to our KAIHE COMPUTER ACCESSORY (SUZHOU) CO., LTD. policy for loans granted, except for foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company and CASETEK HOLDINGS LIMITED (CAYMAN), when there is a short-term financing need, the amount of loans permitted to single borrower shall not exceed 100% of the net assets of the Company and CASETEK HOLDINGS LIMITED (CAYMAN).

While granting loans to the foreign subsidiaries, the ceiling on total loans granted to a single party is 15% of our ASAROCK TECHNOLOGY LIMITED net assets.

According to our KAFDAR ELECTRONICS (KUNSHAN) CO., LTD. policy for loans granted, the ceiling on total loans granted to a single party is 50% of our KAFDAR ELECTRONICS (KUNSHAN) CO., LTD.'s net assets.

While granting loans to the Company, Taiwan subsidiaries and subsidiaries, the ceiling on total loans granted to a single party is as follows: ceiling on total loans granted to which is 40% of KAFDAR ELECTRONICS (KUNSHAN) CO., LTD.'s net assets.

Note 7 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2019 was USD/NTD: 29.98 ; CNY/NTD: 4.2975 ; AUD/NTD: 21.0090)

## Notes to the Consolidated Financial Statements

Table 2: Guarantees and endorsements for other parties  
December 31, 2019

No. (Note 1)	Endorser / Guarantor (Note 1)	Party being endorsed / guaranteed (Note 2)	Relationship (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement / guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 4)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement / guarantee amount to net asset value of the endorser / guarantor company (Note 5)	Ceiling on total amount of endorsements / guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company (Note 5)	Expressed in thousands of RMB
0	PEGATRON CORPORATION	PIOTEK COMPUTER (SUZHOU) CO., LTD.	(6)	31,533,012	440,706	440,706	55,088	-	0.28%	78,832,531	Y	N	Y
1	KINSUS INTERCONNECT TECHNOLOGY CORP.	PIOTEK COMPUTER (SUZHOU) CO., LTD.	(6)	5,113,404	488,694	488,694	57,337	-	1.79%	12,783,511	Y	N	Y
2	AZURE WAVE TECHNOLOGIES, INC.	AZURE LIGHTING TECHNOLOGIES, INC.	(2)	802,960	509,660	359,760	-	-	22.40%	802,960	Y	N	Y

Note 1 : The number column is organized as follow:

- (1) Number 0 represents the issuer.
- (2) Subsidiaries are numbered in order from number 1.

Note 2 : Relationship with the endorser / guarantor:

- (1) Having business relationship.
- (2) The endorser / guarantor parent company directly and indirectly holds more than 50% of voting shares of the endorsed / guaranteed subsidiary.
- (3) The endorser / guarantor subsidiary which directly and indirectly holds more than 50% of voting shares by the endorsed / guaranteed parent company.
- (4) The endorser / guarantor company and the endorsed / guaranteed party both hold more than 99% of the endorsed / guaranteed parent company.
- (5) Company that is mutually provided the contractual requirement based on the needs of the counterparty.
- (6) Company that is endorsed by its shareholders in accordance with its shareholding ratio because of the joint investment relationship.
- (7) Performance guarantees for pre-sale contracts under the Consumer Protection Act.

Note 3 : Ceiling on total endorsements / guarantees

According to PEGATRON CORPORATION'S policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.  
According to KINSUS INTERCONNECT TECHNOLOGY CORP.'S policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.  
According to AZURE WAVE TECHNOLOGIES, INC.'S policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 50% of the Company's net assets.

Ceiling on endorsements / guarantees provided for a single party

According to PEGATRON CORPORATION'S policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.  
According to KINSUS INTERCONNECT TECHNOLOGY CORP.'S policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.  
According to AZURE WAVE TECHNOLOGIES, INC.'S policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 20% of the Company's net assets.

Note 4 : If the amounts were based on foreign currencies, please refer to the spot exchange rate on the financial statement date. (exchange rate on December 31, 2019 is USD/RMB: 29.98; CNY/RMB: 4.2975)

Note 5 : The amount is approved by the Board of Directors.

## Notes to the Consolidated Financial Statements

Table 3. Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures)  
December 31, 2019

Securities held by PEGATRON CORPORATION	Marketable securities			Relationship (Note 2)	General ledger account	As of December 31, 2019				Maximum Ownership	Footnote
	Category	Item	Item			Number of shares	Book value	Ownership	Fair value		
	Stock	ABILITY ENTERPRISE CO., LTD.		-	financial asset measured at fair value through other comprehensive income-Non current	33,135,300	551,703	11.73%	551,703	11.73%	
"	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares B		-	financial asset measured at fair value through profit or loss-Non current	3,500,000	223,050	0.28%	223,050	0.28%	0.28%
"	Fund	China Renewable Energy Fund, LP(CREF)		-	financial asset measured at fair value through profit or loss-Non current	-	259,706	13.46%	259,706	13.46%	13.46%
	Stock	LUXSHARE ICT CO., LTD.		-	financial asset measured at fair value through profit or loss-Current	22,135,035	3,471,939	0.41%	3,471,939	0.41%	0.79%
	Stock	SPORTON INTERNATIONAL INC.		-	financial asset measured at fair value through profit or loss-Current	265,300	56,509	0.29%	56,509	0.29%	0.31%
	Stock	Topoint Technology Co., Ltd.		-	financial asset measured at fair value through other comprehensive income-Non current	1,171,891	26,426	0.82%	26,426	0.82%	1.22%
	Stock	ABILITY ENTERPRISE CO., LTD.		-	financial asset measured at fair value through other comprehensive income-Non current	6,495	108	- %	108	- %	- %
	Stock	ZOWIE Technology Corporation		-	financial asset measured at fair value through other comprehensive income-Non current	90,973	-	0.54%	-	0.54%	0.54%
	Stock	Syntrox CO., LTD.		-	financial asset measured at fair value through other comprehensive income-Non current	6,778	-	0.02%	-	0.02%	0.02%
	Stock	FRESCO LOGIC INC.		-	financial asset measured at fair value through other comprehensive income-Non current	2,000,000	39,135	8.18%	39,135	8.18%	8.18%
	Stock	Valens Semiconductor Ltd.		-	financial asset measured at fair value through profit or loss-Non current	4,667,570	71,510	4.18%	71,510	4.18%	4.18%
	Stock	MedicusTek International Inc.		-	financial asset measured at fair value through other comprehensive income-Non current	1,136,363	-	1.65%	-	1.65%	1.65%
	Stock	SPEED TECH CORPORATION		-	financial asset measured at fair value through profit or loss-Current	8,000,000	637,200	4.72%	637,200	4.72%	4.77%
	Stock	Lightel Technologies Inc.		-	financial asset measured at fair value through other comprehensive income-Non current	2,000,000	59,410	7.66%	59,410	7.66%	7.66%

## Notes to the Consolidated Financial Statements

Securities held by		Marketable securities		General		As of December 31, 2019			Expressed in thousands of NTD	
		Category	Item	Relationship (Note 2)	ledger account	Number of shares	Book value	Ownership	Fair value	Maximum Ownership
KINSUS INTERCONNECT TECHNOLOGY CORP.	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	18,812,748	268,292	- %	268,292	- %	
"	Fund	FSITC Money Market	-	financial asset measured at fair value through profit or loss-Current	1,168,258	209,235	- %	209,235	- %	
"	Fund	Mega Diamond Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	21,355,432	268,888	- %	268,888	- %	
KINSUS INTERCONNECT TECHNOLOGY CORP.	Fund	Jih Sun Money Market	-	financial asset measured at fair value through profit or loss-Current	17,776,549	264,473	- %	264,473	- %	
KINSUS INVESTMENT CO., LTD.	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	829,070	11,824	- %	11,824	- %	
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,000	7.49%	50,000	7.49%	7.49%
PEGAVISION CORPORATION	Fund	Yuanta Wau Tai Money Market	-	financial asset measured at fair value through profit or loss-Current	11,778,166	179,058	0.00%	179,058	0.00%	0.00%
"	Fund	Yuanta De-Li Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	8,372,796	137,062	0.00%	137,062	0.00%	0.00%
Lumens Digital Optics Inc. (Lumens Optics)	Fund	Fuh Hwa Money Market	-	financial asset measured at fair value through profit or loss-Current	69,719,779	1,010,309	- %	1,010,309	- %	- %
"	Fund	The RSIT Enhanced Money Market	-	financial asset measured at fair value through profit or loss-Current	7,344,735	88,229	- %	88,229	- %	- %
HUA-YUAN INVESTMENT LIMITED	Stock	Nuvoton Technology Corporation	-	financial asset measured at fair value through other comprehensive income-Non current	174,758	8,170	0.06%	8,170	0.06%	0.22%
"	Stock	Chicony Power Technology Co. Ltd.	-	financial asset measured at fair value through profit or loss-Current	611,644	38,411	0.16%	38,411	0.16%	0.19%
"	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,000	7.49%	50,000	7.49%	7.49%
"	Stock	Fusheng Precision CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	800,000	143,600	0.61%	143,600	0.61%	0.61%
"	Stock	NewSmart Technology Co., Ltd.	-	financial asset measured at fair value through profit or loss-Current	500,000	16,500	4.05%	16,500	4.05%	4.05%
RH KUAN METAL CORPORATION	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,000	7.49%	50,000	7.49%	7.49%
RI KAI COMPUTER ACCESSORY CO., LTD.	Stock	JIANG SU KAI JIE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	-	23,206	10.00%	23,206	10.00%	10.00%

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instruments : recognition and measurement'.

Note 2: If the issuer of the security isn't a related party, the cell is blank.

Note 3: The account balance for securities measured at fair value has deducted accumulated impairment.

## Notes to the Consolidated Financial Statements

Table 4: Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock December 31, 2019

Investor	Category	Marketable securities	Item	General ledger account	Relationship with the investor	Balance as at January 1, 2019		Addition		Disposal		Balance as of December 31, 2019		
						Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Book Value	Gain (loss) on disposal	Number of shares
PEGATRON CORPORATION	Stock	PT. PEGATRON TECHNOLOGY INDONESIA		Equity investments under equity method	-	-	39,999	1,249,369 (Note 4)	-	-	63,910 (Note 2)	-	39,999	1,127,261
CASATEK HOLDINGS LIMITED(CAYMANN)	Stock	RH LI International Limited		Equity investments under equity method	-	715,499,000	20,000,000	599,601 (Note 4)	-	-	48,315 (Note 3) 11 (Note 6) 9,872 (Note 7)	-	735,499,000	35,549,325
RH LI International Limited	Capital	RI KAI COMPUTER ACCESSORY CO., LTD.		Equity investments under equity method	-	-	-	1,187,722 (Note 4)	-	-	-	-	-	4,443,336
PROTEK (SHANGHAI) LTD.	Stock	LUXSHARE ICT CO., LTD.		Financial asset measured at fair value through profit or loss	-	4,685,574	37,442,972	2,465,488 (Note 4)	2,905,815	1,227,358	1,668,547	1,668,547	22,135,035	3,471,939
PEGAVISION CORPORATION	Fund	Yuanis Wan Tai Money Market		Financial asset measured at fair value through profit or loss-Current	-	-	28,565,798	454,000 (Note 4)	255,046	254,983	63	63	11,778,166	179,058

Note 1 : If the securities is invested in foreign currency, the amount in the table has been transferred to NTD. (The exchange rate as of December 31, 2019: USD/NTD: 29.98, CNY/NTD: 4.2975)

Note 2 : The investment profit or loss related to the investee is measured by equity method.

Note 3 : The amount is exchange gains or losses.

Note 4 : Which is investment added this year.

Note 5 : Which is adjustments related to financial assets based on the fair value method.

Note 6 : Which is additional paid-in capital of the investee.

Note 7 : Which is unrealized loss arising from upstream transactions.

Notes to the Consolidated Financial Statements

Table 2 Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock December 31, 2019

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total	Credit term	Differences in transaction terms compared to third party transactions			Balance	Percentage of total notes/accounts receivable (payable)
							Unit price	Credit term	Financing		
PEGATRON CORPORATION	ASIA ROCK TECHNOLOGY LIMITED	Note 2	Purchase	1,190,218	0.17%	Open Account 90 days	-	-	(21,632)	(0.00%)	
PEGATRON CORPORATION	ASIA ROCK TECHNOLOGY LIMITED	Note 2	Sale	(1,750,427)	(0.14%)	Open Account 90 days	-	-	162,288	0.03%	
PEGATRON CORPORATION	ASRACK Back Incorporation	Note 2	Purchase	105,009	0.01%	90 days on delivery	-	-	(3,175)	(0.01%)	
PEGATRON CORPORATION	PEGATRON Czech s.r.o.	Note 2	Sale	(2,581,497)	(0.20%)	120 days on delivery	-	-	833,433	0.16%	
PEGATRON CORPORATION	AZURE WAVE TECHNOLOGIES, INC.	Note 2	Purchase	89,864,641	7.38%	Open Account 60 days	-	-	(19,268)	(0.00%)	
PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 2	Purchase	32,753,452	2.69%	Open Account 60 days	-	-	(49,959,452)	(10.65%)	
PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	Note 2	Sale	(269,499)	(0.02%)	Open Account 60 days	-	-	(679,812)	(1.46%)	
PEGATRON CORPORATION	DIGITEK (SUZHOU) CO., LTD.	Note 2	Purchase	3,815,152	0.31%	Open Account 60 days	-	-	36,210,318	7.05%	
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 2	Purchase	1,901,174	0.16%	Open Account 60 days	-	-	(32,414,457)	(6.91%)	
PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 2	Sale	(282,570)	(0.02%)	Open Account 60 days	-	-	(1,006)	(0.00%)	
PEGATRON CORPORATION	RI-FENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 2	Purchase	306,801	0.03%	Open Account 60 days	-	-	(188,317,389)	(39.49%)	
PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	Note 2	Purchase	273,273	0.02%	Open Account 60 days	-	-	(53,118)	(0.01%)	
PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	Note 2	Sale	(1,984,877)	(0.17%)	Open Account 60 days	-	-	(2,146,386)	(0.46%)	
PEGATRON CORPORATION	PT. PEGATRON TECHNOLOGY INDONESIA	Note 2	Sale	(146,402)	(0.01%)	120 days on delivery	-	-	155,001	0.03%	
PEGATRON CORPORATION	PEGATRON CORPORATION	Note 1	Purchase	2,821,739	0.09%	120 days on delivery	-	-	8,598,161	1.76%	
PEGATRON CORPORATION	PEGATRON CORPORATION	Note 1	Purchase	(2,381,473)	(0.19%)	90 days on delivery	-	-	(85,423)	(0.17%)	
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 1	Sale	(68,394,003)	(5.57%)	120 days on delivery	-	-	188,317,389	39.71%	
PEGATRON CORPORATION	PEGAGLOBE (KUNSHAN) CO., LTD.	Note 3	Purchase	1,033,513	0.08%	Open Account 60 days	-	-	20,595,272	9.97%	
PEGATRON CORPORATION	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Note 3	Purchase	657,846	0.13%	Open Account 60 days	-	-	(110,520)	(0.05%)	
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 3	Purchase	144,001	0.01%	Open Account 60 days	-	-	(144,683)	(0.00%)	
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(89,864,641)	(7.38%)	Open Account 60 days	-	-	(56,408)	(0.02%)	
PEGATRON CORPORATION	GRAND UPRIGHT TECHNOLOGY LTD.	Note 3	Sale	(14,051,145)	(1.15%)	Open Account 60 days	-	-	49,959,452	9.57%	
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 3	Sale	(1,023,513)	(0.08%)	Open Account 60 days	-	-	433,680	0.03%	
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 3	Purchase	68,394,003	5.57%	Open Account 60 days	-	-	119,520	0.02%	
PEGATRON CORPORATION	COOTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 3	Purchase	3,280,314	0.27%	Open Account 90 days	-	-	(20,595,272)	(3.21%)	
PEGATRON CORPORATION	CASITEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Purchase	4,109,445	0.34%	Open Account 60 days	-	-	(58,423)	(0.16%)	
PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	Note 3	Sale	(3,753,452)	(0.31%)	Open Account 60 days	-	-	(465,135)	(1.22%)	
PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	Note 3	Sale	(1,241,752)	(0.10%)	Open Account 60 days	-	-	679,812	0.14%	
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 3	Purchase	311,515	0.03%	Open Account 60 days	-	-	1,220,589	2.24%	
PEGATRON CORPORATION	KAIBAR ELECTRONICS (KUNSHAN) CO., LTD.	Note 3	Purchase	145,015	0.01%	Open Account 60 days	-	-	(53,364)	(0.14%)	
PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 3	Sale	(1,470,216)	(0.12%)	Open Account 60 days	-	-	(21,659)	(0.00%)	
PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	Note 3	Sale	(113,124)	(0.01%)	Open Account 60 days	-	-	38,422	0.00%	
PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	Note 3	Purchase	337,419	0.03%	Open Account 60 days	-	-	2,146,286	0.45%	
PEGATRON CORPORATION	CHONGQING ZHUANSHUO TRADING CO., LTD.	Note 3	Sale	(537,419)	(0.04%)	Open Account 60 days	-	-	72,285	0.01%	
PEGATRON CORPORATION	KAICHUAN ELECTRONICS (CHONGQING) CO., LTD.	Note 3	Purchase	522,292	0.04%	Open Account 60 days	-	-	94,045	0.02%	
PEGATRON CORPORATION	PEGATRON CORPORATION	Note 1	Purchase	269,479	0.02%	Open Account 60 days	-	-	(94,045)	(0.23%)	
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 1	Sale	(3,815,152)	(0.31%)	Open Account 60 days	-	-	(16,210,328)	(3.43%)	
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 1	Purchase	227,509	0.02%	Open Account 60 days	-	-	32,541,457	6.89%	
PEGATRON CORPORATION	COOTEK ELECTRONICS (SUZHOU) CO., LTD.	Note 1	Purchase	1,241,752	0.10%	Open Account 60 days	-	-	(38,344)	(0.10%)	
PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 1	Purchase	113,124	0.01%	Open Account 60 days	-	-	(1,220,589)	(2.23%)	
PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 1	Sale	(4,109,445)	(0.34%)	Open Account 60 days	-	-	(72,285)	(0.19%)	
PEGATRON CORPORATION	KAIBAR ELECTRONICS (KUNSHAN) CO., LTD.	Note 1	Sale	(306,801)	(0.02%)	Open Account 60 days	-	-	465,155	0.09%	
PEGATRON CORPORATION	PEGATRON CORPORATION	Note 1	Purchase	398,006	0.03%	Open Account 60 days	-	-	53,118	0.01%	
PEGATRON CORPORATION	PEGATRON CORPORATION	Note 1	Sale	(190,174)	(0.02%)	Open Account 60 days	-	-	(45,972)	(0.10%)	
PEGATRON CORPORATION	PROTEK (HKG) TRADING LIMITED	Note 1	Sale	(342,299)	(0.03%)	Open Account 60 days	-	-	23,854	0.00%	
PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	Note 1	Sale	(311,115)	(0.02%)	Open Account 60 days	-	-	53,364	0.01%	
PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	Note 1	Sale	(227,509)	(0.02%)	Open Account 60 days	-	-	38,344	0.01%	
PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	Note 1	Purchase	342,299	0.03%	Open Account 60 days	-	-	(23,854)	(0.00%)	
PEGATRON CORPORATION	AZURE WAVE TECHNOLOGIES, INC.	Note 1	Sale	(597,116)	(0.05%)	Open Account 60 days	-	-	19,268	0.00%	
PEGATRON CORPORATION	KINSIS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Note 2	Purchase	2,181,488	0.18%	Open Account 30 days	Incomparable due to different product specification	No comparable non-related party	(246,392)	(0.05%)	
PEGATRON CORPORATION	KINSIS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Note 1	Sale	(2,181,488)	(0.18%)	Open Account 30 days	Incomparable due to different product specification	No comparable non-related party	246,392	(0.05%)	
PEGATRON CORPORATION	RI-FENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	714,333	0.06%	Open Account 30-60 days	-	-	(50,756)	(0.01%)	
PEGATRON CORPORATION	RI-FENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Note 3	Purchase	4,597,077	0.38%	Open Account 90 days	-	-	(1,471,718)	(3.14%)	
PEGATRON CORPORATION	RI KAI COMPUTER ACCESSORY CO., LTD.	Note 3	Purchase	16,797,053	1.39%	Open Account 30-60 days	-	-	(1,061,952)	(2.27%)	
PEGATRON CORPORATION	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Note 3	Purchase	8,301,076	0.68%	Open Account 30-60 days	-	-	(941,402)	(2.02%)	
PEGATRON CORPORATION	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Note 3	Purchase	800,619	0.07%	Open Account 30-60 days	-	-	(224,970)	(0.48%)	

Notes to the Consolidated Financial Statements

Differences in transaction terms compared to third party transactions Notes/accounts receivable (payable)

Relationship	Counterparty	Purchases/seller	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
			(273,273)	(9.35%)	Open Account 60 days	-	-	32,111	3.88%
			(713,110)	(24.41%)	Open Account 30-60 days	-	-	50,756	6.19%
			(4,576,659)	(47.99%)	Open Account 90 days	-	-	1,471,718	48.28%
			(1,611,748)	(16.99%)	Open Account 30-60 days	-	-	18,678	0.61%
			(731,891)	(7.67%)	Open Account 30-60 days	-	-	37,715	1.24%
			(2,379,287)	(24.95%)	Open Account 90 days	-	-	1,512,791	49.63%
			(16,692,009)	(90.11%)	Open Account 30-60 days	-	-	1,061,932	91.07%
			663,139	13.75%	Open Account 30-60 days	-	-	(18,438)	(1.74%)
			(840,333)	(7.98%)	Open Account 30-60 days	-	-	103,941	8.91%
			(112,211)	(1.63%)	Open Account 30-60 days	-	-	(1,728)	(0.69%)
			(8,236,625)	(80.16%)	Open Account 30-60 days	-	-	941,402	78.39%
			(1,093,603)	(10.81%)	Open Account 90 days	-	-	256,569	21.34%
			(798,615)	(59.90%)	Open Account 30-60 days	-	-	119,236	61.74%
			(431,295)	(32.85%)	Open Account 30-60 days	-	-	48,388	27.99%
			(103,391)	(7.75%)	Open Account 30-60 days	-	-	19,937	1.66%
			(657,846)	(28.61%)	Open Account 60 days	-	-	144,683	20.17%
			(428,020)	(18.62%)	Open Account 60 days	-	-	148,431	20.69%
			(270,571)	(11.77%)	Open Account 30-60 days	-	-	118,781	16.59%
			(815,265)	(33.46%)	Open Account 30-60 days	-	-	224,970	31.36%
			2,342,033	67.45%	Open Account 30-60 days	-	-	(1,512,791)	(85.77%)
			996,623	28.70%	Open Account 90 days	-	-	(256,269)	(14.46%)
			1,292,352	35.43%	Open Account 60 days	-	-	(1,161,625)	(68.47%)
			(1,292,252)	(9.68%)	Open Account 60 days	-	-	1,161,625	97.96%
			7,659,478	99.29%	Open Account 60 days	-	-	(1,341,641)	(98.77%)
			(2,432,887)	(26.25%)	Open Account 90 days	-	-	1,031,819	10.83%
			(1,768,313)	51.52%	Open Account 60 days	-	-	193,159	18.93%
			(126,333)	(10.98%)	Open Account 60 days	-	-	16,542	(72.55%)
			1,750,427	14.33%	Open Account 90 days	-	-	(162,388)	(13.7%)
			(1,190,218)	(9.71%)	Open Account 90 days	-	-	21,632	(1.7%)
			(7,659,478)	(62.49%)	Open Account 60 days	-	-	1,341,641	53.20%
			(1,183,213)	(9.66%)	Open Account 60 days	-	-	439,144	17.45%
			(2,061,046)	(16.82%)	Open Account 90 days	-	-	769,548	28.20%
			2,432,887	100.00%	Open Account 90 days	-	-	(1,063,308)	(100.00%)
			2,586,680	100.00%	Open Account 45 days	-	-	(933,519)	(100.00%)
			(1,663,344)	(21.00%)	Open Account 30-60 days	-	No comparable non-related party	71,945	5.00%
			1,663,344	99.00%	Open Account 30-60 days	-	No comparable non-related party	-	-
			(1,333,073)	(43.70%)	Open Account 90 days	-	Telex transfer-Open Account 90 days	146,933	35.37%
			1,335,073	100.00%	Open Account 90 days	-	No other comparable vendors	(146,933)	(100.00%)
			(127,282)	(4.11%)	Open Account 180 days	-	Telex transfer-Open Account 90 days	124,211	29.90%
			127,282	100.00%	Open Account 180 days	-	Telex transfer-Open Account 90 days	(124,211)	(100.00%)
			(118,886)	(39.16%)	Open Account 180 days	-	Same as other vendors	66,761	59.43%
			118,886	67.52%	Open Account 180 days	-	Same as other clients	(66,761)	(56.55%)
			2,061,046	96.16%	Open Account 90 days	-	Same as other clients	(789,548)	(94.99%)
			(103,009)	(4.00%)	Open Account 90 days	-	No comparable client	31,375	11.99%
			(398,006)	(40.34%)	Open Account 60 days	-	-	42,972	23.21%
			(143,013)	(14.50%)	Open Account 60 days	-	-	21,659	11.70%
			(144,001)	(14.60%)	Open Account 60 days	-	-	36,408	19.67%
			(197,314)	(23.52%)	Open Account 75-90 days	-	0-90 days	38,700	27.80%
			197,314	97.00%	Open Account 75-90 days	-	0-90 days	(38,700)	(97.52%)
			168,877	83.61%	120 days on delivery	-	-	(155,001)	(99.99%)
			146,402	1.72%	120 days on delivery	-	-	(8,556,161)	(95.42%)
			14,081,145	100.00%	Open Account 60 days	-	-	(433,680)	(100.00%)

Note 1: Parent company

Note 2: Subsidiary measured by equity method.

Note 3: Affiliate

Note 4: To avoid counting the sales revenue twice, the Company has subtracted the repeated part of purchase and sales.



## Notes to the Consolidated Financial Statements

Table 6 Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock December 31, 2019

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019		Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			December 31, 2019	December 31, 2019		Amount	Acton taken		
PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Subsidiary measured by equity method	2,474,286	2,474,286	2.95 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Subsidiary measured by equity method	232,022,397	232,022,397	2.39 Times	-	-	20,794,689	-
"	POWTEK (SHANGHAI) LTD.	Subsidiary measured by equity method	155,001	155,001	2.16 Times	-	-	-	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Subsidiary measured by equity method	41,110,704	41,110,704	2.83 Times	-	-	-	-
"	DIGITEK (CHONGQING) LTD.	Subsidiary measured by equity method	36,210,328	36,210,328	3.92 Times	-	-	-	-
"	PEGATRON Czech s.r.o.	Subsidiary measured by equity method	835,423	835,423	3.11 Times	-	-	1,070	-
"	ASIA ROCK TECHNOLOGY LIMITED	Subsidiary measured by equity method	162,288	162,288	3.94 Times	-	-	35,783	-
"	PT. PEGATRON TECHNOLOGY INDONESIA	Subsidiary measured by equity method	8,556,161	8,556,161	1.76 Times	-	-	-	-
ASUSPOWER CORPORATION	PEGATRON CORPORATION	Parent Company	4,497,000	4,497,000	N/A (Note 1)	-	-	-	-
"	PEGATRON SERVICE AUSTRALIA PTY. LTD.	Affiliate	210,050	210,050	N/A (Note 1)	-	-	-	-
"	PEGATRON CORPORATION	Parent Company	32,541,457	32,541,457	4.98 Times	-	-	5,042,835	-
"	DIGITEK (CHONGQING) LTD.	Parent Company	2,146,286	2,146,286	4.31 Times	-	-	-	-
"	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Parent Company	49,959,452	49,959,452	4.45 Times	-	-	14,539,230	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Parent Company	119,520	119,520	7.35 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	433,680	433,680	7.29 Times	-	-	-	-
"	GRAND UPRIGHT TECHNOLOGY LTD.	Affiliate	185,317,389	185,317,389	3.00 Times	-	-	39,581,161	-
"	PEGATRON CORPORATION	Parent Company	20,595,772	20,595,772	4.12 Times	-	-	-	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Affiliate	1,220,589	1,220,589	2.03 Times	-	-	-	-
"	DIGITEK (CHONGQING) LTD.	Affiliate	679,812	679,812	15.35 Times	-	-	3,057,155	-
"	PEGATRON CORPORATION	Parent Company	1,499,000	1,499,000	N/A (Note 1)	-	-	-	-
PT. Pegatron Technology Indonesia	COTEK ELECTRONICS (SUZHOU) CO., LTD.	Affiliate	4,822,021	4,822,021	3.06 Times	-	-	1,202,454	-
"	PEGATRON CORPORATION	Parent Company	465,155	465,155	7.14 Times	-	-	10,314	-
CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTTEK COMPUTER (SUZHOU) CO., LTD.	Affiliate	240,392	240,392	10.20 Times	-	-	-	-
"	KINSUS INTERCONNECT TECHNOLOGY CORP.	Parent Company	611,502	611,502	N/A (Note 1)	-	-	160,753	-
"	CASETEK HOLDINGS LIMITED(CAYMAN)	Subsidiary measured by equity method	8,094,600	8,094,600	N/A (Note 1)	-	-	-	-
RH LJ International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Subsidiary measured by equity method	167,708	167,708	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Subsidiary measured by equity method	1,718,993	1,718,993	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Affiliate	1,074,363	1,074,363	N/A (Note 1)	-	-	-	-
"	RI-MING (SHANGHAI) CO., LTD.	Affiliate	300,819	300,819	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Affiliate	1,512,791	1,512,791	3.01 Times	-	-	-	-
"	RH KUAN METAL CORPORATION	Affiliate	1,471,718	1,471,718	2.19 Times	-	-	527,948	-
"	MEGA MERIT LIMITED	Affiliate	214,867	214,867	N/A (Note 1)	-	-	-	-
"	RI-PRO PRECISION MODEL (SHANGHAI) CO., LTD.	Affiliate	1,061,952	1,061,952	7.67 Times	-	-	351,066	-
"	MEGA MERIT LIMITED	Affiliate	2,578,490	2,578,490	N/A (Note 1)	-	-	-	-
"	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Affiliate	257,858	257,858	N/A (Note 1)	-	-	-	-
"	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	Affiliate	103,941	103,941	5.72 Times	-	-	-	-
"	RI-MING (SHANGHAI) CO., LTD.	Affiliate	941,402	941,402	5.75 Times	-	-	207,012	-
"	MEGA MERIT LIMITED	Affiliate	256,269	256,269	7.50 Times	-	-	-	-
"	RH KUAN METAL CORPORATION	Affiliate	144,683	144,683	3.65 Times	-	-	-	-
"	PROTEK (SHANGHAI) LTD.	Affiliate	148,431	148,431	4.18 Times	-	-	71,502	-
"	PEGAGLOBE (KUNSHAN) CO., LTD.	Affiliate	224,970	224,970	6.95 Times	-	-	109,577	-
"	MEGA MERIT LIMITED	Affiliate	118,781	118,781	4.37 Times	-	-	-	-
"	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	Affiliate	-	-	-	-	-	-	-

## Notes to the Consolidated Financial Statements

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue Receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RI KAI COMPUTER ACCESSORY CO., LTD.	Affiliate	173,344	N/A (Note 1)	-	-	-	-
KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD.	Affiliate	214,867	N/A (Note 1)	-	-	-	-
SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	Affiliate	110,236	4.18 Times	-	-	1,259	-
ASROCK INCORPORATION	ASROCK AMERICA, INC.	Subsidiary measured by equity method	1,063,308	2.38 Times	-	-	170,005	-
ASIAROCK TECHNOLOGY LIMITED	ASROCK EUROPE B.V.	Subsidiary measured by equity method	193,519	14.13 Times	-	-	159,875	-
	ASROCK INCORPORATION	Parent Company	1,341,641	6.66 Times	-	-	-	-
	ASRock Rack Incorporation	Affiliate	709,548	2.83 Times	-	-	7,776	-
	ASRock Industrial Computer Corporation	Affiliate	439,144	3.95 Times	-	-	8,753	-
FUYANG ELECTRONICS (SUZHOU) CO., LTD.	FUYANG TECHNOLOGY CORPORATION	Parent Company	1,161,625	1.25 Times	-	-	-	-
FUYANG TECHNOLOGY CORPORATION	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Subsidiary measured by equity method	1,195,626	0.76 Times	-	-	-	-
KINSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	Subsidiary measured by equity method	235,816	N/A (Note 1)	-	-	-	-
PEGAVISION CORPORATION	PEGAVISION (SHANGHAI) LIMITED	Subsidiary measured by equity method	124,211	0.78 Times	-	-	81,616	-
PEGAVISION CORPORATION	Pegavision Japan Inc.	Subsidiary measured by equity method	146,953	10.70 Times	-	-	59,313	-

Note 1 : Since the receivables are not caused by selling and purchasing transactions, the turnover rate is not applicable.

## Notes to the Consolidated Financial Statements

Table 7. Information on investees  
December 31, 2019

Investor	Investee	Location	Main business activities	Balance as at		Number of shares	Ownership	Book value	Shares held as at December 31, 2019		Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote	
				December 31, 2019	December 31, 2018				December 31, 2019	December 31, 2018			
PEGATRON CORPORATION	ASUSPOWER INVESTMENT CO., LTD.	Taipei	Investment holding	13,033,429	13,033,429	932,844,700	100.00%	15,348,149	440,505	440,505			
	ASUS INVESTMENT CO., LTD.	Taipei	Investment holding	16,184,982	16,184,982	979,258,600	100.00%	15,996,091	179,036	179,036			
	ASUSTEK INVESTMENT CO., LTD.	Taipei	Investment holding	14,593,543	14,593,543	951,278,300	100.00%	14,510,988	(907,717)	(907,717)			
	Pegatron Holding Ltd.	Cayman Islands	Investment holding	33,462,716	33,462,716	961,906,463	100.00%	80,513,033	10,406,602	10,406,602			
	PEGATRON USA, INC.	CA, USA	Repairing and marketing center in Northern America	16,085	16,085	50,000	100.00%	18,336	39	39			
	PEGATRON HOLLAND HOLDING B.V.	Nijmegen, NETHERLANDS	Investment holding	1,278,287	1,278,287	-	100.00%	2,826,764	260,660	260,660			
	AMA PRECISION INC.	Taipei	Research and design of computer components	408,394	408,394	33,800,000	100.00%	435,048	20,493	20,493			
	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products, Sale of precision instrument and photographic equipment.	525,750	525,750	35,750,000	23.75%	378,959	(114,386)	(271,136)			
	ASUSPOWER INVESTMENT CO., LTD.	Unihan Holding Ltd.	Cayman Islands	Investment holding	6,659,684	6,659,684	199,110,010	100.00%	6,982,282	632,196	632,196		Note 1
		CASATEK HOLDINGS LIMITED(CAYMAN)	Cayman Islands	Investment holding	442,409	442,409	4,808,794	1.14%	383,016	(630,830)	(7,384)		
		PEGATRON SERVICE AUSTRALIA PTY. LTD.	Australia	Investment holding	30,955	30,955	6,000,000	100.00%	134,640	9,583	9,583		
		PT. PEGATRON TECHNOLOGY INDONESIA	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer, consumer and electronic components	1,249,369	-	39,999	100.00%	1,127,261	(63,923)	(73,782)		
STARLINK ELECTRONICS CORPORATION		New Taipei City	Manufacture of computer components and industrial plastics, Site and manufacture of electronic materials.	135,144	135,144	15,000,000	50.00%	237,648	(1,337)	Not required to disclose			
KINSUS INTERCONNECT TECHNOLOGY CORP.		Taiwan	Manufacture of computer components, Sale and manufacture of electronic materials, Enterprise management consulting.	727,473	727,473	55,556,221	12.32%	3,142,391	(2,025,035)	Not required to disclose			
ASROCK INCORPORATION		Taipei	Manufacture of data processing equipment, storage equipment and wireless communication equipment, Installation and sale of computer and electronic materials.	82,626	82,626	2,791,000	2.31%	141,605	597,842	Not required to disclose			
AZURE WAVE TECHNOLOGIES, INC.		New Taipei City	Manufacture of office machine, electrical components, computer and related products, Sale of precision instrument and photographic equipment.	154,000	154,000	7,000,000	4.65%	74,181	(114,386)	Not required to disclose			
Lumens Digital Optics Inc. (Lumens Optics)		Hsinchu	Development, manufacture and sale of projector and related product.	508,932	508,932	10,043,490	50.22%	1,067,710	124,623	Not required to disclose			
PEGAVISION CORPORATION		Taiwan	Manufacture of medical equipment	70,721	70,721	5,480,121	7.83%	317,812	475,492	Not required to disclose			
ASUSPOWER CORPORATION		Virgin Islands	Investment holding and commercial affairs	3,752,682	3,752,682	109,000,000	31.23%	7,560,631	(282,915)	Not required to disclose			
PEGATRON TECHNOLOGY SERVICE INC.		Kentucky, USA	Repairing and marketing center in Northern America	94,475	94,475	2,800	100.00%	1,150,477	288,520	Not required to disclose			
PEGATRON LOGISTIC SERVICE INC.	CA, USA	Transferring and marketing center in Northern America	30	30	1,000	100.00%	11,928	-	Not required to disclose				
Huawei Investment Co., Ltd.	Taipei	Investment holding	48,780	48,780	-	48.78%	243,784	139,702	Not required to disclose				
PEGA INTERNATIONAL LIMITED	Taipei	Design service and commercial affairs	31,885	31,885	-	100.00%	31,690	(52)	Not required to disclose				
PEGATRON JAPAN Inc.	Japan	Repairing and marketing center in Japan	37,287	27,287	-	100.00%	603,637	266,088	Not required to disclose				
PEGATRON Mexico, S.A. DE C.V.	Chihuahua, Mexico	Repairing and marketing center in Mexico	231,424	231,424	-	40.51%	135,634	1,116	Not required to disclose				
PEGATRON SERVICE SINGAPORE PTE. LTD.	Singapore	Repairing and marketing center in Singapore	23,990	23,990	1,000,000	100.00%	477,277	80,773	Not required to disclose				
PT. PEGATRON TECHNOLOGY INDONESIA	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, and whole selling of computer, consumer and electronic components	31	-	1	0.00%	28	(63,923)	Not required to disclose				
STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics, Sale and manufacture of electronic materials.	90,000	90,000	9,000,000	30.00%	142,589	(1,337)	Not required to disclose				
KINSUS INTERCONNECT TECHNOLOGY CORP.	Taiwan	Manufacture of computer components, Sale and manufacture of electronic materials, Enterprise management consulting.	938,098	938,098	60,138,417	13.33%	3,400,006	(2,025,035)	Not required to disclose				
ASROCK INCORPORATION	Taipei	Manufacture of data storage, data processing equipment and communication equipment, Sale of computer equipment and electronic material.	155,718	155,718	57,217,754	47.43%	2,902,956	597,842	Not required to disclose				
Lumens Digital Optics Inc. (Lumens Optics)	Hsinchu	Development, manufacture and sale of projector and related product.	7,338	7,338	587,079	2.94%	62,412	124,623	Not required to disclose				
ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	3,488,741	3,488,741	103,000,000	29.51%	7,144,227	(282,915)	Not required to disclose				
ASPLY TRAVEL SERVICE LIMITED	Taipei	Travel industry	6,000	6,000	-	100.00%	12,414	(2,729)	Not required to disclose				

## Notes to the Consolidated Financial Statements

Investor	Investee	Location	Investment holding	Initial investment amount		Shares held as at December 31, 2019		Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019
				December 31, 2019	December 31, 2018	Number of shares	Ownership			
ASUS INVESTMENT CO., LTD.	HUA-YUAN INVESTMENT LIMITED	Taipei	Investment holding	500,000	500,000	-	100.00%	553,330	84,597	Not required to disclose
-	PEGATRON Mexico, S.A. DE C.V.	Chihuahua, Mexico	Repairing and marketing center in Mexico	369,938	369,938	-	59.49%	199,182	1,116	Not required to disclose
-	FUYANG TECHNOLOGY CORPORATION	Hainchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	464,711	464,711	32,088,436	17.83%	269,176	(541,059)	Not required to disclose
ASUSTEK INVESTMENT CO., LTD.	STARLINK ELECTRONICS CORPORATION	New Taipei City	Manufacture of computer components and industrial plastics. Sale and manufacture of electronic materials.	60,000	60,000	6,000,000	20.00%	95,059	(1,337)	Not required to disclose
-	KINSUS INTERCONNECT TECHNOLOGY CORP.	Taiwan	Manufacture of computer components. Sale and manufacture of electronic materials. Enterprise management consulting.	794,252	794,252	58,233,091	12.91%	3,292,879	(2,025,035)	Not required to disclose
-	ASROCK INCORPORATION	Taipei	Manufacture of data processing equipment, storage equipment and wire communication equipment. Installation and sale of computer and electronic materials.	223,939	223,939	7,453,405	6.18%	378,153	597,842	Not required to disclose
-	AZURE WAVE TECHNOLOGIES, INC.	New Taipei City	Manufacture of office machine, electrical components, computer and related products. Sale of precision instrument and photographic equipment.	98,487	98,487	6,696,930	4.45%	70,990	(114,386)	Not required to disclose
-	Lumens Digital Optics Inc. (Lumens Optics)	Hainchu	Development, manufacture and sale of projector and related product.	5,117	5,117	409,427	2.05%	43,526	124,623	Not required to disclose
-	PEGAVISION CORPORATION	Taiwan	Manufacture of medical equipment	64,292	64,292	4,934,434	7.05%	286,166	475,492	Not required to disclose
-	ASUSPOWER CORPORATION	Virgin Islands	Investment holding and commercial affairs	4,652,885	4,652,885	137,000,000	39.26%	9,504,655	(282,915)	Not required to disclose
-	FUYANG TECHNOLOGY CORPORATION	Hainchu	Manufacture of wire, cable and electronic components. Sale of electronic materials.	929,422	929,422	64,176,872	35.65%	538,202	(541,059)	Not required to disclose
PEGATRON SERVICE SINGAPORE PTE. LTD.	PEGATRON SERVICE KOREA LLC.	Korea	Repairing and marketing center in Korea	44,970	44,970	360,000	100.00%	251,387	46,312	Not required to disclose
Pegatron Holding Ltd.	MAGNIFICENT BRIGHTNESS LIMITED	Virgin Islands	Investment holding and commercial affairs	7,806,218	7,806,218	177,961,090	100.00%	26,860,010	1,738,398	Not required to disclose
-	PROTEK GLOBAL HOLDINGS LTD.	Virgin Islands	Investment holding and commercial affairs	8,975,968	8,975,968	308,100,000	100.00%	32,718,305	5,697,024	Not required to disclose
-	ASLINK PRECISION CO., LTD.	Cayman Islands	Investment holding and commercial affairs	5,852,298	5,852,298	199,711,968	100.00%	11,904,139	2,835,111	Not required to disclose
-	DIGITEK GLOBAL HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	1,470,474	1,470,474	49,050,000	100.00%	5,469,063	400,148	Not required to disclose
-	COTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	2,069,070	2,069,070	81,275,000	100.00%	1,610,644	365,752	Not required to disclose
-	TOP QUARK LIMITED	HongKong	Investment holding	317,623	317,623	9,550,000	100.00%	162,468	(9,198)	Not required to disclose
-	POWTEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	394,102	394,102	8,050,000	100.00%	938,889	17,886	Not required to disclose
-	PIOTEK HOLDINGS LTD.(CAYMAN)	Cayman Islands	Investment holding	2,766,359	2,766,359	92,000,000	49.00%	446,021	(477,304)	Not required to disclose
-	GRAND UPRIGHT TECHNOLOGY LTD.	Samoa	Investment holding and commercial affairs	39,760	39,760	1,000	100.00%	383,468	(348)	Not required to disclose
KINSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS INVESTMENT CO., LTD.	Taiwan	Investment holding	1,600,000	1,600,000	160,000,000	100.00%	2,300,446	(33,605)	Not required to disclose
-	KINSUS CORP. (USA)	CA, USA	Design substrate, analyze market strategy, development new customer and new technology.	14,990	14,990	500,000	100.00%	55,310	6,215	Not required to disclose
-	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investment holding	4,985,935	4,985,935	166,308,720	100.00%	1,868,801	(180,094)	Not required to disclose
KINSUS INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Taiwan	Manufacture of medical equipment	252,455	286,418	21,233,736	30.33%	1,299,647	475,492	Not required to disclose
-	FUYANG TECHNOLOGY CORPORATION	Hainchu	Manufacture of wire, cable and electronic components. Sale of electronic material.	929,422	929,422	64,176,872	35.65%	538,259	(541,059)	Not required to disclose
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION	Samoa	Investment holding	108,837	63,857	3,630,000	100.00%	36,437	(5,280)	Not required to disclose
-	PEGAVISION JAPAN INC.	Japan	Sale of medical equipment	2,732	2,732	198	100.00%	26,102	16,418	Not required to disclose
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investment holding	2,158,560	2,158,560	72,000,000	100.00%	1,403,963	63,326	Not required to disclose

## Notes to the Consolidated Financial Statements

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019		Book value	Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership				
KINSUS HOLDING (SAMOA) LIMITED	PROTEK HOLDINGS LTD.(CAYMAN)	Cayman Islands	Investment holding	2,827,384	2,827,384	95,755,000	51.00%	464,840	(477,291)	Not required to disclose	
PROTEK HOLDINGS LTD. (CAYMAN)	PROTEK HOLDING LIMITED	Virgin Islands	Investment holding	4,192,427	4,192,427	139,840,790	100.00%	911,482	(477,291)	Not required to disclose	
PROTEK HOLDING LIMITED	PROTEK (HK) TRADING LIMITED	HongKong	Commercial affairs	779	779	200,000	100.00%	79,567	4,634	Not required to disclose	
FUYANG TECHNOLOGY CORPORATION	FUYANG FLEX HOLDING LTD.	Cayman Islands	Investment holding and commercial affairs	1,357,292	1,357,292	44,000,000	100.00%	578,127	(466,847)	Not required to disclose	
ASROCK INCORPORATION	ASROCK back Incorporation	Taipei	Manufacture and sale of computer related products	291,006	98,302	19,465,411	62.02%	190,503	92,004	Not required to disclose	
-	ASIAROCK TECHNOLOGY LIMITED	Virgin Islands	Investment holding	1,320,886	1,320,886	40,000,000	100.00%	3,700,936	45,337	Not required to disclose	
-	Leader Insight Holdings Ltd.	Virgin Islands	Investment holding	71,559	71,559	2,100,000	100.00%	(20,602)	(8,971)	Not required to disclose	
-	ASRock Industrial Computer Corporation	Taipei	Manufacture and sale of computer related products	235,822	123,700	23,582,200	67.38%	290,120	79,925	Not required to disclose	
-	Yabo Trading Co., Ltd.	HongKong	International trade	577	577	150,000	100.00%	578	-	Not required to disclose	
ASIAROCK TECHNOLOGY LIMITED	ASROCK EUROPE B.V.	Netherlands	Sale of data storage devices and electronic materials	5,816	5,816	200,000	100.00%	506,903	40,223	Not required to disclose	
-	CalRock Holdings, LLC.	NETHERLANDS	Reading offices	59,960	59,960	2,000,000	100.00%	66,817	(925)	Not required to disclose	
-	Otwob Inc. (BVI)	CA, USA	Installation of computer equipment and sale of computer related product.	29,980	29,980	4,000,000	27.59%	-	(16,864)	Not required to disclose	
Leader Insight Holdings Ltd.	First place International Ltd.	Virgin Islands	Investment holding	61,459	61,459	2,050,000	100.00%	(20,648)	(8,971)	Not required to disclose	
First place International Ltd.	ASROCK AMERICA, INC.	CA, USA	Sale of data storage devices and electronic materials	59,960	59,960	2,000,000	100.00%	(21,652)	(8,975)	Not required to disclose	
Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	CA, USA	Purchase and sale on computer product and computer related product.	36,306	36,306	1,222,000	100.00%	58,653	(1,186)	Not required to disclose	
-	Lumens Digit Image Inc.	Samoa	Investment holding	7,495	7,495	250,000	100.00%	32,364	(13,439)	Not required to disclose	
ASUSPOWER CORPORATION	CASETEK HOLDINGS LIMITED(CAYMAN)	Cayman Islands	Investment holding	10,578,356	10,578,356	245,016,988	58.27%	17,832,075	(630,830)	Not required to disclose	
PEGATRON TECHNOLOGY SERVICE INC.	PEGATRON SERVICOS DE INFORMATICA LTDA.	Brazil	Repairing service	19,487	19,487	-	100.00%	11,157	1,641	Not required to disclose	
Unitan Holding Ltd.	CASETEK HOLDINGS LIMITED	Virgin Islands	Investment holding and commercial affairs	4,913,746	4,913,746	115,375,668	100.00%	5,567,092	592,280	Not required to disclose	
CASETEK HOLDINGS LIMITED	SLITEK HOLDINGS LIMITED	Samoa	Investment holding and commercial affairs	36,276	36,276	1,210,000	100.00%	13,620	(7,886)	Not required to disclose	
-	KAEDAR HOLDINGS LIMITED	HongKong	Investment holding and commercial affairs	749,500	749,500	25,000,000	100.00%	1,164,440	103,418	Not required to disclose	
-	KAEDAR TRADING LTD.	Samoa	Investment holding and commercial affairs	149,900	149,900	5,000,000	100.00%	567,291	16,409	Not required to disclose	
AMA PRECISION INC.	AMA Holdings Limited	Samoa	Investment holding	169,744	169,744	5,131,948	100.00%	124,239	11,218	Not required to disclose	
AZURE WAVE TECHNOLOGIES, INC.	Azwave Holding (Samoa) Inc.	Samoa	Investment holding	1,585,683	1,585,683	50,177,160	100.00%	1,176,074	231,065	Not required to disclose	
-	EZWAWE TECHNOLOGIES, INC.	Taipei	Information product service industry	5,015	5,015	500,000	100.00%	(21,682)	(714)	Not required to disclose	
-	AZURE LIGHTING TECHNOLOGIES, INC.	New Taipei City	Sale of electronic materials	35,000	35,000	2,000,000	100.00%	29,856	1,949	Not required to disclose	
-	Azwave Technologies (USA) INC.	CA, USA	Market development	19,820	15,165	(50,000)	100.00%	786	(4,860)	Not required to disclose	
-	VENCE PRECISION & TOOLS CO.,LTD.	New Taipei City	Sale of electronic materials	-	10,000	-	-	-	-	Not required to disclose	

Note 1 : Because the foreign holding investee companies prepare consolidated financial statements only, the disclosure of the company's investments is only to the level of the holding company.  
 Note 2 : Income and expenses for each statement of comprehensive income are translated at average exchange rates of 2019, the others are translated at the spot exchange rate on the financial statement date.  
 Note 3 : VENCE PRECISION & TOOLS CO.,LTD. was liquidated in March, 2019.

## Notes to the Consolidated Financial Statements

Table 8 Information on investments in Mainland China  
December 31, 2019

1. The names of investees in Mainland China, the main businesses and products, and other information

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2019	Mainland China / Amount remitted back to Taiwan for the year ended December 31,		Accumulated amount of remittance from Taiwan as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2, (2))	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
MAINTEK COMPUTER (SUZHOU) CO., LTD. (Note 5)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product.	6,853,128 USD 228,590,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,300,464 USD 176,800,000	-	-	5,300,464 USD 176,800,000	1,738,385 USD 56,275,548	100%	1,738,385 USD 56,275,548	27,073,861 USD 903,064,064	-
PROTEK (SHANGHAI) LTD.	Develop and research, manufacture, assemble, repair, sale and design of satellite communication equipment, satellite navigation receive equipment and essential component. Sale of cellphone, medium and large sized computer, portable computer, printing machine and electrical component.	9,233,840 USD 308,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	9,233,840 USD 308,000,000	-	-	9,233,840 USD 308,000,000	5,697,061 USD 184,427,009	100%	5,697,061 USD 184,427,009	32,824,746 USD 1,094,888,129	-
PIOTEK COMPUTER (SUZHOU) (Note 7)	Develop and research, manufacture and sale of new type of precision electrical component, circuit board and related product. The company also provides after sale service.	4,997,666 USD 166,700,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,362,479 USD 45,446,280	-	-	1,362,479 USD 45,446,280	(481,691) (USD 15,593,449)	68.67%	(330,756) (USD 10,707,336)	571,166 USD 19,051,554	-
COTEK ELECTRONICS	Develop, manufacture and sale of new electrical component, plugs and corresponding precision mold. The company also provides after sale service.	2,428,380 USD 81,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,068,620 USD 69,000,001	-	-	2,068,620 USD 69,000,001	354,772 USD 11,484,802	100%	354,772 USD 11,484,802	1,611,670 USD 53,758,167	-
RUNTOP (SHANGHAI) CO., LTD.	Manufacture and sale of computer components, digital automatic data processing machine, accessories of multimedia computer, power supplier, network switch and data machine.	209,860 USD 7,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	316,124 USD 10,544,482	-	-	316,124 USD 10,544,482	(9,090) (USD 294,271)	100%	(9,090) (USD 294,271)	162,309 USD 5,413,909	-
POWTEK (SHANGHAI) LTD.	Sale of computer motherboard, computer, laptop, service machine and computer related items. The company also provides after sale service.	239,840 USD 8,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	394,102 USD 13,145,510	-	-	394,102 USD 13,145,510	17,941 USD 580,806	100%	17,941 USD 580,806	938,432 USD 31,301,945	-
DIGITEK (CHONGQING) LTD.	Research and development, manufacture, sale of satellite communication equipment, satellite navigation receive equipment, cellphone, internet related equipment, computer, video decoding equipment, car-used electrical equipment and component. The company also provides export, proxy, repair services.	1,469,020 USD 49,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,469,020 USD 49,000,000	-	-	1,469,020 USD 49,000,000	400,098 USD 12,952,090	100%	400,098 USD 12,952,090	5,500,546 USD 183,473,834	-
PEGAGLOBE (KUNSHAN) CO., LTD.	Manufacture of satellite navigation receiving equipment, cellphone, core equipment, internet detection equipment, large and medium sized computer, easy to carry computers, high end service equipment, large volume light driver and their component.	5,816,120 USD 194,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,816,120 USD 194,000,000	-	-	5,816,120 USD 194,000,000	2,833,915 USD 91,740,376	100%	2,833,915 USD 91,740,376	11,883,748 USD 396,389,196	-

## Notes to the Consolidated Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2019	Mainland China / Amount remitted back to Taiwan for the year ended December 31,		Accumulated amount of remittance from Taiwan as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2, (2) )	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
CASITEK COMPUTER (SUZHOU) CO., LTD.	Manufacture, development and research and sale of computer, computer system and its component. The company also provides after sale service.	1,678,880 USD 56,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,678,880 USD 56,000,000	-	-	1,678,880 USD 56,000,000	467,174 USD 15,123,509	100%	467,174 USD 15,123,509	3,063,954 USD 102,199,945	-
KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	Manufacture of plastic injection products.	524,650 USD 17,500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	734,723 USD 24,507,092	-	-	734,723 USD 24,507,092	103,333 USD 3,345,121	100%	103,333 USD 3,345,121	1,149,089 USD 38,328,527	-
LIMITED	Research, manufacture and sale of laptop components and precision equipment. Design non-metal molds and electronic devices. The company also provides after sale service and consulting service.	359,760 USD 12,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	359,760 USD 12,000,000	-	-	359,760 USD 12,000,000	2,854 USD 92,380	100%	2,854 USD 92,380	198,513 USD 6,621,310	-
KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	Research and develop, manufacture and inspect computer and implication system. Manufacture molds, precision molds, plastic components. Sale of automatic products.	299,800 USD 10,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	299,800 USD 10,000,000	-	-	299,800 USD 10,000,000	2,675 USD 86,588	100%	2,675 USD 86,588	277,083 USD 9,075,472	-
Zhangjiagang East High-tech LTD.	Process, sale and transportation of steel.	179,880 USD 6,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	35,976 USD 1,200,000	-	-	35,976 USD 1,200,000	(39,341) (USD 1,273,558)	20%	(7,868) (USD 254,712)	12,309 USD 410,580	-
FUYANG ELECTRONICS (SUZHOU) CO., LTD.	Research and develop, manufacture, test, repair and sale of Multilayer flexible board and computer number signal processor.	1,319,120 USD 44,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,319,120 USD 44,000,000	-	-	1,319,120 USD 44,000,000	(466,261) (USD 15,093,942)	67.22%	(313,421) (USD 10,146,148)	386,888 USD 12,904,853	-
(Note 13) HONGJIE (SHANGHAI) PACKING LIMITED	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	149,900 USD 5,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	27,964 USD 932,769	-	-	27,964 USD 932,769	-	-	-	-	-
(Note 14) HONGJIE (SUZHOU) PACKING LIMITED	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	399,033 USD 13,309,984	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	180,652 USD 6,025,762	-	-	180,652 USD 6,025,762	-	-	-	-	-
(Note 14) Suzhou Esilite Packaging LTD.	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	152,898 USD 5,100,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	34,685 USD 1,156,954	-	-	34,685 USD 1,156,954	-	-	-	-	-
(Note 14) HONGJIE (CHONGQING) PACKING LIMITED	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	14,990 USD 500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,293 USD 76,500	-	-	2,293 USD 76,500	-	-	-	-	-
(Note 14) Hongruisheng (Chengdu) packaging LTD.	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	78,248 USD 2,610,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	18,977 USD 633,000	-	-	18,977 USD 633,000	-	-	-	-	-
(Note 12) Heilongjiang Hongjie Packaging LTD.	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	73,751 USD 2,460,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	13,275 USD 442,800	-	-	13,275 USD 442,800	-	-	-	-	-
(Note 11) Suzhou Lianshuo Electronics LTD.	Manufacture of plugs	209,394 USD 6,984,441	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	229,534 USD 7,656,224	-	-	229,534 USD 7,656,224	-	-	-	-	-
(Note 6) Shanghai Yiding Electronics LTD.	Research and develop, manufacture and sale of portable micro computer, laptop and related products.	929,380 USD 31,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	587,608 USD 19,600,000	-	-	587,608 USD 19,600,000	-	-	-	-	-
(Note 8)												

## Notes to the Consolidated Financial Statements

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2019	Mainland China / Amount remitted back to Taiwan for the year ended December 31,		Accumulated amount of remittance from Taiwan as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 2, (2) )	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019
					Remitted to Mainland China	Remitted back to Taiwan						
Jinhong Precision Mold (Suzhou) Co., Ltd. (Note 10)	Design, process, sale and manufacture of non-metal molds. Manufacture and sale of precision molds, standard molds, plastic and hardware.	26,982 USD 900,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland	51,416 USD 1,715,000	-	-	51,416 USD 1,715,000	-	-	-	-	-
Honghua Technology (Suzhou) LTD. (Note 9)	Manufacture, research and develop, process non-metal molds, precision molds, standard molds, hardware components, new version of photoelectric trigger disk camera, essential components and providing after sale service.	191,872 USD 6,400,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	94,017 USD 3,136,000	-	-	94,017 USD 3,136,000	-	-	-	-	-
2. Limitation on investment in Mainland China												
<b>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 16)</b>					<b>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 15)</b>			<b>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)</b>				
31,774,860					33,351,6725			115,947,308				
USD 1,059,868,572					USD 1,117,969,490							

US dollar exchange rate : year end exchange rate 29.98 ; average exchange rate 30.8906

Note 1: Investment methods are classified into the following three categories:

(1) Through company in the third area, the Company transferred money to invest in the investee in Mainland China.

(2) Through setting up company in the third area, the Company then invest in the investee in Mainland China.

(3) Through investing in the third area, the Company then reinvest in the investee in Mainland China.

Note 2 : The basis for investment income (loss) recognition:

(1) If the company is under preparation status, there is no income or loss.

(2) The basis for investment income (loss) recognition can be classified to three categories:

1. Financial statements are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

2. Financial statements which were based on the audited and attested by R.O.C. parent company's CPA.

3. Others: The financial statements of significant subsidiaries were audited by CPA, and the self-assessed financial statements of non-significant subsidiaries were not audited by CPA.

Note 3 : The chart is expressed in NTD. Investment profit or loss is converted based on average exchange rate. Book value of the investment is converted based on year-end exchange rate.

Note 4 : Ceiling on investments is the higher of its net asset or 60% of the consolidated net assets.

Note 5 : MAINTEK COMPUTER (SUZHOU) CO., LTD.'s paid-in capital includes capital increase by retained earning of USD51,790,000.

Note 6 : Suzhou Lianshuo Electronics LTD. has completed liquidation process. As of December 31, 2019, the funds have not been remitted.

Note 7 : PIOTEK COMPUTER (SUZHOU) CO., LTD.'s paid-in capital includes capital increase by retained earning of USD27,000,000. The ownership percentage includes shares held by other subsidiaries.

Note 8 : The Group has disposed of shares of Indeed Holdings Limited (indirectly invested in Shanghai Yiding Electronics LTD.), As of December 31, 2019, the funds have not been remitted.

Note 9 : Honghua Technology (Suzhou) LTD. has completed liquidation process. As of December 31, 2019, the funds have not been remitted.

Note 10 : The Group has disposed shares of Jinzhong Precision Mold Industrial (Suzhou) Co., Ltd., As of December 31, 2019, the funds have not been remitted.

Note 11 : The Group has disposed shares of Heilongjiang Hongjie Packaging LTD., As of December 31, 2019, the funds have not been remitted.

Note 12 : Hongguisheng (Chengdu) packaging LTD. has completed liquidation process. As of December 31, 2019, the funds have not been remitted.

Note 13 : Accumulated investment amount includes FUYANG TECHNOLOGY CORPORATION transferred out USD26,000,000.

Note 14 : The Group has disposed all shares of E-Packng. As of December 31, 2019, the funds have not been remitted.

Note 15 : Due to the reinvestment of this Group's investee, China renewable Energy Fund, LP (CREFF), in Mainland China, the Group increased its line of credit to USD10,161,116, with the approval from the Investment Commission of MOEA.

Note 16 : The difference of USD4,850,198 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2019 was the actual amount of investment in Mainland China made by China Renewable Energy Fund, LP (CREFF).



## Notes to the Consolidated Financial Statements

Table 9 Business relationships and significant intercompany transactions  
December 31, 2019

Expressed in thousands of NTD

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	PEGATRON CORPORATION	ASIA ROCK TECHNOLOGY LIMITED	1	Sales	1,750,427	Open Account 90 days	0.13%
0	PEGATRON CORPORATION	ASIA ROCK TECHNOLOGY LIMITED	1	Account Receivables	162,288	Open Account 90 days	0.03%
0	PEGATRON CORPORATION	PEGATRON Czech s.r.o.	1	Sales	2,581,497	120 days on delivery	0.19%
0	PEGATRON CORPORATION	PEGATRON Czech s.r.o.	1	Account Receivables	835,423	120 days on delivery	0.15%
0	PEGATRON CORPORATION	COTEK ELECTRONICS (SUZHOU) CO., LTD.	1	Account Receivables	2,474,286	Open Account 90 days	0.43%
0	PEGATRON CORPORATION	PROTEK (SHANGHAI) LTD.	1	Account Receivables	232,022,537	Open Account 60 days	40.67%
0	PEGATRON CORPORATION	MAINTEK COMPUTER (SUZHOU) CO., LTD.	1	Account Receivables	155,001	Open Account 90 days	0.03%
0	PEGATRON CORPORATION	PEGAGLOBE (KUNSHAN) CO., LTD.	1	Account Receivables	41,110,704	Open Account 90 days	7.21%
0	PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	1	Account Receivables	36,210,328	Open Account 60 days	6.35%
0	PEGATRON CORPORATION	DIGITEK (CHONGQING) LTD.	1	Sales	269,479	Open Account 60 days	0.02%
0	PEGATRON CORPORATION	PEGATRON TECHNOLOGY SERVICE INC.	1	Sales	282,979	90 days on delivery	0.02%
0	PEGATRON CORPORATION	PT. PEGATRON TECHNOLOGY INDONESIA	1	Sales	146,402	120 days on delivery	0.01%
0	PEGATRON CORPORATION	PT. PEGATRON TECHNOLOGY INDONESIA	1	Account Receivables	8,556,161	120 days on delivery	1.50%
0	PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	1	Sales	168,877	120 days on delivery	0.01%
0	PEGATRON CORPORATION	POWTEK (SHANGHAI) LTD.	1	Account Receivables	155,001	120 days on delivery	0.03%
1	PT. PEGATRON TECHNOLOGY INDONESIA	PEGATRON CORPORATION	2	Account Receivables	4,822,021	Open Account 60 days	0.85%
2	PROTEK (SHANGHAI) LTD.	PEGATRON CORPORATION	2	Account Receivables	185,317,389	Open Account 60 days	32.48%
2	PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	2	Sales	1,819,022	Open Account 60 days	0.13%
2	PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Sales	68,394,303	Open Account 60 days	5.01%
2	PROTEK (SHANGHAI) LTD.	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Account Receivables	20,595,772	Open Account 60 days	3.61%
3	PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	2	Sales	89,864,641	Open Account 60 days	6.58%
3	PEGAGLOBE (KUNSHAN) CO., LTD.	PEGATRON CORPORATION	2	Account Receivables	49,959,452	Open Account 60 days	8.76%
3	PEGAGLOBE (KUNSHAN) CO., LTD.	GRAND UPRIGHT TECHNOLOGY LTD.	3	Sales	14,031,145	Open Account 60 days	1.03%
3	PEGAGLOBE (KUNSHAN) CO., LTD.	GRAND UPRIGHT TECHNOLOGY LTD.	3	Account Receivables	433,680	Open Account 60 days	0.08%
3	PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Sales	1,023,513	Open Account 60 days	0.07%
3	PEGAGLOBE (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Account Receivables	119,520	Open Account 60 days	0.02%
4	MAINTEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	32,753,452	Open Account 60 days	2.40%
4	MAINTEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Account Receivables	679,812	Open Account 60 days	0.12%
4	MAINTEK COMPUTER (SUZHOU) CO., LTD.	COTEK ELECTRONICS (SUZHOU) CO., LTD.	3	Other Receivables	1,499,000	Mutual Agreement	0.26%
4	MAINTEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Sales	1,241,732	Open Account 60 days	0.09%
4	MAINTEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Account Receivables	1,230,589	Open Account 60 days	0.21%
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Account Receivables	2,146,286	Open Account 60 days	0.38%
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	1,470,716	Open Account 60 days	0.11%
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	3,280,314	Open Account 60 days	0.24%
5	COTEK ELECTRONICS (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Sales	113,124	Open Account 60 days	0.01%
6	DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	2	Sales	3,815,352	Open Account 60 days	0.28%
6	DIGITEK (CHONGQING) LTD.	PEGATRON CORPORATION	2	Account Receivables	32,541,457	Open Account 60 days	5.70%
6	DIGITEK (CHONGQING) LTD.	CHONGQING ZHUANSHUO TRADING CO., LTD.	3	Sales	337,419	Open Account 60 days	0.02%
7	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Sales	522,292	Open Account 60 days	0.04%
8	CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	4,109,445	Open Account 60 days	0.30%
8	CASETEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Account Receivables	465,155	Open Account 60 days	0.08%
8	CASETEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	306,891	Open Account 60 days	0.02%
9	PIOTEK COMPUTER (SUZHOU) CO., LTD.	PEGATRON CORPORATION	2	Sales	344,239	Open Account 60 days	0.05%
9	PIOTEK COMPUTER (SUZHOU) CO., LTD.	PIOTEK (H.K.) TRADING LIMITED	3	Sales	311,315	Open Account 60 days	0.02%
9	PIOTEK COMPUTER (SUZHOU) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	227,509	Open Account 60 days	0.02%
9	PIOTEK COMPUTER (SUZHOU) CO., LTD.	DIGITEK (CHONGQING) LTD.	3	Sales	2,181,488	Open Account 30 days	0.16%
10	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	KINSUS INTERCONNECT TECHNOLOGY CORP.	2	Account Receivables	240,392	Open Account 30 days	0.04%
10	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP	MEGA MERIT LIMITED	1	Other Receivables	611,502	Mutual Agreement	0.11%
11	CASETEK HOLDINGS LIMITED(CAYMAN)	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	1	Long-term Receivables	8,094,600	Mutual Agreement	1.42%
12	RHH LI International Limited	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	1	Long-term Receivables	167,708	Mutual Agreement	0.03%
12	RHH LI International Limited	PEGATRON CORPORATION	2	Sales	273,273	Open Account 60 days	0.02%
13	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	3	Sales	713,110	Open Account 30-60 days	0.05%
13	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	3	Long-term Receivables	1,074,363	Mutual Agreement	0.19%
13	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Long-term Receivables	1,718,993	Mutual Agreement	0.30%
13	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	3	Sales	4,576,659	Open Account 90 days	0.33%
14	RI-MING (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	3	Account Receivables	1,471,718	Open Account 30-60 days	0.26%
14	RI-MING (SHANGHAI) CO., LTD.	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Sales	1,611,748	Open Account 30-60 days	0.12%
14	RI-MING (SHANGHAI) CO., LTD.	RI KAI COMPUTER ACCESSORY CO., LTD	3	Sales	731,891	Open Account 30-60 days	0.05%
14	RI-MING (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Other Receivables	300,819	Mutual Agreement	0.05%
14	RI-MING (SHANGHAI) CO., LTD.	RH KUAN METAL CORPORATION	3	Account Receivables	1,512,791	Open Account 90 days	0.27%
14	RI-MING (SHANGHAI) CO., LTD.	RH KUAN METAL CORPORATION	3	Sales	2,379,287	Open Account 90 days	0.17%
15	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	3	Sales	10,692,009	Open Account 30-60 days	0.78%
15	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	MEGA MERIT LIMITED	3	Account Receivables	1,061,952	Open Account 30-60 days	0.19%
15	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	3	Sales	312,211	Open Account 30-60 days	0.02%
15	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI-MING (SHANGHAI) CO., LTD.	3	Account Receivables	103,943	Open Account 30-60 days	0.02%
15	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Short-term Receivables	214,857	Mutual Agreement	0.04%
15	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Long-term Receivables	2,578,490	Mutual Agreement	0.45%
15	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	RI KAI COMPUTER ACCESSORY CO., LTD.	3	Sales	840,533	Open Account 30-60 days	0.06%
15	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	3	Long-term Receivables	257,858	Mutual Agreement	0.05%
16	RI KAI COMPUTER ACCESSORY CO., LTD.	MEGA MERIT LIMITED	3	Sales	8,256,625	Open Account 30-60 days	0.60%
16	RI KAI COMPUTER ACCESSORY CO., LTD.	MEGA MERIT LIMITED	3	Account Receivables	941,402	Open Account 30-60 days	0.17%
16	RI KAI COMPUTER ACCESSORY CO., LTD.	RH KUAN METAL CORPORATION	3	Account Receivables	256,269	Open Account 90 days	0.04%
16	RI KAI COMPUTER ACCESSORY CO., LTD.	RH KUAN METAL CORPORATION	3	Sales	1,002,060	Open Account 90 days	0.07%
17	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	3	Sales	798,615	Open Account 30-60 days	0.06%
17	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI-MING (SHANGHAI) CO., LTD.	3	Account Receivables	110,236	Open Account 30-60 days	0.02%
17	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Sales	431,295	Open Account 30-60 days	0.03%
17	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED	RI KAI COMPUTER ACCESSORY CO., LTD.	3	Sales	103,391	Open Account 30-60 days	0.02%
18	KAI HE COMPUTER ACCESSORY (SUZHOU) CO., LTD.	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	3	Long-term Receivables	214,867	Mutual Agreement	0.04%
19	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PROTEK (SHANGHAI) LTD.	3	Account Receivables	144,683	Open Account 60 days	0.03%
19	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PROTEK (SHANGHAI) LTD.	3	Sales	657,846	Open Account 60 days	0.05%
19	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Sales	428,020	Open Account 60 days	0.03%
19	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	PEGAGLOBE (KUNSHAN) CO., LTD.	3	Account Receivables	148,431	Open Account 60 days	0.03%
19	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Sales	270,571	Open Account 30-60 days	0.02%
19	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	MEGA MERIT LIMITED	3	Account Receivables	224,970	Open Account 30-60 days	0.04%
19	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	MEGA MERIT LIMITED	3	Sales	815,265	Open Account 30-60 days	0.06%
19	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD.	3	Account Receivables	118,781	Open Account 30-60 days	0.02%
19	RI SHAN COMPUTER ACCESSORY (JIA SHAN) CO., LTD	RI KAI COMPUTER ACCESSORY CO., LTD.	3	Other Receivables	173,344	Open Account 30-60 days	0.03%
20	FUYANG TECHNOLOGY CORPORATION	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	1	Account Receivables	1,161,625	Open Account 60 days	0.20%
21	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	FUYANG TECHNOLOGY CORPORATION	2	Sales	1,392,252	Open Account 60 days	0.09%
21	FUYANG ELECTRONICS (SUZHOU) CO., LTD.	FUYANG TECHNOLOGY CORPORATION	2	Account Receivables	1,195,626	Open Account 60 days	0.21%
22	ASROCK INCORPORATION	ASROCK AMERICA, INC.	1	Account Receivables	2,432,887	Open Account 90 days	0.18%
22	ASROCK INCORPORATION	ASROCK AMERICA, INC.	1	Account Receivables	1,063,308	Open Account 90 days	0.19%
22	ASROCK INCORPORATION	ASROCK EUROPE B.V.	1	Sales	2,586,680	Open Account 45 days	0.19%
22	ASROCK INCORPORATION	ASROCK EUROPE B.V.	1	Account Receivables	193,519	Open Account 45 days	0.03%
23	ASIA ROCK TECHNOLOGY LIMITED	PEGATRON CORPORATION	2	Sales	1,190,218	Open Account 90 days	0.09%
23	ASIA ROCK TECHNOLOGY LIMITED	ASROCK INCORPORATION	2	Sales	7,659,478	Open Account 60 days	0.56%
23	ASIA ROCK TECHNOLOGY LIMITED	ASROCK INCORPORATION	2	Account Receivables	1,341,641	Open Account 60 days	0.24%
23	ASIA ROCK TECHNOLOGY LIMITED	ASRock Industrial Computer Corporation	3	Sales	1,183,213	Open Account 60 days	0.09%
23	ASIA ROCK TECHNOLOGY LIMITED	ASRock Industrial Computer Corporation	3	Account Receivables	439,144	Open Account 60 days	0.08%
23	ASIA ROCK TECHNOLOGY LIMITED	ASRock Rack Incorporation	3	Sales	2,061,046	Open Account 90 days	0.15%
23	ASIA ROCK TECHNOLOGY LIMITED	ASRock Rack Incorporation	3	Account Receivables	709,548	Open Account 90 days	0.12%
24	ASRock Industrial Computer Corporation	ASROCK EUROPE B.V.	3	Sales	126,232	Open Account 60 days	0.01%
25	ASROCK RACK INCORPORATION	PEGATRON CORPORATION	2	Sales	105,009	90 days on delivery	0.01%
26	AZURE WAVE TECHNOLOGIES, INC.	PEGATRON CORPORATION	2	Sales	507,116	Open Account 60 days	0.04%
27	PEGAVISION CORPORATION	Pegavision Japan Inc.	1	Sales	1,353,073	Open Account 90 days	0.10%
27	PEGAVISION CORPORATION	Pegavision Japan Inc.	1	Account Receivables	146,953	Open Account 90 days	0.03%

## Notes to the Consolidated Financial Statements

No. (Note 1)	Company name	Counterparty	Transaction				Percentage of consolidated total operating revenues or total assets (Note 3)
			Relationship (Note 2)	General ledger account	Amount	Transaction terms	
27	PEGAVISION CORPORATION	PEGAVISION (SHANGHAI) LIMITED	1	Sales	127,282	Open Account 180 days	0.01%
27	PEGAVISION CORPORATION	PEGAVISION (SHANGHAI) LIMITED	1	Account Receivables	124,211	Open Account 180 days	0.02%
27	PEGAVISION CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	3	Sales	118,586	Open Account 180 days	0.01%
28	ASUSPOWER CORPORATION	PEGATRON CORPORATION	2	Other Receivables	4,497,000	Mutual Agreement	0.79%
28	ASUSPOWER CORPORATION	PEGATRON SERVICE AUSTRALIA PTY. LTD.	3	Other Receivables	210,050	Mutual Agreement	0.04%
29	AZURE WAVE TECHNOLOGIES (SHANGHAI) INC.	AZURE WAVE TECHNOLOGIES, INC.	2	Sales	1,663,344	Open Account 30-60 days	0.12%
30	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	CASETEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	398,006	Open Account 60 days	0.03%
30	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	MAINTEK COMPUTER (SUZHOU) CO., LTD.	3	Sales	143,015	Open Account 60 days	0.01%
30	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD.	PROTEK (SHANGHAI) LTD.	3	Sales	144,001	Open Account 60 days	0.01%
31	Lumens Digital Optics Inc. (Lumens Optics)	Lumens Integration Inc.	1	Sales	197,314	Open Account 60-90 days	0.01%
32	KINSUS INTERCONNECT TECHNOLOGY CORP.	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	1	Other Receivables	235,816	Mutual Agreement	0.04%

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 4: We only disclose Revenue and Accounts Receivables amount for significant inter-company transactions.

Note 5: All the transactions which amount is lower than materiality will not be disclosed.