

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

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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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~11
(4) Summary of significant accounting policies	11~41
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	41
(6) Explanation of significant accounts	42~106
(7) Related-party transactions	106~108
(8) Assets pledged as security	108
(9) Commitments and contingencies	108~109
(10) Losses due to major disasters	109
(11) Subsequent events	109
(12) Others	109~110
(13) Other disclosures	
(a) Information on significant transactions	111
(b) Information on investees	111
(c) Information on investment in Mainland China	111
(d) Major shareholders	111
(14) Segment information	112~113
10. Appendix	114~134

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, 2022 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, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. 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 14, 2023



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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, 2022 and 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated 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 developed by the International Financial Reporting Interpretations Committee (“IFRIC”) and the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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, 2022 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 revenues are discussed in Note 4(q) of the notes to consolidated financial statements.

(a) Key audit matters:

The timing for recognition of revenue and the transfer of risk and reward are relatively complex because the transaction terms vary with each client and the offshore hubs are established depending on the clients' needs. These factors expose the Group to a significant risk of untimely recognition of revenue.

Therefore, the test of revenue recognition was one of the key audit matters in the audit of consolidated financial reports for the years ended December 31, 2022 and 2021 of the Group.

(b) Auditing procedures performed:

- Vouching external documents with records on ledger to confirm whether the counterparty involved in the sales transaction is the same with that involved in the cash collection.
- Random sampling of material sales contracts and examining the transaction terms in order to evaluate the accuracy of the timing for recognition of revenue.
- Performing cut-off test for revenues during the periods before and after the balance sheet 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 2022 and 2021 and understand reasons of the difference.
- Obtain an inventory aging analysis and randomly select items to verify the accuracy for age of inventory.
- Obtain the most recent selling price for finished goods and replacement cost for raw material, and recalculate net realizable value with selling expense rate to check whether the net realizable value adopted by the Group is reasonable.

Other Matter

We did not audit the financial statements of certain subsidiaries of the Group. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of other auditors. The financial statements of the subsidiaries reflect total assets constituting 14.61% and 11.91% of consolidated total assets at December 31, 2022 and 2021, respectively, and total operating revenues constituting 5.20% and 5.27% of consolidated total operating revenues for the years then ended December 31, 2022 and 2021, respectively. We did not audit the financial statements of an associate of the Group, which represented investment in another entity accounted for using the equity method. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the associate, is based solely on the report of another auditor. The investment in the associate accounted for using the equity method constituting 4.24% and 3.28% of consolidated total assets at December 31, 2022 and 2021, and the related share of profit of associates and joint ventures accounted for using the equity method constituting 15.15% and 6.98% of consolidated total profit before tax for the years then ended.

Pegatron Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion with other matters paragraph.

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 IFRSs, IASs, IFRC, SIC endorsed and issued into effect 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 (including the Audit Committee) 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess 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. Conclude on 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 and 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 remain solely responsible for our audit opinion.

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 14, 2023

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.

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

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

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2022</u>		<u>December 31, 2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets					
Current assets:					
1100	Cash and cash equivalents (Note 6(a))	\$ 84,577,382	13	111,024,086	16
1110	Current financial assets at fair value through profit or loss (Note 6(b))	9,024,851	2	11,671,446	2
1170	Accounts receivable, net (Notes 6(d), (z) and 7)	190,247,179	30	249,533,457	37
1200	Other receivables, net (Notes 6(e) and 7)	1,329,144	-	9,628,610	2
130X	Inventories (Note 6(f))	199,441,528	31	148,061,197	22
1476	Other current financial assets (Notes 6(o) and 8)	12,012,749	2	30,316,944	4
1479	Other current assets (Note 6(o))	<u>5,854,949</u>	<u>1</u>	<u>4,615,086</u>	<u>1</u>
		<u>502,487,782</u>	<u>79</u>	<u>564,850,826</u>	<u>84</u>
Non-current assets:					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	2,170,427	-	1,588,080	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	1,403,646	-	1,492,875	-
1550	Investments accounted for using the equity method (Note 6(g))	27,861,177	5	22,534,158	3
1600	Property, plant and equipment (Notes 6(k) and 8)	79,689,609	13	69,736,530	10
1755	Right-of-use assets (Note 6(l))	6,176,134	1	6,236,459	1
1760	Investment property, net (Note 6(m))	33,985	-	33,433	-
1780	Intangible assets (Note 6(n))	225,014	-	208,186	-
1840	Deferred tax assets (Note 6(u))	2,794,744	-	2,820,827	1
1915	Prepayments on purchase of equipment (Note 9)	12,984,052	2	6,812,380	1
1980	Other non-current financial assets (Notes 6(o) and 8)	374,605	-	406,576	-
1990	Other non-current assets (Note 6(o))	<u>21,612</u>	<u>-</u>	<u>50,033</u>	<u>-</u>
		<u>133,735,005</u>	<u>21</u>	<u>111,919,537</u>	<u>16</u>
Total assets		<u>\$ 636,222,787</u>	<u>100</u>	<u>676,770,363</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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term loans (Note 6(p))	\$ 79,589,451	13	94,023,304	14
2130	Current contract liabilities (Note 6(z))	1,200,270	-	1,325,274	-
2170	Accounts payable (Note 7)	202,467,364	32	266,661,540	40
2209	Accrued expenses (Note 7)	24,131,570	4	25,898,985	4
2219	Other payables (Notes 6(t), 7 and 9)	9,203,327	2	9,683,535	2
2230	Current tax liabilities	5,264,896	1	2,598,928	-
2281	Current lease liabilities (Note 6(s))	1,366,074	-	1,067,674	-
2321	Bonds payable, current portion (Note 6(r))	4,500,000	-	2,000,000	-
2322	Long-term loans payable, current portion (Note 6(q))	2,773,471	-	1,026,949	-
2399	Other current liabilities (Note 6(q))	34,939,573	6	24,301,864	4
		<u>365,435,996</u>	<u>58</u>	<u>428,588,053</u>	<u>64</u>
Non-Current liabilities:					
2527	Non-current contract liabilities (Note 6(z))	2,627,942	-	150,352	-
2530	Bonds payable (Note 6(r))	30,376,992	5	34,869,595	5
2540	Long-term loans (Note 6(q))	14,225,427	2	12,210,422	2
2570	Deferred tax liabilities (Note 6(u))	1,889,662	-	2,134,397	-
2581	Non-current lease liabilities (Note 6(s))	1,522,527	-	2,003,326	-
2650	Credit balance of investments accounted for using equity method (Note 6(g))	4,314	-	258	-
2670	Other non-current liabilities (Notes 6(q) and (t))	5,571,664	1	2,547,083	-
		<u>56,218,528</u>	<u>8</u>	<u>53,915,433</u>	<u>7</u>
		<u>421,654,524</u>	<u>66</u>	<u>482,503,486</u>	<u>71</u>
Total liabilities					
Equity Attributable to Owners of the Parent Company (Note 6(v)):					
3110	Share Capital	26,676,337	4	26,691,316	4
Capital surplus:					
3210	Capital surplus, premium on capital stock	78,703,620	13	78,057,441	12
3280	Capital surplus, others (Notes 6(j) and (w))	4,648,384	-	5,263,867	1
		<u>83,352,004</u>	<u>13</u>	<u>83,321,308</u>	<u>13</u>
Retained earnings:					
3310	Legal reserve	17,721,898	3	15,698,039	2
3320	Special reserve	20,918,849	3	15,866,201	2
3350	Unappropriated retained earnings	41,419,117	7	46,661,789	7
		<u>80,059,864</u>	<u>13</u>	<u>78,226,029</u>	<u>11</u>
Other equity interest:					
3410	Exchange differences on translation of foreign financial statements (Note 6(j))	(7,603,630)	(1)	(21,363,627)	(3)
3420	Unrealized Gains on financial assets measured at fair value through other comprehensive income	79,970	-	444,778	-
3491	Deferred compensation cost arising from issuance of restricted stock (Note 6(w))	(68,877)	-	(712,701)	-
		<u>(7,592,537)</u>	<u>(1)</u>	<u>(21,631,550)</u>	<u>(3)</u>
3500	Treasury stock	(7,103)	-	(2,558)	-
	Equity attributable to the parent company	182,488,565	29	166,604,545	25
36xx	Non-controlling interests (Notes 6(i), (j) and (v))	32,079,698	5	27,662,332	4
	Total equity	<u>214,568,263</u>	<u>34</u>	<u>194,266,877</u>	<u>29</u>
	Total liabilities and equity	<u>\$ 636,222,787</u>	<u>100</u>	<u>676,770,363</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, 2022 and 2021

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

		For the years ended December 31			
		2022		2021	
		Amount	%	Amount	%
4110	Operating revenue (Notes 6(z) and 7)	\$1,322,238,816	100	1,263,808,329	100
4170	Less: Sales returns and allowances	4,639,662	-	2,424,468	-
	Operating revenue, net	1,317,599,154	100	1,261,383,861	100
5000	Cost of sales (Notes 6(f), (s), (t), (w), (x), (aa) and 7)	1,260,315,734	96	1,214,582,404	96
	Gross profit from operations	57,283,420	4	46,801,457	4
6000	Operating expenses (Notes 6(s), (t), (w), (x) and (aa)):				
6100	Selling expenses	5,353,642	-	4,678,495	1
6200	General and administrative expenses	10,531,083	1	9,188,887	1
6300	Research and development expenses	16,013,923	1	15,628,406	1
	Total operating expenses	31,898,648	2	29,495,788	3
	Net operating income	25,384,772	2	17,305,669	1
	Non-operating income and expenses:				
7100	Interest income (Notes 6(ab) and 7)	2,274,775	-	1,492,278	-
7010	Other income (Note 6(ab))	4,713,652	-	3,971,192	-
7020	Other gains and losses (Notes 6(h), (k), (n), (ab) and (ad))	(6,505,449)	-	5,246,796	1
7050	Finance costs (Notes 6(d), (r), (s) and (ab))	(1,950,527)	-	(959,198)	-
7060	Share of profit of associates and joint ventures accounted for using the equity method (Note 6(g))	4,281,306	-	1,546,319	-
	Total non-operating income and expenses	2,813,757	-	11,297,387	1
	Profit before tax	28,198,529	2	28,603,056	2
7950	Less: Tax expenses (Note 6(u))	6,792,454	-	3,098,748	-
8000	Profit from continuing operations	21,406,075	2	25,504,308	2
8100	Loss from discontinued operations, net of tax (Note 12)	(243,116)	-	(477,214)	-
	Profit for the year	21,162,959	2	25,027,094	2
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gain on remeasurements of defined benefit plans (Note 6(t))	60,947	-	12,890	-
8316	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income (Note 6(ad))	(364,808)	-	522,406	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(u))	3,327	-	(456)	-
	Total components of other comprehensive (loss) income that will not be reclassified to profit or loss	(307,188)	-	535,752	-
8360	Components of other comprehensive income that will be reclassified to profit or loss (Note 6(ac))				
8361	Exchange differences on translation of foreign financial statements	13,698,316	-	(3,566,168)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss (Note 6(g))	403,050	-	(256,468)	-
8399	Income tax related to components of other comprehensive income (loss) that will be reclassified to profit or loss (Note 6(u))	10,502	-	(19,721)	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	14,090,864	-	(3,802,915)	-
8300	Other comprehensive income (loss) for the period, net of tax	13,783,676	-	(3,267,163)	-
8500	Total comprehensive income for the period	\$ 34,946,635	2	21,759,931	2
	Profit attributable to:				
8610	Owners of the parent company	\$ 15,096,180	2	20,545,643	2
8620	Non-controlling interests	6,066,779	-	4,481,451	-
		\$ 21,162,959	2	25,027,094	2
	Comprehensive income attributable to:				
8710	Owners of the parent company	\$ 28,516,320	2	17,354,177	2
8720	Non-controlling interests	6,430,315	-	4,405,754	-
		\$ 34,946,635	2	21,759,931	2
	Earnings per share, net of tax (Note 6(y))				
9750	Basic earnings per share				
	Basic earnings per share from continuing operations	\$ 5.72		7.83	
	Basic loss per share from discontinued operations	(0.06)		(0.12)	
	Total basic earnings per share	\$ 5.66		7.71	
9850	Diluted earnings per share				
	Diluted earnings per share from continuing operations	\$ 5.67		7.75	
	Diluted loss per share from discontinued operations	(0.07)		(0.13)	
	Total diluted earnings per share	\$ 5.60		7.62	

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, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of the parent company													
	Share capital						Total other equity interest							
	Retained earnings						Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		Deferred compensation cost arising from issuance of restricted stock		Total equity attributable to owners of the parent company		Non-controlling interests	Total equity
Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	comprehensive income	Total other equity interest	Treasury stock	parent company	interests	Total equity		
Balance on January 1, 2021	\$ 26,628,737	83,008,347	13,706,083	11,286,050	44,978,224	69,970,357	(15,808,892)	(57,309)	(1,146,659)	(17,012,860)	-	162,594,581	36,345,941	198,940,522
Profit for the period	-	-	-	-	20,545,643	20,545,643	-	-	-	-	-	20,545,643	4,481,451	25,027,094
Other comprehensive (loss) income for the period	-	-	-	-	8,678	8,678	(3,722,550)	522,406	-	(3,200,144)	-	(3,191,466)	(75,697)	(3,267,163)
Total comprehensive income (loss) for the period	-	-	-	-	20,554,321	20,554,321	(3,722,550)	522,406	-	(3,200,144)	-	17,354,177	4,405,754	21,759,931
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	1,991,956	-	(1,991,956)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	4,580,151	(4,580,151)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(11,982,931)	(11,982,931)	-	-	-	-	-	(11,982,931)	-	(11,982,931)
Changes in equity of associates and joint ventures accounted for using equity method	-	20,862	-	-	(409,874)	(409,874)	-	-	-	-	-	(389,012)	-	(389,012)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	(159,173)	-	-	-	-	(1,832,185)	-	-	(1,832,185)	-	(1,991,358)	1,991,358	-
Changes in ownership interests in subsidiaries	-	(55,620)	-	-	-	-	-	-	-	-	-	(55,620)	55,620	-
Share-based payments	75,740	-	-	-	-	-	-	-	-	-	-	75,740	-	75,740
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	20,319	20,319	-	(20,319)	-	(20,319)	-	-	-	-
Expiration of restricted shares of stock issued to employees	(13,161)	15,663	-	-	73,837	73,837	-	-	-	-	(2,558)	73,781	-	73,781
Compensation cost arising from restricted shares of stock	-	491,229	-	-	-	-	-	-	433,958	433,958	-	925,187	-	925,187
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(15,136,341)	(15,136,341)
Balance at December 31, 2021	26,691,316	83,321,308	15,698,039	15,866,201	46,661,789	78,226,029	(21,363,627)	444,778	(712,701)	(21,631,550)	(2,558)	166,604,545	27,662,332	194,266,877
Profit for the period	-	-	-	-	15,096,180	15,096,180	-	-	-	-	-	15,096,180	6,066,779	21,162,959
Other comprehensive income (loss) for the period	-	-	-	-	24,951	24,951	13,759,997	(364,808)	-	13,395,189	-	13,420,140	363,536	13,783,676
Total comprehensive income (loss) for the period	-	-	-	-	15,121,131	15,121,131	13,759,997	(364,808)	-	13,395,189	-	28,516,320	6,430,315	34,946,635
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	2,023,859	-	(2,023,859)	-	-	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	5,052,648	(5,052,648)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(13,343,303)	(13,343,303)	-	-	-	-	-	(13,343,303)	-	(13,343,303)
Changes in equity of associates and joint ventures accounted for using equity method	-	149,964	-	-	-	-	-	-	-	-	-	149,964	-	149,964
Changes in ownership interests in subsidiaries	-	12,950	-	-	-	-	-	-	-	-	-	12,950	(12,950)	-
Expiration of restricted shares of stock issued to employees	(14,979)	19,524	-	-	56,007	56,007	-	-	-	-	(4,545)	56,007	-	56,007
Compensation cost arising from restricted shares of stock	-	(151,742)	-	-	-	-	-	-	643,824	643,824	-	492,082	-	492,082
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,999,999)	(1,999,999)
Balance on December 31, 2022	\$ 26,676,337	83,352,004	17,721,898	20,918,849	41,419,117	80,059,864	(7,603,630)	79,970	(68,877)	(7,592,537)	(7,103)	182,488,565	32,079,698	214,568,263

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, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2022	2021
Cash flows from operating activities:		
Profit from continuing operations before tax	\$ 28,198,529	28,603,056
Loss from discontinued operations before tax	(243,116)	(477,214)
Profit before tax	27,955,413	28,125,842
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	14,673,369	13,505,149
Amortization expense	135,689	145,073
Expected credit loss	66,594	5,372
Net loss on financial assets and liabilities at fair value through profit or loss	4,389,072	254,156
Interest expense	1,934,019	960,805
Interest income	(2,274,775)	(1,493,266)
Dividend income	(119,657)	(83,521)
Compensation cost arising from share-based payments	751,672	1,024,250
Amortization of issuance costs on bonds payable	7,397	5,813
Share of profit of associates and joint ventures accounted for using the equity method	(4,281,306)	(1,546,319)
(Gain) loss on lease modification	(127,496)	1,277
Gain on disposal of property, plant and equipment	(383,601)	(618,733)
Property, plant and equipment charged to expenses	237,506	122,736
Loss on disposal of intangible assets	-	334
Gain on disposal of investments	-	(3,958,758)
Impairment loss on non-financial assets	40,502	65,850
Gain on foreign currency exchange on long-term loans	-	(309,129)
Government grants income	(96,270)	(69,415)
Other payables	-	1,635,444
Total adjustments to reconcile profit	<u>14,952,715</u>	<u>9,647,118</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in financial assets at fair value through profit or loss	(2,283,041)	1,042,916
Decrease (increase) in accounts receivable	59,219,261	(73,663,544)
Decrease (increase) in other receivables	8,197,845	(8,472,445)
(Increase) decrease in inventories	(51,573,785)	7,602,311
(Increase) decrease in other current assets	(596,211)	1,565,596
Decrease in other financial assets	18,304,195	10,615,683
(Increase) decrease in other non-current assets	(1,976)	10,711
Total changes in operating assets	<u>31,266,288</u>	<u>(61,298,772)</u>
Changes in operating liabilities:		
Increase in contract liabilities	1,453,961	298,214
(Decrease) increase in accounts payable	(64,194,175)	53,887,222
(Decrease) increase in accrued expenses	(2,329,635)	24,232,250
Increase in other payables	105,251	8,221,473
Increase in other current liabilities	10,646,665	1,794,242
Increase in other non-current liabilities	3,097,972	1,893,947
Total changes in operating liabilities	<u>(51,219,961)</u>	<u>90,327,348</u>
Total changes in operating assets and liabilities	<u>(19,953,673)</u>	<u>29,028,576</u>
Total adjustments	<u>(5,000,958)</u>	<u>38,675,694</u>
Cash inflow generated from operations	22,954,455	66,801,536
Interest received	2,396,346	1,580,663
Dividends received	118,364	107,911
Interest paid	(1,634,994)	(954,280)
Income taxes paid	(4,742,217)	(3,992,096)
Net cash flows from operating activities	<u>19,091,954</u>	<u>63,543,734</u>

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

PEGATRON CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows (CONT'D)****For the years ended December 31, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	For the years ended December 31	
	2022	2021
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(304,680)	(41,784)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	48,587
Acquisition of investments accounted for using equity method	(477,464)	-
Acquisition of property, plant and equipment	(19,835,630)	(20,773,366)
Proceeds from disposal of property, plant and equipment	1,092,769	1,596,814
Acquisition of intangible assets	(158,739)	(171,416)
Proceeds from disposal of intangible assets	-	236
Acquisition of right-of-use assets	-	(13,893)
Proceeds from disposal of right-of-use assets	143,540	34,032
Disposal of subsidiaries	-	(18,999,741)
Decrease in other financial assets	7,955	3,201,104
Increase in prepayments on purchase of equipment	(6,171,672)	(10,051,061)
Net cash flows used in investing activities	(25,703,921)	(45,170,488)
Cash flows from financing activities:		
Decrease in short-term loans	(14,433,853)	(10,151,707)
Proceeds from issuing bonds	-	12,385,600
Repayments of bonds	(2,000,000)	(1,000,000)
Proceeds from long-term loans	5,651,153	7,663,644
Repayments of long-term loans	(1,984,626)	(11,114,362)
Repayments of lease liabilities	(1,538,617)	(1,498,769)
Cash dividends paid	(15,720,440)	(13,007,325)
Issuance of restricted stock	-	75,740
Redemption of restricted stock	(18,592)	(15,719)
Changes in non-controlling interests	92,166	(14,163,270)
Net cash flows used in financing activities	(29,952,809)	(30,826,168)
Effect of exchange rate fluctuations on cash held	10,118,072	(2,519,706)
Net decrease in cash and cash equivalents	(26,446,704)	(14,972,628)
Cash and cash equivalents, beginning of the period	111,024,086	125,996,714
Cash and cash equivalents, end of the period	\$ 84,577,382	111,024,086

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, 2022 and 2021

(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, 2022 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 issuance by the Board of Directors on March 14, 2023.

(3) New standards, amendments and interpretations adopted

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>	Effective date to be determined by IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.</p> <p>The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.</p>	January 1, 2024

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- Amendments to IFRS16 “Requirements for Sale and Leaseback Transactions”

(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 significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout periods presented in the consolidated financial statements.

(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

Except for the following significant accounts in the balance sheets, the consolidated financial statements have been prepared on a historical cost basis:

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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 the 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, and 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 the 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, 2022	December 31, 2021	
THE COMPANY	UNIHAN HOLDING LTD. (UNIHAN)	Investing activities	100.00 %	100.00 %	
UNIHAN	CASETEK HOLDINGS LIMITED (CASETEK)	Investing and trading activities	100.00 %	100.00 %	
CASETEK	SLITEK HOLDINGS LIMITED (SLITEK)	Investing and trading activities	100.00 %	100.00 %	
CASETEK	CASETEK COMPUTER (SUZHOU) CO., LTD. (CASETEK SUZHOU)	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	100.00 %	100.00 %	
CASETEK	KAEDAR HOLDINGS LIMITED (KHL)	Investing and trading activities	100.00 %	100.00 %	
KHL	KAEDAR ELECTRONICS (KUNSHAN) CO., LTD. (KAEDAR)	Tooling molds of stainless-steel computer cases	100.00 %	100.00 %	
CASETEK	KAEDAR TRADING LTD. (KTL)	Investing and trading activities	100.00 %	100.00 %	
CASETEK	CORE-TEK (SHANGHAI) LIMITED (CORE-TEK)	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	KAI-CHUAN ELECTRONICS (CHONGQING) CO., LTD. (KAI-CHUAN)	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)	Wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	32.37 %	32.86 %	Note 1
AZUREWAVE	EZWAVE TECHNOLOGIES, INC. (EZWAVE)	Information products service	100.00 %	100.00 %	Note 1
AZUREWAVE	Azurewave Technologies (USA) Inc. (Azurewave USA)	Market development activities	100.00 %	100.00 %	Note 1
AZUREWAVE	AZURE LIGHTING TECHNOLOGIES, INC. (AZURE)	Selling electronic parts	100.00 %	100.00 %	Note 1

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2022	December 31, 2021	
AZUREWAVE	Azwave Holding (Samoa) Inc. (Azwave)	Investing activities	100.00 %	100.00 %	Note 1
Azwave	Azurewave Technologies (Shanghai) Inc. (Azurewave Shanghai)	Designing, manufacturing and trading computer products	100.00 %	100.00 %	Note 1
Azwave	AZURE LIGHTING TECHNOLOGIES, INC. (YANGZHOU) (AZURE YANQZHOU)	Manufacturing and selling LED and relevant lighting products	100.00 %	100.00 %	Note 1
Azwave	AIGALE CORPORATION (SHANGHAI) (AIGALE)	Designing and selling electronic products and communication equipment	100.00 %	100.00 %	Note 1
THE COMPANY	AMA PRECISION INC. (AMA)	Designing and developing computer parts	100.00 %	100.00 %	
THE COMPANY	PEGATRON HOLLAND HOLDING B.V. (PHH)	Investing activities	100.00 %	100.00 %	
PHH	PEGATRON Czech s.r.o. (PCZ)	Installing, repairing and selling electronic products	100.00 %	100.00 %	
THE COMPANY	PEGATRON HOLDING LTD. (PEGA HOLDING)	Investing activities	100.00 %	100.00 %	
PEGA HOLDING	POWTEK HOLDINGS LIMITED (POWTEK)	Investing and trading activities	100.00 %	100.00 %	
POWTEK	POWTEK (SHANGHAI) LTD. (POWTEK SHANGHAI)	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	100.00 %	100.00 %	
PEGA HOLDING, KINSUS SAMOA	PIOTEK HOLDINGS LTD. (CAYMAN) (PIOTEK CAYMAN)	Investing activities	100.00 %	100.00 %	
PIOTEK CAYMAN	PIOTEK HOLDING LIMITED (PIOTEK)	Investing activities	100.00 %	100.00 %	
PIOTEK	PIOTEK COMPUTER (SUZHOU) CO., LTD. (PIOTEK SUZHOU)	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00 %	100.00 %	
PIOTEK	PIOTEK (H.K.) TRADING LIMITED (PIOTEK (H.K.))	Trading activities	100.00 %	100.00 %	
PEGA HOLDING	GRAND UPRIGHT TECHNOLOGY LIMITED (GUT)	Investing and trading activities	100.00 %	100.00 %	
PEGA HOLDING	ASLINK PRECISION CO., LTD. (ASLINK)	Investing and trading activities	100.00 %	100.00 %	
ASLINK	PEGAGLOBE (KUNSHAN) CO., LTD. (PEGAGLOBE KUNSHAN)	Manufacturing satellite navigation and positioning receiving equipment and key components, mobile phones, third generation and subsequent mobile communication mobile phones, base stations, core equipment and network testity equipment, large and medium-sized electronic computers, portable microcomputers, high-ends servers, large-capacity optical, disle drives and their components, high-end server, disk drive, and other related components	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, 2022	December 31, 2021	
ASLINK	PEGAGLOBE INVESTMENT (JIANGSU) CO., LTD. (PEGAGLOBE JIANGSU)	Investing activities with own funds: equity investment	100.00 %	100.00 %	
PEGA HOLDING	DIGITEK GLOBAL HOLDINGS LIMITED (DIGITEK)	Investing and trading activities	100.00 %	100.00 %	
DIGITEK	DIGITEK (CHONGQING) CO. LTD. (DIGITEK CHONGQING)	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	100.00 %	100.00 %	
DIGITEK CHONGQING	CHONGQING ZUANSHUO TRADING CO., LTD. (ZUANSHUO)	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 %	
PEGA HOLDING	MAGNIFICENT BRIGHTNESS LIMITED (MAGNIFICENT)	Investing and trading activities	100.00 %	100.00 %	
MAGNIFICENT	MAINTEK COMPUTER (SUZHOU) CO., LTD. (MAINTEK)	Manufacture, develop and research and sale of power supplier, new electronic component, computer case, and computer system. Repair of laptop, motherboard and related product	100.00 %	100.00 %	
PEGA HOLDING	PROTEK GLOBAL HOLDINGS LTD. (PROTEK)	Investing and trading activities	100.00 %	100.00 %	
PROTEK	PROTEK (SHANGHAI) LTD. (PROTEK SHANGHAI)	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, and providing after-sales service	100.00 %	100.00 %	
PEGA HOLDING	COTEK HOLDINGS LIMITED (COTEK)	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, 2022	December 31, 2021	
COTEK	COTEK ELECTRONICS (SUZHOU) CO., LTD. (COTEK SUZHOU)	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	100.00 %	100.00 %	
PEGA HOLDING	TOP QUARK LIMITED (TOP QUARK)	Investing activities	100.00 %	100.00 %	
TOP QUARK	RUNTOP (SHANGHAI) CO., LTD. (RUN TOP)	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	- %	- %	Note 10
THE COMPANY	ASUSPOWER INVESTMENT CO., LTD. (ASUSPOWER INVESTMENT)	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUS INVESTMENT CO., LTD. (ASUS INVESTMENT)	Investing activities	100.00 %	100.00 %	
THE COMPANY	ASUSTEK INVESTMENT CO., LTD. (ASUSTEK INVESTMENT)	Investing activities	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	ASROCK INCORPORATION (ASROCK)	Selling motherboards, related product development and design	55.30 %	54.88 %	Note 2
ASROCK	ASIAROCK TECHNOLOGY LIMITED (ASIAROCK)	Investing and holding activities	100.00 %	100.00 %	
ASIAROCK	ASROCK EUROPE B.V. (ASROCK EUROPE)	Data storage and sale of electronic material and international trade	100.00 %	100.00 %	
ASIAROCK	Calrock Holdings, LLC. (Calrock)	Office building leasing	100.00 %	100.00 %	
ASROCK	LEADER INSIGHT HOLDINGS LIMITED. (LEADER)	Investing and holding activities	100.00 %	100.00 %	
LEADER	FIRSTPLACE INTERNATIONAL LTD. (FIRSTPLACE)	Investing and holding activities	100.00 %	100.00 %	
FIRSTPLACE	ASRock America, Inc. (ASRock America)	Selling database service and trading electronic components	100.00 %	100.00 %	
ASROCK	ASRock Rack Incorporation (ASRock Rack)	Manufacturing and selling computer and related peripherals	59.68 %	59.67 %	Note 4
ASROCK	ASRock Industrial Computer Corporation (ASRock Industrial)	Manufacturing and selling computer and related peripherals	64.46 %	65.83 %	Note 5
ASROCK	Soaring Asia Limited (Soaring)	Trading activities	100.00 %	100.00 %	
ASROCK	ASJade Technology Incorporation (ASJade)	Information software service	82.50 %	78.57 %	Note 12

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2022	December 31, 2021	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND CASETEK CAYMAN	PEGATRON Mexico, S.A. DE C.V. (PMX)	Manufacture of consumer electronics and electronics parts	100.00 %	100.00 %	Note 13
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	KINSUS INTERCONNECT TECHNOLOGY CORP. (KINSUS)	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	38.41 %	38.58 %	Note 3
KINSUS	KINSUS INVESTMENT CO., LTD. (KINSUS INVESTMENT)	Investing activities	100.00 %	100.00 %	
KINSUS INVESTMENT, ASUSPOWER INVESTMENT AND ASUSTEK INVESTMENT	PEGAVISION CORPORATION (PEGAVISION)	Manufacturing medical appliances	45.21 %	45.21 %	Note 6
PEGAVISION	PEGAVISION JAPAN INC. (PEGAVISION JAPAN)	Selling medical appliances	100.00 %	100.00 %	
PEGAVISION	Pegavision (Jiangsu) Limited. (Pegavision Jiangsu)	Manufacturing and selling medical appliances	100.00 %	100.00 %	
PEGAVISION	PEGAVISION CONTACT LENSES CORPORATION (PEGAVISION SHANGHAI)	Selling medical appliances	- %	100.00 %	Note 9
PEGAVISION	Mayin Investment Co., Ltd.(Mayin)	Investing activities	100.00 %	100.00 %	Note 9
Mayin	BeautyTech Platform Corporation (BeautyTech)	Selling medical appliances and cosmetics	85.00 %	100.00 %	Note 9
BeautyTech	PEGAVISION CONTACT LENSES CORPORATION (PEGAVISION SHANGHAI)	Selling medical appliances	100.00 %	- %	Note 9
PEGAVISION SHANGHAI	Gemvision Technology (Zhejiang) Limited (Gemvision Zhejiang).	Selling medical appliances	100.00 %	100.00 %	
BeautyTech	BEAUTYTECH PLATFORM (SINGAPORE) PTE. LTD (BEAUTYTECH SG)	Selling medical appliances and cosmetics	100.00 %	- %	Note 9
BeautyTech	BeautyTech Platform (Shanghai) Corporation (BeautyTech Shanghai)	Selling medical appliances and cosmetics	100.00 %	- %	Note 9
BeautyTech	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	- %	100.00 %	Note 9
Mayin	FacialBeau International Corporation(FacialBeau)	Selling medical appliances and cosmetics	55.00 %	55.00 %	Note 9
FacialBeau	FacialBeau (Jiangsu) Corporation (FacialBeau Jiangsu)	Selling medical appliances and cosmetics	100.00 %	- %	Note 9

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2022	December 31, 2021	
FacialBeau	Aquamax Vision Corporation(Aquamax)	Selling medical appliances and cosmetics	100.00 %	-	% Note 9
FacialBeau	IKIDO Inc. (IKIDO)	Selling medical appliances and cosmetics	100.00 %	-	% Note 9
FacialBeau	RODNA CO. LTD. (RODNA)	Selling medical appliances and cosmetics	100.00 %	-	% Note 9
KINSUS INVESTMENT, ASUSTEK INVESTMENT AND ASUS INVESTMENT	FUYANG TECHNOLOGY CORPORATION (FUYANG)	Manufacturing and wholesaling of wires, cables, and electronic components	89.13 %	89.13 %	
FUYANG	FUYANG FLEX HOLDING LTD. (FUYANG HOLDING)	Investing activities	100.00 %	100.00 %	
FUYANG HOLDING	FUYANG ELECTRONICS (SUZHOU) CO., LTD. (FUYANG SUZHOU)	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 %	
KINSUS	KINSUS CORP. (USA) (KINSUS USA)	Designing substracts, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00 %	100.00 %	
KINSUS	KINSUS HOLDING (SAMOA) LIMITED (KINSUS SAMOA)	Investing activities	100.00 %	100.00 %	
KINSUS SAMOA	KINSUS HOLDING (CAYMAN) LIMITED (KINSUS CAYMAN)	Investing activities	100.00 %	100.00 %	
KINSUS CAYMAN	KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP. (KINSUS SUZHOU)	Manufacturing and selling circuit boards (PCB) (not high-density fine-line)	100.00 %	100.00 %	
KINSUS CAYMAN	XIANG-SHOU (SUZHOU) TRADING LIMITED (XIANG-SHOU)	Trading of PCB related products and materials (not high-density fine-line)	-	%	100.00 % Note 11
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	STARLINK ELECTRONICS CORPORATION (STARLINK)	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 (ASUSPOWER)	Investing and trading activities	100.00 %	100.00 %	
THE COMPANY	CASETEK HOLDINGS LIMITED (CAYMAN) (CASETEK CAYMAN)	Investing activities	100.00 %	100.00 %	% Note 7
CASETEK CAYMAN	RIH LI INTERNATIONAL LIMITED (RIH LI)	Investing activities	100.00 %	100.00 %	% Note 8

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2022	December 31, 2021	
RIH LI	RI-TENG COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI-TENG)	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. (RI-PRO)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	100.00 %	100.00 %	
RIH LI	RI-MING (SHANGHAI) CO., LTD. (RI-MING)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	Note 8
RIH LI	SHENG-RUI ELECTRONIC TECHNOLOGY (SHANGHAI) LIMITED (SHENG-RUI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	- %	- %	Note 8
RIH LI	RI PEI COMPUTER ACCESSORY (SHANGHAI) CO., LTD. (RI PEI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	Note 8
RIH LI	RI SHAN COMPUTER ACCESSORY (JIASHAN) CO., LTD. (RI SHAN)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling and surface processing for the aforementioned product	- %	- %	Note 8
RIH LI	Luxcase Precision Technology (Yancheng) Co., Ltd. (Luxcase) (Former RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	- %	- %	Note 8
CASETEK CAYMAN	RI-KUAN METAL CORPORATION (RI-KUAN)	Selling iron and aluminum products	100.00 %	100.00 %	
RI-KUAN	RITENG USA, INC (RITENG)	Market survey	100.00 %	100.00 %	
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. (KAI HE)	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 (MEGA)	Trading activities	100.00 %	100.00 %	
CASETEK CAYMAN	CASETEK SINGAPORE PTE. LTD. (CSG)	Trading activities	- %	- %	Note 8
ASUS INVESTMENT	AS FLY TRAVEL SERVICE LIMITED (AS FLY)	Travel 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 %	

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2022	December 31, 2021	
ASUSPOWER INVESTMENT	PEGA INTERNATIONAL LIMITED (PEGA INTERNATIONAL)	Design service and sales	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON JAPAN INC.(PJ)	Sales and repair service center in Japan	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	PEGATRON LOGISTIC SERVICE INC.(PLSI)	Sales and logistics center in North America	100.00 %	100.00 %	
ASUSPOWER INVESTMENT, ASUS INVESTMENT AND ASUSTEK INVESTMENT	Lumens Digital Optics Inc. (Lumens)	Developing, manufacturing and selling computer data projectors and related peripherals	55.21 %	55.21 %	
Lumens	Lumens Integration Inc. (Lumens Integration)	Selling computer communication products and peripherals	100.00 %	100.00 %	
Lumens	Lumens Digit Image Inc. (SAMOA) (Lumens SAMOA)	Investing activities	100.00 %	100.00 %	
Lumens SAMOA	Lumens (Suzhou) Digital Image Inc. (Lumens Suzhou)	Manufacturing and selling projectors, projection screens and related products	100.00 %	100.00 %	
ASUSPOWER INVESTMENT	Pegatron Service Singapore Pte. Ltd. (PSG)	Sales and repair service center in Singapore	100.00 %	100.00 %	
PSG	PEGATRON SERVICE KOREA LLC.(PKR)	Sales and repair service center in Korea	100.00 %	100.00 %	
ASUS INVESTMENT	HUA-YUAN INVESTMENT LIMITED (HUA-YUAN)	Investing activities	100.00 %	100.00 %	
THE COMPANY	PEGATRON SERVICE AUSTRALIA PTY. LTD.(PAU)	Sales and repair service center in Australia	100.00 %	100.00 %	
THE COMPANY	PEGATRON USA, INC. (PUSA)	Sales and repair service center in North America	100.00 %	100.00 %	
THE COMPANY, ASUSPOWER INVESTMENT	PT PEGAUNIHAN TECHNOLOGY INDONESIA (PTB)	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components	100.00 %	100.00 %	
THE COMPANY	PEGATRON VIETNAM COMPANY LIMITED (PVN)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	
THE COMPANY	PEGATRON TECHNOLOGY HAI PHONG COMPANY LIMITED (PHP)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	
THE COMPANY	PEGASUS ACE LIMITED (PEGASUS)	Investing activities	- %	- %	Note 7
THE COMPANY, ASUSPOWER INVESTMENT	Pegatron Technology India Private Limited (PTI)	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	100.00 %	100.00 %	
THE COMPANY	PEGATRON TECHNOLOGY TEXAS INC. (PTX)	Sales center in North America	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, 2022	December 31, 2021	
THE COMPANY	PEGATRON ELECTRONICS INC. (PEL)	Sales center in North America	100.00 %	100.00 %	
THE COMPANY	Pegapower Investment Co., Ltd. (Pegapower Investment)	Investing activities	100.00 %	-	% Note 14
THE COMPANY	Pegatron Investment Co., Ltd. (Pegatron Investment)	Investing activities	100.00 %	-	% Note 14
Pegapower Investment, Pegatron Investment	Pegatron Venture Capital Co., Ltd. (Pegatron Venture)	Investing activities	100.00 %	-	% Note 14

- Note 1 : Since the Group only held 32.37% of voting rights of AZUREWAVE, with the remaining 67.63% 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 November 2, 2022, ASROCK reduced its capital by cancelling those retired new shares of restricted stock awards, resulting in the Group's shareholding ratio in ASROCK increasing from 54.88% to 55.30%.
- Note 3 : On July 25, 2022, KINSUS approved to issue new shares of restricted stock awards, resulting in the Group's shareholding ratio in KINSUS decreasing from 38.58% to 38.41%. Since the Group only held 38.41% of the voting rights of KINSUS, with the remaining 61.59% 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 4 : ASRock Rack issued stock dividends to inject its capital with surplus on July 26, 2022, resulting in the Group's shareholding ratio in ASRock Rack increasing from 59.67% to 59.68%.
- Note 5 : On July 19, 2022, ASRock Industrial approved to issue new shares for employee stock options during its board meeting, resulting in the Group's shareholding ratio in ASRock Industrial decreasing from 65.83% to 64.46%.
- Note 6 : Since the Group only held 45.21% of rights of 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 statements of the Group.
- Note 7 : Pursuant to a resolution made during the CASETEK CAYMAN's Extraordinary General Meeting on September 30, 2020, CASETEK CAYMAN will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS. The date of merger was set on January 15, 2021. The Group acquired all non-controlling interests of CASETEK CAYMAN in accordance with the merger agreement. The Group's shareholding ratio in CASETEK CAYMAN increased to 100% since the equity of CASETEK CAYMAN, originally held by ASUSPOWER, was also fully transferred to the ultimate parent company in the process of organizational restructuring, and PEGASUS as a dissolved company being merged in the triangular merger.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- Note 8 : To meet its operational needs, the Group had completed the organizational restructuring of its subsidiaries in mainland China by adjusting RI KAI, to a domestic holding company. Upon the completion of the reorganization, RI SHAN, RI PEI, RI MING, and SHENG RUI became directly wholly owned by RI KAI. The reorganization had been approved by Investment Board, Ministry of Economic Affairs on January 15, 2021. Furthermore, the Group approved a board resolution on January 29, 2021 to authorize RI KAI to raise its capital, with the record date on February 3, 2021; and to authorize RIH LI to waive its preemptive right toward the capital increase of RI KAI, which will result in the Group's shareholding ratio in RI KAI to decrease from 100% to 48.17%. In addition, an agreement wherein RI KAI will obtain the physical control over CSG. had also been made. After the capital increase, the other shareholders of RI KAI have also given the physical decision power over relevant operating activities of RI KAI and CSG. The Group had lost control over its subsidiaries after the record date of the capital increase. On April 26, 2021, RI KAI was renamed Luxcase.
- Note 9 : To improve the synergy of the Group, the board of directors decided to reorganize and set up the subsidiaries at July 26, 2021 :
- 1) BeautyTech Shanghai, which is 100% held by BeautyTech was registered at January 24, 2022.
 - 2) BEAUTYTECH SG, which is 100% held by BeautyTech was registered at August 30, 2022.
 - 3) FacialBeau Jiangsu, which is 100% held by FacialBeau was registered at February 25, 2022. The investment amount has not been remitted as at December 31, 2022.
 - 4) The equity of PEGAVISION SHANGHAI was transferred to BeautyTech from PEGAVISION.
 - 5) IKIDO, which is 100% held by FacialBeau was registered at March 14, 2022. The investment amount has not been remitted as at December 31, 2022.
 - 6) RODNA, which is 100% held by FacialBeau was registered at June 23, 2022.
 - 7) The equity of Aquamax was transferred to FacialBeau from BeautyTech.
- Note 10 : The subsidiary has been sold to a non-related third party in the first quarter of 2021, therefore, the Group lost control over the subsidiary.
- Note 11 : The subsidiary has been cancelled in July 2022.
- Note 12 : The subsidiary was purchased by ASRock in the fourth quarter of 2021, and increasing its capital by cash on December 26, 2022, the Group also increased investment, resulting in the Group's shareholding ratio in ASJade increasing from 78.57% to 82.50%.
- Note 13 : In September and December 2022, PMX increased its capital by cash, and all of the capital was subscribed by CASETEK CAYMAN, a subsidiary of the same Group.
- Note 14 : The subsidiary was established by the Group in 2022.

(vii) Subsidiaries excluded from consolidation: None.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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) an investment in equity securities designated as at fair value through other comprehensive income;
- 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 is effective.

(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.

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non current.

- (i) It is expected to be realized, or intended to be sold or consumed, in 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 unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.

- (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) It 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.

(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 which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

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 an 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. An accounts receivable without a significant financing component is initially measured at the transaction price.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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:

- 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 receivables 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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. 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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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
- 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).

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 is 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 months 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.

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 charged to profit or loss and is recognized in other comprehensive income (instead of reducing the carrying amount of the assets).

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, 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.

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.

8) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following two conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Then, the Group will reapply the accounting policy of the contract modification to the additional changes.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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) Discontinued operations

A discontinued operation is a component of the Group's business that either has been disposed, or is classified as held for sale, and is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

(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 the 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 is not depreciated.

The estimated useful lives 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.

(I) 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 straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	1 - 50 years
Machinery	1 - 10 years
Instrument equipment	2 - 5 years
Office and other equipment	2 - 10 years
Miscellaneous equipment	1 - 15 years

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(m) Leases

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.

(i) 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.

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 3) there is a change in the valuation of the underlying asset purchase option of the lease subject, 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 property and lease liabilities as a separate line item respectively in the statement of financial position.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the conditions as follows are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- 2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- 4) there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) 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.

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. 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.

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PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(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 and have finite useful lives 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

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.

The estimated useful life of intangible assets is as follows:

Computer software cost	3-20 years
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Intangible assets in development	3-10 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Impairment of 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 cash-generating units (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) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(q) 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.

(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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(r) 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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(s) 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 during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are 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.

(t) 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

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.

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.
- (u) 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 at the acquisition date are retrospectively adjusted, 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 establishment date of common control. Assets and liabilities of the merged entities are recognized at their carrying amount in the non-consolidated financial statements.

(v) Government grants and government assistance

The Group recognizes an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

Government assistance in the form of a guarantee from the government for loans from financial institutions is using market interest rate to calculate the fair value of the loan, and recognizes the difference between the amount received and the fair value as deferred revenues. The deferred revenues will then be amortized as other income on a systematic basis.

(w) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn 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.

The operating results to report to the chief operating decision maker include items that can be directly attributable to the operating segment and be allocated on a reasonable basis. Unallocated items are majorly corporate assets (mainly the headquarter of the Group), corporate expenses, and tax assets and liabilities. The capital expenditure of the segments is referring the total costs of acquiring property, plant, and equipment, and intangible assets other than goodwill within the reporting period.

(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 to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

- 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 9,424	446,493
Cash in banks	47,438,984	57,627,545
Time deposits	34,399,399	52,741,895
Cash equivalents	<u>2,729,575</u>	<u>208,153</u>
	<u>\$ 84,577,382</u>	<u>111,024,086</u>

(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(o) 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Shares of stock of listed companies	\$ 1,012,989	1,582,906
Shares of emerging stock of listed companies	114,810	-
Shares of stock of unlisted companies	10,688	7,704
Beneficiary certificates	2,308,443	1,724,887
Shares of stock of overseas listed companies	5,496,226	8,263,406
Convertible bonds	<u>81,695</u>	<u>92,543</u>
Subtotal	<u>9,024,851</u>	<u>11,671,446</u>
Non-current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Shares of stock of listed companies	\$ 201,250	220,850
Shares of stock of unlisted companies	192,314	-
Beneficiary certificates	1,114,902	471,075
Shares of stock of overseas listed company	510,102	659,176
Share of stock of overseas unlisted company	<u>151,859</u>	<u>236,979</u>
Subtotal	<u>2,170,427</u>	<u>1,588,080</u>
Total	<u>\$ 11,195,278</u>	<u>13,259,526</u>

(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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	December 31, 2022	December 31, 2021
Debt investments at fair value through other comprehensive income:		
Beneficiary certificates	\$ -	41,784
Equity instruments at fair value through other comprehensive income:		
Shares of stock of listed companies	672,778	1,015,796
Shares of stock of unlisted companies	161,247	147,786
Shares of stock of overseas listed companies	201,334	241,285
Shares of stock of overseas unlisted companies	368,287	46,224
Total	\$ 1,403,646	1,492,875

(i) Debt investments at fair value through other comprehensive income

The Group has assessed that the following securities were held within a business model whose objective was achieved by both collecting the contractual cash flows and by selling securities. Therefore, they have been classified as debt investments at fair value through other comprehensive income.

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

The Group holds these equity instruments as long-term strategic purposes that are not held for trading purposes. Therefore, they have been designated as measured at fair value through other comprehensive income.

For the years ended December 31, 2022 and 2021, the Group has recognized dividend \$33,145 thousand and \$16,262 thousand, respectively, from equity investments designated at fair value through other comprehensive income.

For the years ended December 31, 2021, the Group had sold its shares as a result of investment strategic. The shares sold had fair values of \$48,587 thousand, and the Group realized cumulative gains \$20,319 thousand, which were included in other comprehensive income. The cumulative gains were converted to retained earnings.

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

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Notes and accounts receivable, net (including related parties)

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

	December 31, 2022	December 31, 2021
Notes receivables from operating activities	\$ 11,200	14,952
Accounts receivable-measured at amortized cost	190,423,074	249,637,569
Less: Allowance for impairment	<u>187,095</u>	<u>119,064</u>
	<u>\$ 190,247,179</u>	<u>249,533,457</u>

The Group has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such accounts receivable were measured at fair value through other comprehensive income.

(ii) Credit loss

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.

The loss allowance provision was determined as follows:

	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 187,806,209	0%~1%	(33,269)
Overdue 0 to 30 days	2,217,855	1%~30%	(61,117)
Overdue 31 to 120 days	378,226	2%~100%	(63,225)
Overdue 121 to 365 days	30,280	33%~100%	(27,780)
Over 365 days past due	<u>1,704</u>	100%	<u>(1,704)</u>
	<u>\$ 190,434,274</u>		<u>(187,095)</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 247,929,269	0%~1%	(43,584)
Overdue 0 to 30 days	1,477,274	1%~30%	(43,102)
Overdue 31 to 120 days	137,784	0%~100%	(7,428)
Overdue 121 to 365 days	96,406	2%~100%	(13,162)
Over 365 days past due	11,788	100%	(11,788)
	\$ 249,652,521		(119,064)

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

	For the years ended December 31	
	2022	2021
Balance on January 1	\$ 119,064	179,507
Impairment losses recognized	76,737	19,354
Impairment loss reversed	(9,720)	(19,428)
Amounts written off	(1,631)	(49,783)
Foreign exchange gains (losses)	2,645	(5,323)
Effect of disposals of subsidiaries	-	(5,263)
Balance on December 31	\$ 187,095	119,064

The aforesaid financial assets were not pledged as collateral.

- (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 Company entered into separate factoring agreements with different financial institutions to sell its accounts receivable. The Company 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, 2022 and 2021, the relevant information on accounts receivable factored by the Company, but unsettled, was as follows:

	December 31, 2022					
Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Note 1 and 2)	\$ 8,293,725	USD 420,000	USD 270,000	None	4.81%~ 4.82%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2021

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
ANZ (Note 1 and 2)	\$ -	USD 760,000	USD -	None	0.40%~ 0.41%	The accounts receivable factoring is without recourse but the seller still bears the risks except for eligible obligor's insolvency.

Note 1: In October, 2017, the Company signed a joint accounts receivable factoring agreement with ANZ Bank and five other banks where each bank will factor on pro-rata basis.

Note 2: Part of participating banks had withdrawn from the joint accounts receivable factoring agreement from 2020 to 2022, resulting in the factoring line decreased to USD\$420,000 thousand.

For the years ended December 31, 2022 and 2021, the Company recognized a fee and interest on bank advance payment of \$39,641 thousand and \$629 thousand both being reported as finance costs from the factoring of accounts receivable. Please refer to Note 6(ab).

As of December 31, 2022 and 2021, KINSUS sold its accounts receivable without recourse as follows:

December 31, 2022

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ 568,040	USD 30,000	\$ -	None	-	The accounts receivable factoring is without recourse

December 31, 2021

Purchaser	Amount Derecognized	Factoring Line (thousands)	Amount Advanced Paid (thousands)	Collateral	Range of Interest Rate	Significant Factoring Terms
Mega International Commercial Bank	\$ 602,015	USD 30,000	\$ 244,368	None	0.47%~ 0.50%	The accounts receivable factoring is without recourse

(e) Other receivables

	December 31, 2022	December 31, 2021
Other receivables	\$ 1,201,107	1,098,166
Other receivables-Related parties	144,336	8,546,882
Less: Allowance for impairment	16,299	16,438
	<u>\$ 1,329,144</u>	<u>9,628,610</u>

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Inventories

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Merchandise	\$ 1,707,990	613,048
Finished goods	82,232,393	60,229,326
Work in process	23,693,836	21,941,181
Raw materials	<u>91,807,309</u>	<u>65,277,642</u>
	<u>\$ 199,441,528</u>	<u>148,061,197</u>

The components of cost of goods sold were as follows:

	<u>For the years ended December 31</u>					
	<u>2022</u>			<u>2021</u>		
	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>	<u>Continuing Operations</u>	<u>Discontinued Operations</u>	<u>Total</u>
Cost of goods sold	\$ 1,247,174,011	888,945	1,248,062,956	1,202,355,026	2,177,885	1,204,532,911
Provision on (reversal of) market price decline	1,758,087	(47,524)	1,710,563	(240,080)	13,626	(226,454)
Loss on disposal of inventory	11,133,892	129,906	11,263,798	10,824,113	372,899	11,197,012
Unallocated manufacturing overhead	244,889	-	244,889	1,613,762	-	1,613,762
Loss on physical inventory	<u>4,855</u>	<u>-</u>	<u>4,855</u>	<u>29,583</u>	<u>-</u>	<u>29,583</u>
	<u>\$ 1,260,315,734</u>	<u>971,327</u>	<u>1,261,287,061</u>	<u>1,214,582,404</u>	<u>2,564,410</u>	<u>1,217,146,814</u>

For year ended December 31, 2022, the Group recognized an inventory valuation loss due to the decreasing value from the carrying amount to the net realized value. Such a loss was recognized as the cost of goods sold.

For the year ended December 31, 2021, the Group recognized a gain from the reversal of allowance for inventory valuation loss due to the destocking of inventories. Such a gain was deducted from the cost of goods sold.

As of December 31, 2022 and 2021, the aforesaid inventories were not pledged as collateral.

(g) Investments accounted for using the equity method

The Group's investments accounted for using the equity method at reporting date were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates	<u>\$ 27,861,177</u>	<u>22,534,158</u>
Credit balance of investments accounted for using equity method-associate	<u>4,314</u>	<u>258</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group has lost control over its wholly owned subsidiary, Luxcase, on February 3, 2021. The remaining equity of 48.17% has remeasured at fair value, and the Group has significant influence over Luxcase thereafter.

Associates which are material to the Group consisted of the followings:

<u>Name of Associates</u>	<u>Nature of Relationship with the Group</u>	<u>Main operating location/ Registered Country of the Company</u>	<u>Proportion of shareholding and voting rights</u>	
			<u>December 31, 2022</u>	<u>December 31, 2021</u>
Luxcase (Former RI KAI)	Designing, developing, manufacturing and selling electronic components, precision, non-metal and metal tooling	China	48.17 %	48.17 %

The following consolidated financial information of the significant associates has been adjusted according to individually prepared IFRS financial statements of these associate:

Luxcase

	December 31, 2022	December 31, 2021
Current assets	\$ 94,901,775	99,135,906
Non-current assets	43,530,571	38,002,561
Current liabilities	(81,475,601)	(90,182,220)
Non-current liabilities	(923,620)	(936,897)
Net assets attributable to shareholders	\$ 56,033,125	46,019,350
	For the years ended December 31, 2022	For the eleven months ended December 31, 2021
Operating revenue	\$ 327,854,052	224,654,064
Gain from continuing operations	\$ 8,866,140	3,562,928
Other comprehensive income	139,034	(13,193)
Comprehensive income attributable to shareholders	\$ 9,005,174	3,549,735
Shares of net assets of the associate as of January 1	\$ 22,168,901	-
Addition	-	21,202,915
Net gain attributable to the Group	4,271,086	1,611,478
Comprehensive income attributable to the Group	402,886	(256,480)
Change in the ownership interest attributable to the Group	149,964	(389,012)
Shares of net assets of associates	26,992,837	22,168,901
Goodwill	114,410	103,108
Carrying amount of the associate's equity as of December 31	\$ 27,107,247	22,272,009

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's financial information on investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2022	December 31, 2021
Carrying amount of individually insignificant associates' equity	\$ 749,616	261,891
	For the years ended December 31	2022
Attributable to the Group:		2021
Gain (loss) from continuing operations	\$ 10,220	(65,159)
Other comprehensive income	164	12
Total comprehensive income (loss)	\$ 10,384	(65,147)

As of December 31, 2022 and 2021, the aforesaid investments accounted for using equity method were not pledged as collateral.

(h) Loss of control over a subsidiary

The Group approved a board resolution on January 29, 2021 to authorize its wholly-owned indirect subsidiary, Luxcase (Former RI KAI) to raise its capital on the record date of February 3, 2021, and to authorize another indirect subsidiary, RIH LI waived its pre-emptive right toward the capital increase of RI KAI, resulting the Group's shareholding ratio in Luxcase decreased from 100% to 48.17% and lost control over Luxcase. At the record date, the Group remeasured the remaining 48.17% equity. The difference between the fair value and the net book value and the loss reclassified from the accumulated balance previously recognized as other comprehensive loss comprise the net gain on disposal of \$3,773,813 thousand, presented as other gain or losses in the consolidated statement of comprehensive income. For more details, please refer to Notes 6(ab) and 6(ac).

The carrying amounts of assets and liabilities of Luxcase on February 3, 2021 were as follow:

Cash and cash equivalents	\$ 18,840,790
Inventories	7,614,309
Accounts receivable and other receivables	21,803,507
Other current assets	3,025,160
Financial assets at fair value through other comprehensive income	23,701
Property, plant, and equipment	24,109,302
Right-of-use assets	834,389
Intangible assets	203,881
Deferred tax assets	828,936
Prepayments on purchase of equipment	378,360
Other financial assets	155,204
Short-term loans	(1,067,878)
Accounts payable and other payables	(24,117,848)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Accrued expenses	(34,396,433)
Current tax liabilities	(285,597)
Lease liabilities	(200,415)
Other current liabilities	(355,941)
Contract liabilities	(41,997)
Other non-current liabilities	(109,342)
Carrying amount of net assets	\$ <u>17,242,088</u>

(i) Subsidiaries that have material non-controlling interest

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

<u>Subsidiaries</u>	<u>Main operation place/Country of registration</u>	<u>Equity ownership of non-controlling interest</u>	
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
KINSUS and its subsidiaries	Taiwan	61.59 %	61.42 %
ASROCK and its subsidiaries	Taiwan	44.70 %	45.12 %

On January 15, 2021, the Group practiced an organizational restructuring on CASETEK CAYMAN and bought back all the non-controlling shareholders' shares. For more details, please refer to Note 4(c) and 6(j).

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 this information is 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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 28,100,289	26,424,304
Non-current assets	44,533,127	31,961,844
Current liabilities	(15,373,749)	(13,982,699)
Non-current liabilities	(18,443,774)	(11,414,351)
Net assets	\$ <u>38,815,893</u>	<u>32,989,098</u>
Non-controlling interest	\$ <u>24,764,767</u>	<u>20,886,824</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the years ended December 31	
	2022	2021
Operating revenue	<u>\$ 41,626,486</u>	<u>33,336,442</u>
Net income for the period	\$ 7,933,470	4,492,108
Other comprehensive income (loss)	102,874	(24,269)
Comprehensive income	<u>\$ 8,036,344</u>	<u>4,467,839</u>
Net income attribute to non-controlling interest	<u>\$ 5,137,644</u>	<u>3,054,312</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 5,162,947</u>	<u>3,042,230</u>

	For the years ended December 31	
	2022	2021
Cash flows from operating activities	\$ 15,960,956	10,574,431
Cash flows used in investing activities	(16,534,731)	(12,895,057)
Cash flows from financing activities	1,869,946	5,999,519
Effect of movement in exchange rate	56,000	(11,798)
Net increase in cash and cash equivalents	<u>\$ 1,352,171</u>	<u>3,667,095</u>
Dividends to non-controlling interest	<u>\$ 1,572,159</u>	<u>468,686</u>

(ii) Information regarding ASROCK and its subsidiaries

	December 31, 2022	December 31, 2021
Current assets	\$ 13,993,593	15,422,807
Non-current assets	774,221	471,143
Current liabilities	(5,813,692)	(7,013,600)
Non-current liabilities	(60,195)	(91,506)
Net assets	<u>\$ 8,893,927</u>	<u>8,788,844</u>
Non-controlling interest	<u>\$ 4,399,123</u>	<u>4,271,093</u>

	For the years ended December 31	
	2022	2021
Operating revenue	<u>\$ 17,120,919</u>	<u>19,762,672</u>
Net income for the period	\$ 1,226,800	2,459,938
Other comprehensive income (loss)	427,240	(111,731)
Comprehensive income	<u>\$ 1,654,040</u>	<u>2,348,207</u>
Net income attribute to non-controlling interest	<u>\$ 634,989</u>	<u>1,133,783</u>
Comprehensive income attribute to non-controlling interest	<u>\$ 828,531</u>	<u>1,084,316</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the years ended December 31	
	2022	2021
Cash flows from operating activities	\$ 1,140,829	1,024,292
Cash flows from (used in) investing activities	868,782	(516,840)
Cash flows used in financing activities	(1,028,870)	(953,233)
Effect of movement in exchange rate	393,399	(103,377)
Net increase (decrease) in cash and cash equivalents	\$ 1,374,140	(549,158)
Dividends to non-controlling interest	\$ 734,195	459,835

(j) Acquisition of non-controlling interests

Pursuant to a resolution made in the Group's Extraordinary General Meeting on September 30, 2020, CASETEK CAYMAN will complete a triangular merger with Pegatron Corporation and its wholly owned subsidiary, PEGASUS. The Group acquired all non-controlling interest of CASETEK CAYMAN in accordance with the merger agreement on January 15, 2021, the date of merger.

The effects of the changes in the Group's interests in CASETEK CAYMAN were as follows:

	January 15, 2021
Carrying amount of non-controlling interest on acquisition	\$ 12,283,355
Consideration paid to non-controlling interests	(14,274,713)
Exchange differences on translation of foreign financial statements	1,832,185
Capital surplus differences between the consideration and the carrying amounts of the subsidiaries acquired	\$ (159,173)

(k) Property, plant and equipment

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

	Land	Buildings	Machinery equipment	Instrument equipment	Other facilities	Construction in progress	Total
Cost or deemed cost:							
Balance on January 1, 2022	\$ 11,856,650	51,500,156	53,338,900	1,313,354	34,999,356	3,058,362	156,066,778
Additions	-	380,275	631,950	160,155	1,658,360	9,108,027	11,938,767
Disposals and obsolescence	-	(276,499)	(12,406,988)	(238,272)	(4,494,837)	(249)	(17,416,845)
Reclassifications	227,744	(126,914)	9,367,528	32,180	3,734,860	(3,692,312)	9,543,086
Effect of movement in exchange rates	14,710	3,789,741	1,774,541	76,310	2,338,407	187,989	8,181,698
Balance on December 31, 2022	\$ 12,099,104	55,266,759	52,705,931	1,343,727	38,236,146	8,661,817	168,313,484
Balance on January 1, 2021	\$ 8,518,661	57,985,033	72,165,168	1,310,614	37,998,358	3,736,663	181,714,497
Additions	210,029	1,122,445	1,505,729	175,447	3,187,065	12,584,348	18,785,063
Disposals and obsolescence	-	(516,939)	(2,545,568)	(151,414)	(2,648,985)	-	(5,862,906)
Reclassifications	3,132,634	2,889,384	5,474,744	(387)	4,298,290	(10,552,868)	5,241,797
Subsidiaries disposals	-	(9,042,327)	(22,876,427)	-	(7,290,696)	(2,705,181)	(41,914,631)
Effect of movement in exchange rates	(4,674)	(937,440)	(384,746)	(20,906)	(544,676)	(4,600)	(1,897,042)
Balance on December 31, 2021	\$ 11,856,650	51,500,156	53,338,900	1,313,354	34,999,356	3,058,362	156,066,778

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<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>
Depreciation and impairment loss:							
Balance on January 1, 2022	\$ -	21,880,939	41,304,823	1,023,595	22,120,891	-	86,330,248
Depreciation for the period	-	2,911,626	4,905,375	179,281	4,933,279	-	12,929,561
Impairment loss (reversal gain)	-	9,798	(257)	-	29,272	-	38,813
Disposals and obsolescence	-	(276,482)	(12,098,446)	(222,579)	(4,110,172)	-	(16,707,679)
Reclassifications	-	366,209	814,088	-	(55,546)	-	1,124,751
Effect of movement in exchange rates	-	1,776,760	1,453,920	74,215	1,603,286	-	4,908,181
Balance on December 31, 2022	<u>\$ -</u>	<u>26,668,850</u>	<u>36,379,503</u>	<u>1,054,512</u>	<u>24,521,010</u>	<u>-</u>	<u>88,623,875</u>
Balance on January 1, 2021	\$ -	21,640,958	50,988,697	1,021,535	24,678,033	-	98,329,223
Depreciation for the period	-	2,757,071	4,543,920	167,341	4,456,636	-	11,924,968
Impairment loss (reversal gain)	-	15,200	49,884	(18)	784	-	65,850
Disposals and obsolescence	-	(403,001)	(2,160,233)	(144,626)	(2,176,965)	-	(4,884,825)
Reclassifications	-	(111,947)	37,730	-	(79,565)	-	(153,782)
Subsidiaries disposals	-	(1,550,480)	(11,784,858)	-	(4,347,813)	-	(17,683,151)
Effect of movement in exchange rates	-	(466,862)	(370,317)	(20,637)	(410,219)	-	(1,268,035)
Balance on December 31, 2021	<u>\$ -</u>	<u>21,880,939</u>	<u>41,304,823</u>	<u>1,023,595</u>	<u>22,120,891</u>	<u>-</u>	<u>86,330,248</u>
Carrying value:							
Balance on December 31, 2022	<u>\$ 12,099,104</u>	<u>28,597,909</u>	<u>16,326,428</u>	<u>289,215</u>	<u>13,715,136</u>	<u>8,661,817</u>	<u>79,689,609</u>
Balance on January 1, 2021	<u>\$ 8,518,661</u>	<u>36,344,075</u>	<u>21,176,471</u>	<u>289,079</u>	<u>13,320,325</u>	<u>3,736,663</u>	<u>83,385,274</u>
Balance on December 31, 2021	<u>\$ 11,856,650</u>	<u>29,619,217</u>	<u>12,034,077</u>	<u>289,759</u>	<u>12,878,465</u>	<u>3,058,362</u>	<u>69,736,530</u>

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

	For the years ended December 31	
	2022	2021
Impairment loss	<u>\$ 38,813</u>	<u>65,850</u>

- (ii) KINSUS and its subsidiaries purchased 40 parcels of land with a total area of 36,115.24 square meters. Lands are located at the addresses of No.1113, 1114, 1438 to 1443, 1479, 1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No.1044, 1047 to 1049 at QingHua Section, and No.0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, the agricultural land cannot be registered under KINSUS's name while it has been temporarily registered under the general manager's name and, to secure KINSUS's right to the land, mortgage registration has been set aside with KINSUS being the obligee.
- (iii) In May 2021, the Board of Directors of AZUREWAVE and Subsidiaries approved the disposal of part of the plant and right-of-use assets - land, which were originally used by AZUREWAVE's production division, within the next year. The transfer was completed in October 2021, resulting in a gain of \$105,991 thousand from the disposal of property, plant and equipment.
- (iv) Please refer to Note 6(ab) for gain and loss on the disposal of property, plant and equipment.
- (v) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Right-of-use assets

The movements in the cost and depreciation of the right-of-use assets 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>
Cost:					
Balance on January 1, 2022	\$ 4,051,052	5,015,576	-	3,977	9,070,605
Additions	16,804	1,247,763	-	-	1,264,567
Reductions	(86,035)	(1,664,572)	-	(1,300)	(1,751,907)
Reclassifications	-	28,827	-	-	28,827
Effect of movement in exchange rates	<u>377,370</u>	<u>358,439</u>	<u>-</u>	<u>145</u>	<u>735,954</u>
Balance on December 31, 2022	<u>\$ 4,359,191</u>	<u>4,986,033</u>	<u>-</u>	<u>2,822</u>	<u>9,348,046</u>
Balance on January 1, 2021	\$ 4,938,146	4,861,404	17,793	4,269	9,821,612
Additions	16,247	2,353,456	-	2,212	2,371,915
Reductions	(50,354)	(1,729,380)	(17,793)	(2,490)	(1,800,017)
Subsidiaries disposals	(753,044)	(365,825)	-	-	(1,118,869)
Reclassification	(993)	-	-	-	(993)
Effect of movement in exchange rates	<u>(98,950)</u>	<u>(104,079)</u>	<u>-</u>	<u>(14)</u>	<u>(203,043)</u>
Balance on December 31, 2021	<u>\$ 4,051,052</u>	<u>5,015,576</u>	<u>-</u>	<u>3,977</u>	<u>9,070,605</u>
Accumulated depreciation:					
Balance on January 1, 2022	\$ 837,553	1,995,046	-	1,547	2,834,146
Depreciation for the period	104,951	1,634,960	-	785	1,740,696
Reductions	(43,839)	(1,617,948)	-	(1,300)	(1,663,087)
Effect of movement in exchange rates	<u>75,605</u>	<u>184,503</u>	<u>-</u>	<u>49</u>	<u>260,157</u>
Balance on December 31, 2022	<u>\$ 974,270</u>	<u>2,196,561</u>	<u>-</u>	<u>1,081</u>	<u>3,171,912</u>
Balance on January 1, 2021	\$ 871,140	2,352,457	13,776	2,434	3,239,807
Depreciation for the period	102,127	1,469,991	4,017	1,012	1,577,147
Reductions	(15,910)	(1,598,424)	(17,793)	(1,894)	(1,634,021)
Subsidiaries disposals	(101,365)	(168,568)	-	-	(269,933)
Reclassification	(213)	-	-	-	(213)
Effect of movement in exchange rates	<u>(18,226)</u>	<u>(60,410)</u>	<u>-</u>	<u>(5)</u>	<u>(78,641)</u>
Balance on December 31, 2021	<u>\$ 837,553</u>	<u>1,995,046</u>	<u>-</u>	<u>1,547</u>	<u>2,834,146</u>
Carrying value:					
Balance on December 31, 2022	<u>\$ 3,384,921</u>	<u>2,789,472</u>	<u>-</u>	<u>1,741</u>	<u>6,176,134</u>
Balance on January 1, 2021	<u>\$ 4,067,006</u>	<u>2,508,947</u>	<u>4,017</u>	<u>1,835</u>	<u>6,581,805</u>
Balance on December 31, 2021	<u>\$ 3,213,499</u>	<u>3,020,530</u>	<u>-</u>	<u>2,430</u>	<u>6,236,459</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Investment property

Investment property is owned by the Group, and the movements were as follows:

	Buildings
Cost or deemed cost:	
Balance on January 1, 2022	\$ 53,466
Effect of movement in exchange rates	<u>5,862</u>
Balance on December 31, 2022	<u><u>\$ 59,328</u></u>
Balance on January 1, 2021	\$ 57,994
Reclassification to property, plant and equipment	(2,890)
Effect of movement in exchange rates	<u>(1,638)</u>
Balance on December 31, 2021	<u><u>\$ 53,466</u></u>
Depreciation and impairment loss :	
Balance on January 1, 2022	\$ 20,033
Depreciation for the year	3,112
Effect of movement in exchange rates	<u>2,198</u>
Balance on December 31, 2022	<u><u>\$ 25,343</u></u>
Balance on January 1, 2021	\$ 18,578
Depreciation for the year	3,034
Reclassification to property, plant and equipment	(949)
Effect of movement in exchange rates	<u>(630)</u>
Balance on December 31, 2021	<u><u>\$ 20,033</u></u>
Carrying value :	
Balance on December 31, 2022	<u><u>\$ 33,985</u></u>
Balance on January 1, 2021	<u><u>\$ 39,416</u></u>
Balance on December 31, 2021	<u><u>\$ 33,433</u></u>

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

	For the years ended December 31	
	2022	2021
Rental income	\$ <u><u>-</u></u>	<u><u>-</u></u>
Direct operating expenses arising from investment property that generate rental income	<u><u>\$ 3,112</u></u>	<u><u>3,034</u></u>

(ii) As of December 31, 2022 and 2021, the fair value of investment property of the Group was \$70,374 thousand and \$77,660 thousand, respectively. The fair value has not been valued by independent appraisers, but only by the management of the Group according to the third level input value using the evaluation model which is commonly used by market participants, with the transaction amount based on the nearby real estate price.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) As of December 31, 2022 and 2021, the aforesaid investment properties were not pledged as collateral.

(n) Intangible assets

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

	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Costs:			
Balance on January 1, 2022	\$ 1,640,132	997,715	2,637,847
Additions	-	158,739	158,739
Disposals	-	(596,927)	(596,927)
Reclassifications	-	(9,031)	(9,031)
Effect of movement in exchange rates	<u>105,979</u>	<u>45,626</u>	<u>151,605</u>
Balance on December 31, 2022	<u>\$ 1,746,111</u>	<u>596,122</u>	<u>2,342,233</u>
Balance on January 1, 2021	\$ 1,668,543	1,380,171	3,048,714
Additions	-	171,416	171,416
Disposals	-	(198,105)	(198,105)
Reclassifications	-	(471)	(471)
Subsidiaries disposals	-	(340,638)	(340,638)
Effect of movement in exchange rates	<u>(28,411)</u>	<u>(14,658)</u>	<u>(43,069)</u>
Balance on December 31, 2021	<u>\$ 1,640,132</u>	<u>997,715</u>	<u>2,637,847</u>
Amortization and impairment losses:			
Balance on January 1, 2022	\$ 1,600,097	829,564	2,429,661
Amortization for the period	-	135,689	135,689
Impairment losses	-	1,689	1,689
Disposals	-	(596,927)	(596,927)
Reclassifications	-	579	579
Effect of movement in exchange rates	<u>101,757</u>	<u>44,771</u>	<u>146,528</u>
Balance on December 31, 2022	<u>\$ 1,701,854</u>	<u>415,365</u>	<u>2,117,219</u>
Balance on January 1, 2021	\$ 1,627,376	1,034,363	2,661,739
Amortization for the period	-	145,073	145,073
Disposals	-	(197,535)	(197,535)
Reclassifications	-	14	14
Subsidiaries disposals	-	(136,757)	(136,757)
Effect of movement in exchange rates	<u>(27,279)</u>	<u>(15,594)</u>	<u>(42,873)</u>
Balance on December 31, 2021	<u>\$ 1,600,097</u>	<u>829,564</u>	<u>2,429,661</u>
Carrying value:			
Balance on December 31, 2022	<u>\$ 44,257</u>	<u>180,757</u>	<u>225,014</u>
Balance on January 1, 2021	<u>\$ 41,167</u>	<u>345,808</u>	<u>386,975</u>
Balance on December 31, 2021	<u>\$ 40,035</u>	<u>168,151</u>	<u>208,186</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Amortization recognized

For the years ended December 31, 2022 and 2021, the amortization of intangible assets had been recognized in accounts of the consolidated statement of comprehensive income as follows :

	For the years ended December 31	
	2022	2021
Operating cost	\$ 40,327	60,472
Operating expenses	95,362	84,601
	\$ 135,689	145,073

(ii) For years ended December 31, 2022, the Group had recognized an impairment loss of \$1,689 thousand regarding the part of intangible assets other than goodwill with recoverable amounts being lower than the carrying amounts. Please refer to Notes 6(ab) for the impairment loss recognized under other income and losses in the consolidated statement of comprehensive income.

(iii) As of December 31, 2022 and 2021, the intangible assets were not pledged as collateral.

(o) Other financial assets and other assets

Other financial assets and other assets were as follows:

	December 31, 2022	December 31, 2021
Other financial assets - current	\$ 12,012,749	30,316,944
Other financial assets - non-current	374,605	406,576
Other current assets	5,854,949	4,615,086
Other non-current assets	21,612	50,033
	\$ 18,263,915	35,388,639

(i) Other financial assets are assets that do not qualify as cash equivalents which consisted of time deposits, restricted time deposits, callable bonds 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 non-current assets consisted of prepayments on other long-term expenses and others.

(p) Short-term loans

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ 79,589,451	91,808,664
Other unsecured loans	-	2,214,640
Total	\$ 79,589,451	94,023,304
Range of interest rate	0.38%~5.94%	0.32%~4.54%

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(q) Long-term loans

The details were as follows:

	December 31, 2022	December 31, 2021
Unsecured bank loans	\$ 16,726,682	13,183,370
Secured bank loans	<u>272,216</u>	<u>54,001</u>
	16,998,898	13,237,371
Less: current portion	<u>(2,773,471)</u>	<u>(1,026,949)</u>
Total	<u>\$ 14,225,427</u>	<u>12,210,422</u>
Range of interest rate	<u>0.35%~5.74%</u>	<u>0.35%~1.90%</u>

(i) Borrowing and repayment

In consideration of the operating situation and the terms of the loan agreement, the Group repaid the long-term loans of \$1,984,626 thousand and \$11,114,362 thousand for the years ended December 31, 2022 and 2021, respectively. In addition, the Group proceeded from long-term loans of \$5,651,153 thousand and \$7,663,644 thousand for the years ended December 31, 2022 and 2021, respectively. Please refer to Note 6(ab) for interest expenses.

(ii) Collateral for bank loans

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

(iii) Government low-interest loan

The Group obtained government low-interest loans. The loans were measured at its fair value by applying the market interest rate. The deferred differences between the amounts paid and the fair value were classified as other current liabilities and other non-current liabilities, respectively.

(iv) Loan covenants

On January 3, 2018, and January 30, 2015, CASETEK CAYMAN signed a USD360,000 thousand 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 1) Current ratio (current assets/current liabilities): The ratio should not be lower than 100%.
- 2) Total liabilities 【 total liabilities (including contingent liability, excluding minority interests)/total assets excluding intangible assets】 : The ratio should be lower than 100%.
- 3) Interest coverage ratio 【 (profit before tax + depreciation + amortization + interest expense)/ interest expense】 : The ratio should not be lower than 500%.
- 4) Tangible net assets (total assets – total liabilities – intangible assets): The total amount should not be 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.

The above joint credit line was cancelled on February 2020 and September 2021.

(r) Bonds payable

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

	December 31, 2022	December 31, 2021
Ordinary corporate bonds issued	\$ 34,900,000	36,900,000
Unamortized discount on bonds payable	(23,008)	(30,405)
Bonds payable, end of the year	34,876,992	36,869,595
Less: current portion	(4,500,000)	(2,000,000)
	\$ 30,376,992	34,869,595
	For the years ended December 31	
	2022	2021
Interest expense	\$ 278,960	241,708

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 thousand, 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 :

Item	1st unsecured ordinary bonds issued in 2017
1.Issuing amount	The Bonds are issued at \$7,000,000 thousand, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$3,000,000 thousand, \$2,000,000 thousand and \$2,000,000 thousand, respectively.
2.Par value	Each unit is valued at \$1,000 thousand.
3.Offering price	The Bonds are issued by par value at the issuance date.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Item</u>	<u>1st unsecured ordinary bonds issued in 2017</u>
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.
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.

<u>Item</u>	<u>2nd unsecured ordinary bonds issued in 2017</u>
1.Issuing amount	The Bonds are issued at \$8,000,000 thousand, which comprise Tranche A, Tranche B and Tranche C. The issuing amounts of Tranche A, Tranche B and Tranche C are \$1,000,000 thousand, \$4,500,000 thousand and \$2,500,000 thousand, respectively.
2.Par value	Each unit is valued at \$1,000 thousand.
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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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:

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

On March 26, 2020, the Company's Board of Directors approved to issue unsecured ordinary corporate bonds with the total maximum amount of \$10,000,000 thousand, which have been approved and declared effective by the Taipei Exchange (TPEX) on October 12, 2020 and December 29, 2020, respectively. The offering information and main rights and obligations were as follows:

<u>Item</u>	<u>1st unsecured ordinary bonds issued in 2020</u>
1. Issuing amount	The Bonds are issued at \$5,000,000 thousand.
2. Par value	Each unit is valued at \$1,000 thousand.
3. Offering price	The Bonds are issued by par value at the issuance date.
4. Issuance period	The Bonds has 5-year term. The issuance period of The Bonds commences from October 21, 2020 and matures on October 21, 2025.
5. Coupon rate	The Bonds bears annual coupon rates of 0.65%.
6. Repayment	The Bonds are repayable on maturity.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	1st unsecured ordinary bonds issued in 2020
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.

Item	2nd unsecured ordinary bonds issued in 2020
1. Issuing amount	The Bonds are issued at \$3,500,000 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A, and Tranche B are \$2,200,000 thousand and \$1,300,000 thousand, respectively.
2. Par value	Each unit is valued at \$1,000 thousand.
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 January 8, 2021 and matures on January 8, 2026. The issuance period of Tranche B commences from January 8, 2021 and matures on January 8, 2028.
5. Coupon rate	Tranche A, and B bear annual coupon rates of 0.43% and 0.58%, 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.

On September 16, 2021, the Company's Board of Directors approved to issue unsecured ordinary corporate bonds with the total maximum amount of \$20,000,000 thousand, which have been approved and declared effective by the Taipei Exchange (TPEX) on November 23, 2021. The offering information and main rights and obligations were as follows:

Item	1st unsecured ordinary bonds issued in 2021
1. Issuing amount	The Bonds are issued at \$8,900,000 thousand, which comprise Tranche A, and Tranche B. The issuing amounts of Tranche A, and Tranche B are \$7,500,000 thousand and \$1,400,000 thousand, respectively.
2. Par value	Each unit is valued at \$1,000 thousand.
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 December 2, 2021 and matures on December 2, 2026. The issuance period of Tranche B commences from December 2, 2021 and matures on December 2, 2028.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Item</u>	<u>1st unsecured ordinary bonds issued in 2021</u>
5.Coupon rate	Tranche A, and B bear annual coupon rates of 0.56% and 0.65%, 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.

(s) Lease liabilities

The Group's lease liabilities were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current	<u>\$ 1,366,074</u>	<u>1,067,674</u>
Non-current	<u>\$ 1,522,527</u>	<u>2,003,326</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	<u>\$ 113,163</u>	<u>80,238</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 42,492</u>	<u>44,094</u>
Income from sub-leasing right-of-use assets	<u>\$ 516</u>	<u>212</u>
Expenses relating to short-term leases	<u>\$ 340,107</u>	<u>446,214</u>
Expenses relating to leases of low-value, excluding short-term leases of low-value assets	<u>\$ 2,611</u>	<u>8,401</u>
Covid-19 - related rent concessions	<u>\$ 2,411</u>	<u>5,913</u>

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

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	<u>\$ 2,034,579</u>	<u>2,071,803</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group leases land, buildings, machinery equipment and transportation 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.

(t) Employee benefits

(i) Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ 236,933	304,145
Fair value of plan assets	<u>(210,644)</u>	<u>(192,394)</u>
Net defined benefit liabilities	<u>\$ 26,289</u>	<u>111,751</u>
	December 31, 2022	December 31, 2021
Short-term employee benefits liabilities	\$ 416,786	367,414
Cash-settled share-based payment liabilities	<u>207,035</u>	<u>158,988</u>
Total employee benefit liabilities	<u>\$ 623,821</u>	<u>526,402</u>

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.

(Continued)

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, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Defined benefit obligation, January 1	\$ 304,145	297,143
Current service costs and interest	6,915	10,608
Re-measurements of the net defined benefit liability		
— Actuarial gains arose from changes in demographic assumptions	3,774	(565)
— Actuarial gains arose from changes in financial assumption	(29,222)	(18,117)
— Experience adjustments	(21,365)	8,289
Past service costs	(11,661)	7,269
Effect of movements in exchange rates	463	(358)
Benefits paid by the plan	(16,116)	(124)
Defined benefit obligation, December 31	\$ 236,933	304,145

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, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Fair value of plan assets, January 1	\$ 192,394	183,237
Interests revenue	1,510	776
Re-measurements of the net defined benefit liability		
— Experience adjustments	14,134	2,497
Contributions made	2,606	5,884
Fair value of plan assets, December 31	\$ 210,644	192,394

(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, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Current service cost	\$ 4,283	8,947
Net interest on net defined benefit liability	1,122	885
Past service costs	(11,661)	7,269
	<u>\$ (6,256)</u>	<u>17,101</u>
Operating costs	\$ (10,036)	8,726
Operating expenses	3,780	8,375
	<u>\$ (6,256)</u>	<u>17,101</u>

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, 2022 and 2021 were as follows:

	For the years ended December 31	
	2022	2021
Cumulative amount, January 1	\$ 97,749	110,639
Recognized during the year	(60,947)	(12,890)
Cumulative amount, December 31	<u>\$ 36,802</u>	<u>97,749</u>

6) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount rate	1.44%~1.75%	0.64%~0.82%
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 \$5,805 thousand 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 5 and 27 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, 2022 and 2021, the changes in the principal actuarial assumptions will impact on the present value of defined benefit obligation as follows:

	Impact on the present value of defined benefit obligation	
	Increase by 0.50%	Decrease by 0.50%
December 31, 2022		
Discount rate	(17,180)	18,947
Future salary increase rate	18,510	(16,969)
December 31, 2021		
Discount rate	(22,587)	24,953
Future salary increase rate	24,199	(22,161)

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 specific rate 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, 2022 and 2021 were amounted to \$5,299,101 thousand and \$4,210,742 thousand, respectively.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Income tax

(i) The components of income tax expense were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current income tax expense		
Current period incurred	\$ 6,783,354	4,108,903
Prior years income tax adjustment	(149,945)	17,062
Suntax on undistributed earnings	325,328	91,385
Deferred tax expense		
The origination of temporary differences	<u>(166,283)</u>	<u>(1,118,602)</u>
Income tax expense from continuing operation	\$ 6,792,454	3,098,748
Income tax from discontinued operation	<u>-</u>	<u>-</u>
	<u>\$ 6,792,454</u>	<u>3,098,748</u>

(ii) The amount of income tax expense (benefit) recognized in other comprehensive income was as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Items that will not be reclassified subsequently to profit or loss		
Re-measurements of the net defined benefit plans	<u>\$ 3,327</u>	<u>(456)</u>
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ 10,502</u>	<u>(19,721)</u>

(iii) Reconciliation of income tax and profit before tax from 2022 and 2021 was as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Profit before income tax	\$ 28,198,529	28,603,056
Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned	8,155,301	8,728,590
Permanent differences	(1,730,349)	(159,716)
Changes in unrecognized temporary differences	693,859	(5,271,260)
Oversea dividends received	10,859	194,571
Prior years income tax adjustment	(149,945)	17,062
Surtax on undistributed earnings	325,328	91,385
Others	<u>(512,599)</u>	<u>(501,884)</u>
	<u>\$ 6,792,454</u>	<u>3,098,748</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, 2022 and 2021, 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, 2022</u>	<u>December 31, 2021</u>
The aggregate temporary differences associated with investments in subsidiaries	\$ <u>85,913,779</u>	<u>86,307,185</u>
Unrecognized deferred tax liabilities	\$ <u>17,182,756</u>	<u>17,261,437</u>

2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences	\$ 1,047,304	957,585
Tax losses	<u>1,403,675</u>	<u>878,216</u>
	<u>\$ 2,450,979</u>	<u>1,835,801</u>

The 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, 2022, 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	2015~2022	\$ 3,958,930	2023~2029
CASETEK CAYMAN and its subsidiaries	2018~2020	247,160	2023~2025
AZUREWAVE and its subsidiaries	2019~2020	166,650	2029~2030
ASROCK and its subsidiaries	2021~2022	55,026	2031~2032
PEGATRON and its subsidiaries	2015~2022	<u>1,969,388</u>	2025~2032
		<u>\$ 6,397,154</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, 2022 and 2021 were as follows:

	<u>Gain on foreign investments</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:			
Balance on January 1, 2022	\$ 843,976	1,290,421	2,134,397
Recognized in (profit) loss	528,158	(850,456)	(322,298)
Recognized in other comprehensive income	9,098	-	9,098
Exchange differences on translation	(33,722)	102,187	68,465
Balance on December 31, 2022	<u>\$ 1,347,510</u>	<u>542,152</u>	<u>1,889,662</u>
Balance on January 1, 2021	\$ 1,536,340	1,589,956	3,126,296
Recognized in (profit) loss	(645,711)	(260,623)	(906,334)
Recognized in other comprehensive income	(19,721)	-	(19,721)
Recognized in equity	(49,830)	-	(49,830)
Exchange differences on translation	22,898	(38,912)	(16,014)
Balance on December 31, 2021	<u>\$ 843,976</u>	<u>1,290,421</u>	<u>2,134,397</u>

	<u>Provision for Contingent Service Cost</u>	<u>Gain or loss on valuation of inventory</u>	<u>Unrealized expenses</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:					
Balance on January 1, 2022	\$ 146,791	782,889	1,113,860	777,287	2,820,827
Recognized in profit (loss)	(1,776)	96,724	(327,483)	76,519	(156,016)
Recognized in other comprehensive income	-	-	(1,372)	(3,359)	(4,731)
Exchange differences on translation	-	53,175	73,889	7,600	134,664
Balance on December 31, 2022	<u>\$ 145,015</u>	<u>932,788</u>	<u>858,894</u>	<u>858,047</u>	<u>2,794,744</u>
Balance on January 1, 2021	\$ 144,942	1,064,650	1,895,202	421,699	3,526,493
Recognized in profit (loss)	1,849	(182,277)	(59,546)	452,242	212,268
Recognized in other comprehensive income	-	-	-	456	456
Recognized in equity	-	-	405	(92,685)	(92,280)
Loss of control of a subsidiary	-	(81,362)	(747,709)	-	(829,071)
Exchange differences on translation	-	(18,122)	25,508	(4,425)	2,961
Balance on December 31, 2021	<u>\$ 146,791</u>	<u>782,889</u>	<u>1,113,860</u>	<u>777,287</u>	<u>2,820,827</u>

(v) Status of approval of income tax

- 1) The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority (the year 2018 has not been approved).

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 2) The tax returns of the Group's subsidiaries approved by the Tax Authority were as follows:

<u>Years of Approval</u>	<u>Company Name</u>
2019	KINSUS
2020	BeautyTech, ASUSPOWER INVESTMENT, ASUS INVESTMENT, ASUSTEK INVESTMENT, PEGA INTERNATIONAL, HUA- YUAN, AMA, STARLINK, AS FLY, AZUREWAVE, AZURE, EZWAVE, KINSUS INVESTMENT, PEGAVISION, ASROCK Rack, ASROCK, AsRock Industrial, RI KUAN , FUYANG and LUMENS.

- (v) Capital and other equity

- (i) Ordinary shares

Reconciliation of shares outstanding for 2022 and 2021 was as follows:

<u>(In thousands of shares)</u>	<u>Ordinary Shares</u>	
	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Beginning balance on January 1	2,669,132	2,662,874
Issuance of restricted shares of stock	-	7,574
Retirement of restricted shares of stock	(1,498)	(1,316)
Ending balance on December 31	<u>2,667,634</u>	<u>2,669,132</u>

For the years ended December 31, 2021, the Company issued 7,574 thousand new shares of restricted stock awards to the employees at par value of \$10, amounting to \$75,740 thousand. The registration procedures have since been completed, and all the shares issued have been collected. For relevant information, please refer to Note 6(w).

For the years ended December 31, 2022 and 2021, the Company had retired 1,498 thousand and 1,316 thousand shares, respectively, of restricted stock to employees. The authorized capital of the Company consisted of 3,000,000 thousand shares, with par value of \$10 per share, and its outstanding capital were consisted of 2,667,634 thousand and 2,669,132 thousand common shares of stock, as of December 31, 2022 and 2021, respectively. All share proceeds from outstanding capital have been collected.

As of December 31, 2022 and 2021, the restricted Company shares of stock issued to employees have expired, of which 710 thousand and 256 thousand shares, respectively, have not been retired.

- (ii) Global depositary receipts

ASUSTeK GDRs 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2022 and 2021, the Company has listed, in total, 225 thousand and 253 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 1,126 thousand and 1,267 thousand shares of stock, respectively.

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.

(iii) Capital surplus

The components of the capital surplus were as follows:

	December 31, 2022	December 31, 2021
From issuance of share capital	\$ 67,629,957	66,983,778
From conversion of convertible bonds	11,073,663	11,073,663
From treasury stock transactions	47,865	47,865
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,273,401	2,273,401
Changes in equity of associates accounted for using the equity method	170,826	20,862
Changes in ownership interest in subsidiaries	1,353,306	1,441,117
Employee stock options	6,094	1,304
Restricted stock to employees	386,975	1,069,401
Other	409,917	409,917
	<u>\$ 83,352,004</u>	<u>83,321,308</u>

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) 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 the rules issued by the FSC, a portion 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 (which 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 15, 2022, and August 4, 2021, the Company's shareholders' meeting resolved to appropriate the 2021 and 2020 earnings, respectively. These earnings were appropriated or distributed as follows:

	For the years ended December 31	
	2021	2020
Common stock dividends per share (dollars)		
— Cash	\$ 5.00	4.50

(v) Other equity (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	Deferred compensation arising from issuance of restricted stock	Total
Balance on January 1, 2022	\$ (21,363,627)	444,778	(712,701)	(21,631,550)
Exchange differences on foreign operations	13,356,947	-	-	13,356,947
Exchange differences on associates accounted for using the equity method	403,050	-	-	403,050
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	(364,808)	-	(364,808)
Deferred compensation cost arising from issuance of restricted stock	-	-	643,824	643,824
Balance on December 31, 2022	\$ (7,603,630)	79,970	(68,877)	(7,592,537)
Balance on January 1, 2021	\$ (15,808,892)	(57,309)	(1,146,659)	(17,012,860)
Exchange differences on foreign operations	(3,466,082)	-	-	(3,466,082)
Exchange differences on associates accounted for using the equity method	(256,468)	-	-	(256,468)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	(1,832,185)	-	-	(1,832,185)
Unrealized gains from financial assets measured at fair value through other comprehensive income	-	522,406	-	522,406
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(20,319)	-	(20,319)
Deferred compensation cost arising from issuance of restricted stock	-	-	433,958	433,958
Balance on December 31, 2021	\$ (21,363,627)	444,778	(712,701)	(21,631,550)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Non-controlling interests (net of tax)

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance on January 1	\$ 27,662,332	36,345,941
Income attributable to non-controlling interests	6,066,779	4,481,451
Other comprehensive income (loss) attributable to non-controlling interests		
Exchange differences on foreign operation	330,867	(80,365)
Remeasurements of defined benefit plans	32,669	4,668
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	1,991,358
Changes in ownership interest in subsidiaries	(12,950)	55,620
Changes in non-controlling interests	<u>(1,999,999)</u>	<u>(15,136,341)</u>
Balance on December 31	<u>\$ 32,079,698</u>	<u>27,662,332</u>

(w) Share-based payment

Information on share-based payment transactions as of December 31, 2022 and 2021 were as follows:

	<u>Equity-settled share-based payment</u>
	<u>Restricted stock to employee</u>
	<u>Issued in 2020</u>
Thousand units granted	60,000
Contractual life	4 years
Vesting period	Note A
Actual turnover rate of employees	6.27% and 3.48%
Estimated future turnover rate for each or the three years of employees	5.84%~19.02%

Note A : Employees are entitled to receive 25%, 25%, 25%, and 25% of the restricted stock in the first, second, third and fourth year, respectively, of their service.

On June 19, 2020, the shareholders approved a resolution passed during their meeting to award 60,000 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 September 22, 2020, the Board of Directors approved to issue 53,103 thousand shares of restricted shares of stock with fair value of NT\$63.2 each at grant date. The record date for the capital increase through issuance of restricted shares of stock was December 8, 2020. The actual issuance number for the capital increase was 52,411 thousand shares. On January 4, 2021, the registration procedures were completed. On May 11, 2021, Board of Directors of the Company approved to issue secondary new restricted shares of stock totaling 7,589 thousand shares with fair value of \$69.3 each at grant date. The record date

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

for the capital increase through issuance of restricted shares of stock was June 11, 2021. The actual issuance number for the capital increase was 7,574 thousand shares. On July 12, 2021, 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. 25%, 25%, 25% and 25% of the restricted shares of stock is vested in year 1, 2, 3 and 4, 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:

	Equity-settled share-based payment	
	Restricted stock to employee	
	Issued in 2020-2	Issued in 2020-1
Fair value at grant date	05/11/2021	09/22/2020
Stock price at grant date	\$ 69.30	63.20
Exercise price	10.00	10.00
Expected life of the option	4 years	4 years
Current market price	69.30	63.20
Expected volatility	25.25%~28.65%	27.76%~31.92%
Expected dividend yield	-%	-%
Risk-free interest rate	(Note A)	(Note B)

Note A : The risk-free interest rate is 0.1006% for the 1st year, 0.1486% for the 2nd year, 0.1865% for the 3rd year and 0.2244% for the 4th year.

Note B : The risk-free interest rate is 0.1202% for the 1st year, 0.1690% for the 2nd year, 0.2123% for the 3rd year and 0.2556% for the 4th year.

(ii) Restricted stock to employee

For the years ended December 31, 2022 and 2021, 1,952 thousand and 1,572 thousand shares of restricted stock awards issued to employees have expired, which were converted to capital surplus of \$19,524 thousand and \$15,663 thousand, respectively. As of December 31, 2022 and 2021, the Company has deferred compensation cost arising from issuance of shares of restricted stock awards of \$68,877 thousand and \$712,701 thousand, respectively.

For the years ended December 31, 2022 and 2021, the Company recognized and reversed salary cost of \$56,007 thousand and \$73,837 thousand 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 to retained earnings.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Expenses recognized in profit or loss

The Company incurred expenses of share-based arrangements for the years ended December 31, 2022 and 2021, as follows:

	For the years ended December 31	
	2022	2021
Expenses resulting from the issuance of restricted stock to employees	\$ 614,728	972,947

(x) Subsidiary's share-based payments

(i) New shares of restricted stock awards of AZUREWAVE

A resolution was decided during the shareholders meeting held on July 15, 2021 to award 3,000 thousand new shares of restricted stock awards to those full-time employees who meet AZUREWAVE's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On November 10, 2021, the board of directors issued all the restricted stock, with the fair value on the grant date of \$26.95 dollars per share. The record date for the capital increase through issuance of restricted shares of stock was January 3, 2022.

The issuance of new shares of restricted stock awards was made free of charge, and 20%, 40% and 40% of the restricted stock is vested in one, two and three years of employment with AZUREWAVE from the subscription date. The new shares of restricted stock awards are kept by a trust, which is appointed by AZUREWAVE, 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 employee does not fulfill the vesting conditions, AZUREWAVE has the rights to recall the shares without cost.

On March 7, May 11 and November 8, 2022, AZUREWAVE approved to retire and cancel 45 thousand shares, 531 thousand shares and 127 thousand new shares of restricted stock awards, with the record date set on March 15, May 13, and November 11, 2022, due to those employees who did not meet the vesting condition for the years ended December 31, 2022.

For the years ended December 31, 2022 and 2021, AZUREWAVE recognized share-based compensation cost of \$32,162 thousand and zero, due to the issuance of new shares of restricted stock awards.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) New shares of restricted stock awards of ASROCK

1) ASROCK

On August 20, 2021, the shareholders of ASROCK approved a resolution passed during their meeting to award 2,300 thousand new shares of restricted stock awards to those full-time employees who meet certain requirement of ASROCK. The restricted shares of stock totaling 2,300 thousand shares have been registered with and approved by the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On October 28, 2021, 2,283 thousand shares were actually issued for such award with fair value of \$145 dollars each at grant date.

Employees who have been allocated the above-mentioned new shares of restricted stock awards can subscribe for the allocated shares for \$10 dollars and obtain them in batches in accordance with the following established conditions:

A. The overall performance of the company:

- a. The EPS of ASROCK in the previous year is higher than 10, with an overall weight of 100%.
- b. The EPS of ASROCK in the previous year is between 7.5 and 10, with an overall weight of 50%.
- c. The EPS of ASROCK in the previous year is less than 7.5, without any overall weight.

B. Personal performance:

- a. The mid-year assessment is A or above (including A), with a personal weight of 100%.
- b. The mid-year assessment is between B+~A (excluding A), with a personal weight of 80%.
- c. The mid-year assessment is between B~B+ (excluding B+), with a personal weight of 60%.
- d. The mid-year assessment is C, without any personal weight.

C. One year of employment after subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the first year, with the existing 40% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

D. Two years of employment after subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the second year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- E. Three years of employment after subscription of new shares of restricted stock awards, and there should be no violation of laws or regulations, company working rules, business ethics codes, as well as other related regulations and agreements, in the third year, with the existing 30% of the shares are multiplied by the overall weight, then multiplied by the personal weight.

The new shares of restricted stock awards are 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 the 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 new shares of restricted stock awards was follows:

Vesting period	New shares of restricted stock awards			
	Year 1	Year 2	Year 3	Total
Original vested shares (In thousands of units)	913	685	685	2,283
Operating performance issue ratio	100.00 %	98.37 %	90.79 %	
Estimated employee turnover rate	0.02 %	8.82 %	17.73 %	
Qualified rate of performance	- %	76.92 %	76.92 %	
Vested shares (In thousands of units)	-	472	393	865
Fair value (dollars)	145	145	145	
Service costs	\$ -	63,707	53,053	116,760

The new shares of restricted stock awards issued by ASROCK cannot be transferred within three years of the vesting period, but they still have the right to vote and distribute dividends. Once the employee with an allocation of new shares of restricted stock awards leaves during the vesting period, he must return all the dividends and new shares of restricted stock awards.

2) ASRock Rack

As of December 31, 2022, the share-based payment transactions issued by ASRock Rack were as follows:

Type of agreement	Grant date	Number of shares granted (In thousands of shares)	Contract term	Vesting condition
New shares of restricted stock awards	February 27, 2019	1,490	4 years	3 years of service vested 50% 4 years of service vested 50%
Employee share option plan	May 29, 2020	1,500	1 year and 6 months	1 year of service vested 100%
Employee share option plan (Note)	June 30, 2022	2,300	3 years and 6 months	2 years of service vested 50% 3 years of service vested 50%

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note: After the employee stock option issued, except when ASRock Rack securities with common share convertible right or stock option are converted to common stock or ASRock Rack issues new shares as employee bonus, if ASRock Rack's common shares increases, and in the event of capital reduction for reasons other than treasury stock cancellation thereby causing decrease in common shares and if ASRock Rack distributes common share cash dividends which account for more than 1.5% of current share price, ASRock Rack would make adjustment in accordance with ASRock Rack's Employee Stock Option Certificate Issuance and Stock Subscription Measures.

The aforesaid information of new shares of restricted stock awards was as follows:

Vesting period	New shares of restricted stock awards				
	year 1	year 2	year 3	year 4	Total
Original vested shares (In thousands of units)	-	-	745	745	1,490
Estimated employee turnover rate	-	-	14.19 %	20.00 %	
Vested shares after considering employee turnover rate (In thousands of units)	-	-	639,250	596,000	1,235,250
Fair value (dollars)	-	-	5.53	5.53	
Service costs	\$ -	-	3,535	3,296	6,831

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.

The assumptions and pricing model adopted in the aforesaid share-based payments were as follows:

	May 29, 2020	June 30, 2022
Fair value at grant date (dollars)	0.1232	1.85~2.26
Exercise price (dollars)	22	22
Expected volatility rate	30.95%	41.16%~44.34%
Risk-free interest rate	0.2763%	0.9867%~1.0237%
Expected duration of option	1.5 years	2.5~3.5 years
Weighted average stock price (dollars)	11.72	13.74
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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

May 29, 2020	For the year ended December 31			
	2022		2021	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
Outstanding as of January 1	-	\$ -	1,500	\$ 22
Granted during the period	-	-	-	-
Exercised during the period	-	-	1,450	22
Forfeited during the period	-	-	(50)	-
Outstanding as of December 31	-	-	-	-
Exercisable as of December 31	-	-	-	-

As of December 31, 2022 and 2021, the related share-based payment has been implemented completely.

June 30, 2022	For the year ended December 31, 2022	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
Outstanding as of January 1	-	\$ -
Granted during the period	2,300	22
Forfeited during the period	-	-
Exercised during the period	-	-
Outstanding as of December 31	2,300	19.45
Exerisable as of December 31	-	-

As of December 31, 2022, related information about outstanding options on the share-based payment was as follows:

	Exercise price (dollars)(Note)	Weighted average residual duration (years)
December 31, 2022		
Outstanding option	\$ 19.45	3

Note: Adjustment of the exercise price according to regulations employee stock option plan.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) ASRock Industrial

As of December 31, 2022, the share-based payment transactions issued by ASRock Industrial were as follows:

<u>Type of agreement</u>	<u>Grant date</u>	<u>Number of shares granted (In thousands of shares)</u>	<u>Contract term</u>	<u>Vesting condition</u>
Employee share option plan	January 15, 2019	1,500	2 years and 6 months	1 year of service vested 50% 2 years of service vested 50%
Employee share option plan (Note)	April 20, 2021	2,200	3 years and 6 months	1 year of service vested 35% 2 years of service vested 35% 3 years of service vested 30%
Employee share option plan (Note)	July 8, 2022	2,100	3 years and 6 months	2 years of service vested 50% 3 years of service vested 50%

Note: After the employee stock option issued, except when ASRock Industrial securities with common share convertible right or stock option are converted to common stock or ASRock Industrial issues new shares as employee bonus, if ASRock Industrial's common shares increases, and in the event of capital reduction for reasons other than treasury stock cancellation thereby causing decrease in common shares and if ASRock Industrial distributes common share cash dividends which account for more than 1.5% of current share price, ASRock Industrial would make adjustment in accordance with the ASRock Industrial's Employee Stock Option Certificate Issuance and Stock Subscription Measures.

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.

The assumptions and pricing model adopted in the aforesaid share-based payments were as follows:

	<u>January 15, 2019</u>	<u>April 20, 2021</u>	<u>July 8, 2022</u>
Fair value at grant date (dollars)	1.03	1.2~2.16	3.94~4.41
Exercise price (dollars)	10	14.5	22
Expected volatility rate	31.74%	29.61%~31.19%	26.40%~28.49%
Risk-free interest rate	0.5741%	0.1185%~0.2523%	0.8988%~0.9707%
Expected duration of option	2.5 years	1.5~3.5 years	2.5~3.5 years
Weighted average stock price (dollars)	8.1	12.49	21.69
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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31			
	2022		2021	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
January 15, 2019				
Outstanding as of January 1	-	\$ -	750	\$ 10
Granted during the period	-	-	-	-
Exercised during the period	-	-	(613)	10
Forfeited during the period	-	-	(137)	-
Outstanding as of December 31	-	-	-	-
Exercisable as of December 31	-	-	-	-

As of December 31, 2022 and 2021, the related share-based payment has been implemented completely.

	For the years ended December 31			
	2022		2021	
	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
April 20, 2021				
Outstanding as of January 1	2,200	\$ 12.5	-	\$ -
Granted during the period	-	-	2,200	14.5
Exercised during the period	(770)	12.5	-	-
Outstanding as of December 31	<u>1,430</u>	10	<u>2,200</u>	12.5
Exercisable as of December 31	-	-	-	-

As of December 31, 2022 and 2021, the related information about outstanding options on the share-based payment was as follows:

	Exercise price (dollars) (Note)	Weighted average residual duration (years)
December 31, 2022		
Outstanding option	\$10.0	1.8
December 31, 2021		
Outstanding option	\$12.5	2.8

Note: Adjustment of the exercise price according to regulations for employee share option plan.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the years ended December 31, 2022	
July 8, 2022	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
Outstanding as of January 1	-	\$ -
Granted during the period	2,100	22
Exercised during the period	-	-
Outstanding as of December 31	2,100	16.15
Exercisable as of December 31	-	

As of December 31, 2022, the related information about outstanding options on the share-based payments was as follows:

	Exercise price (dollars)	Weighted average residual duration (years)
December 31, 2022		
Outstanding option	\$ 16.15	3.02

4) AS Jade

As of December 31, 2022, the share-based payment transactions issued by AS Jade were as follows:

Type of agreement	Grant date	Number of shares granted (In thousands of shares)	Contract term	Vesting condition
Employee share option plan	September 7, 2022	3,240	10 years	1 year of service vested 50% 2 years of service vested 50%

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.

The assumptions and pricing model adopted in the aforesaid share-based payments were as follows:

	September 7, 2022
Fair value at grant date (dollars)	6.16
Exercise price (dollars)	10
Expected volatility rate	22.71%
Risk-free interest rate	1.3170%
Expected duration of option	10 years
Weighted average stock price (dollars)	13.69
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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

September 7, 2022	Outstanding number of options (In thousand units)	Weighted average exercise price (dollars)
Outstanding as of January 1	-	\$ -
Granted during the period	3,240	10
Exercised during the period	-	-
Outstanding as of December 31	<u>3,240</u>	10
Exercisable as of December 31	<u>-</u>	

As of December 31, 2022, the related information about outstanding options on the share-based payments was as follows:

	Exercise price (dollars)	Weighted average residual duration (years)
December 31, 2022		
Outstanding option	\$ 10	9.65

- 5) Modification or cancellation of the share-based payment plan for employees

No modification or cancellation of the share-based payment plan has occurred for the years period ended December 31, 2022.

- 6) The expenses resulting from share-based payment transactions were as follows:

	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Expense resulting from equity-settled share-based payment	<u>\$ 43,864</u>	<u>42,748</u>

- (iii) Employee stock option of Lumens

On March 11, 2021, the board of Lumens resolved to issue 2,000 thousand shares for employee stock options. Each option certificate can purchase 1 thousand ordinary share, delivered by issuing new shares. The option certificates are awarded to those employees who meet certain requirement of Lumens. Duration is 6 years, and the certificate owners can exercise the option certificates two years after the issuance. On September 15, 2021, Lumens issued 1,613 thousand of employee stock options.

<u>Granted stock options</u>	<u>Accumulated exercisable stock option(%)</u>
2 years from grant date	30%
3 years from grant date	70%
4 years from grant date	100%

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Determining the fair value of equity instruments at grant date

Lumens adopted the binomial option pricing model to estimate the fair value of the stock option at grant date, is between \$23.63 dollars and \$25.22 dollars, the assumptions inputs in this valuation model were as follows:

	For the year ended December 31, 2021
Fair value at grant date	97.7
Stock price at grant date	112.2
Exercise price (dollars)	78.6
Expected volatility rate	31.44%
Risk-free interest rate	0.3%
Expected duration of option	4.56 years
Expected dividends rate	4.04%

2) Employee stock options

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

	For the year ended December 31			
	2022		2021	
	Weighted- average exercise price (dollars)	Units of stock option	Weighted- average exercise price (dollars)	Units of stock option
Outstanding as of January 1 (In thousand units)	\$ 78.6	1,613	\$ -	-
Granted during the period	-	-	78.6	1,613
Forfeited during the period	-	(96)	-	-
Outstanding as of December 31 (In thousand units)	78.6	<u>1,517</u>	78.6	<u>1,613</u>

The related information about outstanding options on the share-based payments was as follows:

	December 31, 2022	December 31, 2021
Exercise price	\$78.6	78.6
Weighted average residual duration	4.67 years	5.67 years

3) Expenses resulting from share-based payment

	For the years ended December 31	
	2022	2021
Expenses resulting from employee stock option	<u>\$ 13,036</u>	<u>4,719</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Compensated new shares of restricted stock awards of KINSUS

- 1) On May 27, 2022, the shareholders meeting approved to issue 5,400 thousand new shares of restricted stock awards for certain requirement employee, with the approval from the Securities and Futures Bureau of the Financial Supervisory Commission, R.O.C. On July 25, 2022, the board of KINSUS approved to issue 2,063 thousand shares of restricted stock, with the record date for the capital increase on August 19, 2022. However, only 1,932 thousand shares were actually issued, with a fair value of \$130 (dollars) per share at the grant date.

New shares of restricted stock awards are entitled to purchase shares at the price of \$85.6 per share, and the vesting conditions were as follows:

II. Employees above grade 8 (inclusive)

<u>Vesting conditions</u>	<u>Percentage of vesting shares</u>
1 month from grant date	30% (Rounding up to thousands of shares)
8 months from grant date	20% (Rounding up to thousands of shares)
13 months from grant date	20% (Rounding down to thousands of shares)
20 months from grant date	10% (Rounding up to thousands of shares)
25 months from grant date	10% (Rounding up to thousands of shares)
32 months from grant date	Remaining shares

III. Employees from Grade 6 to Grade 7

<u>Vesting conditions</u>	<u>Percentage of vesting shares</u>
1 month from grant date	30% (Rounding up to thousands of shares)
13 months from grant date	50% (Rounding down to thousands of shares)
25 months from grant date	Remaining shares

The restricted obligation before vested was as follows:

- a) The new shares of restricted stock awards are 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 new shares of restricted stock awards, 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 new shares of restricted stock awards.
- c) The new shares of restricted stock awards 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 19, 2022, KINSUS issued 1,932 thousand new shares of restricted stock awards, and incurred 226,084 thousand to capital surplus, of new shares of restricted stock awards of KINSUS. As of December 31, 2022, 5 thousand shares of new shares of restricted stock awards have expired, resulting in the capital surplus of KINSUS to increase by \$50 thousand. Subsequently, as of December 31, 2022, the deferred compensation cost of KINSUS arising from the issuance of its new shares of restricted stock awards amounted to \$35,933 thousand.

- 2) The expenses resulting from the share-based payment transactions were as follows:

	For the years ended December 31	
	2022	2021
Expenses resulting from equity-settled share-based payment	\$ 47,882	3,836

- 3) KINSUS did not make any cancellation or amendment to share-based payment transactions for the years ended December 31, 2022 and 2021.

(y) Earnings per share

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

	For the years ended December 31					
	2022			2021		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Basic earnings per share						
Profit attributable to ordinary shareholders	\$ 15,262,931	(166,751)	15,096,180	20,873,374	(327,731)	20,545,643
Weighted-average number of ordinary shares	2,667,906	2,667,906	2,667,906	2,666,276	2,666,276	2,666,276
	\$ 5.72	(0.06)	5.66	7.83	(0.12)	7.71
Diluted earnings per share						
Profit attributable to ordinary shareholders (diluted)	\$ 15,262,931	(166,751)	15,096,180	20,873,374	(327,731)	20,545,643
Weighted-average number of ordinary shares	2,667,906	2,667,906	2,667,906	2,666,276	2,666,276	2,666,276
Effect of potentially dilutive ordinary shares	25,900	25,900	25,900	28,292	28,292	28,292
Weighted-average number of ordinary shares (diluted)	2,693,806	2,693,806	2,693,806	2,694,568	2,694,568	2,694,568
	\$ 5.67	(0.07)	5.60	7.75	(0.13)	7.62

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(z) Revenue from contracts with customers

(i) Disaggregation of revenue

For the year ended December 31, 2022				
Continuing Operations				
	DMS	Strategic Investment Group	Discontinued operations	Total
Primary geographical markets:				
Europe	\$ 577,638,735	4,451,973	15,868	582,106,576
U.S.A.	470,697,500	16,040,298	-	486,737,798
Taiwan	92,670,726	14,667,929	39,166	107,377,821
China	29,396,549	21,217,828	456,328	51,070,705
Japan	13,842,083	4,072,555	-	17,914,638
Other countries	64,470,133	8,432,845	303,206	73,206,184
	\$ 1,248,715,726	68,883,428	814,568	1,318,413,722
For the year ended December 31, 2021				
Continuing Operations				
	DMS	Strategic Investment Group	Discontinued Operations	Total
Primary geographical markets:				
Europe	\$ 559,517,278	10,132,165	30,970	569,680,413
U.S.A.	442,761,375	17,636,120	510	460,398,005
Taiwan	98,256,966	14,801,825	776,068	113,834,859
China	23,078,445	30,702,246	886,381	54,667,072
Japan	13,064,288	2,578,174	6	15,642,468
Other countries	47,411,418	1,443,561	642,386	49,497,365
	\$ 1,184,089,770	77,294,091	2,336,321	1,263,720,182

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable	\$ 11,200	14,952	6,612
Accounts receivable	190,423,074	249,637,569	224,136,586
Less: Allowance for impairment	187,095	119,064	179,507
Total	\$ 190,247,179	249,533,457	223,963,691
Contract liabilities	\$ 3,828,212	1,475,626	1,354,471

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

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, 2022 and 2021.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aa) Remunerations to employees and directors

In accordance with the articles of incorporation the Company should contribute no less than 7% of the profit as employee compensation and less than 0.7% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2022 and 2021, the Company estimated its employee remuneration amounting to \$1,365,000 thousand and \$1,605,000 thousand, and directors' remuneration amounting to \$135,000 thousand and \$159,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. Such amounts were recognized as operating costs or operating expenses during the years ended December 31, 2022 and 2021. 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 numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors. There was no difference between the amounts approves in Board of Directors meeting and recognized for the year ended December 31, 2022 and 2021.

(ab) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31					
	2022			2021		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Interest income from bank deposits	\$ 2,274,775	1,654	2,276,429	1,492,278	988	1,493,266

(ii) Other income

The details of other income were as follows:

	For the years ended December 31					
	2022			2021		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Subsidy income	\$ 2,760,380	-	2,760,380	1,749,195	-	1,749,195
Rental income	620,229	-	620,229	708,855	-	708,855
Dividend income	119,657	-	119,657	83,521	-	83,521
Technical sevice	582,061	-	582,061	594,336	-	594,336
Other income	631,325	61,607	692,932	835,285	15,301	850,586
	\$ 4,713,652	61,607	4,775,259	3,971,192	15,301	3,986,493

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31					
	2022			2021		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Gains on disposals of investment	\$ -	-	-	3,958,758	-	3,958,758
Foreign exchange (losses) gains	(2,068,450)	18,568	(2,049,882)	2,806,206	(15,462)	2,790,744
Gains on disposal of property, plant and equipment	160,579	223,022	383,601	612,578	7,084	619,662
Gains (losses) on lease modifications	26,152	101,344	127,496	(1,277)	-	(1,277)
Loss on disposal of intangible assets	-	-	-	(334)	-	(334)
Impairment loss on non-financial assets	(40,502)	-	(40,502)	(57,079)	(8,771)	(65,850)
Net loss on financial assets measured at fair value through profit	(4,389,072)	-	(4,389,072)	(254,156)	-	(254,156)
Provisions and others	(194,156)	(224,941)	(419,097)	(1,817,900)	(11,946)	(1,829,846)
	<u>\$ (6,505,449)</u>	<u>117,993</u>	<u>(6,387,456)</u>	<u>5,246,796</u>	<u>(29,095)</u>	<u>5,217,701</u>

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31					
	2022			2021		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Interest expenses	\$ 1,934,019	37,124	1,971,143	947,606	13,199	960,805
Financial expense- bank fees and factoring fees, etc.	16,508	-	16,508	11,592	-	11,592
	<u>\$ 1,950,527</u>	<u>37,124</u>	<u>1,987,651</u>	<u>959,198</u>	<u>13,199</u>	<u>972,397</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ac) Reclassification adjustments of components of other comprehensive income

	For the years ended December 31	
	2022	2021
Cumulative adjustment		
Cumulative foreign exchange differences from current period	\$ 13,687,814	(3,759,474)
Share of other associates accounted for using equity method	403,050	(256,468)
Reclassification to profit or loss on the disposal of subsidiaries	-	213,027
Net change in fair value recognized in other comprehensive income	<u>\$ 14,090,864</u>	<u>(3,802,915)</u>

(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, 2022 and 2021, the accounts receivable from the Group's top three customers were amounted to \$131,973,672 thousand and \$195,354,058 thousand, representing 69% and 78% of accounts receivable, respectively, which exposes the Group to credit risk.

3) Credit risk of accounts receivable

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.

The loss allowance provision for the years ended December 31, 2022 and 2021 was determined as follows:

	Other
	receivables
Balance on January 1, 2022	\$ 16,438
Reversal of impairment loss recognized	(423)
Effect of movement in exchange rates	284
Balance on December 31, 2022	<u>\$ 16,299</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Other receivables
Balance on January 1, 2021	\$ 18,871
Impairment loss recognized	5,447
Effect of movement in exchange rates	(5,982)
Effect of disposals of subsidiaries	(1,898)
Balance on December 31, 2021	\$ 16,438

(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
December 31, 2022					
Non-derivative financial liabilities					
Secured bank loans	\$ 272,216	272,216	6,655	7,872	257,689
Unsecured bank loans	96,316,133	96,451,788	82,371,617	3,729,565	10,350,606
Unsecured ordinary corporate bonds	34,876,992	34,900,000	4,500,000	8,000,000	22,400,000
Non-interest bearing liabilities	240,715,180	240,715,180	235,385,475	5,329,705	-
Lease liabilities	2,888,601	2,888,601	1,366,074	853,722	668,805
	\$ 375,069,122	375,227,785	323,629,821	17,920,864	33,677,100
December 31, 2021					
Non-derivative financial liabilities					
Secured bank loans	\$ 54,001	54,001	292	2,020	51,689
Unsecured bank loans	104,992,034	105,091,062	92,835,321	2,549,033	9,706,708
Other unsecured loans	2,214,640	2,214,640	2,214,640	-	-
Unsecured ordinary corporate bonds	36,869,595	36,900,000	2,000,000	4,500,000	30,400,000
Non-interest bearing liabilities	302,817,234	302,817,234	300,608,617	2,208,617	-
Lease liabilities	3,071,000	3,071,000	1,067,674	1,253,877	749,449
	\$ 450,018,504	450,147,937	398,726,544	10,513,547	40,907,846

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Market risk

1) Exposure to foreign currency risk

The Group's significant exposures to currency risk were due from its foreign currency denominated financial assets and liabilities as follows:

(Unit: Foreign currency / NTD in Thousands)

	December 31, 2022			December 31, 2021		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 17,243,548	30.7175	529,678,686	18,473,725	27.6830	511,408,129
USD:CNY	71,105	6.9646	2,184,168	77,155	6.3757	2,135,880
CNY:USD	5,242,415	0.1436	23,121,770	5,772,908	0.1568	25,065,704
USD:INR	379,710	82.7605	11,663,742	52	74.5125	1,440
<u>Non-monetary items</u>						
CNY:USD	6,143,809	0.1436	27,107,247	5,129,509	0.1568	22,272,009
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	16,896,396	30.7175	519,015,044	19,096,257	27.6830	528,641,683
USD:CNY	26,744	6.9646	821,509	162,064	6.3757	4,486,413
CNY:USD	4,957,472	0.1436	21,865,029	3,483,471	0.1568	15,125,073
USD:INR	784,019	82.7605	24,083,104	42,298	74.5125	1,170,936

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, loans and other payables that are denominated in foreign currency. 1% appreciation (depreciation) of the major foreign currency against the Group's functional currency as of December 31, 2022 and 2021 would have increased / decreased the before-tax net income for the years ended December 31, 2022 and 2021 by \$24,734 thousand and \$86,321 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains or losses on monetary items

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, 2022 and 2021, foreign exchange gain (loss) (including realized and unrealized portions) amounted to (\$2,049,882) thousand and \$2,790,744 thousand, 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate increases / decreases by 1%, the Group's net income will decrease /increase by \$139,004 thousand and \$111,570 thousand for the years ended December 31, 2022 and 2021, 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			
	2022		2021	
	Comprehensive Income (Loss) (before tax)	Net Income (Loss) (before tax)	Comprehensive Income (Loss) (before tax)	Net Income (Loss) (before tax)
<u>Equity price on reporting date</u>				
Increase 3%	\$ 42,109	230,707	44,786	329,131
Decrease 3%	\$ (42,109)	(230,707)	(44,786)	(329,131)

(vi) Fair value of financial instruments

1) 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 the 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, 2022				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 11,195,278	9,610,705	-	1,584,573	11,195,278

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Bank loans	\$105,046,035	-	-	-	-
Other loans	2,214,640	-	-	-	-
Non-interest bearing liabilities	302,817,234	-	-	-	-
Lease liabilities	3,071,000	-	-	-	-
Unsecured ordinary corporate bonds	36,869,595	-	-	-	-
Subtotal	<u>\$450,018,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions. Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2022.

The Group holds an investment in equity shares of Valens Semiconductor Ltd. (Valens), which is classified as fair value through other comprehensive income, with the fair value of \$659,176 thousand at December 31, 2021. On September 30, 2021, Valens listed its equity shares on an exchange and has a published quotation in an active market. Therefore, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at December 31, 2021.

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>Total</u>
	<u>Non-derivative mandatorily measured at fair value through profit or loss</u>	<u>Unquoted equity instruments</u>	<u>Unquoted debt instruments</u>	
Opening balance, January 1, 2022	\$ 715,758	194,010	41,784	951,552
Total gains and losses recognized:				
In profit or loss	(70,346)	-	-	(70,346)
In other comprehensive income	-	18,160	-	18,160
Reclassification	41,784	-	(41,784)	-
Additions	883,367	312,303	-	1,195,670
Effect of movement in exchange rates	14,010	5,061	-	19,071
Ending Balance, December 31, 2022	<u>\$ 1,584,573</u>	<u>529,534</u>	<u>-</u>	<u>2,114,107</u>
Opening balance, January 1, 2021	\$ 400,238	218,951	-	619,189
Total gains and losses recognized:				
In profit or loss	(24,814)	-	-	(24,814)
Additions	404,003	-	41,784	445,787
Subsidiaries disposals	-	(23,701)	-	(23,701)
Transfers from Level 3	(63,669)	-	-	(63,669)
Effect of movement in exchange rates	-	(1,240)	-	(1,240)
Ending Balance, December 31, 2021	<u>\$ 715,758</u>	<u>194,010</u>	<u>41,784</u>	<u>951,552</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021, total gains and losses that were included in “other gains and losses” and “unrealized gains from financial assets at fair value through other comprehensive income” were as follows:

	For the years ended December 31	
	2022	2021
Total gains and losses recognized:		
In profit or loss, and presented in “other gains and losses”	\$ (70,346)	(24,814)
In other comprehensive income, and presented in “unrealized gains from financial assets at fair value through other comprehensive income”	\$ 18,160	-

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 fund and financial assets measured at fair value through other comprehensive income – equity investments.

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 were as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of December 31, 2022 and 2021, were 2.1~9.5 and 2.2~8.9, respectively.) ·Market illiquidity discount (As of December 31, 2022 and 2021, were 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Market Approach	<ul style="list-style-type: none"> ·The multiplier of price-to-book ratio (As of December 31, 2022, and 2021, were 1.5~1.6 and 1.4~1.6, respectively.) ·Market illiquidity discount (As of December 31, 2022, and 2021, were 20%) 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ·the multiplier were higher (lower) ·the market illiquidity discount were lower (higher).
Financial assets at fair value through profit or loss-private fund	Net Asset Value Method	<ul style="list-style-type: none"> ·Net Asset Value 	Not applicable

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<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 other comprehensive income-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>
December 31, 2022						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	4,697	(4,697)	-	-
Equity investments without an active market	Market illiquidity discount	1%	4,697	(4,697)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	5,295	(5,295)
Equity investments without an active market	Market illiquidity discount	1%	-	-	5,295	(5,295)
December 31, 2021						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	2,447	(2,447)	-	-
Equity investments without an active market	Market illiquidity discount	1%	2,447	(2,447)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Multiplier of price-to-book ratio	1%	-	-	1,940	(1,940)
Equity investments without an active market	Market illiquidity discount	1%	-	-	1,940	(1,940)

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Offsetting of financial assets and financial liabilities

The Group has financial instruments transactions applicable to the International Financial Reporting Standards Sections 42 NO. 32 approved by the FSC which required for offsetting. Financial assets and liabilities relating those transactions are recognized in the net amount of the balance sheets.

The following tables present the aforesaid offsetting financial assets and financial liabilities.

December 31, 2022						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 15,142,421	12,362,704	2,779,717	-	-	2,779,717
Other financial asset and short-term loan	\$ 76,770,949	76,770,949	-	-	-	-

December 31, 2022						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 12,362,704	12,362,704	-	-	-	-
Other financial asset and short-term loan	\$ 76,770,949	76,770,949	-	-	-	-

December 31, 2021						
Financial assets that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 23,624,999	17,460,484	6,164,515	-	-	6,164,515
Other financial asset and short-term loan	\$ 17,714,841	17,714,841	-	-	-	-

December 31, 2021						
Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement						
	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amounts (e)=(c)-(d)
				Financial Instruments (Note)	Cash collateral instruments	
Accounts Receivable and Payable	\$ 17,460,484	17,460,484	-	-	-	-
Other financial asset and short-term loan	\$ 17,714,841	17,714,841	-	-	-	-

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

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 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 established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee 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 its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee 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. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash, the Group's receivables from customers and investments in equity securities. 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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

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 Note 9 and 13(a) Table 2 for details of endorsements and guarantees provided by the Group as of December 31, 2022 and 2021.

(iv) Liquidity risk

Liquidity risk is a risk that the Group will encounter difficulty in meeting 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 have 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 Group has sufficient cash and cash equivalents to meet its funding requirements for its operation and when all its obligations become due and payable. It is not expecting any significant liquidity risk.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will 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 purchases and sales are denominated mainly in US dollars, which exposes the Group's current and future cash flows to foreign currency assets to the risk of market exchange rate fluctuations in market exchange rates. The group follows the principle of natural hedging, the currency held by the group is consistent with the actual foreign exchange demand of the group's import and export transactions, the Group's overall internal positions (foreign currency income and expense) are selflevelling as the principle, and spot foreign exchange tools are used to avoid exchange rates risk.

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.

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.

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(af) Capital management

The Board's policy is to maintain a strong capital base and monitor the level of dividends to ordinary shareholders 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 Group had used 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 debt to equity ratios at the balance sheet date were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Total liabilities	\$ 421,654,524	482,503,486
Less: cash and cash equivalents	<u>(84,577,382)</u>	<u>(111,024,086)</u>
Net debt	<u>\$ 337,077,142</u>	<u>371,479,400</u>
Total capital (Note)	<u>\$ 551,645,405</u>	<u>565,746,277</u>
Debt to equity ratio	<u>61.10%</u>	<u>65.66%</u>

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

Management believes that there were no significant changes in the Group's approach to capital management for the years ended December 31, 2022 and 2021.

(ag) Financing activities not affecting current cash flow

For the years ended December 31, 2022 and 2021, reconciliation of liabilities arising from financing activities was as follows:

	<u>January 1,</u> <u>2022</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>December</u> <u>31, 2022</u>
			<u>Foreign</u> <u>exchange</u> <u>movement</u>	<u>Other</u>	
Long-term loans	\$ 13,237,371	3,666,527	115,311	(20,311)	16,998,898
Short-term loans	94,023,304	(14,433,853)	-	-	79,589,451
Bonds payable	36,869,595	(2,000,000)	-	7,397	34,876,992
Lease liabilities	3,071,000	(1,538,617)	180,253	1,175,965	2,888,601
Non-controlling interests	<u>27,662,332</u>	<u>(2,284,972)</u>	<u>330,867</u>	<u>6,371,471</u>	<u>32,079,698</u>
Total liabilities from financing activities	<u>\$174,863,602</u>	<u>(16,590,915)</u>	<u>626,431</u>	<u>7,534,522</u>	<u>166,433,640</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	January 1, 2021	Cash flows	Non-cash changes		December 31, 2021
			Foreign exchange movement	Other	
Long-term loans	\$ 17,014,458	(3,450,718)	(309,129)	(17,240)	13,237,371
Short-term loans	105,242,889	(10,151,707)	-	(1,067,878)	94,023,304
Bonds payable	25,478,182	11,385,600	-	5,813	36,869,595
Lease liabilities	2,591,691	(1,498,769)	(43,772)	2,021,850	3,071,000
Non-controlling interests	36,345,941	(14,163,270)	1,751,819	3,727,842	27,662,332
Total liabilities from financing activities	<u>\$186,673,161</u>	<u>(17,878,864)</u>	<u>1,398,918</u>	<u>4,670,387</u>	<u>174,863,602</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

The following are entities that have had transactions with related parties and the Group during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Luxcase (Former RI KAI)	An associate (Note)
RI-MING	An associate (Note)
RI SHAN	An associate (Note)
SHENG-RUI	An associate (Note)
RI PEI	An associate (Note)
Rida Intelligemt Manufacture Technology (Rugao) Co., Ltd.	An associate
CSG	An associate (Note)
ADVANTECH CO., LTD.	Other related party
Advantech Technology (China) Company Ltd.	Other related party
Beijing Yan Hua Xing Ye Electronic Science & Technology Co., Ltd.	Other related party

Note: Companies above were no longer the Company's subsidiaries but the Group's associates since the Group had lost control over the companies as of February 3, 2021. For more details, please refer to Note 4(c).

(b) Significant transactions with related parties

(i) Sale of Goods to Related Parties

The amounts of significant sales by the Group to related parties were as follows:

	Sales	
	For the years ended December 31	
	2022	2021
Associates	\$ -	502,939
Other related party	139,096	90,654
	<u>\$ 139,096</u>	<u>593,593</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The terms and the selling price for related parties approximated the market price. Amounts receivable from related parties were uncollateralized, and no expected credit loss were required after the assessment by the management.

(ii) Purchase of Goods from Related Parties

The amounts of significant purchases by the Group from related parties were as follows:

	Purchases	
	For the years ended December 31	
	2022	2021
Associates	\$ 456,354	3,421,182

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Accounts receivable	Other related party	\$ 14,341	9,709
Other receivables	Associates	144,336	288,517
		\$ 158,677	298,226

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2022	December 31, 2021
Accounts payable	Associates	\$ 83,609	208,342
Other payables	Associates	491	-
Accrued expenses	Associates	6,134	-
		\$ 90,234	208,342

(v) Loans to Related Parties

The loans to related parties were as follows:

	December 31, 2022	December 31, 2021
Associates - RI SHAN	\$ -	8,258,365
Range of interest rate	1%	0.92%~1.00%
Interest income	\$ 50,328	130,141

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The interest charged by the Group to its related parties is based on the average interest rate charged by financial institutions on the Group's borrowings. The loans to related parties were unsecured. There are no provisions for doubtful debt required after the management's assessment.

(c) Key management personnel compensation

	For the years ended December 31	
	2022	2021
Short-term employee benefits	\$ 430,162	407,685
Post-employment benefits	4,357	4,042
Share-based payments	<u>118,080</u>	<u>163,622</u>
	<u>\$ 552,599</u>	<u>575,349</u>

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

(8) Assets pledged as security:

As of December 31, 2022 and 2021, book value of pledged assets were as follows :

Assets pledged as security	Liabilities secured by pledge	December 31, 2022	December 31, 2021
Other financial asset-restricted deposit	Post-release duty deposits, customs duty, lease deposits, travel agency guarantee, provisional attachment guarantee, etc.	\$ 136,674	121,307
Property, plant and equipment	Bank loans	321,504	42,036
Other financial asset-guarantee deposits	Customs duty guarantee, litigation guarantee, rental deposits, and deposits for performance guarantee	39,954	37,471
		<u>\$ 498,132</u>	<u>200,814</u>

(9) Commitments and contingencies:

(a) Significant commitments and contingencies

(i) Unused standby letters of credit

	December 31, 2022	December 31, 2021
EUR	\$ -	813
JPY	8,726,739	7,031,091
USD	10,244	9,455

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	December 31, 2022	December 31, 2021
NTD	\$ 14,190	10,490

- (iii) As of December 31, 2022 and 2021, the significant contracts for purchase of properties by the Group amounted to \$28,224,912 thousand and \$14,181,360 thousand, of which \$12,644,022 thousand and \$5,302,235 thousand, respectively, were unpaid.
- (iv) As of December 31, 2022 and 2021, the Group provided endorsement guarantee for bank loans, including Group entities, amounting to \$2,490,634 thousand and \$2,353,055 thousand, respectively.
- (v) As of December 31, 2022 and 2021, the Group issued a tariff guarantee of \$876,349 thousand and \$773,936 thousand, respectively, to the bank for the purpose of importing goods.

(b) Significant contingent liability

AIG Specialty Insurance Company, as assignee and subrogee of the Group's customer, filed a lawsuit against the Group in the United States District Court for the Northern District of Georgia, seeking damages based on certain quality issue occurred on the products sold by the Group. On September 17, 2021, the Court found that the Group is liable for the products in issue through a summary judgement order. The specific amount of the damages will be decided by the Jury in the subsequent trial proceeding. The Group has reached a settlement with AIG Specialty Insurance Company for USD \$59,000 thousand before December 31, 2021. The group has recognized relevant provision. On March 21, 2022, the Group had completed its negotiations and signed a formal settlement agreement with AIG Specialty Insurance Company.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Others:

- (a) The nature of employee benefits, depreciation and amortization expenses categorized by function, was as follows:

By function	For the years ended December 31					
	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
By item						
Employee benefits						
Salary	\$ 47,881,605	16,416,538	64,298,143	43,921,923	15,687,636	59,609,559
Labor and health insurance	5,029,469	1,148,145	6,177,614	4,660,930	1,016,057	5,676,987
Pension	4,441,551	851,294	5,292,845	3,486,240	741,603	4,227,843
Others	1,704,763	1,447,763	3,152,526	1,707,028	803,599	2,510,627
Depreciation	12,290,435	2,379,822	14,670,257	11,527,912	1,974,203	13,502,115
Amortization	40,327	95,362	135,689	60,472	84,601	145,073

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the years ended December 31	
	2022	2021
Depreciation in investment property	\$ 3,112	3,034

(b) Discontinued operation

PIOTEK SUZHOU a subsidiary of the Group, ceased production and operation in 2022, which met the definition of discontinued operations. Therefore, the cash-generating unit was expressed as discontinued operations. The relevant profit and loss of PIOTEK SUZHOU will be re-expressed rather than retrospectively adjusted.

The operating results and cash inflows (outflows) of the discontinued operations are as follows:

	For the years ended December 31	
	2022	2021
Results from discontinued operation :		
Operating revenue	\$ 814,568	2,336,321
Cost of sales	(971,327)	(2,564,410)
Gross loss from operations	(156,759)	(228,089)
Operating expenses	(230,487)	(223,120)
Operating loss	(387,246)	(451,209)
Non-operating income and expenses		
Interest income	1,654	988
Other income	61,607	15,301
Other gains and losses	117,993	(29,095)
Finance costs	(37,124)	(13,199)
Total non-operating income and expenses	144,130	(26,005)
Loss before tax	(243,116)	(477,214)
Tax expenses	-	-
Loss of discontinued operation	\$ (243,116)	(477,214)
Cash flows from discontinued operation :		
Net cash used in operating activities	\$ (151,985)	(229,554)
Net cash from (used in) investing activities	445,335	(42,556)
Net cash (used in) from financing activities	(126,939)	208,461
Net cash inflow (outflow)	75,358	(45,360)

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the 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, 2022 (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	Table 5
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 6
8	Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock	Table 7
9	Trading in derivative instruments	None
10	Business relationships and significant intercompany transactions	Table 10

(b) Information on investees:

Please refer to Table 8 for the information on investees for the year ended December 31, 2022.

(c) Information on investment in Mainland China:

- (i) Please refer to Table 9 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.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
ASUSTEK COMPUTER INC.		448,506,484	16.81 %

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

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 the information on revenue for the years ended December 31, 2022 and 2021. The Group’s operating segment information and reconciliation were as follows:

<u>For the years ended December 31, 2022</u>	<u>DMS</u>	<u>Strategic Investment Group</u>	<u>Discontinued operation</u>	<u>Adjustment and eliminations</u>	<u>Total</u>
Revenue :					
Revenue from external customers	\$ 1,248,114,250	69,484,904	814,568	-	1,318,413,722
Intersegment revenues	<u>601,478</u>	<u>686,057</u>	<u>-</u>	<u>(1,287,535)</u>	<u>-</u>
Total revenue	<u>\$ 1,248,715,728</u>	<u>70,170,961</u>	<u>814,568</u>	<u>(1,287,535)</u>	<u>1,318,413,722</u>
Share of profit of associates and joint ventures accounted for using equity method	<u>\$ 8,795,885</u>	<u>4,281,306</u>	<u>-</u>	<u>(8,795,885)</u>	<u>4,281,306</u>
Reportable segment profit or loss	<u>\$ 18,738,351</u>	<u>18,256,063</u>	<u>(243,116)</u>	<u>(8,795,885)</u>	<u>27,955,413</u>
Assets:					
Investments accounted for using equity method	<u>\$ 76,226,018</u>	<u>27,861,177</u>	<u>-</u>	<u>(76,226,018)</u>	<u>27,861,177</u>
Reportable segment assets	<u>\$ 572,454,496</u>	<u>146,748,061</u>	<u>1,008,099</u>	<u>(83,987,869)</u>	<u>636,222,787</u>
Reportable segment liabilities	<u>\$ 389,965,931</u>	<u>38,290,402</u>	<u>1,160,042</u>	<u>(7,761,851)</u>	<u>421,654,524</u>
<u>For the years ended December 31, 2021</u>					
Revenue :					
Revenue from external customers	\$ 1,183,924,821	77,550,743	2,244,618	-	1,263,720,182
Intersegment revenues	<u>335,299</u>	<u>461,592</u>	<u>91,703</u>	<u>(888,594)</u>	<u>-</u>
Total revenue	<u>\$ 1,184,260,120</u>	<u>78,012,335</u>	<u>2,336,321</u>	<u>(888,594)</u>	<u>1,263,720,182</u>
Share of profit of associates and joint ventures accounted for using equity method	<u>\$ 9,876,714</u>	<u>1,546,319</u>	<u>-</u>	<u>(9,876,714)</u>	<u>1,546,319</u>
Other significant non-monetary items:					
Reportable segment profit or loss	<u>\$ 22,418,837</u>	<u>15,583,719</u>	<u>(477,214)</u>	<u>(9,876,714)</u>	<u>27,648,628</u>
Assets:					
Investments accounted for using equity method	<u>\$ 62,084,796</u>	<u>22,534,158</u>	<u>-</u>	<u>(62,084,796)</u>	<u>22,534,158</u>
Reportable segment assets	<u>\$ 608,651,547</u>	<u>130,677,078</u>	<u>2,132,155</u>	<u>(64,690,417)</u>	<u>676,770,363</u>
Reportable segment liabilities	<u>\$ 442,047,003</u>	<u>41,012,286</u>	<u>2,049,819</u>	<u>(2,605,621)</u>	<u>482,503,487</u>

(Continued)

PEGATRON CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(a) 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(aa) and segment assets are based on the geographical location of the assets.

<u>Region</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current assets:		
Taiwan	\$ 52,827,435	41,043,222
China	34,377,700	34,678,585
Others	<u>11,881,013</u>	<u>7,315,179</u>
Total	<u>\$ 99,086,148</u>	<u>83,036,986</u>

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, and pension fund assets.

(b) Major Customer

Major customers from DMS in 2022 and 2021 were as follows:

<u>Customer</u>	<u>For the years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
A	\$ 704,253,324	693,898,568
B	222,995,207	211,258,433
C	<u>86,904,519</u>	<u>94,963,417</u>
	<u>\$ 1,014,153,050</u>	<u>1,000,120,418</u>

Notes to the Consolidated Financial Statements

Table 1: Loans to other parties
December 31, 2022

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger Account	Is a related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December		Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)
						31, 2022	31, 2022							Item	Value		
1	MAINTEK	COTEK SUZHOU	Other Receivables	Y	3,071,750	\$ 1,535,875	\$ 1,535,875	0.59%~2.5933%	2	-	Fund accommodation	-	-	-	\$ 32,075,511	\$ 32,075,511	
2	ASUSPOWER	PEGATRON	Other Receivables	Y	5,160,540	1,843,050	1,843,050	0.00%	2	-	Fund accommodation	-	-	-	6,577,714	6,577,714	
2	ASUSPOWER	ASUS INVESTMENT	Other Receivables	Y	1,274,776	629,709	629,709	0.00%	2	-	Fund accommodation	-	-	-	1,973,314	3,946,629	
2	ASUSPOWER	ASUSPOWER INVESTMENT	Other Receivables	Y	1,197,983	522,198	522,198	0.00%	2	-	Fund accommodation	-	-	-	1,973,314	3,946,629	
2	ASUSPOWER	PVN	Other Receivables	Y	1,535,875	1,535,875	1,535,875	0.00%	2	-	Fund accommodation	-	-	-	6,577,714	6,577,714	
3	CASETEK	PEGATRON	Other Receivables	Y	1,984,351	-	-	0.00%	2	-	Fund accommodation	-	-	-	4,671,582	4,671,582	
4	KTL	PEGATRON	Other Receivables	Y	537,556	-	-	0.00%	2	-	Fund accommodation	-	-	-	490,771	490,771	
5	DIGITEK CHONGQING	KAL-CHUAN	Other Receivables	Y	307,175	307,175	184,305	0.83%	2	-	Fund accommodation	-	-	-	7,142,644	7,146,644	
6	Pegapower Investment	ASUSPOWER INVESTMENT	Other Receivables	Y	390,000	390,000	390,000	0.85%	2	-	Cash flow adequacy	-	-	-	398,443	398,443	
7	Pegatron Investment	ASUSPOWER INVESTMENT	Other Receivables	Y	200,000	200,000	200,000	0.85%	2	-	Cash flow adequacy	-	-	-	398,443	398,443	
7	Pegatron Investment	ASUS INVESTMENT	Other Receivables	Y	190,000	190,000	190,000	0.85%	2	-	Cash flow adequacy	-	-	-	398,443	398,443	
8	RI TENG	RI SHAN	Short-Term Accounts Receivable	Y	3,748,942	-	-	1.00%	2	-	Business operation	-	-	-	1,160,475	2,320,950	
8	RI TENG	RI PRO	Short-Term Accounts Receivable	Y	132,316	132,316	132,316	1.00%	2	-	Business operation	-	-	-	7,736,500	7,736,500	
8	RI TENG	PROTEK SHANGHAI	Long-Term Accounts Receivable	Y	4,410,520	4,410,520	4,410,520	2.10%	2	-	Business operation	-	-	-	7,736,500	7,736,500	
8	RI TENG	PEGAGLOBE KUNSHAN	Long-Term Accounts Receivable	Y	1,764,208	1,764,208	1,764,208	2.10%	2	-	Business operation	-	-	-	7,736,500	7,736,500	
9	RIH LI	RI SHAN	Short-Term Accounts Receivable	Y	5,068,388	-	-	1.00%	2	-	Business operation	-	-	-	10,225,079	20,450,159	
10	CASETEK CAYMAN	PEGATRON	Short-Term Accounts Receivable	Y	7,986,550	7,065,025	7,065,025	0.00%	2	-	Business operation	-	-	-	44,532,173	44,532,173	
11	Azwave	Aigale	Other Receivables	Y	30,718	30,718	-	0.00%	2	-	Cash flow adequacy	-	-	-	819,710	819,710	

Note 1 : Reference for the Nature of loan column

(1)1: the borrower has business contact with the creditor

(2)2: the borrower has short-term financing necessities

Note 2 : Calculation for the ceiling on total loans granted

Ceiling on total loans granted

According to our(MAINTEK) policy for loans granted, the ceiling on total loans granted to all parties is 100% of our(MAINTEK) net assets.

While granting loans to the Company, Taiwan subsidiaries and subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of (MAINTEK)'s net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of (MAINTEK)'s net assets.

According to our(ASUSPOWER) policy for loans granted, the ceiling on total loans granted to all parties is 60% of our(ASUSPOWER) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of (ASUSPOWER)'s net assets.

According to our(CASETEK) policy for loans granted, the ceiling on total loans granted to all parties is 30% of our(CASETEK) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of (CASETEK)'s net assets.

According to our(KTL) policy for loans granted, the ceiling on total loans granted to all parties is 30% of our(KTL) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of (KTL)'s net assets.

According to our(DIGITEK CHONGQING) policy for loans granted, the ceiling on total loans granted to all parties is 30% of our(DIGITEK CHONGQING) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of (DIGITEK CHONGQING)'s net assets.

According to our(Pegapower Investment) policy for loans granted, the ceiling on total loans granted to single party is 40% of our(Pegapower Investment) net assets.

According to our(Pegatron Investment) policy for loans granted, the ceiling on total loans granted to single party is 40% of our(Pegatron Investment) net assets.

According to our(RI-TENG) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company,

when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our(RI-TENG) net assets, the ceiling on total loans granted to all other parties is 30% of our(RI-TENG) net assets.

According to our(RIH LI) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company,

when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our(RIH LI) net assets, the ceiling on total loans granted to all other parties is 60% of our(RI-TENG) net assets.

According to our(CASETEK CAYMAN) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company,

when there is a short-term financing need, the ceiling on total loans granted to which is 100% of our(CASETEK CAYMAN) net assets, the ceiling on total loans granted to all other parties is 60% of our(CASETEK CAYMAN) net assets.

According to our(Azwave) policy for loans granted to foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company is as follows: ceiling on total loans granted to which is 40% of our net assets.

Ceiling on total loans granted to single party

According to our(MAINTEK) policy for loans granted, the ceiling on total loans granted to single party is 50% of our(MAINTEK) net assets.

While granting loans to the Company, Taiwan subsidiaries and subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 40% of (MAINTEK)'s net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of (MAINTEK)'s net assets.

According to our(ASUSPOWER) policy for loans granted, the ceiling on total loans granted to a single party is 30% of our(ASUSPOWER) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of (ASUSPOWER)'s net assets.

According to our(CASETEK) policy for loans granted, the ceiling on total loans granted to a single party is 15% of our(CASETEK) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of CASETEK's net assets.

According to our(KTL) policy for loans granted, the ceiling on total loans granted to a single party is 15% of our(KTL) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of KTL's net assets.

According to our(DIGITEK CHONGQING) policy for loans granted, the ceiling on total loans granted to a single party is 15% of our(DIGITEK CHONGQING) net assets.

While granting loans to the Company and foreign subsidiaries which are not wholly-owned by the Company are as follows: ceiling on total loans granted to which is 100% of (DIGITEK CHONGQING)'s net assets.

According to our(Pegapower Investment) policy for loans granted, the ceiling on total loans granted to single party is 40% of our(Pegapower Investment) net assets.

According to our(Pegatron Investment) policy for loans granted, the ceiling on total loans granted to single party is 40% of our(Pegatron Investment) net assets.

According to our(RIH LI) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need,

the ceiling on total loans granted to which is 100% of our(RIH LI) net assets, the ceiling on total loans granted to other single party is 30% of our(RIH LI) net assets.

According to our(RI-TENG) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need,

the ceiling on total loans granted to which is 100% of our(RI-TENG) net assets, the ceiling on total loans granted to other single party is 15% of our(RI-TENG) net assets.

According to our(CASETEK CAYMAN) policy for loans granted, except for the Company(PEGATRON) or foreign subsidiaries whose voting shares are directly or indirectly wholly-owned by the Company, when there is a short-term financing need,

the ceiling on total loans granted to which is 100% of our(CASETEK CAYMAN) net assets, the ceiling on total loans granted to other single party is 30% of our(CASETEK CAYMAN) net assets.

According to our(Azwave) 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) net assets.

Note 3 : 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, 2022 was USD/NTD: 30.7175 ; CNY/NTD: 4.41052)

Notes to the Consolidated Financial Statements

Table 2 Guarantees and endorsements for other parties
December 31, 2022

No.	Endorser/ Guarantor	Party being endorsed / guaranteed	Relationship (Note 1)	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022		Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ (Note 3)	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Expressed in thousands of NTD	
						(Note 3)	(Note 4)						Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to
1	PEL	PMX	(4)	\$ 310,301	\$ 33,234	\$ 33,234	\$ 33,234	\$ -	2.14%	\$ 775,753	N	N	N	
2	Azurewave	Azurewave Shanghai	(2)	1,309,761	153,588	-	-	-	-	1,309,761	Y	N	Y	
3	ASROCK	ASIAROCK	(2)	5,734,635	2,577,280	2,457,400	1,843,050	-	30.00%	5,734,635	Y	N	N	

Note 1 : 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 be held more than 50% voting shares by the endorsed / guaranteed parent company.
- (4) The endorser / guarantor company and the endorsed / guaranteed party both be held more than 90% by the parent company.
- (5) Company that is mutually protected under contractual requirements based on the needs of the contractor.
- (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 2 : Ceiling on total endorsements / guarantees

According to PEL'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 Azurewave'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 ASROCK's policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 70% of the Company's net assets.

Ceiling on endorsements/ guarantees provided for a single party

According to PEL'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 Azurewave'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 ASROCK policy of endorsements and guarantees, the total endorsements and guarantees of the Company to others should not exceed 70% of the Company's net assets.

Note 3 : 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, 2022 is USD/NTD: 30.7175)

Note 4 : The amount is approved by the Board of Directors.

Notes to the Consolidated Financial Statements

Table 3 Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2022

Securities held by	Marketable securities		Relationship	General ledger account	Expressed in thousands of NTD				Footnote
	Category	Item			As of December 31, 2022				
					Number of shares	Book value	Ownership	Fair value	
PEGATRON	Stock	ABILITY ENTERPRISE CO.,LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	33,135,300	\$ 672,646	11.52%	\$ 672,646	
	Stock	Airoha Technology Corp.	-	financial asset measured at fair value through profit or loss-Current	215,000	114,810	0.15%	114,810	
"	Stock	Fubon Financial Holding Co., Ltd. Preferred Shares B	-	financial asset measured at fair value through profit or loss-Non current	3,500,000	201,250	0.53%	201,250	
"	Fund	China Renewable Energy Fund, LP(CREF)	-	financial asset measured at fair value through profit or loss-Non current	-	735,767	NA	735,767	
"	Stock	TAIWAN SEMICONDUCTOR MANUFACTURING CO. LTD.	-	financial asset measured at fair value through profit or loss-Current	470,000	210,795	0.00%	210,795	
"	Stock	DELTA ELECTRONICS, INC.	-	financial asset measured at fair value through profit or loss-Current	290,000	83,085	0.01%	83,085	
"	Stock	MEDIATEK INC.	-	financial asset measured at fair value through profit or loss-Current	255,000	159,375	0.02%	159,375	
ASUSPOWER	Stock	Tesla, Inc.	-	financial asset measured at fair value through profit or loss-Current	300	1,135	0.00%	1,135	
"	Stock	TXOne Networks Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	1,454,545	245,740	2.80%	245,740	
PROTEK SHANGHAI	Stock	LUXSHARE ICT	-	financial asset measured at fair value through profit or loss-Current	39,845,105	5,489,921	0.56%	5,489,921	
"	Stock	Contemporary Amperex Technology Co. Ltd.	-	financial asset measured at fair value through profit or loss-Current	3,000	5,168	0.00%	5,168	
"	Bond	LUXSHARE ICT (Convertible Bond)	-	financial asset measured at fair value through profit or loss-Current	170,816	81,695	NA	81,695	
"	Stock	Ark Semiconductor Corp. Ltd.	-	financial asset measured at fair value through profit or loss-Non current	-	93,770	5.94%	93,770	
ASUSPOWER INVESTMENT	Stock	SPORTON INTERNATIONAL INC.	-	financial asset measured at fair value through profit or loss-Current	272,265	57,040	0.28%	57,040	
"	Stock	WIN SEMICONDUCTORS CORP.	-	financial asset measured at fair value through profit or loss-Current	691,000	94,322	0.16%	94,322	
"	Stock	ABILITY ENTERPRISE CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,495	132	0.00%	132	
"	Stock	ZOWIE Technology Corporation	-	financial asset measured at fair value through other comprehensive income-Non current	90,973	-	0.33%	-	
"	Stock	Syntronix CO., LTD.	-	financial asset measured at fair value through other comprehensive income-Non current	6,778	-	0.02%	-	
"	Stock	Valens Semiconductor Ltd.	-	financial asset measured at fair value through profit or loss-Non current	3,092,412	510,103	3.11%	510,103	
"	Stock	Cognito Health Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	1,136,363	-	1.54%	-	

Notes to the Consolidated Financial Statements

Securities held by	Marketable securities		Relationship	General ledger account	Expressed in thousands of NTD				Footnote
	Category	Item			As of December 31, 2022				
					Number of shares	Book value	Ownership	Fair value	
ASUSPOWER INVESTMENT	Fund	AMED	-	financial asset measured at fair value through profit or loss-Non current	-	\$ 172,127	NA	\$ 172,127	
"	Stock	BATOM CO., LTD.	-	financial asset measured at fair value through profit or loss-Non current	3,000,000	141,269	9.51%	141,269	
ASUS INVESTMENT	Stock	SPEED TECH CORPORATION	-	financial asset measured at fair value through profit or loss-Current	8,000,000	386,400	4.69%	386,400	
"	Stock	TAIWAN UNION TECHNOLOGY CORPORATION	-	financial asset measured at fair value through profit or loss-Current	277,000	14,238	0.10%	14,238	
"	Stock	TONG HSING ELECTRONIC INDUSTRIES ,LTD.	-	financial asset measured at fair value through profit or loss-Current	40,500	7,736	0.03%	7,736	
"	Stock	Lightel Technologies Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	2,000,000	64,384	7.66%	64,384	
"	Stock	PT Sat Nusapersada Tbk	-	financial asset measured at fair value through other comprehensive income-Non current	531,434,100	201,334	10.00%	201,334	
"	Fund	New Economy Ventures LP	-	financial asset measured at fair value through profit or loss-Non current	-	56,397	NA	56,397	
"	Fund	AMED	-	financial asset measured at fair value through profit or loss-Non current	-	150,610	NA	150,610	
"	Stock	Neuroblade	-	financial asset measured at fair value through profit or loss-Non current	33,268	22,096	0.80%	22,096	
"	Stock	Reed Semiconductor	-	financial asset measured at fair value through profit or loss-Non current	819,616	35,993	2.07%	35,993	
ASUSTEK INVESTMENT	Stock	BATOM CO., LTD.	-	financial asset measured at fair value through profit or loss-Non current	1,084,000	51,045	3.44%	51,045	
KINSUS	Fund	Mega Diamond Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	21,355,432	272,192	NA	272,192	
"	Fund	Jih Sun Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	17,776,549	267,907	NA	267,907	
KINSUS INVESTMENT	Fund	Taishin Ta-Chong Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	829,070	11,964	NA	11,964	
"	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	
"	Stock	Li Chang Finery Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	32,653	1,000	1.01%	1,000	
Mayin	Fund	Mega Diamond Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	392,329	5,001	NA	5,001	
PEGAVISION	Fund	Yuanta Wan Tai Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	17,190,427	264,208	NA	264,208	
"	Fund	Yuanta De-Li Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	18,482,095	306,237	NA	306,237	
BeautyTech	Fund	Yuanta Wan Tai Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	2,733,974	42,020	NA	42,020	
"	Fund	Yuanta De-Li Money Market Fund	-	financial asset measured at fair value through profit or loss-Current	2,958,590	49,022	NA	49,022	

Notes to the Consolidated Financial Statements

Securities held by	Marketable securities		Relationship	General ledger account	Expressed in thousands of NTD				Footnote
	Category	Item			As of December 31, 2022		Ownership	Fair value	
					Number of shares	Book value			
Lumens	Fund	Fuh Hwa Money Market	-	financial asset measured at fair value through profit or loss-Current	74,510,785	\$ 1,089,892	NA	\$ 1,089,892	
HUA-YUAN	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	50,617	7.49%	50,617	
"	Stock	NEW SMART TECHNOLOGY CO., LTD.	-	financial asset measured at fair value through profit or loss-Current	500,000	10,688	2.27%	10,688	
Pegatron Venture	Stock	KG Invest TW Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	2,500,000	8,400	2.86%	8,400	
"	Stock	Panmedia Co., Ltd	-	financial asset measured at fair value through other comprehensive income-Non current	260,001	18,000	10.00%	18,000	
"	Stock	TXOne Networks Inc.	-	financial asset measured at fair value through other comprehensive income-Non current	236,363	40,163	0.46%	40,163	
RI-KUAN	Stock	Ethos Original Co., Ltd.	-	financial asset measured at fair value through other comprehensive income-Non current	5,000,000	51,230	7.49%	51,230	

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, 2022

Investor	Marketable securities		General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2022		Addition		Disposal				Balance as of December 31, 2022	
	Category	Item				Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Book Value	Gain (loss) on disposal	Number of shares	Amount(Note 1)
PEGATRON	Stock	Pegapower Investment	Equity investments under equity method	-	-	-	\$ -	100,000,000	\$ 1,000,000	-	\$ -	\$ -	\$ -	100,000,000	\$ 996,108
PEGATRON	Stock	Pegatron Investment	"	-	-	-	-	100,000,000	1,000,000	-	-	-	-	100,000,000	996,108
PEGATRON	Stock	PVN	"	-	-	-	2,665,892	-	1,341,225	-	-	-	-	-	4,350,383
PEGATRON	Stock	PEL	"	-	-	1,000	277,907	4,000	1,220,825	-	-	-	-	5,000	1,551,506
Pegapower Investment	Stock	Pegatron Venture	"	-	-	-	-	50,000,000	500,000	-	-	-	-	50,000,000	494,884
Pegatron Investment	Stock	Pegatron Venture	"	-	-	-	-	50,000,000	500,000	-	-	-	-	50,000,000	494,884
ASUS INVESTMENT	Stock	PMX	"	-	-	-	544,576	-	413,820	-	-	-	-	-	1,127,297
CASETEK CAYMAN	Stock	PMX	"	-	-	-	-	-	1,535,875	-	-	-	-	-	1,527,436

Note 1 : The ending balance includes the realized gain/loss on equity investment and other related adjustment.

Notes to the Consolidated Financial Statements

Table 5: Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock
December 31, 2022

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
KINSUS	Land and buildings (including machinery equipment and clean room)	111.03.16	\$ 2,310,800	On the basis of the contract	Yankey Engineering Co., Ltd.	-	None	None	None	None	Bargain	For capacity expansion and company operation planning	None
KINSUS	Buildings	111.02.25、 111.03.15、 111.06.27	2,720,500	On the basis of the contract	Fan Da Construction Co., Ltd	-	None	None	None	None	Bargain	For capacity expansion and company operation planning	None
KINSUS	Land and buildings (electrical and air-conditioning engineering)	111.07.20	3,580,000	On the basis of the contract	CHIU HO ENGINEERING CO., LTD.	-	None	None	None	None	Bargain	For capacity expansion and company operation planning	None
PEGAVISION	Right-of-use assets-buildings	111.04.25	330,604	On the basis of the contract	PEGATRON	The ultimate parent of the Company	PEGATRON	The ultimate parent of the Company	renew the lease	None	The price is based on the evaluation determined by professional appraisers. After bargaining, the price will be approved by the chairman of the board of directors to determine.	For business growth	None
PMX	Plant	111.05.25	1,438,832	On the basis of the contract	JIANXING CONSTRUCTION MEXICO MANAGEMENT S.A. DE C.V	-	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For production and business use	None
PMX	Plant (electrical and air-conditioning engineering)	111.05.25	987,368	On the basis of the contract	REGENER INTERNATIONAL LTD	-	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For production and business use	None
PMX	Plant (electrical and air-conditioning engineering)	111.05.25	600,953	On the basis of the contract	TRANSDIEN MEXICO S.A. DE C.V	-	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For production and business use	None
PTB	Right-of-use assets-buildings	111.12.13	1,195,341	On the basis of the contract	PT Batamindo Investment Cakrawala	-	None	None	None	None	After bargaining, the price will be approved by the chairman of the board of directors to determine.	For production use	None

Note 1 : 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, 2022 is USD/NTD: 30.7175)

Notes to the Consolidated Financial Statements

Table 6: Related-party transactions for purchases and sales with amounts exceeding the lower of NTS\$100 million or 20% of the capital stock
December 31, 2022

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Credit term	Differences in transaction terms compared to third party		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total		Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
PEGATRON	ASIAROCK	Note 2	Sale	(\$484,345)	(0.04%)	Note 4	Open Account 90 Days	\$ -	-	\$ 112,304	0.02%
PEGATRON	PCZ	Note 2	Sale	(889,866)	(0.07%)		120 days on delivery	-	-	164,780	0.03%
PEGATRON	AzureWave	Note 2	Purchase	198,392	0.02%		Open Account 60~90 Days	-	-	(55,899)	(0.01%)
PEGATRON	PEGAGLOBE KUNSHAN	Note 2	Purchase	88,853,848	7.37%	Note 4	Open Account 60 Days	-	-	(118,727,109)	(26.40%)
PEGATRON	MAINTEK	Note 2	Purchase	14,486,004	1.20%	Note 4	Open Account 60 Days	-	-	-	- %
PEGATRON	MAINTEK	Note 2	Sale	(12,908,922)	(1.05%)	Note 4	Open Account 60 Days	-	-	22,078,619	4.38%
PEGATRON	DIGITEK CHONGQING	Note 2	Purchase	5,257,574	0.44%	Note 4	Open Account 60 Days	-	-	(26,282,280)	(5.85%)
PEGATRON	CASETEK SUZHOU	Note 2	Purchase	331,531	0.03%		Open Account 60 Days	-	-	(19,014)	(0.00%)
PEGATRON	COTEK SUZHOU	Note 2	Sale	(3,756,516)	(0.30%)	Note 4	Open Account 60 Days	-	-	3,303,620	0.66%
PEGATRON	COTEK SUZHOU	Note 2	Purchase	4,794,841	0.40%	Note 4	Open Account 60 Days	-	-	(1,916,485)	(0.43%)
PEGATRON	PTI	Note 2	Sale	(12,918,571)	(1.05%)	Note 4	Open Account 60 Days	-	-	23,511,116	4.67%
PEGATRON	RI DA	Note 2	Purchase	369,112	0.03%		Open Account 60 Days	-	-	(74,532)	(0.02%)
PEGATRON	PTX	Note 2	Sale	(7,505,823)	(0.61%)		Open Account 60 Days	-	-	2,820,902	0.56%
PTI	PEGATRON	Note 1	Purchase	12,918,571	96.10%		Open Account 60 Days	-	-	(23,511,116)	(94.86%)
PCZ	PEGATRON	Note 1	Purchase	889,866	63.21%		120 days on delivery	-	-	(164,780)	(71.78%)
RI DA	PEGATRON	Note 1	Sale	(369,112)	N/A		Open Account 60 Days	-	-	74,532	N/A
PTX	PEGATRON	Note 1	Purchase	7,505,823	97.33%		Open Account 60 Days	-	-	(2,820,902)	(99.34%)
POWTEK SHANGHAI	COTEK SUZHOU	Note 3	Purchase	19,464,616	99.91%		Open Account 60 Days	-	-	(9,033,660)	(100.00%)
POWTEK SHANGHAI	PEGAGLOBE KUNSHAN	Note 3	Sale	(70,724,090)	(18.34%)		Open Account 60 Days	-	-	31,185,056	24.87%
POWTEK SHANGHAI	PEGAGLOBE KUNSHAN	Note 3	Purchase	906,082	0.24%		Open Account 60 Days	-	-	(694,310)	(0.47%)
POWTEK SHANGHAI	COTEK SUZHOU	Note 3	Purchase	420,531	0.11%		Open Account 60 Days	-	-	(147,966)	(0.10%)
PEGAGLOBE KUNSHAN	PEGATRON	Note 1	Sale	(88,853,848)	(23.94%)		Open Account 60 Days	-	-	118,727,109	98.45%
PEGAGLOBE KUNSHAN	PROTEK SHANGHAI	Note 3	Sale	(906,082)	(0.24%)		Open Account 60 Days	-	-	694,310	0.58%
PEGAGLOBE KUNSHAN	PROTEK SHANGHAI	Note 3	Purchase	70,724,090	19.98%		Open Account 60 Days	-	-	(31,185,056)	(25.23%)
PEGAGLOBE KUNSHAN	COTEK SUZHOU	Note 3	Purchase	156,673	0.04%		Open Account 60 Days	-	-	(24,542)	(0.02%)
MAINTEK SUZHOU	COTEK SUZHOU	Note 3	Purchase	656,202	0.22%		Open Account 60 Days	-	-	(74,085)	(0.13%)
MAINTEK SUZHOU	COTEK SUZHOU	Note 3	Sale	(18,686,517)	(5.91%)		Open Account 60 Days	-	-	7,167,943	17.29%
MAINTEK SUZHOU	CASETEK SUZHOU	Note 3	Purchase	3,546,550	1.18%		Open Account 60 Days	-	-	(349,825)	(0.61%)
MAINTEK SUZHOU	PEGATRON	Note 1	Sale	(14,486,004)	(41.74%)		Open Account 60 Days	-	-	-	- %
MAINTEK SUZHOU	PEGATRON	Note 1	Purchase	12,908,922	67.99%		Open Account 60 Days	-	-	(22,078,619)	(95.51%)
COTEK SUZHOU	MAINTEK SUZHOU	Note 3	Sale	(656,202)	(2.21%)		Open Account 60 Days	-	-	74,085	0.63%

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
COTEK SUZHOU	PEGAGLOBE KUNSHAN	Note 3	Sale	(\$156,673)	(0.53%)	Open Account 60 Days	\$ -	-	\$ 24,542	0.21%	
COTEK SUZHOU	MAINTEK SUZHOU	Note 3	Purchase	18,686,517	68.22%	Open Account 60 Days	-	-	(7,167,943)	(61.83%)	
COTEK SUZHOU	CASETEK SUZHOU	Note 3	Purchase	142,953	0.52%	Open Account 60 Days	-	-	(48,692)	(0.42%)	
COTEK SUZHOU	PEGATRON	Note 1	Purchase	3,756,516	14.96%	Open Account 60 Days	-	-	(3,303,620)	(28.50%)	
COTEK SUZHOU	PEGATRON	Note 1	Sale	(4,794,841)	(18.03%)	Open Account 60 Days	-	-	1,916,485	16.39%	
COTEK SUZHOU	PROTEK SHANGHAI	Note 3	Sale	(420,531)	(1.41%)	Open Account 60 Days	-	-	147,966	1.27%	
COTEK SUZHOU	DIGITEK CHONGQING	Note 3	Sale	(201,021)	(0.68%)	Open Account 60 Days	-	-	11,786	0.10%	
COTEK SUZHOU	POWTEK SHANGHAI	Note 3	Sale	(19,464,616)	(65.43%)	Open Account 60 Days	-	-	9,033,660	77.24%	
DIGITEK CHONGQING	KAI-CHUAN	Note 3	Purchase	701,639	0.81%	Open Account 60 Days	-	-	(108,039)	(0.38%)	
DIGITEK CHONGQING	PEGATRON	Note 1	Sale	(5,257,574)	(85.96%)	Open Account 60 Days	-	-	26,282,280	99.65%	
DIGITEK CHONGQING	CASETEK SUZHOU	Note 3	Purchase	200,481	0.23%	Open Account 60 Days	-	-	(44,298)	(0.16%)	
DIGITEK CHONGQING	COTEK SUZHOU	Note 3	Purchase	201,021	0.23%	Open Account 60 Days	-	-	(11,786)	(0.04%)	
CASETEK SUZHOU	MAINTEK	Note 3	Sale	(3,546,550)	(74.81%)	Open Account 60 Days	-	-	349,825	53.87%	
CASETEK SUZHOU	PEGATRON	Note 1	Sale	(331,531)	(6.99%)	Open Account 60 Days	-	-	19,014	2.93%	
CASETEK SUZHOU	DIGITEK CHONGQING	Note 3	Sale	(200,481)	(4.23%)	Open Account 60 Days	-	-	44,298	6.82%	
CASETEK SUZHOU	COTEK SUZHOU	Note 3	Sale	(142,953)	(3.02%)	Open Account 60 Days	-	-	48,692	7.50%	
CORE-TEK	PROTEK SHANGHAI	Note 3	Sale	(205,398)	(100.00%)	Open Account 60 Days	-	-	18,808	100.00%	
KAI-CHUAN	DIGITEK CHONGQING	Note 3	Sale	(701,639)	(82.14%)	Open Account 60 Days	-	-	108,039	65.59%	
KINSUS	KINSUS SUZHOU	Note 2	Purchase	2,926,925	22.86%	Open Account 60 Days	Incomparable due to different product specification	Open Account 30~90 days	(241,659)	(11.74%)	
KINSUS SUZHOU	KINSUS	Note 1	Sale	(2,926,925)	(73.91%)	Open Account 60 Days	Incomparable due to different product specification	No comparable non-related party	241,659	79.03%	
PEGAVISION	PEGAVISION JAPAN	Note 2	Sale	(2,591,603)	(46.25%)	Open Account 90 Days	Same as other clients	Telex transfer-Open Account 90 days	335,242	37.41%	
PEGAVISION	Gemvision zhejiang	Note 2	Sale	(287,764)	(5.14%)	Open Account 180 Days	Same as other clients	Telex transfer-Open Account 90 days	67,566	7.54%	
PEGAVISION	BeautyTech	Note 2	Sale	(262,481)	(4.68%)	Open Account 120 Days	Same as other clients	Telex transfer-Open Account 90 days	98,960	11.04%	
PEGAVISION JAPAN	PEGAVISION	Note 1	Purchase	2,591,603	100.00%	Open Account 90 Days	No other comparable vendors	No other comparable vendors	(335,242)	(100.00%)	

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Credit term	Differences in transaction terms compared to third party		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total		Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Gemvision zhejiang	PEGAVISION	Note 1	Purchase	\$287,764	88.52%	Open Account 180 Days	No other comparable vendors	No other comparable vendors	(\$67,566)	(98.79%)	
BeautyTech	PEGAVISION	Note 1	Purchase	262,481	80.61%	Open Account 120 Days	No other comparable vendors	No other comparable vendors	(98,960)	(90.89%)	
ASROCK	ASIA ROCK	Note 2	Purchase	10,434,158	99.84%	Open Account 90 Days	No other comparable vendors	No other comparable vendors	(1,031,901)	(94.55%)	
ASROCK	ASRock America	Note 2	Sale	(4,206,122)	(32.98%)	Open Account 90 Days	Same as other clients	Same as other clients	2,011,561	75.67%	
ASROCK	ASROCK EUROPE	Note 2	Sale	(2,423,551)	(19.00%)	Open Account 45 Days	Same as other clients	Same as other clients	55,939	2.10%	
ASROCK	ASIA ROCK	Note 2	Sale	(185,414)	(1.45%)	Open Account 90 Days	Same as other clients	Same as other clients	176,151	6.63%	
ASRock Industrial	ASIA ROCK	Note 3	Purchase	1,004,059	64.20%	Open Account 60 Days	No other comparable vendors	No other comparable vendors	(247,181)	(66.64%)	
ASRock Rack	ASIA ROCK	Note 3	Purchase	1,481,506	58.10%	Open Account 60 Days	No other comparable vendors	No other comparable vendors	(393,806)	(55.02%)	
ASRock Rack	ASROCK EUROPE	Note 3	Sale	(142,287)	(4.44%)	Open Account 90 Days	Same as other clients	Same as other clients	6,292	1.57%	
ASRock Rack	ASRock America	Note 3	Sale	(290,960)	(9.08%)	Open Account 90 Days	Same as other clients	Same as other clients	105,035	26.26%	
ASIA ROCK	PEGATRON	Note 1	Purchase	484,345	4.87%	Open Account 90 Days	No other comparable vendors	No other comparable vendors	(112,304)	(3.55%)	
ASIA ROCK	ASROCK	Note 1	Sale	(10,434,158)	(73.36%)	Open Account 90 Days	Same as other clients	Same as other clients	1,031,901	53.47%	
ASIA ROCK	ASRock Industrial	Note 3	Sale	(1,004,059)	(7.06%)	Open Account 60 Days	Same as other clients	Same as other clients	247,181	12.81%	
ASIA ROCK	ASRock Rack	Note 3	Sale	(1,481,506)	(10.42%)	Open Account 60 Days	Same as other clients	Same as other clients	393,806	20.40%	
ASIA ROCK	ASROCK	Note 1	Purchase	185,414	1.76%	Open Account 90 Days	No other comparable vendors	No other comparable vendors	(176,151)	(16.89%)	
ASRock America	ASROCK	Note 1	Purchase	4,206,122	93.53%	Open Account 90 Days	No other comparable vendors	No other comparable vendors	(2,011,561)	(95.04%)	
ASRock America	ASRock Rack	Note 3	Purchase	290,960	6.47%	Open Account 90 Days	No other comparable vendors	No other comparable vendors	(105,035)	(4.96%)	
ASROCK EUROPE	ASROCK	Note 1	Purchase	2,423,551	91.23%	Open Account 45 Days	No other comparable vendors	No other comparable vendors	(55,939)	(71.06%)	
ASROCK EUROPE	ASRock Rack	Note 3	Purchase	142,287	5.36%	Open Account 90 Days	No other comparable vendors	No other comparable vendors	(6,292)	(7.99%)	
AzureWave Shanghai	AzureWave	Note 1	Sale	(1,426,545)	(52.00%)	Open Account 30~60 Days	Same as non-related party	Shorter than non-related party	242,537	6.00%	
AzureWave	PEGATRON	Note 1	Sale	(198,392)	(2.30%)	Open Account 60~90 Days	Same as non-related party	Same as non-related party	55,899	0.96%	
AzureWave	AzureWave Shanghai	Note 2	Purchase	1,426,545	23.00%	Open Account 30~60 Days	Same as non-related party	Shorter than non-related party	(237,599)	(13.00%)	
Lumens	Lumens Integration	Note 2	Sale	(180,273)	(21.00%)	Demand on funding need, Open Account 75 days	-	0~90 days	102,559	50.00%	
Lumens Integration	Lumens	Note 1	Purchase	180,273	94.00%	Demand on funding need, Open Account 75 days	-	0~90 days	(102,559)	(98.00%)	

Note1 : Parent company

Note2 : Subsidiary measured by equity method.

Note3 : Affiliate

Note4 : 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 7: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock
December 31, 2022

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue Receivables		Expressed in thousands of NTD	
					Amount	Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
PEGATRON	COTEK SUZHOU	Subsidiary measured by equity method	\$ 3,303,620	2.59 Times	\$ -	\$ -	\$ -	\$ -
	PROTEK SHANGHAI	Subsidiary measured by equity method	143,872,146	2.96 Times	-	-	9,215,416	-
	PEGAGLOBE KUNSHAN	Subsidiary measured by equity method	88,285,360	3.57 Times	-	-	33,789,250	-
	DIGITEK CHONGQING	Subsidiary measured by equity method	28,181,168	2.09 Times	-	-	1,535,676	-
	PCZ	Subsidiary measured by equity method	164,780	3.73 Times	-	-	66,782	-
	ASIAROCK	Subsidiary measured by equity method	112,304	3.87 Times	-	-	38,693	-
	PTB	Subsidiary measured by equity method	17,177,440	3.62 Times	-	-	-	-
	MAINTEK	Subsidiary measured by equity method	22,078,619 (Note 2)	4.35 Times	-	-	-	-
	PTI	Subsidiary measured by equity method	23,511,116	2.82 Times	-	-	-	-
	PHP	Subsidiary measured by equity method	1,536,342	2.22 Times	-	-	-	-
	PVN	Subsidiary measured by equity method	7,018,126	2.89 Times	-	-	-	-
	PTX	Subsidiary measured by equity method	2,820,902	5.15 Times	-	-	-	-
ASUSPOWER	PEGATRON	Parent Company	1,843,050	N/A Note 1	-	-	-	-
	PVN	Affiliate	1,535,875	N/A Note 1	-	-	-	-
	ASUS INVESTMENT	Affiliate	629,709	N/A Note 1	-	-	-	-
	ASUSPOWER INVESTMENT	Affiliate	522,198	N/A Note 1	-	-	-	-
Pegapower Investment	ASUSPOWER INVESTMENT	Affiliate	390,000	N/A Note 1	-	-	-	-
Pegatron Investment	ASUSPOWER INVESTMENT	Affiliate	200,000	N/A Note 1	-	-	-	-
	ASUS INVESTMENT	Affiliate	190,000	N/A Note 1	-	-	-	-
DIGITEK CHONGQING	PEGATRON	Parent Company	26,282,280	2.37 Times	-	-	1,620,636	-
	KAI-CHUAN	Affiliate	184,768	N/A Note 1	-	-	-	-
COTEK SUZHOU	PEGATRON	Parent Company	1,916,485	4.64 Times	-	-	9,029	-
	PROTEK SHANGHAI	Affiliate	147,966	4.97 Times	-	-	-	-
	POWTEK SHANGHAI	Affiliate	9,033,660	3.50 Times	-	-	-	-
PEGAGLOBE KUNSHAN	PEGATRON	Parent Company	118,727,109	3.58 Times	-	-	37,223,483	-
	PROTEK SHANGHAI	Affiliate	694,310	2.42 Times	-	-	-	-
PROTEK SHANGHAI	PEGATRON	Parent Company	93,962,599	3.71 Times	-	-	21,663,661	-
	PEGAGLOBE KUNSHAN	Affiliate	31,185,056	3.19 Times	-	-	-	-
MAINTEK	COTEK SUZHOU	Affiliate	7,167,721	4.18 Times	-	-	-	-
	COTEK SUZHOU	Affiliate	1,543,063	N/A Note 1	-	-	-	-
PTB	PEGATRON	Parent Company	10,782,364	5.45 Times	-	-	-	-
PVN	PEGATRON	Parent Company	3,226,701	6.52 Times	-	-	-	-
PHP	PEGATRON	Parent Company	746,898	3.75 Times	-	-	-	-
PTI	PEGATRON	Parent Company	11,648,694	2.60 Times	-	-	-	-
CASETEK SUZHOU	MAINTEK	Affiliate	349,825	5.35 Times	-	-	-	-
KAI-CHUAN	DIGITEK CHONGQING	Affiliate	108,039	3.32 Times	-	-	-	-
CASETEK CAYMAN	PEGATRON	Parent Company	7,065,025	N/A Note 1	-	-	-	-

Notes to the Consolidated Financial Statements

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue Receivables		Expressed in thousands of NTD		
					Amount	Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
RI TENG	RI PRO	Affiliate	\$ 132,316	N/A	Note 1	\$ -	\$ -	\$ -	\$ -
	PROTEK SHANGHAI	Affiliate	4,410,520	N/A	Note 1	-	-	-	-
ASROCK	PEGAGLOBE KUNSHAN	Affiliate	1,764,208	N/A	Note 1	-	-	-	-
	ASRock America	Subsidiary measured by equity method	2,011,561	3.03	Times	-	-	107,489	-
ASROCK	ASROCK	Parent Company	1,031,901	13.25	Times	-	-	-	-
	ASRock Rack	Affiliate	393,806	5.97	Times	-	-	-	-
ASRock Rack	ASRock Industrial	Affiliate	247,181	5.79	Times	-	-	39,376	-
	ASRock America	Affiliate	105,035	2.57	Times	-	-	-	-
KINSUS SUZHOU	KINSUS	Parent Company	241,659	6.38	Times	-	-	-	-
PEGAVISION	PEGAVISION JAPAN	Subsidiary measured by equity method	335,242	8.14	Times	-	-	45,575	-
Lumens	Lumens Integration	Subsidiary measured by equity method	102,559	1.65	Times	-	-	18,980	-
AzureWave Shanghai	AzureWave	Parent Company	242,537	3.71	Times	-	-	242,537	-

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

Note 2 : Offsetting of account receivables and payables.

Notes to the Consolidated Financial Statements

Table 8: Information on investees
December 31, 2022

Investor	Investee	Location	Nature of business	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note
				Balance as at December 31, 2022	Balance as at December 31, 2022	Number of shares	Ownership	Book value			
PEGATRON	ASUSPOWER INVESTMENT	Taipei	Investing activities	\$ 13,033,429	\$ 13,033,429	932,844,700	100.00%	\$ 11,804,906	\$ 986,587	\$ 986,587	
	ASUS INVESTMENT	Taipei	Investing activities	16,184,982	16,184,982	979,254,600	100.00%	13,234,345	996,518	996,518	
	ASUSTEK INVESTMENT	Taipei	Investing activities	14,593,543	14,593,543	951,278,300	100.00%	9,047,435	1,128,402	1,128,402	
	PEGA HOLDING	Cayman Islands	Investing activities	34,318,691	34,318,691	991,906,463	100.00%	97,413,112	(5,718,858)	(5,718,232)	
	PUSA	CA, USA	Sales and repair service center in North America	16,085	16,085	50,000	100.00%	18,712	(339)	(339)	
	PHH	Wijchen, NETHERLANDS	Investing activities	1,278,287	1,278,287	-	100.00%	3,339,681	222,049	222,049	
	AMA	Taipei	Designing and developing computer parts	408,394	408,394	33,500,000	100.00%	438,351	4,869	4,869	
	AzureWave	New Taipei City	Wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	525,750	525,750	35,750,000	23.41%	607,164	295,122	69,032	
	UNIHAN	Cayman Islands	Investing activities	5,823,962	5,823,962	170,110,010	100.00%	6,525,799	480,799	480,173	
	CASETEK CAYMAN	Cayman Islands	Investing activities	14,717,122	14,717,122	1	100.00%	44,532,173	5,979,271	5,979,271	
	PAU	Australia	Sales and repair service center in Australia	139,088	139,088	6,000,000	100.00%	247,475	38,276	38,276	
	PTB	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components.	1,249,369	1,249,369	39,999	100.00%	1,869,730	392,200	470,409	
	PVN	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	4,314,741	2,973,516	-	100.00%	4,350,383	8,374	9,579	
	PHP	Vietnam	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	429,459	429,459	-	100.00%	229,267	(15,122)	(16,051)	
	PTI	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	4,287,622	4,287,622	1,099,890,000	99.99%	2,246,389	(1,148,900)	(1,143,022)	
	PTX	TX, USA	Sales center in North America	144,033	27,813	500	100.00%	284,492	166,890	166,890	
	PEL	TX, USA	Sales center in North America	1,498,950	278,125	5,000	100.00%	1,551,506	13,988	13,988	
	Pegapower Investment	Taipei	Investing activities	1,000,000	-	100,000,000	100.00%	996,108	(3,892)	(3,892)	
	Pegatron Investment	Taipei	Investing activities	1,000,000	-	100,000,000	100.00%	996,108	(3,892)	(3,892)	
Pegatron Investment	Taipei	Investing activities	500,000	-	50,000,000	50.00%	494,884	(10,231)	Not required to disclose		
Pegatron Investment	Taipei	Investing activities	500,000	-	50,000,000	50.00%	494,884	(10,231)	Not required to disclose		
ASUSPOWER INVESTMENT	STARLINK	New Taipei City	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	135,144	135,144	15,000,000	50.00%	247,357	11,425	Not required to disclose	
	KINSUS	Taoyuan	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	727,473	727,473	55,556,221	12.27%	4,196,708	6,976,792	Not required to disclose	
	ASROCK	Taipei	Selling motherboards, related product development and design	82,626	82,626	2,791,000	2.29%	185,953	1,078,380	Not required to disclose	
	AzureWave	New Taipei City	Wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	154,000	154,000	7,000,000	4.58%	118,984	295,122	Not required to disclose	
	Lumens	Hsinchu	Developing, manufacturing and selling computer data projectors and related peripherals	508,932	508,932	10,043,490	50.22%	1,118,898	174,676	Not required to disclose	
	PEGAVISION	Taoyuan	Manufacture medical appliances	70,721	70,721	5,480,121	7.83%	503,208	1,543,185	Not required to disclose	
	ASUSPOWER	Virgin Islands	Investing and trading activities	3,752,682	3,752,682	109,000,000	31.23%	2,054,220	23,652	Not required to disclose	

Notes to the Consolidated Financial Statements

				Initial investment amount		Shares held as at December 31, 2022			Expressed in thousands of NTD		
Investor	Investee	Location	Nature of business	Balance as at December 31, 2022	Balance as at December 31, 2022	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note
ASUSPOWER INVESTMENT	PTSI	Kentucky, USA	Sales and repair service center in North America	\$ 94,475	\$ 94,475	2,800	100.00%	\$ 1,356,553	\$ 75,650		Not required to disclose
	PLSI	CA, USA	Sales and logistics center in North America	30	30	1,000	100.00%	12,220	(1)		Not required to disclose
	WISE INVESTMENT	Taipei	Investing activities	48,780	48,780	-	48.78%	274,369	25,051		Not required to disclose
	PEGA INTERNATIONAL	Taipei	Design service and sales	31,885	31,885	-	100.00%	25,883	(1,120)		Not required to disclose
	PJ	Japan	Sales and repair service center in Japan	27,287	27,287	-	100.00%	475,619	156,374		Not required to disclose
	PMX	Chihuahua, Mexico	Manufacture of consumer electronics and electronics parts	738,554	456,761	-	22.43%	767,656	(22,125)		Not required to disclose
	PSG	Singapore	Sales and repair service center in Singapore	23,990	23,990	1,000,000	100.00%	228,533	29,652		Not required to disclose
	PTB	Indonesia	Data storage and processing equipment, manufacturing wired and wireless communication equipment, installing and selling of computer equipment and electronic components.	31	31	1	0.00%	46	392,200		Not required to disclose
	PTI	India	Manufacturing and selling consumer electronics, computers, related peripherals, communication equipment, and electronic parts	429	429	110,000	0.01%	263	(1,148,900)		Not required to disclose
ASUS INVESTMENT	STARLINK	New Taipei City	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	90,000	90,000	9,000,000	30.00%	148,414	11,425		Not required to disclose
	KINSUS	Taoyuan	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	938,098	938,098	60,128,417	13.28%	4,542,087	6,976,792		Not required to disclose
	ASROCK	Taipei	Selling motherboards, related product development and design	155,718	155,718	57,217,754	46.90%	3,812,252	1,078,380		Not required to disclose
	Lumens	Hsinchu	Developing, manufacturing and selling computer data projectors and related peripherals	7,338	7,338	587,079	2.94%	65,404	174,676		Not required to disclose
	ASUSPOWER	Virgin Islands	Investing and trading activities	3,488,741	3,488,741	103,000,000	29.51%	1,941,083	23,652		Not required to disclose
	AS FLY	Taipei	Travel agency	6,000	6,000	-	100.00%	6,183	415		Not required to disclose
	HUA-YUAN	Taipei	Investing activities	500,000	500,000	-	100.00%	549,031	9,109		Not required to disclose
	PMX	Chihuahua, Mexico	Manufacture of consumer electronics and electronics parts	1,114,671	700,851	-	32.94%	1,127,297	(22,125)		Not required to disclose
	FUYANG	Hsinchu	Manufacturing and wholesaling of wires, cables, and electronic components	464,711	464,711	32,088,436	17.83%	192,191	149,546		Not required to disclose
ASUSTEK INVESTMENT	STARLINK	New Taipei City	Manufacturing electronic parts and plastic products, and manufacturing and wholesaling electronic components	60,000	60,000	6,000,000	20.00%	98,943	11,425		Not required to disclose
	KINSUS	Taoyuan	Manufacturing electronic parts, whole selling and retailing of electronic components, as well as providing business management consultant service	794,252	794,252	58,233,091	12.86%	4,398,914	6,976,792		Not required to disclose
	ASROCK	Taipei	Selling motherboards, related product development and design	223,939	223,939	7,453,405	6.11%	496,599	1,078,380		Not required to disclose
	AzureWave	New Taipei City	Wireless network development as well as selling and retailing of telecommunication, business and computer equipment and information software	98,487	98,487	6,696,930	4.38%	113,833	295,122		Not required to disclose
	Lumens	Hsinchu	Developing, manufacturing and selling computer data projectors and related peripherals	5,117	5,117	409,427	2.05%	45,612	174,676		Not required to disclose
	PEGAVISION	Taoyuan	Manufacturing medical appliances	64,292	64,292	4,934,434	7.05%	453,101	1,543,185		Not required to disclose
	ASUSPOWER	Virgin Islands	Investing and trading activities	4,652,885	4,652,885	137,000,000	39.26%	2,582,411	23,652		Not required to disclose
	FUYANG	Hsinchu	Manufacturing and wholesaling of wires, cables, and electronic components	929,422	929,422	64,176,872	35.65%	384,274	149,546		Not required to disclose
	Dynaflex	Cayman Islands	Investing activities	228,635	-	5,714	11.43%	229,606	32,107		Not required to disclose
PSG	PKR	Korea	Sales and repair service center in Korea	46,076	46,076	360,000	100.00%	135,111	27,594		Not required to disclose
PEGA HOLDING	MAGNIFICENT	Virgin Islands	Investing and trading activities	7,998,249	7,998,249	177,961,090	100.00%	31,936,979	(1,099,424)		Not required to disclose
	PROTEK	Virgin Islands	Investing and trading activities	9,196,774	9,196,774	308,100,000	100.00%	35,879,546	(4,790,438)		Not required to disclose

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Investor	Investee	Location	Nature of business	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note
				Balance as at December 31, 2022	Balance as at December 31, 2022	Number of shares	Ownership	Book value			
PEGA HOLDING	ASLINK	Cayman Islands	Investing and trading activities	\$ 6,917,787	\$ 6,917,787	229,711,968	100.00%	\$ 18,027,333	(\$47,973)	Not required to disclose	
	DIGITEK	Virgin Islands	Investing and trading activities	1,506,648	1,506,648	49,050,000	100.00%	7,150,200	(194,807)	Not required to disclose	
	COTEK	Virgin Islands	Investing and trading activities	2,119,968	2,119,968	81,275,000	100.00%	2,288,049	250,874	Not required to disclose	
	TOP QUARK	HongKong	Investing activities	325,436	325,436	9,550,000	100.00%	305,432	4,106	Not required to disclose	
	POWTEK	Virgin Islands	Investing and trading activities	403,797	403,797	8,050,000	100.00%	1,501,347	193,927	Not required to disclose	
	PIOTEK CAYMAN	Cayman Islands	Investing activities	2,834,411	2,834,411	92,000,000	49.00%	(41,841)	(246,681)	Not required to disclose	
	GUT	Samoa	Investing and trading activities	40,739	40,739	5,000,000	100.00%	4,967	(31,801)	Not required to disclose	
KINSUS	KINSUS USA	CA, USA	Designing substracts, formulating marketing strategy analysis, developing new customers, researching and development new product technology	15,359	15,359	500,000	100.00%	71,710	(2,492)	Not required to disclose	
	KINSUS SAMOA	Samoa	Investing activities	5,047,153	5,108,588	164,308,720	100.00%	3,230,275	883,693	Not required to disclose	
	KINSUS INVESTMENT	Taoyuan	Investing activities	1,600,000	1,600,000	160,000,000	100.00%	2,841,401	522,300	Not required to disclose	
KINSUS INVESTMENT	PEGAVISION	Taoyuan	Manufacturing medical appliances	252,455	252,455	21,233,736	30.33%	1,949,698	1,542,135	Not required to disclose	
	FUYANG	Hsinchu	Manufacturing and wholesaling of wires, cables, and electronic components	929,422	929,422	64,176,872	35.65%	381,123	149,546	Not required to disclose	
KINSUS SAMOA	KINSUS CAYMAN	Cayman Islands	Investing activities	2,150,225	2,211,660	70,000,000	100.00%	3,300,350	1,002,772	Not required to disclose	
	PIOTEK CAYMAN	Cayman Islands	Investing activities	2,896,937	2,896,937	95,755,000	51.00%	(43,557)	(246,690)	Not required to disclose	
PIOTEK CAYMAN	PIOTEK	Virgin Islands	Investing activities	4,295,560	4,295,560	139,840,790	100.00%	(85,395)	(246,690)	Not required to disclose	
PIOTEK	PIOTEK H.K.	HongKong	Trading activities	799	799	200,000	100.00%	66,411	(3,572)	Not required to disclose	
PEGAVISION	PEGAVISION JAPAN	Japan	Selling medical appliances	2,302	2,302	198	100.00%	94,156	35,608	Not required to disclose	
	Mayin	Taoyuan	Investing activities	246,003	120,003	21,000,000	100.00%	383,590	102,903	Not required to disclose	
Mayin	BeautyTech	Taoyuan	Selling medical appliances and cosmetics	107,500	40,000	8,500,000	85.00%	221,349	114,108	Not required to disclose	
Mayin	FacialBeau	Taoyuan	Selling medical appliances and cosmetics	27,500	27,500	2,750,000	55.00%	25,576	(3,481)	Not required to disclose	
BeautyTech	Aquamax	CA, USA	Selling medical appliances and cosmetics	-	33,789	-	-	-	(6,344)	Not required to disclose	
FacialBeau	BEAUTYTECH SG	Singapore	Selling medical appliances and cosmetics	6,144	-	200,000	100.00%	6,221	(46)	Not required to disclose	
	Aquamax	CA, USA	Selling medical appliances and cosmetics	33,789	-	11,000,000	100.00%	6,895	(6,344)	Not required to disclose	
	RODNA	Korea	Selling medical appliances and cosmetics	2,436	-	-	100.00%	2,345	(87)	Not required to disclose	
FUYANG	FUYANG HOLDING	Cayman Islands	Investing activities	1,357,292	1,357,292	44,000,000	100.00%	181,223	143,725	Not required to disclose	
ASROCK	ASRock Rack	Taipei	Manufacturing and selling computer and related peripherals	390,240	390,240	30,884,308	59.68%	501,788	137,524	Not required to disclose	
	ASiAROCK	Virgin Islands	Investing and holding activities	1,320,886	1,320,886	40,000,000	100.00%	3,714,463	(17,215)	Not required to disclose	
	Leader	Virgin Islands	Investing and holding activities	71,559	71,559	2,100,000	100.00%	59,664	(52,186)	Not required to disclose	
	ASRock Industrial	Taipei	Manufacturing and selling computer and related peripherals	239,683	239,683	31,064,410	64.46%	591,297	334,996	Not required to disclose	
	ASJade	Taipei	Information software service	216,563	103,125	17,325,000	82.50%	172,490	(52,876)	Not required to disclose	
	Soaring	HongKong	Trading activities	592	592	150,000	100.00%	592	1	Not required to disclose	
	ASiAROCK	ASROCK EUROPE	Nijmegen, NETHERLANDS	Data storage and sale of electronic material and international trade	5,959	5,959	200,000	100.00%	738,276	(2,250)	Not required to disclose
		CalRock	CA, USA	Office building leasing	61,435	61,435	2,000,000	100.00%	64,978	(1,131)	Not required to disclose
		Orbweb	Virgin Islands	Computer equipment installation and peripheral equipment wholesale and service	30,718	30,718	4,000,000	27.59%	-	(1,630)	Not required to disclose
	Leader	Firstplace	Virgin Islands	Investing and holding activities	62,971	62,971	2,050,000	100.00%	59,617	(52,186)	Not required to disclose
Firstplace	ASRock America	CA, USA	Selling database service and trading electronic components	61,435	61,435	2,000,000	100.00%	58,583	(52,186)	Not required to disclose	
Lumens	Lumens Integration	CA, USA	Selling computer communication products and peripherals	37,199	37,199	1,222,000	100.00%	16,115	(10,875)	Not required to disclose	
	Lumens SAMOA	Samoa	Investing activities	7,679	7,679	250,000	100.00%	31,579	6,285	Not required to disclose	
PTSI	PCBR	Brasil	Maintenance service	19,966	19,966	-	100.00%	6,650	(857)	Not required to disclose	
UNIHAN CASETEK	CASETEK	Virgin Islands	Investing and trading activities	5,044,110	5,044,110	115,375,668	100.00%	4,671,852	480,570	Not required to disclose	
	SLITEK	Samoa	Investing and trading activities	37,168	37,168	1,210,000	100.00%	(3,038)	(4,079)	Not required to disclose	
	KHL	HongKong	Investing and trading activities	767,938	767,938	25,000,000	100.00%	632,823	56,495	Not required to disclose	
	KTL	Samoa	Investing and trading activities	153,588	153,588	5,000,000	100.00%	490,771	(81,735)	Not required to disclose	

Notes to the Consolidated Financial Statements

Investor	Investee	Location	Nature of business	Initial investment amount		Shares held as at December 31, 2022			Expressed in thousands of NTD		Note
				Balance as at December 31, 2022	Balance as at December 31, 2022	Number of shares	Ownership	Book value	Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	
AzureWave	Azwave	Samoa	Investing activities	\$ 2,173,438	\$ 2,173,438	70,177,000	100.00%	\$ 2,049,276	(\$275,036)	Not required to disclose	
	EZWAVE	New Taipei City	Information products service	5,015	5,015	500,000	100.00%	(23,824)	(714)	Not required to disclose	
	AzureWave Shanghai	New Taipei City	Designing, manufacturing and trading computer products	25,000	25,000	2,000,000	100.00%	36,330	3,924	Not required to disclose	
	Azurewave USA	CA, USA	Market development activities	19,820	19,820	650,000	100.00%	1,048	(1,300)	Not required to disclose	
CASETEK CAYMAN	RIH LI	Samoa	Investing activities	23,546,072	23,546,072	581,331,000	100.00%	34,300,346	4,245,896	Not required to disclose	
	RI-KUAN	Taipei	Selling iron and aluminum products	309,683	309,683	30,000,000	100.00%	719,499	114,920	Not required to disclose	
	APLUS	Cayman Islands	Investing and trading activities	987,710	987,710	38,300,000	100.00%	898,255	26,886	Not required to disclose	
	MEGA	Samoa	Trading activities	30,718	30,718	1,000,000	100.00%	57,046	1,593	Not required to disclose	
	PMX	Chihuahua, Mexico	Manufacture of consumer electronics and electronics parts	1,535,875	-	-	44.63%	1,527,436	(22,125)	Not required to disclose	
APLUS	UNITED	Samoa	Investing and trading activities	1,176,480	1,176,480	38,300,000	100.00%	898,255	26,886	Not required to disclose	
RI-KUAN	RITENG	CA, USA	Market survey	7,065	7,065	230,000	100.00%	7,384	(648)	Not required to disclose	
ASUSPOWER	Dynaflex	Cayman Islands	Investing activities	257,245	-	6,429	12.86%	249,955	32,107	Not required to disclose	

Note 1 : Income and expenses for each statement of comprehensive income are translated at average exchange rates of 2022, the others are translated at the spot exchange rate on the financial statement date.

Notes to the Consolidated Financial Statements

Table 9: Information on investments in Main China
December 31, 2022

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

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 [Note2, (2)]	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022
					Remitted to Mainland China	Remitted back to Taiwan						
MAINTEK (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	7,021,713 USD 228,590,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	\$5,430,854 USD 176,800,000	\$ -	\$ -	\$5,430,854 USD 176,800,000	(\$1,099,377) (USD 36,935,614)	100%	(\$1,099,377) (USD 36,935,614)	\$32,075,511 USD 1,044,209,671	\$ -
PROTEK SHANGHAI	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 componentand, and providing after-sales service	9,460,990 USD 308,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	9,460,990 USD 308,000,000	-	-	9,460,990 USD 308,000,000	(4,790,380) (USD 160,941,719)	100%	(4,790,380) (USD 160,941,719)	36,019,649 USD 1,172,610,056	-
PIOTEK SUZHOU (Note 7)	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	5,120,607 USD 166,700,000	Through setting up company in the third area, the Company then reinvest in the investee in	1,395,996 USD 45,446,280	-	-	1,395,996 USD 45,446,280	(243,116) (USD 8,167,944)	68.59%	(166,751) (USD 5,602,319)	(104,119) (USD 3,389,577)	-
COTEK SUZHOU	Developing, manufacturing and selling new electronic components, circuit boards and relevant products, and providing after-sales service	2,488,118 USD 81,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,119,508 USD 69,000,001	-	-	2,119,508 USD 69,000,001	249,123 USD 8,369,736	100%	249,123 USD 8,369,736	2,215,651 USD 72,129,929	-
RUNTOP (Note 19)	Manufacturing and selling computer parts and peripherals of digital automatic data processors, multimedia computer system accessories, power supply units, network switches, and modems	215,023 USD 7,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	323,900 USD 10,544,482	-	-	323,900 USD 10,544,482	- USD 0	0%	- USD 0	- USD 0	-
POWTEK SHANGHAI	Selling main boards, computer peripherals, notebooks, servers and software, and providing after-sales service	245,740 USD 8,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	403,797 USD 13,145,510	-	-	403,797 USD 13,145,510	193,991 USD 6,517,477	100%	193,991 USD 6,517,477	1,501,090 USD 48,867,593	-
DIGITEK CHONGQING	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.	1,505,158 USD 49,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,505,158 USD 49,000,000	-	-	1,505,158 USD 49,000,000	(194,770) (USD 6,543,657)	100%	(194,770) (USD 6,543,657)	7,142,644 USD 232,526,865	-
PEGAGLOBE KUNSHAN	Manufacturing satellite navigation and positioning receiving equipment and key components, mobile phones, third generation and subsequent mobile communication mobile phones, base stations, core equipment and network testity equipment, large and medium-sized electronic computers, portable microcomputers, high-ends servers, large-capacity optical, disle drives and their components, high-end server, disk drive, and other related components	5,959,195 USD 194,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	5,959,195 USD 194,000,000	-	-	5,959,195 USD 194,000,000	(49,284) (USD 1,655,772)	100%	(49,284) (USD 1,655,772)	17,135,835 USD 557,852,530	-
PEGAGLOBE JIANGSU	Investing activities with own funds: equity investment	921,525 USD 30,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	921,525 USD 30,000,000	-	-	921,525 USD 30,000,000	845 USD 28,383	100%	845 USD 28,383	934,295 USD 30,415,730	-
CASETEK SUZHOU (Note 17)	Manufacturing, developing and selling computers, computer parts, application systems, and providing after-sales service	1,720,180 USD 56,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,720,180 USD 56,000,000	-	-	1,720,180 USD 56,000,000	586,034 USD 19,688,898	100%	586,034 USD 19,688,898	2,956,199 USD 96,238,280	-
KAEDAR	Tooling molds of stainless-steel computer cases	537,556 USD 17,500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	752,797 USD 24,507,092	-	-	752,797 USD 24,507,092	56,524 USD 1,899,018	100%	56,524 USD 1,899,018	617,192 USD 20,092,517	-
CORE-TEK	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	368,610 USD 12,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	368,610 USD 12,000,000	-	-	368,610 USD 12,000,000	3,355 USD 112,709	100%	3,355 USD 112,709	213,202 USD 6,940,720	-
KAI-CHUAN	Manufacturing, developing and inspecting computers and application systems, designing and manufacturing nonmetal and metal tooling, developing plastic and electronic component, selling selfmanufactured products	307,175 USD 10,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	307,175 USD 10,000,000	-	-	307,175 USD 10,000,000	(80,978) (USD 2,720,608)	100%	(80,978) (USD 2,720,608)	237,562 USD 7,733,759	-

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 [Note2, (2)]	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022
					Remitted to Mainland China	Remitted back to Taiwan						
Zhangjiagang East High-tech	Process, sale and transportation of steel.	184,305 USD 6,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	\$36,861 USD 1,200,000	\$ -	\$ -	\$36,861 USD 1,200,000	(\$20,307) (USD 682,267)	20%	(\$4,061) (USD 136,453)	(\$4,314) (USD 140,451)	\$ -
FUYANG SUZHOU (Note 13)	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	1,351,570 USD 44,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	1,351,570 USD 44,000,000	-	-	1,351,570 USD 44,000,000	143,940 USD 4,835,920	67.17%	96,684 USD 3,248,287	179,239 USD 5,835,081	-
HONGJIE SHANGHAI (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	153,588 USD 5,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	28,652 USD 932,769	-	-	28,652 USD 932,769	-	-	-	-	-
HONGJIE SUZHOU (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	408,849 USD 13,309,984	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	185,096 USD 6,025,762	-	-	185,096 USD 6,025,762	-	-	-	-	-
Suzhou Eslite (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	156,659 USD 5,100,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	35,539 USD 1,156,954	-	-	35,539 USD 1,156,954	-	-	-	-	-
HONGJIE CHONGQING (Note 14)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	15,359 USD 500,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	2,350 USD 76,500	-	-	2,350 USD 76,500	-	-	-	-	-
Hongruisheng (Note 12)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	80,173 USD 2,610,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	19,444 USD 633,000	-	-	19,444 USD 633,000	-	-	-	-	-
Heilongjiang Hongjie (Note 11)	Manufacture of all kinds of paper boxes, paper materials, paper plastics, cushioning material, tray, etc.	75,565 USD 2,460,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	13,602 USD 442,800	-	-	13,602 USD 442,800	-	-	-	-	-
Suzhou Lianshuo (Note 6)	Manufacture of plugs	214,545 USD 6,984,441	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	235,180 USD 7,656,224	-	-	235,180 USD 7,656,224	-	-	-	-	-
Shanghai Yiding (Note 8)	Research and develop, manufacture and sale of portable micro computer, laptop and related products.	952,243 USD 31,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	602,063 USD 19,600,000	-	-	602,063 USD 19,600,000	-	-	-	-	-
Jinhong (Note 10)	Design, process, sale and manufacture of non-metal molds. Manufacture and sale of precision molds, standard molds, plastic and hardware.	27,646 USD 900,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	52,681 USD 1,715,000	-	-	52,681 USD 1,715,000	-	-	-	-	-
Honghua (Note 9)	Manufacture, research and develop, process non-metal molds, precision molds, standard molds, hardware components, new version of photoelectric trigger, disk driver and their components. Manufacture of number camera, essential components and providing after sale service.	196,592 USD 6,400,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	96,330 USD 3,136,000	-	-	96,330 USD 3,136,000	-	-	-	-	-
KAI HE (Note 18)	Designing, manufacturing and selling electronic components and providing after-sales services, idle equipments leasing, commission agency, trading services, relevant corresponding services, and surface processing for the aforementioned products.	1,658,745 USD 54,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	519,908 USD 16,925,453	-	-	519,908 USD 16,925,453	25,309 USD 850,313	100%	25,309 USD 850,313	896,345 USD 29,180,271	-
RI TENG (Note 18)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	4,761,182 USD 154,999,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	9,481,664 USD 308,673,038	-	-	9,481,664 USD 308,673,038	347,436 USD 11,672,753	100%	347,436 USD 11,672,753	7,736,500 USD 251,859,691	-
RI PRO (Note 18)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	92,153 USD 3,000,000	Through setting up company in the third area, the Company then reinvest in the investee in Mainland China.	19,373 USD 630,695	-	-	19,373 USD 630,695	(21,798) (USD 732,341)	100%	(21,798) (USD 732,341)	(11,177) (USD 363,857)	-

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan as of January 1, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022 [Note2, (2)]	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022
					Remitted to Mainland China	Remitted back to Taiwan						
Luxcase (Note 18)	Designing, developing, manufacturing and selling electronic components, precision, nonmetal and metal tooling	28,713,784 USD 934,769,575	Through investing in the third area, the Company then reinvest in the investee in Mainland China.	\$19,728,965 USD 642,271,181	\$ -	\$ -	\$19,728,965 USD 642,271,181	\$8,866,140 USD 297,874,426	48.17%	\$4,271,086 USD 143,495,047	\$27,107,247 USD 882,469,186	-

2. Limitation on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 (Note 16 and 18)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 15, 18 and 20)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
63,607,648 USD 2,070,729,979.74	68,183,276 USD 2,219,688,304.74	128,740,958

US dollar exchange rate : year end exchange rate 30.7175 ; average exchange rate 29.76469

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's paid-in capital includes capital increase by retained earning of USD51,790,000.

Note 6 : Suzhou Lianshuo has completed liquidation process. As of December 31, 2022, the funds have not been remitted.

Note 7 : PIOTEK SUZHOU's paid-in capital includes capital increase by retained earning of USD27,000,000. The ownership percentage includes shares hold by other subsidiaries.

Note 8 : The Group has disposed of shares of Indeed Holdings (indirectly invested in Shanghai Yiding). As of December 31, 2022, the funds have not been remitted.

Note 9 : Honghua has completed liquidation process. As of December 31, 2022, the funds have not been remitted.

Note 10 : The Group has disposed shares of Jinhong. As of December 31, 2022, the funds have not been remitted.

Note 11 : The Group has disposed shares of Heilongjiang Hongjie . As of December 31, 2022, the funds have not been remitted.

Note 12 : Hongruisheng has completed liquidation process. As of December 31, 2022, the funds have not been remitted.

Note 13 : Accumulated investment amount includes FUYANG transferred out USD26,000,000.

Note 14 : The Group has disposed all shares of E-Packing. As of December 31, 2022, the funds have not been remitted.

Note 15 : Due to the reinvestment of the Group's investee, China renewable Energy Fund, LP (CREF), in Mainland China, the Group increased its line of credit to USD38,040,537, with the approval from the Investment Commission of MOEA.

Note 16 : The difference of USD17,211,239.04 between the accumulated amounts of remittance from Taiwan to Mainland China as of December 31, 2022 was the actual amount of investment in Mainland China made by China Renewable Energy Fund, LP(CREF) and Ark Semiconductor Corp. Ltd.

Note 17 : CASETEK SUZHOU remitted USD10,756,881.08 to CASETEK. the remittance have not been remitted back to Taiwan as of December 31, 2022.

Note 18 : The merger of CASETEK CAYMAN has been approved and completed by the Investment Commission of MOEA, and is included in the investment amount and quota in Mainland China after its accounting and distribution.

Note 19 : The Group has disposed all shares of RUNTOP. As of December 31, 2022, the funds have not been remitted.

Note 20: Due to the investment of the Group's subsidiary, Ark Semiconductor Corp. Ltd, the Group increased its line of credit to USD5,339,028, with the approval from the Investment Commission of MOEA.

Notes to the Consolidated Financial Statements

Table 10: Business relationships and significant intercompany transactions
December 31, 2022

Expressed in thousands of NTD

No.	Company name	Counterparty	Relationship (Note 1)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms (Note 2)	
0	PEGATRON	ASIAROCK	1	Sales	\$ 484,345	-	0.04%
0	PEGATRON	ASIAROCK	1	Accounts Receivables	112,304	-	0.02%
0	PEGATRON	PCZ	1	Sales	889,866	-	0.07%
0	PEGATRON	PCZ	1	Accounts Receivables	164,780	-	0.03%
0	PEGATRON	COTEK SUZHOU	1	Accounts Receivables	3,303,620	-	0.52%
0	PEGATRON	PROTEK SHANGHAI	1	Accounts Receivables	143,872,146	-	22.61%
0	PEGATRON	MAINTEK SUZHOU	1	Sales	12,908,922	-	0.98%
0	PEGATRON	MAINTEK SUZHOU	1	Accounts Receivables	22,078,619	-	3.47%
0	PEGATRON	COTEK SUZHOU	1	Sales	3,756,516	-	0.29%
0	PEGATRON	PEGAGLOBE KUNSHAN	1	Accounts Receivables	88,285,360	-	13.88%
0	PEGATRON	DIGITEK CHONGQING	1	Accounts Receivables	28,181,168	-	4.43%
0	PEGATRON	PTB	1	Accounts Receivables	17,177,440	-	2.70%
0	PEGATRON	PTI	1	Sales	12,918,571	-	0.98%
0	PEGATRON	PTI	1	Accounts Receivables	23,511,116	-	3.70%
0	PEGATRON	PHP	1	Accounts Receivables	1,536,342	-	0.24%
0	PEGATRON	PVN	1	Accounts Receivables	7,018,126	-	1.10%
0	PEGATRON	PTX	1	Accounts Receivables	2,820,902	-	0.44%
0	PEGATRON	PTX	1	Sales	7,505,823	-	0.57%
1	PTB	PEGATRON	2	Accounts Receivables	10,782,364	-	1.69%
2	PVN	PEGATRON	2	Accounts Receivables	3,226,701	-	0.51%
3	PHP	PEGATRON	2	Accounts Receivables	746,898	-	0.12%
4	PTI	PEGATRON	2	Accounts Receivables	11,648,694	-	1.83%
5	PROTEK SHANGHAI	PEGATRON	2	Accounts Receivables	93,962,599	-	14.77%
5	PROTEK SHANGHAI	PEGAGLOBE KUNSHAN	3	Sales	70,724,090	-	5.37%
5	PROTEK SHANGHAI	PEGAGLOBE KUNSHAN	3	Accounts Receivables	31,185,056	-	4.90%
6	PEGAGLOBE KUNSHAN	PEGATRON	2	Sales	88,853,848	-	6.74%
6	PEGAGLOBE KUNSHAN	PEGATRON	2	Accounts Receivables	118,727,109	-	18.66%
6	PEGAGLOBE KUNSHAN	PROTEK SHANGHAI	3	Sales	906,082	-	0.07%
6	PEGAGLOBE KUNSHAN	PROTEK SHANGHAI	3	Accounts Receivables	694,310	-	0.11%
7	MAINTEK SUZHOU	PEGATRON	2	Sales	14,486,004	-	1.10%
7	MAINTEK SUZHOU	COTEK SUZHOU	3	Sales	18,686,517	-	1.42%
7	MAINTEK SUZHOU	COTEK SUZHOU	3	Accounts Receivables	7,167,721	-	1.13%
7	MAINTEK SUZHOU	COTEK SUZHOU	3	Other Receivables	1,535,875	-	0.24%
8	COTEK SUZHOU	PEGATRON	2	Sales	4,794,841	-	0.36%
8	COTEK SUZHOU	PEGATRON	2	Accounts Receivables	1,916,485	-	0.30%
8	COTEK SUZHOU	MAINTEK SUZHOU	3	Sales	656,202	-	0.05%
8	COTEK SUZHOU	PROTEK SHANGHAI	3	Sales	420,531	-	0.03%
8	COTEK SUZHOU	PROTEK SHANGHAI	3	Accounts Receivables	147,966	-	0.02%
8	COTEK SUZHOU	PEGAGLOBE KUNSHAN	3	Sales	156,673	-	0.01%
8	COTEK SUZHOU	DIGITEK CHONGQING	3	Sales	201,021	-	0.02%
8	COTEK SUZHOU	POWTEK SHANGHAI	3	Sales	19,464,616	-	1.48%
8	COTEK SUZHOU	POWTEK SHANGHAI	3	Accounts Receivables	9,033,660	-	1.42%
9	DIGITEK CHONGQING	PEGATRON	2	Sales	5,257,574	-	0.40%
9	DIGITEK CHONGQING	PEGATRON	2	Accounts Receivables	26,282,280	-	4.13%
9	DIGITEK CHONGQING	KAI-CHUAN	3	Other Receivables	184,305	-	0.03%
10	KAI-CHUAN	DIGITEK CHONGQING	3	Sales	701,639	-	0.05%
10	KAI-CHUAN	DIGITEK CHONGQING	3	Accounts Receivables	108,039	-	0.02%
11	CASETEK SUZHOU	MAINTEK SUZHOU	3	Sales	3,546,550	-	0.27%
11	CASETEK SUZHOU	MAINTEK SUZHOU	3	Accounts Receivables	349,825	-	0.05%
11	CASETEK SUZHOU	DIGITEK CHONGQING	3	Sales	200,481	-	0.02%
11	CASETEK SUZHOU	COTEK SUZHOU	3	Sales	142,953	-	0.01%
11	CASETEK SUZHOU	PEGATRON	2	Sales	331,531	-	0.03%
12	CORE-TEK	PROTEK SHANGHAI	3	Sales	205,398	-	0.02%
13	KINSUS SUZHOU	KINSUS	2	Sales	2,926,925	-	0.22%
13	KINSUS SUZHOU	KINSUS	2	Accounts Receivables	241,659	-	0.04%
14	PEGAVISION	PEGAVISION JAPAN	1	Sales	2,591,603	-	0.20%
14	PEGAVISION	PEGAVISION JAPAN	1	Accounts Receivables	335,242	-	0.05%
14	PEGAVISION	Gemvision Zhejiang	1	Sales	287,764	-	0.02%
14	PEGAVISION	BeautyTech	1	Sales	262,481	-	0.02%
15	CASETEK CAYMAN	PEGATRON	2	Short-term Receivables	7,065,025	-	1.11%
16	RI-TENG	RI PRO	3	Short-term Receivables	132,316	-	0.02%
16	RI-TENG	PROTEK SHANGHAI	3	Long-term Receivables	4,410,520	-	0.69%
16	RI-TENG	PEGAGLOBE KUNSHAN	3	Long-term Receivables	1,764,208	-	0.28%
17	RI-DA	PEGATRON	2	Sales	369,112	-	0.03%
18	ASROCK	ASRock America	1	Sales	4,206,122	-	0.32%
18	ASROCK	ASRock America	1	Accounts Receivables	2,011,561	-	0.32%
18	ASROCK	ASROCK EUROPE	1	Sales	2,423,551	-	0.18%
18	ASROCK	ASIAROCK	1	Sales	185,414	-	0.01%
18	ASROCK	ASIAROCK	1	Accounts Receivables	176,151	-	0.03%
19	ASIAROCK	ASROCK	2	Sales	10,434,158	-	0.79%

Notes to the Consolidated Financial Statements

Expressed in thousands of NTD

No.	Company name	Counterparty	Transaction				
			Relationship (Note 1)	General ledger account	Amount	Transaction terms (Note 2)	Percentage of consolidated total operating revenues or total assets
19	ASIAROCK	ASROCK	2	Accounts Receivables	\$ 1,031,901	-	0.16%
19	ASIAROCK	ASRock Industrial	3	Sales	1,004,059	-	0.08%
19	ASIAROCK	ASRock Industrial	3	Accounts Receivables	247,181	-	0.04%
19	ASIAROCK	ASRock Rack	3	Sales	1,481,506	-	0.11%
19	ASIAROCK	ASRock Rack	3	Accounts Receivables	393,806	-	0.06%
20	ASRock Rack	ASRock America	3	Sales	290,960	-	0.02%
20	ASRock Rack	ASRock America	3	Accounts Receivables	105,035	-	0.02%
20	ASRock Rack	ASROCK EUROPE	3	Sales	142,287	-	0.01%
21	AZUREWAVE	PEGATRON	2	Sales	198,392	-	0.02%
22	ASUSPOWER	PEGATRON	2	Other Receivables	1,843,050	-	0.29%
22	ASUSPOWER	ASUSPOWER INVESTMENT	2	Other Receivables	522,198	-	0.08%
22	ASUSPOWER	ASUS INVESTMENT	2	Other Receivables	629,709	-	0.10%
22	ASUSPOWER	PVN	3	Other Receivables	1,535,875	-	0.24%
23	Azurewave Shanghai	AZUREWAVE	2	Sales	1,426,545	-	0.11%
23	Azurewave Shanghai	AZUREWAVE	2	Accounts Receivables	242,537	-	0.04%
24	Lumens	Lumens Integration	1	Sales	180,273	-	0.01%
24	Lumens	Lumens Integration	1	Accounts Receivables	102,559	-	0.02%
25	Pegapower Investment	ASUSPOWER INVESTMENT	3	Other Receivables	390,000	-	0.06%
26	Pegapower Investment	ASUSPOWER INVESTMENT	3	Other Receivables	200,000	-	0.03%
26	Pegatron Investment	ASUS INVESTMENT	3	Other Receivables	190,000	-	0.03%

Note 1: 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 2: The terms of transactions and receipts of sales between the parent company and the subsidiary are not significantly different from those of ordinary sales, and the terms of these transactions are determined by mutual agreement.

Note 3: All the transactions which amount is lower than materiality will not be disclosed.